



Reset. Redefine. Rise.



HAYLEYS FABRIC PLC
ANNUAL REPORT 2025/2026



www.hayleysfabric.com

Scan to access

the integrated Annual Report- 2025/26



CARBON NEUTRAL CERTIFICATE

Presented to: Hayleys Fabric PLC

Presented by: Sri Lanka Climate Fund (Pvt) Ltd.

Sri Lanka Climate Fund (Pvt) Ltd. certifies that
Corporate Annual Report of Hayleys Fabric PLC
has offset its total Product Level GHG Emissions of 9.44 tCO₂e
quantified and verified for the financial year 2025/26
from Certified Emission Reductions (CERs) of
Gansu Guazhou Ganhekou No.3 Wind Power Plant Project,
People's Republic of China
registered under Clean Development Mechanism of UNFCCC

Assessment of Product Level GHG Statement

Scope	Product Level
Methodology	ISO 14067:2018
System Boundary	Life cycle assessment of the product Cradle to Gate
Period of Assessment	01.04.2025 – 31.03.2026
Verified by	Sri Lanka Climate Fund (Pvt) Ltd.

Certificate No : SLCF/CNC/0087

Date of Issue : 31.03.2026

Chairman
Sri Lanka Climate Fund (Pvt) Ltd



Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd



Reset. Redefine. Rise.

Every system reaches a critical point where renewal becomes essential, and every season must give way to the next. For Hayleys Fabric PLC, this year was one that marked a season of change; a year that called for reset and redefinition, and enabled us to rise.

As we faced the ultimate test of winter with global turbulence, market uncertainty and shifting trade dynamics, reset became a necessary step. Systems were recalibrated, structures were simplified and priorities were realigned to strengthen our foundation and preserve our future.

Now, with our reset in place, we redefine our business; instead of returning to what once worked, we rebuild our operation to be market-ready, adaptable and equipped to thrive in an evolving global landscape.

As our reset leads to our redefinition, we rise with improved speed, sharper decision-making and increased efficiency, with innovation and sustainability as core drivers supporting unconditional resilience and responsible growth.

**TO EMERGE STRONGER, WE RESET.
IN THE FACE OF COMPLEXITY, WE REDEFINE.
WITH SEASONS OF CHANGE, WE RISE.**



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About Our 12th Integrated Report



ABOUT OUR INTEGRATED REPORT

Confirming the Group's commitment to integrated reporting, the annual process of preparing the integrated report is the responsibility of a working group led by the Executive Director-Finance & ESG and comprising senior members of the finance and sustainability teams.



TARGET AUDIENCE

This report is intended to satisfy the information needs of Hayleys Fabric PLC's key stakeholders including customers, suppliers, investors, employees, regulators and communities.



SCOPE AND BOUNDARY

This report spans the Group's financial reporting period from 1st April 2025 to 31st March 2026 and comprehensively covers the core business activities of Hayleys Fabric PLC, its fully-owned subsidiary, South Asia Textiles Limited and Hayleys Fabric Solutions Ltd, a partly-owned subsidiary for the said period.

The integrated reporting boundary covers risks, opportunities and outcomes relating to the Group's operating environment, its operating businesses and engagement with key stakeholders who influence the Group's ability to create and sustain value.

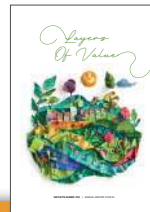


2024-25



CA Sri Lanka TAGS Awards 2025
Silver Award joint winner for Manufacturing Sector (Group Turnover LKR 10 - 50 Bn) at the CA Sri Lanka TAGS Awards 2025.

2023-24



CA Sri Lanka TAGS Awards 2024
Silver Award joint winner for Manufacturing Sector (Group Turnover Above LKR 20 Bn) at the CA Sri Lanka TAGS Awards 2024.

2017-18



Won the Bronze Award for the 3rd consecutive year in the Manufacturing Sector above Rs.5 Bn Revenue category at the Annual Report Awarding Ceremony - 2017 organised by CA Sri Lanka and the Colombo Stock Exchange.

2018-19



Won the Silver Award for the first time, after winning Bronze Awards during the past 3 consecutive years, in the Manufacturing Sector above Rs.5 Bn Revenue category at the Annual Report Awarding Ceremony - 2018, organised by CA Sri Lanka and the Colombo Stock Exchange

2016-17



Won the Bronze Award for the 2nd consecutive year in the Manufacturing Sector at the Annual Report Awarding Ceremony - 2016 organised by CA Sri Lanka and the Colombo Stock Exchange

2015-16

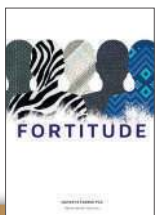


The Company won the Bronze Award in the Manufacturing Sector at the Annual Report Awards 2015 organised by CA Sri Lanka and the Colombo Stock Exchange. The award is a strong testament of the Company's transparency and the integrity of financial reporting.

CAPITAL NAVIGATION

FINANCIAL, NON-FINANCIAL AND STATUTORY REPORTING BOUNDARY	CAPITALS APPLIED IN THE CREATION, PRESERVATION OR EROSION OF VALUE		STAKEHOLDERS	
01st April 2025 - 31st March 2026 HAYLEYS FABRIC GROUP Hayleys Fabric PLC South Asia Textiles Limited Hayleys Fabric Solutions Ltd	 Financial Capital	 Intellectual Capital	 Investors	 Customers
	 Manufactured Capital	 Human Capital	 Employees	 Suppliers
	 Social and Relationship Capital	 Natural Capital	 Regulators	 Community

2022-23



CA Sri Lanka TAGS Awards 2022

Bronze Award for Manufacturing Sector (Group Turnover Above LKR 10 Bn) at the CA Sri Lanka TAGS Awards 2022.

2021-22



International ARC Awards - Emerald Anniversary (35th Academy Awards of Annual Reports 2021)

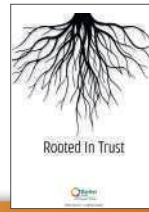
Bronze Award for the 2019/20 Annual Report, 'Progressive by Nature' - the Best Script/Writing: Manufacturing & Distributing

2019-20



Bronze Award under the Asia's Best Integrated Report (Design) category at the Asia Sustainability Reporting Awards 2019, organised by CSRWorks International - Singapore

2020-21



SAARC Anniversary Awards 2020
Merit Award for Integrated Reporting and Corporate Governance Disclosures Certificate

2014-15



Hayleys Fabric PLC 1st Integrated Annual Report.

About Our 12th Integrated Report

REPORTING FRAMEWORKS

INTEGRATED REPORTING (V)

The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

SUSTAINABILITY REPORTING

Global Reporting Initiative (GRI) standards - 'In Accordance', issued by Global Sustainability Standards Board (V)

United Nations Sustainable Development Goals (SDGs) (V)

Sustainability Accounting Standard for the Apparel, Accessories and Footwear sector standard of the Sustainability Accounting Standards Board (SASB) (V)

United Nations Global Compact (UNGC) (V)

UNGC CEO Water Mandate (V)

Gender Parity Reporting Framework of CA Sri Lanka (V)

SLFRS S1 & S2 (M)

FINANCIAL REPORTING (M)

Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka

Companies Act No. 07 of 2007

Listing Rules of the Colombo Stock Exchange

GOVERNANCE, COMPLIANCE AND RISK REPORTING

Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (V)

Corporate Governance Requirements stipulated under the Listing Rules of the Colombo Stock Exchange (CSE) - (M)

M - Mandatory Requirements

V - Voluntary Adoption

INTEGRATED REPORTING PROCESS

Confirming the Group's commitment to integrated reporting, the annual process of preparing the integrated report is the responsibility of a working Group led by the Executive Director - Finance & ESG and comprising senior members of the finance, marketing and sustainability teams.

The report preparation process commences with the working group undertaking to critically evaluate the previous year's integrated report to identify opportunities to enhance disclosures in line with global best reporting practices, reflecting the commitment to continually enhance the quality of reporting and disclosures year-on-year.

Thereafter, appropriate content is gathered based on interviews and submissions from corporate management, business unit heads, the Company Secretary and divisional executives. Macroeconomic data contained within the report is extracted from verified publicly available external sources. All such external sources have been quoted as relevant.

Draft content reports are subject to stringent scrutiny by the working Group and where relevant further reviewed by appropriate Board Committees. The draft integrated report is provided to the Board for review and their feedback, with suggestions then incorporated into the final report.

MATERIALITY

The Materiality determination process is regarded as a key enabler of integrated thinking. Accordingly, the principle of Materiality guides the assessment of what information is included in this integrated report. Consequently, this report concentrates specifically on material opportunities, and challenges that significantly influence the Hayleys Fabric Group and its capacity to generate value for its key stakeholders. The Risk Matrix classifications consist of Low, Medium, and High categories.

SIX CAPITALS

The current and future prospects of the Hayleys Fabric Group hinges on the effective mobilising of capital resources for the purpose of creating value for stakeholders. To demonstrate how

this is achieved, this report contains a section detailing how the Group uses the various forms of capital to derive value-based outcomes to meet stakeholder expectations.

PRECAUTIONARY APPROACH

The report captures Hayleys Fabric's efforts to adopt the precautionary approach for the management of sustainability issues, in particular, by embedding Environmental, Social and Governance (ESG) considerations across decision-making processes at all levels. The approach is supported by a proactive Group-wide monitoring of ESG risks and mobilising appropriate mitigation action through the Group's products and operations.

ASSURANCE

All sections of the integrated report encompassing financial and nonfinancial information, including the narrative, and supporting quantitative and qualitative data have been reviewed by the Board Audit Committee, with a view to providing independent internal assurance to the Board to confirm the accuracy and completeness of the report content.

The Group's external auditors: Ernst & Young, have provided independent assurance reports regarding the financial statements for the year ending 31st March 2026. Independent assurance has also been obtained confirming the Group's adherence to GRI standards and the SASB standards as well as the compliance with the <IR> Integrated Reporting Framework. These reports are shown on pages 287, 231 and 233 respectively.

FORWARD-LOOKING STATEMENTS

The report contains, where applicable or helpful, plans for the future. These statements reflect the Hayleys Fabric Group's position and beliefs as at the

time of writing. However, since the Group operates in a dynamic and fast evolving environment surrounded by uncertainties and new developments that could cause actual results or actions to differ from those stated in these forward-looking statements. As such, Hayleys Fabric PLC does not undertake any obligation to update any revisions to these statements publicly after the date of this report. Therefore, readers are cautioned to refrain from assigning too much weightage to such forward-looking statements.

There are no restatements pertaining to previous annual reports published by Hayleys Fabric PLC.

BOARD RESPONSIBILITY STATEMENT

The Board of Directors of Hayleys Fabric PLC acknowledges its responsibility for ensuring the completeness, accuracy and integrity of this report. The Board confirms that it collectively reviewed the contents of the report in conjunction with the assurance reports obtained from our various internal and external assurance providers.

On this basis, the Board is satisfied that the Integrated Report for FY 2025/26 addresses all the Material issues that affect the Group's ability to create and sustain stakeholder value over the short, medium and long term.

ADOPTION OF SLFRS S1 AND S2 SUSTAINABILITY DISCLOSURE STANDARDS

Time horizons: The time horizons in which the Group classifies its short, medium and long-term sustainability related- risks and opportunities (SRRO) and climate related-risks and opportunities (CRRO) are as follows; short-term (less than 1 year), medium-term (1-5 years) and long-term (over 5 years)

2025/26:	2026/27:
- Commenced quantitative disclosure of financial effects under SLFRS S1 & S2 - Performed the Product Life Cycle Assessment (LCA)	- Strengthen reporting across fabric group - External assurance of SLFRS S1 & S2 Standards

The report was unanimously approved by the Board on 15th May 2026 and is signed on its behalf by,



E.R.P. Goonetilleke
Managing Director/CEO



Ruwan Rohitha Bandara
Director - Finance & ESG

Feedback

In line with the commitment to achieving reporting excellence, Hayleys Fabric PLC welcomes feedback regarding this report. All such feedback should be directed to:

Mr. Ruwan Rohitha Bandara

Director - Finance & ESG, Finance Department, Hayleys Fabric PLC, Narthupana Estate, Neboda, Sri Lanka.



0094 -34- 2297100



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www.hayleysfabric.com

Purpose, Vision, Mission, and Values



PURPOSE

TO STRENGTHEN THE FABRIC
OF SOCIETY BY KNITTING
TOGETHER A BETTER
ENVIRONMENT FOR ALL!



VISION

TO BE THE MOST SOUGHT AFTER
MANUFACTURER OF FABRIC IN
SOUTH ASIA



MISSION

TO ATTRACT PREMIER CLOTHING
BRANDS IN THE WORLD, THROUGH
INNOVATION, SPEED, RELIABILITY,
QUALITY AND SERVICE WHILST
ALIGNING OUR BUSINESS STRATEGIES
TO SATISFY STAKEHOLDER NEEDS



The date of the most recent report was 31st March 2025 and is available on our website.

Scan this QR Code to refer to our 12th Integrated Annual Report for the year ended 31st March 2026.



For more information - www.hayleysfabric.com

About Us

Our Values



Hayleys Fabric PLC which commenced its journey in 1992 is the pioneer in fabric manufacturing in Sri Lanka, innovating a wide range of knits and fabric for top end global brands. Having acquired South Asia Textiles Limited in April 2021, we became Sri Lanka's largest fabric manufacturer, and have the distinct capability of providing a complete portfolio of end-to-end solutions from designing to manufacturing of fabric, made out of both natural and synthetic fibres.

We continuously strive to be socially responsible and carry out our activities following best practices on sustainability, environment, health and safety. Our unwavering commitments, combined with our strong innovation capabilities and high

service levels, have earned us the continued trust and confidence of our buyers.

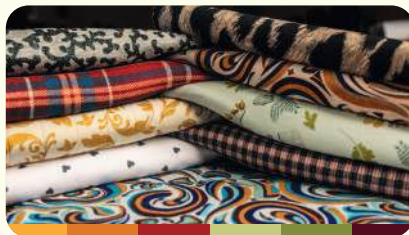
As a public listed subsidiary of the Hayleys PLC, we are strengthened by a heritage of entrepreneurship and governance spanning over 140 years.

In 2014, we launched our own brand, "Inno" becoming the first fabric mill in the country to do so. Inno helps us to differentiate ourselves from the rest, as a niche supplier of fashion forward, value added fabric of superior aesthetics and functionality to the current market.



INTEGRITY

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



QUALITY

We deliver excellent standards consistently.



ACCOUNTABILITY

We hold ourselves responsible to deliver what we promise.



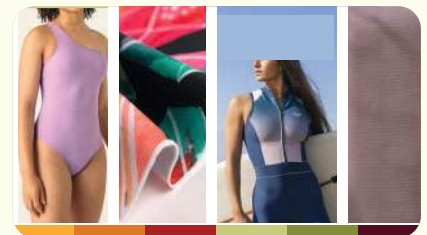
SERVICE

Customer decides - We put our customer at the center of all our activities.



GOOD CITIZENSHIP

We care for the communities in which we work, and being environmentally responsible in all we do.



INNOVATION

We invest in services and technologies to improve on what we do.



PEOPLE

We build our team to create value to stakeholders.

About Us

Our Wide Product Portfolio



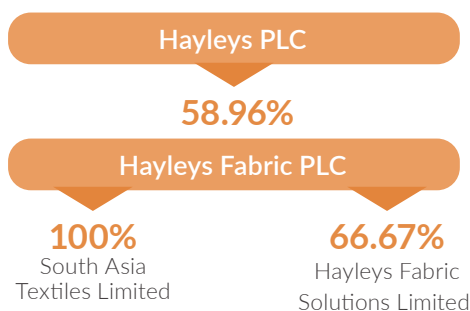
We presently specialise in the synthetic range of knitted fabric suitable for active wear, lingerie and casual/lounge wear in addition to our regular cotton range. Our wide product portfolio includes the following:



Group Structure



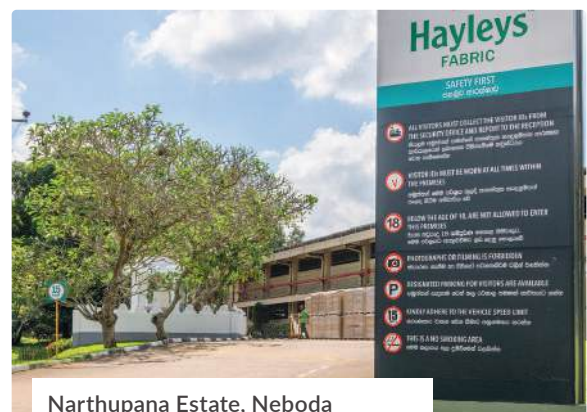
As a public listed subsidiary of Hayleys PLC, we are strengthened by a heritage of entrepreneurship and governance spanning 140+ years.



Where We Operate



Our roots date back to 1992 when we began production at the Narthupana factory. Following decades of organic growth, we acquired South Asia Textiles Limited in 2021, expanding operations to become Sri Lanka's largest fabric manufacturer. Our production plants are located at 3 sites.



Narthupana Estate, Neboda
7,951 MT of Fabric Produced
USD 79.95 Mn Revenue
1,811 Employees



Wagawatte Knitting Plant in Horana
1,480 MT of Greige Produced
90 Employees

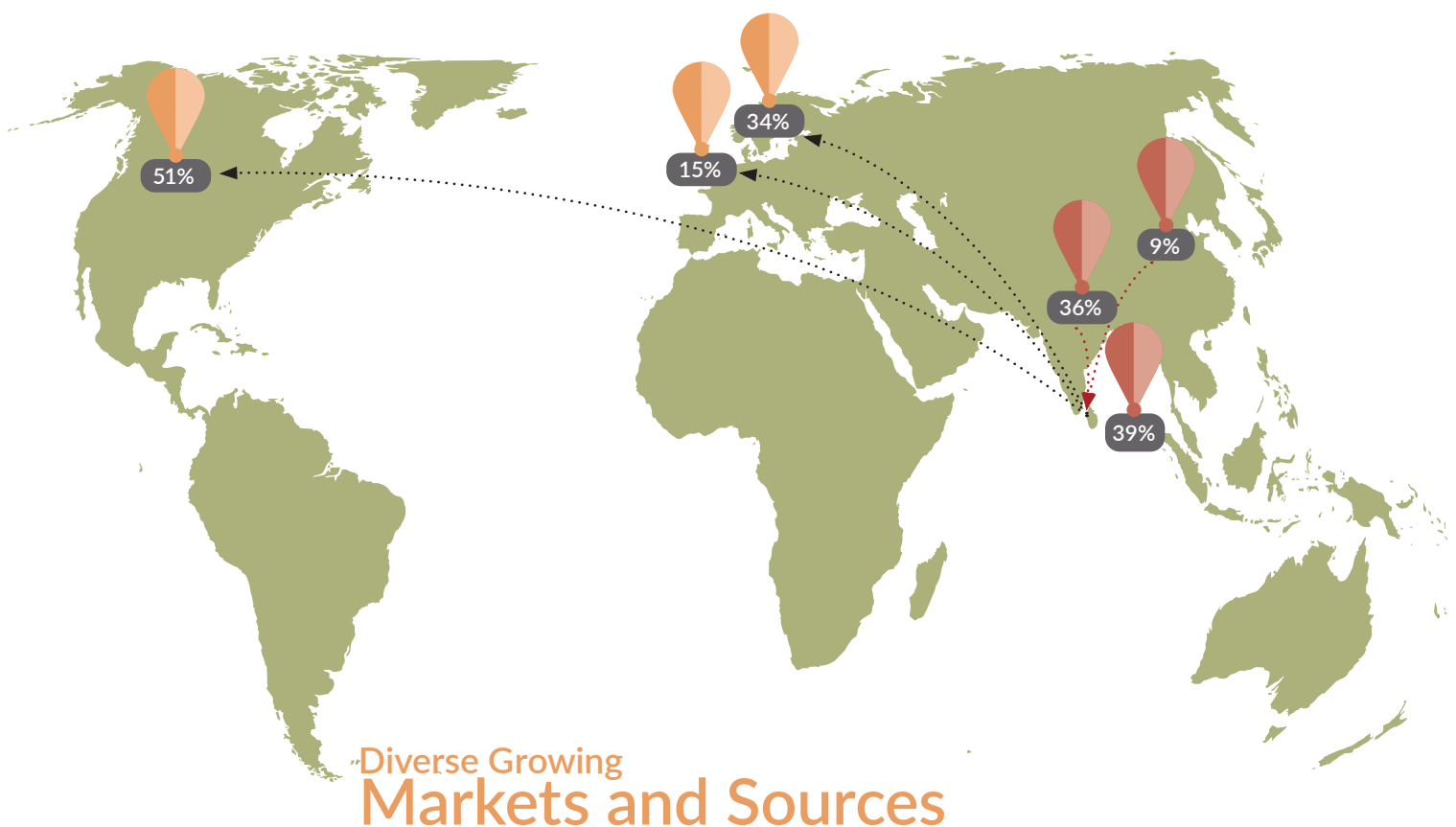
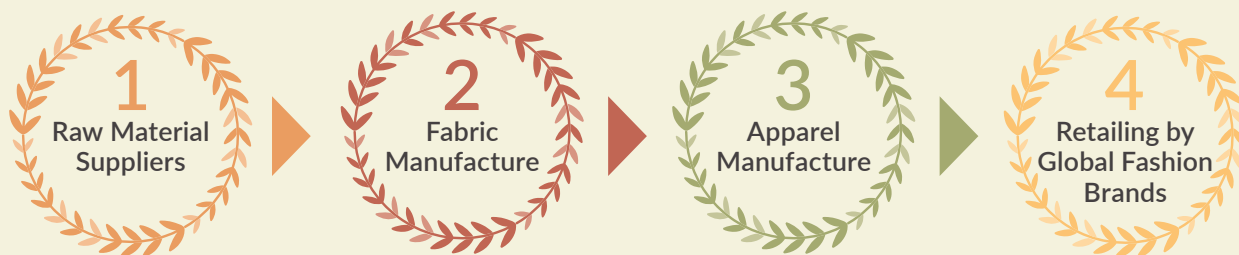


South Asia Textiles Limited in Pugoda
6,525 MT of Fabric Produced
USD 46.47 Mn Revenue
1,534 Employees

Our Presence along the Value Chain



Serving high end fashion brands, we have been recognised as a leading fabric innovator in the global apparel value chain.



Markets

Country exposure is given based on the origin of the brand



Main Raw Material Sources

About Us

Our Partners



Adopting a customer centric approach, our dedicated teams work closely with a portfolio of high-end global fashion brands to bring life to innovative design concepts, developing the functionality and aesthetics of each fabric. Our resilience through the many macro-economic challenges over the years and unwavering commitment to operational excellence while following best practices on sustainability, environment, health and safety, have earned their confidence and trust.



Inno Design Center



Our creative center of excellence is led by an experienced and inspired team of technical and design personnel, supported by state-of-the-art technology. The team has the industry insights and technical expertise to bring cutting edge design to market. Fabric concepts are centered around sustainability themes, deep consumer insights and strong market intelligence and are developed further in close collaboration with fashion brands to suit their specific fashion palates.

Sports Apparel

Women's



PVH

- Texture variant with performance
- Soft hand-feel
- Moisture wicking and quick dry
- Micro fiber synthetics

It's performance, soft in touch, comfort in look. Smooth knitting made out clean cut, perfect touch, better performance and technical properties.

Flexible of customizing the weight / fiber composition / design texture as per requirement.





EXPLORE THE
Performix

The engineered functional collection of knitted textiles

Engineered Performance

VICTORIA'S SECRET PINK



Striving for Excellence

Product



Global Recycled Standard & Recycled Claim Standard

These standards verify the recycled content in textile products, ensuring transparency and promoting the use of sustainable recycled materials



The Global Organic Textile Standard & Organic Content Standard

These standards define and validate the requirements for organic textiles, reflecting a commitment to organic materials



Standard 100 By Oeko-Tex

This is one of the world's best-known labels for textiles tested for harmful substances. It stands for customer confidence and high product safety



REGENAGRI CHAIN OF CUSTODY STANDARD

This standard ensures traceability and responsible practices within the supply chain for regenerative agriculture products including Regenerative Cotton

Environment



ISO 14001 : Environmental Management Systems

This demonstrates an established framework for managing and improving environmental performance management systems



ISO 50001: Energy Management Systems

This certification demonstrates a commitment to energy efficiency and systematic energy management



ECO Label Certification

This certification signifies that products meet stringent environmental standards throughout their lifecycle



Greenhouse Gas Verification By Sri Lanka Climate Fund (Pvt) Limited



Zero Waste to Landfill certification, verified in accordance with ISO 14065:2020

Voluntary Initiatives



Since 2018 Hayleys Fabric PLC has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption



Social

ISO 45001: Occupational Health And Safety Management Systems



Global standard for Occupational Health and Safety Management Systems that provides a practical solution to improve the safety and health of both employees and other personnel



Responsible Care

Adherence to the Responsible Care Council initiative, practicing best Environmental, Health & Safety standards

Board of Directors



A.M. PANDITHAGE
Chairman
Executive Director



E. R. P. GOONETILLEKE
Managing Director/CEO
Executive Director



MS. K.A.D.B. PERERA
Non-Executive Director



S.C. GANEGODA
Non-Executive Director



H. SOMASHANTHA
Non-Executive Director



N. EKANAYAKE
Senior Independent Director



M.N.R. FERNANDO
Independent Non-Executive
Director



J.A.N.R. ADHIHETTY
Independent Non-Executive
Director



T.A.B. SPELDEWINDE
Independent Non-Executive
Director



I.B.R.R. BANDARA
Executive Director



M. H. JAYASINGHE
Executive Director



K. P. C. P. K. PATHIRANA
Executive Director

Board of Directors

A.M. PANDITHAGE

Executive Chairman

Appointed on 01st July 2007

Since assuming the role of Chairman and Chief Executive in Hayleys PLC in 2009, Mr. Pandithage's strategic vision has redefined the growth trajectory of Hayleys, transforming the 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 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.

Mr. Pandithage is the Chairman and Chief Executive of Hayleys PLC and the Executive Chairman of Haycarb PLC, Dipped Products PLC, Singer (Sri Lanka) PLC, Hayleys Fibre 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 and Motor Engineering PLC.

As an Executive Chairman of multiple companies within the Hayleys Group, Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. In addition to being the Executive Chairman of Hayleys Fabric PLC, he holds the position of Executive Chairman and Chief Executive of Hayleys PLC, Executive Chairman of Haycarb PLC, Dipped Products PLC, Singer (Sri Lanka) PLC, Hayleys Fibre 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 and Motor Engineering PLC.

E. R. P. GOONETILLEKE

Managing Director/CEO

Executive Director

Appointed on 01st March 2013

Mr. Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC, as Managing Director/CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. Mr. Goonetilleke also serves as Managing Director/CEO of South Asia Textiles Limited with effect from April 2021. On the 20th of October 2024, he was appointed to the Board of Sri Lankan Airlines Ltd and resigned w.e.f 31st March 2026.

Prior to joining Hayleys Fabric PLC, he was appointed as a Director of Brandix X'pressions (Pvt) Limited and was appointed to the Board of CLT Apparel (India) (Pvt) Limited in January 2011, a fully-owned subsidiary of Brandix Lanka

Limited. During the period 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (Pvt) Limited, prior to which he was the Managing Director/CEO of Linea Clothing (Pvt) Limited, a subsidiary of MAS Holdings (Pvt) Limited, and prior to that he was at Carson Cumberbatch & Company Limited as the CEO of Elpitiya Plantations Limited. He received his higher education in the United Kingdom qualifying as a Graduate Engineer (B.Sc. Eng.).

MS. K.A.D.B. PERERA

Non-Executive Director

Appointed on 19th October 2022

Ms. Brindhiini Perera holds a master's degree in mechanical engineering from Imperial College London. She brings several years of experience across both publicly listed and privately held companies, serving in director-level positions and contributing to strategic oversight and business growth initiatives.

Ms. Perera serves as a Director of Haycarb PLC, Dipped Products PLC, The Kingsbury PLC, Hayleys Leisure PLC, Singer (Sri Lanka) PLC, Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd, Eurocarb Products Ltd (UK), Haylex Ltd (UK) and Dhammika & Priscilla Perera Foundation.

Ms. Perera adds an important technical dimension to Board deliberations through her background in mechanical engineering. Her understanding of manufacturing environments, industrial processes and operational efficiency brings valuable perspective to discussions relating to the Group's manufacturing and industrial operations.

S.C. GANEGODA

Non-Executive Director

Appointed on 01st November 2009

Mr. Sarath Ganegoda is an accomplished corporate leader counting over 30 years of multifaceted experience across diverse industries, Mr. Ganegoda 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 Hayleys PLC Board 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.

Mr. Ganegoda is an Executive Director of Hayleys PLC, Alumex PLC and Non-Executive Director of Haycarb PLC, Dipped Products PLC, Hayleys Fibre 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.

H. SOMASHANTHA

Non-Executive Director

Appointed on 02nd February 2012

Mr. Hareesh Somashantha is a seasoned finance and operations professional with over 25 years of leadership experience. His expertise spans business planning and development, strategic and financial management, and internal and external process optimization. With a strong track record in driving team-led process improvements, he has successfully

implemented innovative solutions to enhance revenue, operational efficiency, customer satisfaction, and overall profitability.

A Fellow Member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He also holds a Bachelor of Science degree in Mathematics.

He currently serves as the Director Finance of Royal Ceramics Lanka PLC (Rocell Group). Additionally, he is a Non-Executive Director and Audit Committee Member of Vallibel Power Erathna PLC and Unidil Packaging Limited. His directorships further extend to Lanka Tiles PLC, Lanka Walltiles PLC and several subsidiary companies within the Uni Dil and Delmege Group.

N. EKANAYAKE

Senior Independent Director

Appointed on 03rd January 2024

Mr. Nandana Ekanayake is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) possessing over 30 years of post-qualifying experience at different management levels. He is also an Associate Member of the Institute of Certified Practicing Accountants (CPA) Australia and a Fellow Member of the Certified Management Accountants (FCMA) of Sri Lanka.

He has also completed his executive education in London Business School in the UK and leadership education at the International Institute for Management Development (IMD) in Switzerland both of which are world-renowned business schools.

He previously served as Vice President – Finance, IT and Procurement of Holcim Lanka Ltd – Colombo and as the General Manager of Ruhunu Cement Co. Ltd – Colombo. He has also served as the Finance Director of Holcim (Vietnam) Ltd, in Ho Chi Minh City for a period of 10 years.

He also served as an Independent Board Member of Biodiversity Sri Lanka for a two-year term from 2020 to 2022.

Mr. Ekanayake is the current Chairman/CEO of Siam City Cement (Lanka) Ltd., Chairman/CEO of both Mahaweli Marine (Pvt) Ltd (a 90% owned subsidiary of Siam City Cement (Lanka) Ltd) and INSEE Ecocycle Lanka (Pvt) Ltd (fully owned subsidiary of Siam City Cement (Lanka) Ltd). He also served as the Senior Independent Director and Audit Committee Chairman of both Kelani Valley Plantations PLC, and Talawakelle Tea Estates PLC.

M.N.R. FERNANDO

Independent Non-Executive Director

Appointed on 03rd January 2024

Mr. Nanda Fernando is a Banker with over four decades of experience in banking. He currently serves as a Business Consultant. He is the Managing Director of Professional Business Consultants (Pvt) Ltd; a Company engaged in providing financial planning and advisory services. He is an Independent Non-Executive Director of Haycarb PLC, Dipped Products PLC, Hatton National Bank PLC, Assetline Finance PLC, R I L Property PLC, and a Non-Executive Director R-E-D Capital Asia (Pvt) Ltd.

He is engaged in uplifting productivity in companies, resulting in increased stakeholder benefits. He possesses a proven track record of strategic leadership, business growth, and exceptional financial performance. He provided effective leadership to Sampath Bank, utilizing his expertise to drive organizational success and deliver exceptional value to stakeholders.

He is also well-known for his proven professional skills in Financial Management and Analysis, Business Development and Growth, Risk Management and Compliance, Team Leadership and Talent Development, Operational Excellence, Stakeholder Engagement, and Relationship Management.

Board of Directors

Prior to his current role, Mr. Fernando was attached to Sampath Bank as its Managing Director. He served Sampath Bank for 36 years from the year of its inception. Earlier in his career, he served Hattton National Bank PLC for almost 6 years.

He is a Senior Fellow of the Institute of Bankers Sri Lanka and possesses a Master of Business Administration from Sikkim Manipal University, India.

J A N R ADHIHETTY Independent Non-Executive Director Appointed on 01st October 2024

Mr. Amrith Adihetty holds a Bachelor of Commerce and Accounting Degree from the University of Macquarie, New South Wales, Australia and is a Certified Practising Accountant (CPA).

He currently serves as an Executive Director at Delmege Forsyth & Co. Ltd which comprises many diverse business verticals such as Interior Décor & flooring, Building Products, Healthcare, Travel, Furniture Manufacturing and FMCG.

He also serves as an Independent Non-Executive Director of Lanka Tiles PLC, and as a Non-Executive Director of Eden Pharmaceuticals (Pvt) Ltd, Hiru Rice Products (Private) Limited, Grip Delmege (Pvt) Ltd, Grip Nordic (Pvt) Ltd and Summer Season Mirissa (Pvt) Ltd.

T. A .B. SPELDEWINDE Independent Non-Executive Director Appointed on 23rd December 2024

Mr. Timothy Speldewinde is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK.

He possesses extensive experience in the management of local as well as international facilities and has been an integral member of the MAS Group for over 25 years. He served as the CEO of Stretchline Holdings headquartered in Hong Kong, with manufacturing facilities in Sri Lanka and overseas.

He currently serves as Independent Non-Executive Director of Hayleys PLC, Haycarb PLC, and Dipped Products PLC. He is an Independent Non-Executive Director and the Audit Committee Chairman of The Kingsbury PLC, Horana Plantations PLC, Ceylon Grain Elevators PLC, Three Acre Farms PLC and WealthTrust Securities PLC. Mr. Speldewinde is a Director of Contemporary Ceylon (Pvt) Ltd.

I.B.R.R. BANDARA Executive Director Appointed on 15th May 2018

Mr. Rohitha Bandara joined in 2012 as Chief Financial Officer and was appointed to the Board on 15th May 2018. Mr. Bandara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and Fellow member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayewardenepura and in addition, an MBA in Finance from the University of Colombo. He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience with Ernst & Young in different industry segments in Sri Lanka and Singapore and over 17 years of manufacturing experience in textiles industry as Sector Head of Finance/ Director-Finance. He has undergone several corporate leadership training programs including a Corporate Leadership Program conducted by HIDA, in Japan.

He serves as a Director in the Board of South Asia Textiles Limited since 2021.

Mr. Rohitha Bandara has also been appointed as an external member of the Board of Faculty of Management & Commerce -University of Sri Jayewardenepura w.e.f 02nd July 2025.

M. H. JAYASINGHE Executive Director Appointed on 01st April 2019

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management Trainee, assumed duties with increased responsibilities in Sales and Marketing functions during his career. He has over 20 years of experience at Hayleys Fabric. He was appointed to the Board of Hayleys Fabric PLC in 2019. He serves as a Director in the Board of South Asia Textiles Limited in 2021.

K. P. C. P. K. PATHIRANA Executive Director Appointed on 10th August 2020

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 23 years' experience in the field of Human Resource Management at leading local and multinational companies.

He serves as Director in the Board of South Asia Textiles Limited since 2021 and was appointed to the position of Chairman, Tea, Rubber and Coconut Estates (Control of Fragmentation) Board on 28th October 2024, which comes under the Ministry of Plantation and Community Infrastructure.

Management Team – Hayleys Fabric PLC



E. R. P. GOONETILLEKE
Managing Director/CEO



I.B.R.R. BANDARA
Executive Director
Finance & ESG



M. H. JAYASINGHE
Executive Director
Sales and Marketing



K. P. C. P. K. PATHIRANA
Executive Director
Human Resources &
Administration



P. M. P. PERERA
General Manager
Engineering



K. D. C. R. GUNARATNE
General Manager
Knitting/Product
Development & Innovation



**ASANGA INDRAJITH
KARUNARATNE**
General Manager
Sales & Marketing



PRABASH PRIYANTHA
General Manager
Production



C. P. WANASINGHE
Deputy General Manager
Production Planning

Management Team – Hayleys Fabric PLC



SALIYA THILAKARATHNA
Deputy General Manager
Supply Chain



DUNSTAN WERAGALA
Deputy General Manager
Compliance



ARJUNA DAYARATHNE
Deputy General Manager
Engineering



**MRS. GAYANIKA
JAYAWARDENE**
Executive Personal Assistant
to the Managing Director/
CEO
Deputy General Manager
Human Resources &
Administration



EIROSH KARUNARATHNA
Deputy General Manager
Finishing



CHAMIL MADDUMAGE
Deputy General Manager
Sales & Marketing



NALIN PERERA
Deputy General Manager
Finance



LAKMAL DIYAWATHTHEGE
Deputy General Manager
Sustainability



INDUNIL NIMALARUWAN
Deputy General Manager
Quality Assurance

E. R. P. GOONETILLEKE

Managing Director/CEO

Mr. Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC, as Managing Director/CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. Mr. Goonetilleke also serves as Managing Director/CEO of South Asia Textiles Limited with effect from April 2021. On the 20th of October 2024, he was appointed to the Board of Sri Lankan Airlines Ltd and resigned w.e.f 31st March 2026.

Prior to joining Hayleys Fabric PLC, he was appointed as a Director of Brandix X'pressions (Pvt) Limited and was appointed to the Board of CLT Apparel (India) (Pvt) Limited in January 2011, a fully-owned subsidiary of Brandix Lanka Limited. During the period 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (Pvt) Limited, prior to which he was the Managing Director/CEO of Linea Clothing (Pvt) Limited, a subsidiary of MAS Holdings (Pvt) Limited, and prior to that he was at Carson Cumberbatch & Company Limited as the CEO of Elpitiya Plantations Limited. He received his higher education in the United Kingdom qualifying as a Graduate Engineer (B.Sc. Eng.).

I.B.R.R. BANDARA

Executive Director- Finance & ESG

Mr. Rohitha Bandara joined in 2012 as Chief Financial Officer and was appointed to the Board on 15th May 2018. Mr. Bandara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and Fellow member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayewardenepura and in addition, an MBA in Finance from the University of Colombo. He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience with Ernst & Young in different industry segments

in Sri Lanka and Singapore and over 17 years of manufacturing experience in textiles industry as Sector Head of Finance/ Director-Finance. He has undergone several corporate leadership training programs including a Corporate Leadership Program conducted by HIDA, in Japan.

He serves as a Director in the Board of South Asia Textiles Limited since 2021.

Mr. Rohitha Bandara has also been appointed as an external member of the Board of Faculty of Management & Commerce -University of Sri Jayewardenepura w.e.f 02nd July 2025.

M. H. JAYASINGHE

Executive Director- Sales & Marketing

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management Trainee, assumed duties with increased responsibilities in Sales and Marketing functions during his career. He has over 20 years of experience at Hayleys Fabric. He was appointed to the Board of Hayleys Fabric PLC in 2019. He serves as a Director in the Board of South Asia Textiles Limited in 2021.

K. P. C. P. K. PATHIRANA

Executive Director- HR & Administration

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 23 years' experience in the field of Human Resource Management at leading local and multinational companies.

He serves as Director in the Board of South Asia Textiles Limited since 2021 and was appointed to the position of Chairman, Tea, Rubber and Coconut Estates (Control of Fragmentation) Board on 28th October 2024, which comes under the Ministry of Plantation and Community Infrastructure.

P. M. P. PERERA

General Manager – Engineering

Mr. Mahesh Perera earned a National Diploma in Mechanical Engineering from the University of Moratuwa. He has over 33 years of Engineering experience, with 24 of those years focused on the textile manufacturing industry.

K. D. C. R. GUNARATNE

General Manager – Knitting/Product Development & Innovation

Mr. K. D. Gunaratne has over 27 years of experience in Knitting Technology and Production at Hayleys Fabric PLC. He has advanced technical training on Knitting technology in larger scale knitting mill - Australia.

ASANGA INDRAJITH KARUNARATNE

General Manager - Sales & Marketing

Mr. Asanga Indrajith Karunaratne has over 24 years of apparel industry experience, working for two leading apparel manufacturing companies in Sri Lanka and has managed key accounts of top global apparel brands based out of the USA and Europe. Further, he has played a key role in the Training and Development space by training individuals working in Marketing, Customer Service and in other apparel functions.

Mr. Karunaratne holds Bachelor of Business Administration from the University of Colombo, a Master of Business Administration from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and a Postgraduate Diploma of Marketing, Chartered Institute of Marketing, UK (CIM-UK).

Management Team – Hayleys Fabric PLC

PRABASH PRIYANTHA General Manager - Production

Mr. Prabash Priyantha is an accomplished professional with 29 years of experience in the textile industry, spanning both local and international markets. He has successfully led capacity expansion projects in overseas companies and played a key role in developing synthetic fabric and lace manufacturing in India.

He is an alumnus of Indian Institute of Management (IIM-A) and followed the Senior Leaders' Programme of 3TP. And hold an Executive Master's Program in Business Management from IIBM India.

C. P. WANASINGHE Deputy General Manager - Production Planning

Mr. Chinthaka Wanasinghe holds a BSc. In Industrial Management from the University of Kelaniya, MSc. In Operational Research from the University of Moratuwa and in addition he also holds a National Diploma in Engineering Science from the Institute of Engineering Technology (IET). He has over 15 years' experience in overall planning, SAP - ERP and information systems.

SALIYA THILAKARATHNA Deputy General Manager - Supply Chain

Mr. Saliya Thilakarathna holds an MBA from London Metropolitan University of UK. He is with over 22 years' experience in the Textile & Apparel industry in local & overseas.

He joined Hayleys Fabric PLC in 2021-April as Head of Supply Chain

and previously he has attached to two large scale Fabric mills in Sri Lanka. He has also served in overseas as Senior Manager Production Planning & Supply Chain for 6 years who has perfected the art of lace fabric knitting mills located in both China & Thailand.

Mr. Thilakarathna holds a Diploma in Fabric Technologist in SLITA, Diploma in Textile & Apparel Engineering - OUSL, Diploma in Supply Chain & Material Management - NIBM, a Diploma in Work Study for apparel industry (IE) - CITI, Certificate in Textile Technology for Garment Industry -University of Moratuwa.

DUNSTAN WERAGALA Deputy General Manager - Compliance

Mr. Dunstan Weragala, with over 21 years of experience at Hayleys Fabric PLC, is a seasoned leader in compliance. He holds a Bachelor of Science degree (BSc) from the University of Colombo (2003) and a Master of Science (MSc) in Textile and Clothing Management from the University of Moratuwa (2018).

A diploma holder with Merit from the National Institute of Occupational Health and Safety (NIOSH), Sri Lanka, Mr. Weragala is also certified in Clothing Production and Technology from Phoenix College of Clothing Technology, Ratmalana.

ARJUNA DAYARATHNE Deputy General Manager - Engineering

Mr. Arjuna Dayarathna holds a National Diploma in Mechanical Engineering from the University of Moratuwa. He has over 25 years' experience in the field of engineering and 20 years' experience in the textile manufacturing industry.

MRS. GAYANIKA JAYAWARDENE Executive Personal Assistant to the Managing Director/CEO Deputy General Manager - Human Resources & Administration

Mrs. Gayanika Jayawardene has over 18 years' experience at Hayleys Fabric PLC. She was also appointed to the above position at South Asia Textiles Limited in April 2021.

Mrs. Jayawardene holds a LLB (Hons) Degree from the New Buckinghamshire University, United Kingdom and a MBA from the Cardiff Metropolitan University, United Kingdom.

She also holds a Graduate Diploma in Management from the Northumbria University, United Kingdom and a Diploma in Ticketing from the International Airline Ticketing Academy, Sri Lanka and a Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM).

EIROSH KARUNARATHNA Deputy General Manager - Finishing

Mr. Eirosh Karunarathna has over 25 years' experience in working with large textile mills in Sri Lanka as well as Overseas with different capacities. In addition to experience in Sri Lanka, He has Over 6 years' experience in leading Large scale fabric mills at India and South Korea.

CHAMIL MADDUMAGE
Deputy General Manager -
Sales & Marketing

Mr. Chamil Maddumage is a seasoned professional with over two decades of experience in the Textile and apparel industry, renowned for his expertise in manufacturing and marketing. He holds an MBA from the University of Bedfordshire, UK, and an MSc in Strategic Marketing from Asia e University, Malaysia.

He joined Hayleys Fabric PLC in November 2021 as Senior Manager -Sales & Marketing & prior to that he contributed significantly to the success of a leading multinational company in Sri Lanka.

NALIN PERERA
Deputy General Manager – Finance

Mr. Nalin Thusitha Perera is a Fellow member [FCA] and a prize winner of the Institute of Chartered Accountants of Sri Lanka (ICASL). He is also an Associate Member of the Association of Chartered Certified Accountants (ACCA – UK) and the Association of Accounting Technicians of Sri Lanka (AATSL).

He holds a Business Management Finance Special Degree [B.B. Mgt. (Fin.) sp.] from the University of Kelaniya and an MBA from University of West London, United Kingdom.

He has over 17 years of experience in the corporate sector, serving in senior roles such as Deputy General Manager, Head of Finance and Finance Manager both locally and internationally. His professional background also includes audit and assurance service experience with Ernst & Young, Sri Lanka. He has extensive experience working with SAP ERP system over 11 years.

LAKMAL DIYAWATHTHEGE
Deputy General Manager -
Sustainability

Mr. Lakmal Diyawaththege, PhD (Reading), University of Sri Jayewardenepura, holds a Master's degree in Environmental Management from the University of Colombo, a Postgraduate Diploma in Management from the University of Rajarata, Mechanical Engineering Technology (NDT) from the University of Moratuwa, a Diploma in Social Work from NISD Sri Lanka, and a Health and Safety Management Certification from NEBOSH (UK).

He has undergone extensive training in ESG Management at Holderbank, Switzerland, and Ecological Restoration at Curtin University, Perth, Australia. He is also a Certified Lead Auditor of ISO 14001 and a Green Associate Professional of the Sri Lanka Green Building Council (GBCSL).

He is a Chartered Environmental Professional of IEPsL, a Member of SER (USA), and an Associate Member of IIESL.

He has over 19 years of experience in sustainability, environmental management, and engineering in the manufacturing industry. He was appointed as Deputy General Manager – Sustainability in September 2024.

INDUNIL NIMALARUWAN
Deputy General Manager -
Quality Assurance

Mr. Indunil Nimalaruwan started his career in Hayleys Fabric PLC as Head of Quality Assurance and has over 24 years' experience in quality assurance and quality operations in the leading fabric mills in Sri Lanka. In addition to the experience in Sri Lanka he also has over 3 years' experience in a leading fabric mill in China.

Management Team – South Asia Textiles Limited



1

2

3

4

5

Standing Left to Right ►

1. **SAMEERA JAYASINGHE**
Manager – Planning



2. **CHAMPIKA LIYANAGE**
Senior Manager - Knitting



3. **SHYAM JAYASUNDARA**
Deputy General Manager
- Engineering & Finishing



4. **LUSHAN HEWAPATHIRANA**
Manager - Supply Chain



5. **PRADEEP PERERA**
General Manager – Production





Standing Left to Right ►

6. UDAYANGA JAYAWEERA

General Manager -
Sales & Marketing



7. INDIKA CHANDRARATHNE

Deputy General
Manager - Dye House



8. JAGATH KARIYAWASAM

Senior Manager- HR
& Administration



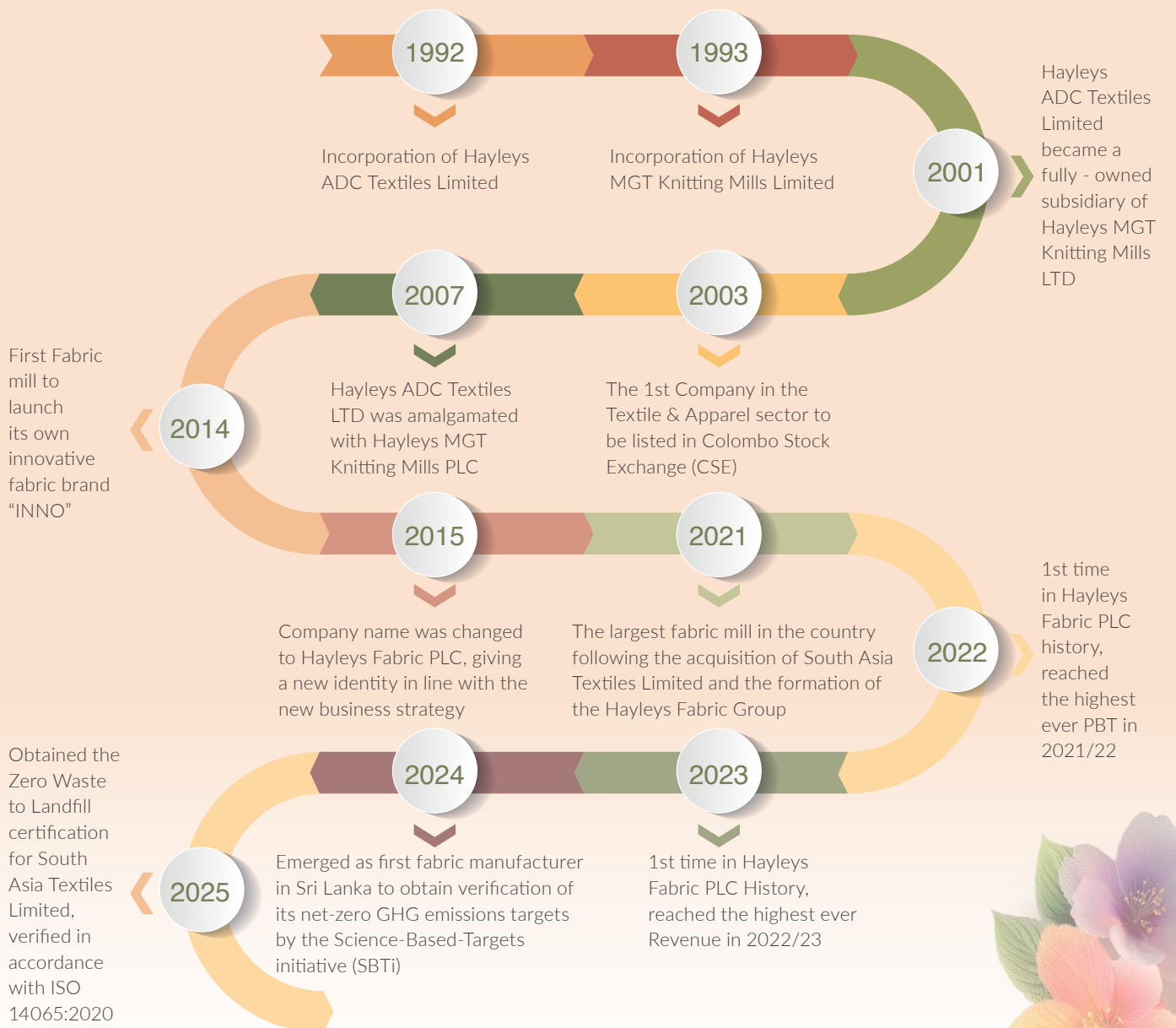
9. BUDDHIKA PERERA

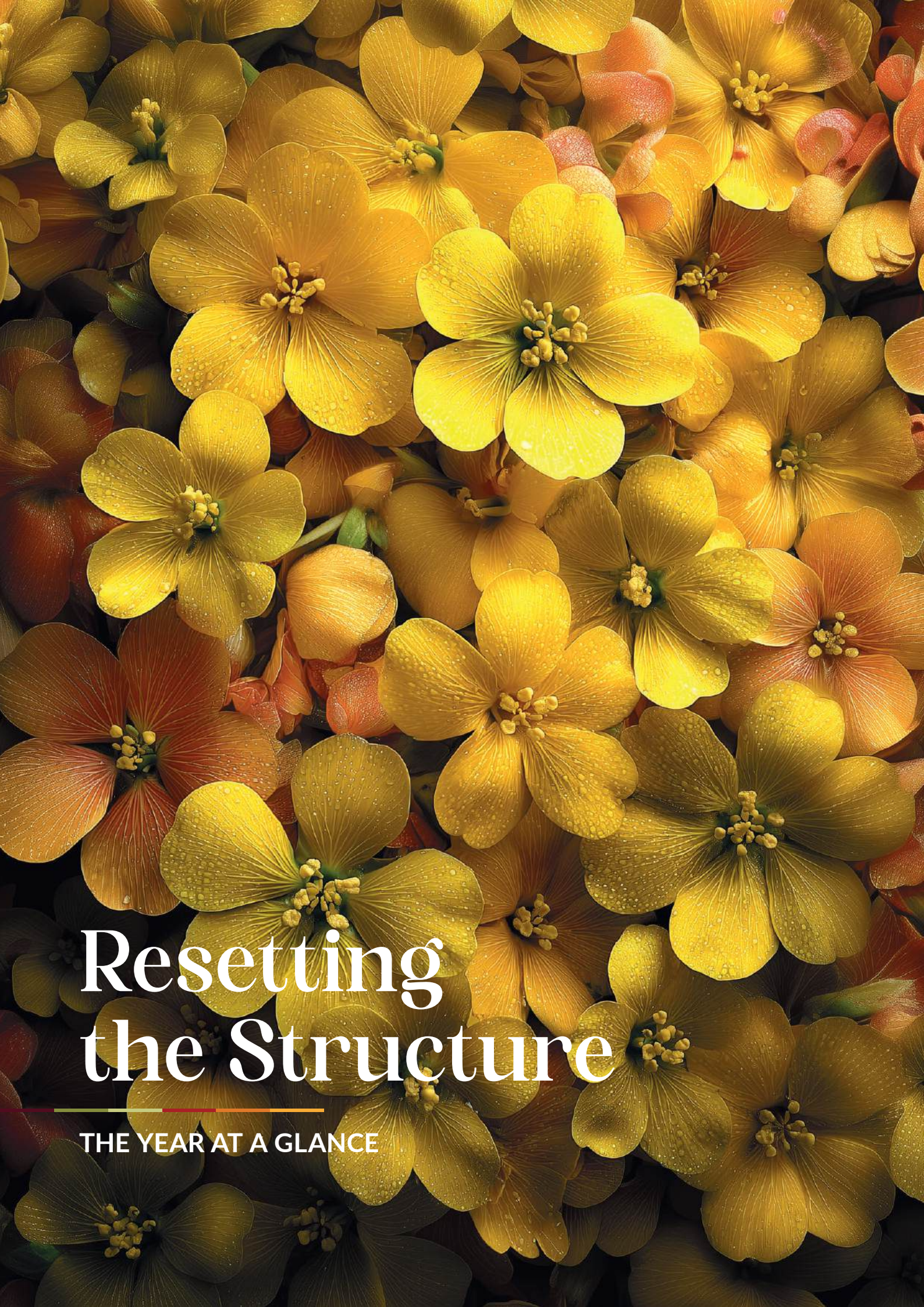
Senior Manager -
Financial Controller



The Evolution of a Pioneer

Hayleys Fabric PLC began operations in 1992, as the first weft knit fabric manufacturer in the country. We have since pioneered many firsts to grow our operations and become the largest fabric mill in the country. Our key milestones are presented below:





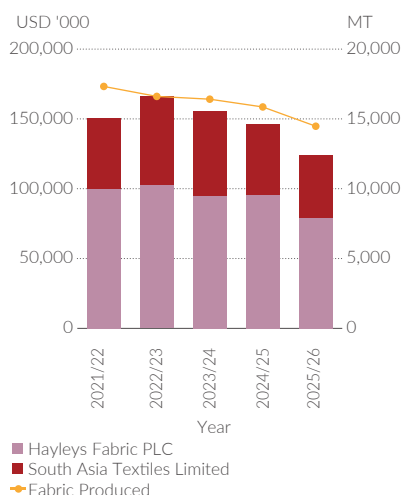
Resetting the Structure

THE YEAR AT A GLANCE

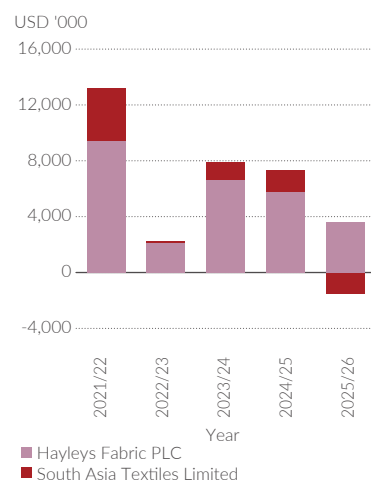
Financial Highlights

		Group		Company	
		2025/26	2024/25	2025/26	2024/25
Financial Performance					
Revenue	USD '000	123,815	146,036	79,955	96,239
Gross Profit	USD '000	18,442	25,890	14,852	18,843
Gross Profit Margin	%	15%	18%	19%	20%
Results from operating activities	USD '000	5,774	14,054	6,578	11,053
Operating Profit Margin	%	5%	10%	8%	11%
Profit Before Tax	USD '000	3,382	10,313	5,534	9,006
Profit Before Tax Margin	%	3%	7%	7%	9%
Profit After Tax	USD '000	2,077	7,036	3,611	5,756
Net Profit Margin	%	2%	5%	5%	6%
Basic/Diluted earnings per share	USD	0.005	0.017	0.009	0.014
Cash Profit	USD '000	8,562	16,581	7,726	12,122
Dividends	USD '000	837	2,529	837	2,529
Interest Cover	No. of times	2.1	4.3	5.0	6.0
Return on Equity	%	5%	19%	10%	17%
Pre-tax Return On Capital Employed (ROCE)	%	8%	18%	13%	21%
Return on Assets (ROA)	%	2%	6%	5%	7%
Price earning ratio	No. of times	19.7	8.8	11.4	10.7
Financial Position					
Total Assets	USD '000	114,104	118,752	75,776	80,969
Total Debt	USD '000	34,971	39,388	15,116	20,175
Inventory Holding Period	No. of days	74	79	59	71
Debtors' Holding Period	No. of days	64	43	56	40
Current ratio	No. of times	1.03	1.05	1.24	1.19
Quick assets ratio	No. of times	0.54	0.51	0.70	0.61
Total Shareholders' Funds	USD '000	39,016	37,746	35,753	32,947
Stated capital	USD '000	17,562	17,562	17,562	17,562
Retained earnings	USD '000	20,518	19,249	17,255	14,449
No. of Shares in Issue	Number	415,481,776	415,481,776	415,481,776	415,481,776
Net Assets per Share	USD	0.094	0.091	0.086	0.079
Gearing Ratio [Debt/(Equity+Debt)]	%	47%	51%	30%	38%
Total Debt/Total Assets	%	31%	33%	20%	25%
Shareholder Information					
Market Price of Share as at 31st Mar 2026	Rs.	-	-	30.50	45.00
Market Capitalization	Rs. Mn	-	-	12,672	18,697
Dividend per Share	Rs.	0.62	1.85	0.62	1.85
Dividend Cover	No. of times	2.48	2.78	4.32	2.28
Dividend Payout Ratio	%	40%	36%	23%	44%
Dividend Yield	%	2%	4%	2%	4%

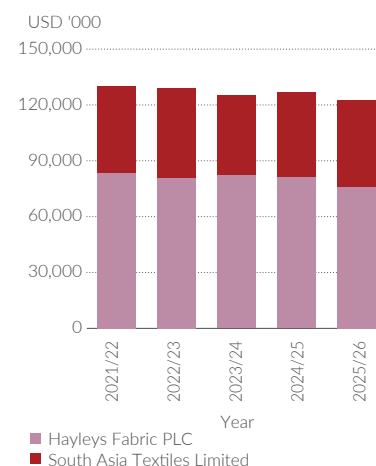
Revenue



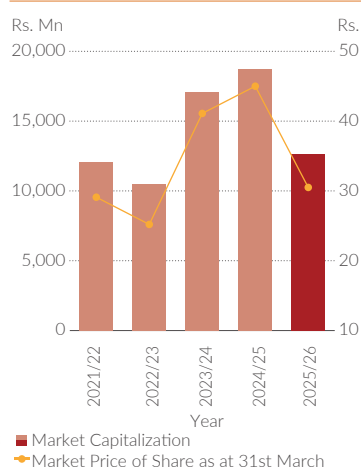
Profit After Tax



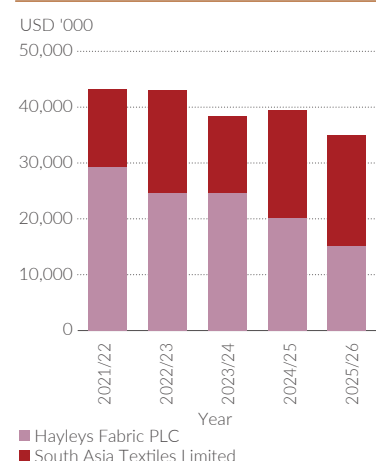
Total Assets



Market Cap & Price



Total Debt



Cash Profit

(2024/25 - USD 16.6 MN)

USD 8.6 Mn

Earnings Per Share

(2024/25 - USD 0.017)

USD 0.005



EBITDA Margin

(2024/25 - 12.6%)

8.1%



Interest Cover

(2024/25 - 4.3 Times)

2.1 Times



Return on Capital Employed

(2024/25 - 18%)

8%



Return on Equity

(2024/25 - 19%)

5%

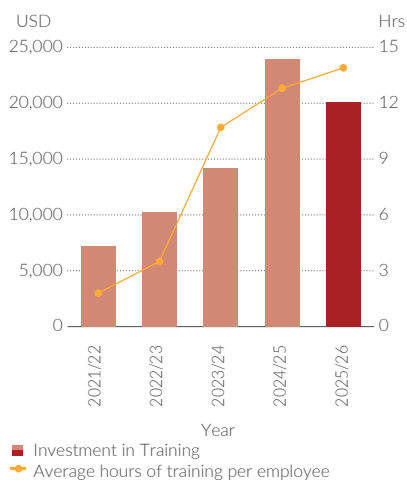
Non-Financial Highlights

	Group		Company	
	2025/26	2024/25	2025/26	2024/25
Social Highlights				
No of employees	3,435	3,397	1,901	1,877
Employee retention rate %	66%	>70%	86%	89%
Employee productivity	15	18	18	23
Salaries and Wages (USD '000)	13,361	12,068	8,484	8,115
Investment in Training (USD)	20,104	23,968	14,375	17,189
Training coverage of employees (excluding casual)	211%	305%	183%	207%
Percentage of employees receiving performance reviews	100%	100%	100%	100%
Incidents of child labour (Our operations and suppliers)	Nil	Nil	Nil	Nil
Incidents of forced labour (Our operations and suppliers)	Nil	Nil	Nil	Nil
Investment in CSR (USD)	32,686	41,219	29,508	35,640
No. of persons impacted	Over 6,380	Over 6,850	Over 4,700	Over 4,850
Proportion of businesses analysed for risk of corruption (%)	Nil	Nil	Nil	Nil
Significant fines for violation of laws/ regulations (USD)	Nil	Nil	Nil	Nil
Proportion of labels carrying ingredients used (%)	100%	100%	100%	100%
Payments made to suppliers (USD Mn)	113	140	67	79.7
Proportion of local suppliers %	39%	39%	41%	36%
Suppliers assessed for environmental and social compliance %	88%	85%	89%	91%

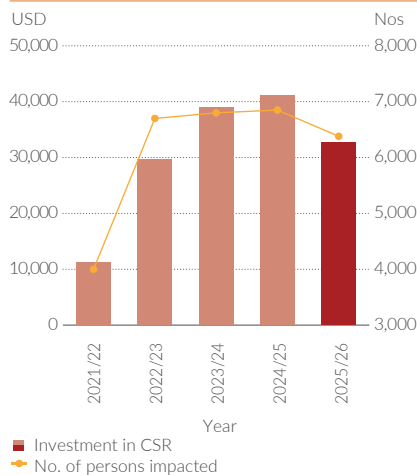
Environmental Highlights				
Total raw material consumption (MT)	26,464	30,505	12,888	18,713
Recycled raw materials as a percentage of total material consumption %	13	11	13	8
Direct energy consumption (GJ)	1,247,022	1,471,387	705,760	804,221
Energy intensity (GJ/MT of production)	79	84.9	81	85.2
Indirect energy consumption (GJ)	35,079	34,771	21,011	22,207
Indirect energy intensity (GJ/MT of production)	2.2	2.01	2.4	2.35
Renewable energy (%)	72	73	59	60
Water intake (m³)	2,607,672	2,727,788	1,404,936	1,565,994
Water consumption (ML)	2,737	2,729	1,719	1,568
Water intensity (l/kg)	165	157	162	166
Water Recycled (m³)	755,425	664,609	446,311	461,374
Water discharged to the river (m³)	2,382,045	2,429,701	1,369,767	1,431,063
Water Quality - Incidents of non-compliance with standards	Nil	Nil	Nil	Nil
Total carbon footprint (tCO ₂ e)	177,444	204,897	104,424	122,623
Direct: Scope 1 (tCO ₂ e)	18,563	22,254	16,255	19,125
Indirect: Scope 2 (tCO ₂ e)	12,653	14,073	6,976	8,049
Indirect: Scope 3 (tCO ₂ e)	146,228	168,570	81,193	95,449
Emission Intensity (tCO ₂ e/ MT of production)	11.2	11.7	12	13.0
Waste recycled %	65	63	69	67
Waste to land re-fill %	Nil	Nil	Nil	Nil
Trees planted (NOs)	631	1,325	330	1,155

Other Highlights				
Production - Finished Good (MT)	14,476	15,856	7,951	8,562
Production - Dye-house Fresh (MT)	15,809	17,480	8,679	9,436
No. of accreditations/ certifications and memberships from fashion brands	63	53	39	36
Percentage of sales from product development	98%	99%	98%	99%
Investment in R&D (USD)	128,772	139,811	68,286	69,665
On time delivery %	Over 88%	Over 85%	Over 88%	Over 85%
Lead time (Days)	7 days	7 days	7 days	7 days
Property, plant and equipment - USD '000	46,163	46,425	26,310	25,239
CAPEX during the year - USD '000	3,874	6,374	3,352	2,194
Capacity Utilisation	85%	>85%	85%	>85%

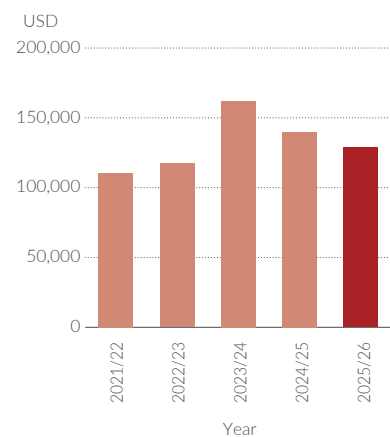
Training



Investment in CSR



Investment in R&D



Carbon Footprint (2024/25 - 204,897 tCO₂e)

177,444 tCO₂e

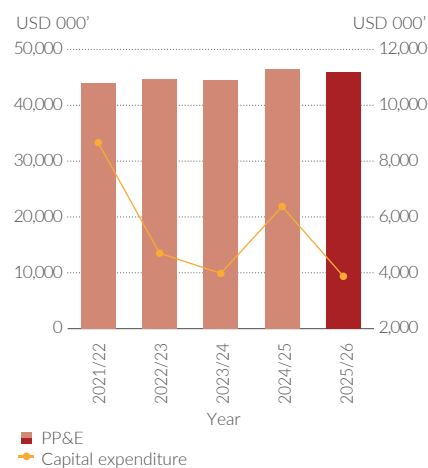
Water Intensity (2024/25 - 157 l/kg)

165 l/kg

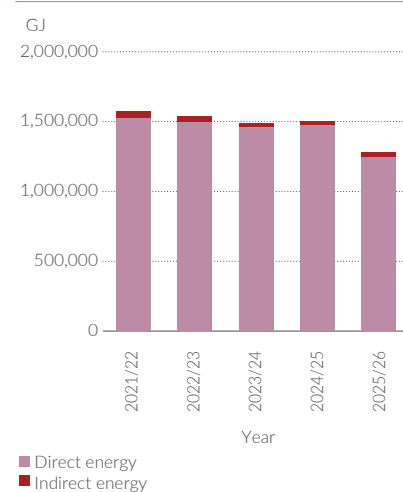
Employee Retention (2024/25 - 70%)

66%

Capital Expenditure



Energy Consumption



Our Socio-Economic Impact

Hayleys Fabric Group is committed to advancing socio-economic development in the communities in which it operates. By integrating responsible business practices with community-focused initiatives, the Group seeks to contribute to long-term social upliftment, economic resilience, and shared prosperity for all stakeholders.

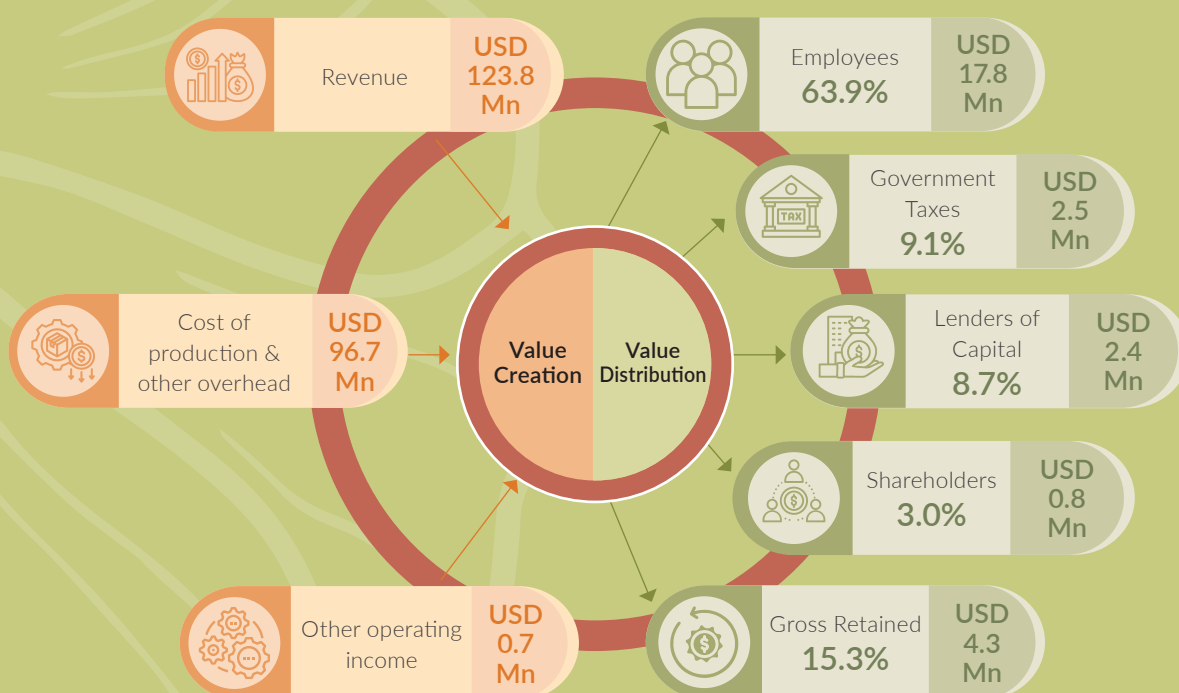


Economic Value— Added Statement

Total value added accounted for USD 27.90 Mn during the year. The highest amount of value was distributed amongst our employees accounting for 63.90% of the total. The increase in remuneration from USD 16.70 Mn to USD 17.80 Mn is an affirmation of our commitment to the well-being of our employees, particularly in times of economic stress (Refer Human Capital – pages 166 - 183).



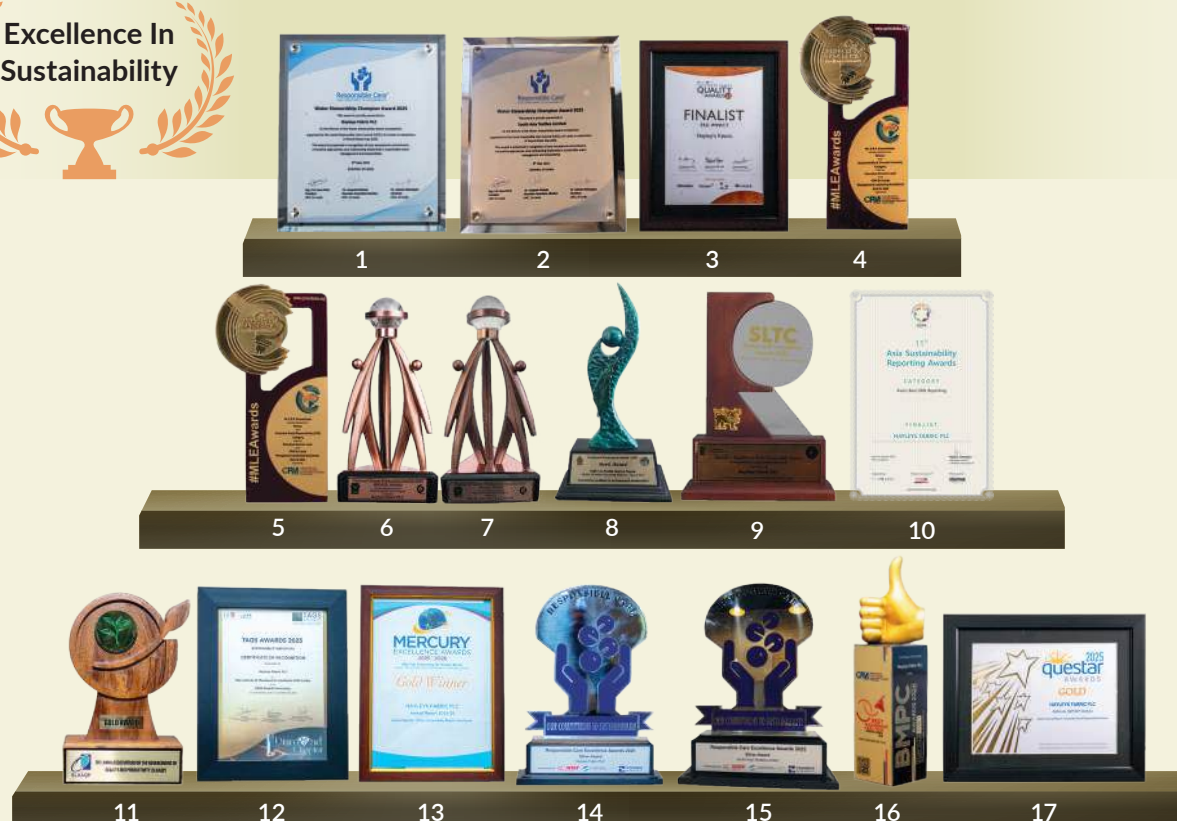
	2026 USD Mn	%	2025 USD Mn	%
Revenue	123.8		146.0	
Cost of production & Other OH	(96.7)		(111.8)	
Other operating income	0.7		1.0	
Value added by Operating Activities	27.9		35.20	
Distributed to:				
Employees :Salaries, wages and other benefits	17.8	63.9%	16.7	47.4%
Government Taxes	2.5	9.1%	3.9	11.1%
Lenders of Capital : Interest	2.4	8.7%	2.7	7.7%
Shareholders	0.8	3.0%	2.5	7.1%
Gross Retained	4.3	15.3%	9.4	26.7%
Total Distribution	27.9	100.0%	35.2	100.0%



Awards and Accolades



Excellence In
Sustainability



1	Water Stewardship Champion Awards 2025 - Winner - Hayleys Fabric PLC - Awarded by Lanka Responsible Care Council
2	Water Stewardship Champion Awards 2025 - Winner - South Asia Textiles Ltd - Awarded by Lanka Responsible Care Council
3	International Quality Award 2025 - Ranked among the Top 4 finalist within ESG impact category - Awarded by Chartered Quality Institute
4	Management Leadership Excellence Awards 2025 - Winner - Sustainability & Circular Economy - Awarded by The Institute of Chartered Management Professionals - CPM
5	Management Leadership Excellence Awards 2025 - Winner - Corporate Social Responsibility - Awarded by The Institute of Chartered Management Professionals - CPM
6	National Cleaner Production Awards 2025 - Bronze Awards - Large scale Textile Manufacturing Category - Hayleys Fabric PLC - Awarded by National Cleaner Production Center
7	National Cleaner Production Awards 2025 - Bronze Awards - Large scale Textile Manufacturing Category - South Asia Textiles Ltd - Awarded by National Cleaner Production Center
8	Presidential Environment Awards 2025 - Merit Award - Textiles and Textile Processing Industry - Type A & B - Awarded by Central Environment Authority
9	SLTC Research and Innovation Awards 2025 - Winner for Excellence in In-house R&D - Environment Sustainability Category - Awarded by Sri Lanka Technology Campus (SLTC)
10	Asia Sustainability Reporting Awards 2025 - Finalist Asia's Best SDG Reporting - Awarded by CSRWorks International Pte Ltd, Singapore
11	Green Productivity Awards -Gold - Awarded by Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)
12	TAGS Awards 2025 - Certificate of Recognition - Sustainability Reporting - Awarded by CA Sri Lanka
13	Mercury Excellence Awards 25/26 - Gold - Annual Reports - Sustainability Report Asia/ Pacific - Awarded by MerComm Inc. New York, USA
14	Responsible Care Excellence Awards 2025 - Silver Award - Hayleys Fabric PLC - Awarded by Lanka Responsible Care Council
15	Responsible Care Excellence Awards 2025 - Silver Award - South Asia Textiles Ltd - Awarded by Lanka Responsible Care Council
16	Best Management Practices Company Awards 2026 -Winner - UN Sustainability Goals - Led Initiatives Cluster - Awarded by The Institute of Chartered Professional Managers of Sri Lanka
17	Questar Awards 2025 - Gold - Corporate Social Responsibility Report - Awarded by MerComm Inc. New York, USA



1	National Business Excellence Awards 2025 - Runner-up in Manufacturing Apparel, Textile and Leather Sector - Awarded by National Chamber of Commerce of Sri Lanka
2	National Business Excellence Awards 2025 - Runner-up Excellence in Capacity Building - Awarded by National Chamber of Commerce of Sri Lanka
3	Management Leadership Excellence Awards 2025 - Winner - Manufacturing (Apparel & Garments) - Awarded by The Institute of Chartered Professional Managers of Sri Lanka
4	Management Leadership Excellence Awards 2025 - Winner - Diversity, Equity & Inclusion (DEI) - Awarded by The Institute of Chartered Professional Managers of Sri Lanka
5	Management Leadership Excellence Awards 2025 - Winner - Industry Case Analysis - Awarded by The Institute of Chartered Professional Managers of Sri Lanka
6	SLTC Research and Innovation Awards 2025 - Merit Award for Outstanding R&D - in Textile & Apparel Sector - Awarded by Sri Lanka Technology Campus (SLTC)
7	Western Province Entrepreneur Awards 2025 - Best Exporter - Awarded by National Chamber of Commerce of Sri Lanka
8	Western Province Entrepreneur Awards 2025 - Runner-up Industry Manufacturing Sector (Large Category) - Awarded by National Chamber of Commerce of Sri Lanka
9	International Business Magazine Awards 2025 - Best Textile Manufacturer of the Year South Asia 2025 - Awarded by International Business Magazine, LLC. UAE
10	International Business Magazine Awards 2025 - Best Sustainable Textile Innovation Sri Lanka 2025 - Awarded by International Business Magazine, LLC. UAE
11	Presidential Export Awards 2024/25 - Merit Award - Knitted Fabric Category - Awarded by Sri Lanka Export Development Board
12	The Great HR Awards 2025 - Excellence in Industrial Relations - Awarded by Chartered Institute of Personnel Management Sri Lanka
13	The Great HR Awards 2025 - Runners up - Textile, Apparel and Leather Sector - Awarded by Chartered Institute of Personnel Management Sri Lanka
14	NCE Export Awards - Silver - Textile and Garment Sector - Awarded by National Chamber of Exporters of Sri Lanka
15	Best Management Practices Company Awards 2026 - Forty Outstanding Companies - Awarded by The Institute of Chartered Professional Managers of Sri Lanka
16	Best Management Practices Company Awards 2026 - Excellence Awards - Awarded by The Institute of Chartered Professional Managers of Sri Lanka

Awards and Accolades



1	Questar Awards 2025 - Grand Winner - Best of Online Annual Report - Awarded by MerComm Inc. New York, USA
2	CMA Excellence in Integrated Reporting Awards 2025 - Winner - Best Integrated Report Apparel Sector - Awarded by Institute of Certified Management Accountants of Sri Lanka (CMA)
3	CMA Excellence in Integrated Reporting Awards 2025 - Recognized as one of the "Ten Best Integrated Reports" - Awarded by Institute of Certified Management Accountants of Sri Lanka (CMA)
4	CMA Excellence in Integrated Reporting Awards 2025 - Overall Bronze Award - Awarded by Institute of Certified Management Accountants of Sri Lanka (CMA)
5	TAGS Awards 2025 - Silver Award - Manufacturing Companies(Group Turnover Between 10 -50 Bn) - Awarded by CA Sri Lanka
6	TAGS Awards 2025 - Certificate of Recognition - Integrated Reporting - Awarded by CA Sri Lanka
7	TAGS Awards 2025 - Certificate of Recognition - Corporate Governance Disclosures (Non - Financial Services) - Awarded by CA Sri Lanka
8	Best Presented Annual Report Awards, Integrated Reporting Awards and SAARC Anniversary Awards for Corporate Governance Disclosure 2024 - Certificate of Merit - Awarded by South Asian Federation of Accountants
9	Inova awards 2025 - Bronze Winner - Annual Report 2024/2025 - Sustainability Report - Awarded by MerComm Inc. New York, USA
10	Galaxy Awards 2025 - Bronze winner - Annual report 2024/2025 - Design - Traditional - Asia/Pacific - Awarded by MerComm Inc. New York, USA

Best Management Practices



1	Management Leadership Excellence Awards 2025 - Overall Silver Award - Executive Director Category - Managing Director/CEO Mr. Rohan Goonetilleke - Awarded by The Institute of Chartered Professional Managers of Sri Lanka
2	Management Leadership Excellence Awards 2025 - Outstanding Leadership Competency Award - Enabling Diversification Growth Strategy - Awarded by The Institute of Chartered Professional Managers of Sri Lanka
3	Sri Lanka Leadership Awards 2025 - Best Employer Brand Awards 2025 - Awarded by World HRD Congress, CMO Asia
4	Western Province Entrepreneur Awards 2025 - Best Entrepreneur of the Year 2025 - Overall Gold Awards Winner - Managing Director/CEO Mr. Rohan Goonetilleke - Awarded by National Chamber of Commerce of Sri Lanka
5	Western Province Entrepreneur Awards 2025 - Best Entrepreneur of the Year 2025 - Provided the most number of jobs for females - Awarded by National Chamber of Commerce of Sri Lanka
6	Brandon Hall Group Excellence Awards - Gold - Excellence in Action & Company Culture - Awarded by Brandon Hall Group
7	Best Management Practices Company Awards 2026 - Leadership Excellence Award - Mr. Rohan Goonetilleke - Managing Director/CEO - Awarded by The Institute of Chartered Professional Managers of Sri Lanka

Chairman's Reflections

Beyond near-term stabilisation, the Group remained focused on the future and long-term sustainability of the business



A handwritten signature in black ink, appearing to read 'A.M. Pandithage'.

A.M. PANDITHAGE
Chairman

USD **124** Mn
Revenue

USD **10** Mn
EBITDA

RS **12,672** Mn
Market Capitalization

Dear Stakeholders

It is my pleasure to present to you the Integrated Annual Report and financial statements of Hayleys Fabric PLC for the financial year ended 31 March 2026. It was a year characterised by significant external headwinds alongside increasingly divergent trends across our key markets. Nevertheless, Hayleys Fabric PLC responded with discipline, agility and a clear long-term focus, strengthening the resilience of the business and positioning the Company for future growth.

MACROECONOMIC OVERVIEW

The year 2025/26 unfolded amid persistent volatility and ongoing structural shifts across the global textile and apparel industry driven by evolving consumer behaviour and rapid digitalisation. As online purchasing continues to gain prominence, the emergence of new-age brands, particularly those built on e-commerce platforms, are proving to be major disruptors challenging traditional retail models. These agile and digitally savvy players continue to expand market share by responding rapidly to the preferences of an increasingly digital and younger consumer base, compelling established global fashion brands to reassess and realign their strategies to remain competitive.

Meanwhile revision of US tariff structures added a further layer of complexity to the global sourcing landscape. As one of the key end markets for apparel, changes in US trade policy had a direct impact on cost structures and sourcing decisions by leading global apparel brands.

Faced with these headwinds, many traditional apparel brands sought to shift from bulk and long-term contract sourcing in favour of smaller, more frequent, and specialised orders in 2025/26, while continuous innovation, speed to market, and pricing flexibility also emerged as top priorities. At the same time, near-shoring strategies continued to gain traction as brands sought to reduce lead times and mitigate supply chain risks.

These developments have had a direct impact on apparel manufacturers and in turn textile producers around the world. Within this broader context, Sri Lanka's apparel and textile industry came under significant pressure in 2025/26. In particular with the uneven tariff structures introduced by the US reducing Sri Lanka's relative competitiveness compared to other manufacturing origins, global brands were seen re-evaluating their sourcing strategies in favour of destinations offering greater cost advantages.

STRATEGIC THRUST

Taking proactive measures in response to an increasingly challenging global landscape, the , Hayleys Fabric Group exercised disciplined stewardship in navigating pricing pressures alongside renewed emphasis on operational rigour to drive efficiencies to enhance Group-wide performance resilience.

Beyond near-term stabilisation, the Company remained focused on the future and long-term sustainability of the business, taking decisive steps to strengthen its presence in higher-value segments aligned with the evolving dynamics of global demand. It was against this backdrop that we accelerated our investments towards strengthening core competencies and leadership skills to empower our workforce and improve their readiness to take ownership for the Group's long-term growth ambitions.

FINANCIAL RESILIENCE

Our financial performance for FY 2025/26 stands as a clear testament to the relevance and effectiveness of our strategic actions in response to the external challenges encountered during the year. Amidst the external challenges that prevailed, the Group recorded a near 15% decline in Consolidated Revenue to USD 124 Mn while Profit Before Tax and Profit After Tax moderated to USD 3.4 Mn and USD 2.1 Mn respectively. The Group's performance during the year attests to the operational agility and disciplined execution of strategic initiatives throughout the year.

Reflecting our commitment to delivering consistent shareholder returns, a dividend of LKR 0.62 per share was declared and paid for 2025/26 with the total payout amounting to LKR 257Mn.

The Group continued to demonstrate a strong commitment to balance sheet discipline despite prevailing external headwinds. In this context, at USD 11.8 Mn loan repayments surpassed borrowings for the year which amounted to USD 8.6 Mn, reflecting the Group's deliberate strategy to reduce gearing in order to safeguard balance sheet stability and resilience.

THE GREENCATALYST - ESG ROADMAP 2030

The year 2025/26 saw the launch of "The GreenCatalyst": ESG Roadmap 2030, a strategic blueprint that defines Hayleys Fabric PLC's long-term commitment to reinforcing sustainability as a core driver of how we operate, grow, and lead.

Developed in close alignment with the Hayleys Group's ESG Roadmap, the Hayleys Lifecode, The GreenCatalyst is carefully tailored to institutionalise Environmental Stewardship, Social Responsibility, and Robust Governance as the key levers in driving the Hayleys Fabric Group's core purpose: "To strengthen the fabric of society by knitting together a better environment for all.." Hence every pillar of the GreenCatalyst is designed to translate this purpose into measurable impact, strengthening resilience while delivering value to all stakeholders. These principles have long-been embedded in how we operate. We are currently ahead of many of our targets from renewable energy adoption to responsible chemical management and strengthening sustainability standards across the supply chain and remain confident that we can reach our ESG targets well ahead of schedule.

Chairman's Reflections

GOVERNANCE AND STEWARDSHIP

Throughout the year, the Board continued to steer the Group amidst an increasingly complex and evolving operating environment. The Board maintained a strong focus on providing strategic direction and ensuring robust oversight while empowering the management to respond with agility to emerging challenges and opportunities.

A total of 4 Board meetings were held during the year, with Board deliberations centering on strategic deliberation, financial resilience, operational performance and risk management. Emphasis was placed on strengthening the Group's competitive positioning, enhancing balance sheet discipline, and overseeing the execution of productivity and efficiency improvement initiatives across both operating entities.

In discharging its responsibilities, the Board also relied extensively on its key Committees. Matters relating to financial reporting integrity, audit assurance, and internal control effectiveness were reviewed in conjunction with the Board Audit Committee, while the Board Integrated Risk Management Committee provided critical guidance on enterprise-wide risk identification and mitigation in light of evolving global uncertainties. In addition, operating under the delegated authority of the Board, the Environmental, Social and Governance ("ESG") Steering Committee oversaw the implementation "The GreenCatalyst" - ESG Roadmap 2030 as well as providing guidance on adhering to SLFRS reporting expectations.

LOOKING AHEAD

The outlook for the immediate future currently remains fluid, with ongoing geopolitical tensions in the Middle East likely to weigh heavily on global trade flows. Moreover, persistent shifts in consumer demand patterns are expected to influence global sourcing strategies, which could potentially lead to prolonged uncertainty in the medium term as well.

While external conditions remain challenging, we are inclined to view these developments not only as a test of resilience, but also as an opportunity to demonstrate our ability to stay agile and responsive to evolving dynamics, while preserving profitability. To that end, we have taken a more forward-looking and pragmatic approach in shaping our planning framework for the year ahead. Strategically, our focus will remain on strengthening our customer base, deepening engagement with higher-value and more resilient market segments and continuing to refine our operational model to respond effectively to smaller, more frequent, and more complex order profiles. At the same time, ongoing efforts to enhance productivity, optimise costs, and improve end-to-end efficiency will remain central to our competitiveness in a tightening global environment.

With a strong leadership foundation, a clear strategic direction, and a committed team, I am confident that Hayleys Fabric Group is well positioned to navigate current uncertainties and progressively build a stronger, more agile, and more sustainable business for the future.

APPRECIATIONS

I would like to sincerely thank my colleagues on the Board of Directors for their valuable counsel and guidance throughout what has been a particularly challenging year.

On behalf of the Board, I would also like to extend my deep appreciation to Mr. Rohan Goonetilleke, Managing Director/CEO of Hayleys Fabric Group for his energetic leadership that has been instrumental in steering the Group during a period of heightened uncertainty. I would also like to take this opportunity to congratulate Rohan on his outstanding achievement on being declared the Best Entrepreneur of the Year 2025 (Overall Gold Award Winner) at the Western Province Entrepreneur Awards 2025 by the National Chamber of Commerce, indeed a truly distinguished honour that reflects his exemplary leadership, vision, and contribution to the industry.

I extend my heartfelt gratitude to our outstanding Corporate Management team and all employees of Hayleys Fabric PLC and South Asia Textiles Limited. Thank you for your resilience, unity, and commitment in driving the Hayleys Fabric Group vision.

The Board and I also wish to place on record our sincere appreciation to our loyal customers and global partners for their continued trust, collaboration, and confidence in the Group. Your enduring relationships remain a vital source of strength and motivation as we continue to evolve and grow.

Finally, to our valued shareholders, I extend my deepest gratitude for your continued faith in our long-term vision and strategic direction. As we look ahead, we eagerly anticipate your continued support as we build on our foundations and move forward with renewed purpose, resilience, and ambition.



A.M. PANDITHAGE
Chairman

15th May 2026

Managing Director's Insights



We initiated a Group-wide productivity enhancement programme designed to strengthen operational discipline across the Fabric Group



A handwritten signature in black ink, appearing to read 'E.R.P. Goonetilleke', positioned above the name and title.

E.R.P. GOONETILLEKE
Managing Director/CEO

3,435
Total Employees

USD **5.8** Mn
Operational Profits

13%
GHG Emission Reduction

Managing Director's Insights

Dear Stakeholders

While it appears that each passing year in recent times has been more challenging than the last, I have to say that the year under review stands out as one of the most demanding periods we have encountered to-date. As shifting global trade dynamics, and geopolitical tensions weighed down overall market confidence in key buying regions, sourcing decisions became increasingly cautious causing a noticeable softening in demand.

Against this backdrop, I am proud to note that the Hayleys Fabric PLC Group once again proved its ability to strategically reorient and respond with discipline and foresight to navigate immediate challenges while continuing to strengthen the foundations for future growth.

FINANCIAL REVIEW

The Hayleys Fabric Group's financial performance for FY 2025/26, I believe stands as a clear demonstration of the effectiveness of the fit-for-purpose action plan mobilised to mitigate the impacts from unexpected shifts in global market dynamics in the current year.

The Group reported consolidated revenue of USD 124 million, reflecting a 15% decline from USD 146 million in the previous year. At an operational level, while both Hayleys Fabric PLC and South Asia Textiles Limited experienced volume declines on the back of the revised US tariff structures, South Asia Textiles Limited was more significantly impacted due to a sharp contraction in demand from a major Tier 1 customer, while Hayleys Fabric PLC remained comparatively more resilient due to its diversified customer base.

In tandem, consolidated Profit After Tax also declined to USD 2.1 million from USD 7.0 million in the previous year. Nonetheless what is important to note is the Group's ability to remain profitable notwithstanding top-line pressures which I attribute directly to the cost operational efficiency programme implemented throughout the year.

The Group's strategic focus on strengthening the balance sheet was reflected in an improved gearing position, supported by a strong emphasis on loan repayments, which exceeded new borrowings during the year

A FIT-FOR-PURPOSE ACTION PLAN

We entered the year amid a degree of uncertainty, caused by softening customer demand, which was somewhat out of character for what would ordinarily have been a stronger seasonal backdrop in our key export markets. It was an early signal that buying patterns were pivoting towards greater caution and more measured purchasing decisions in response to broader economic uncertainty.

As the year progressed, the revised US tariff regime affecting Sri Lankan exports further weakened our competitiveness in the US market, again prompting buyers to reassess their sourcing decisions leading to selective ordering and aggressive re-negotiation of commercial terms. As global purchasing slowed, the resulting excess capacity across supply chains further intensified competitive pressures across textile and apparel value chains, especially within the wider Asia region.

Experiencing a sizeable moderation in certain long-standing demand streams, we moved swiftly to accelerate customer diversification and broaden our global market reach in order to safeguard the order book and preserve capacity utilisation requirements.

At the same time, with key US-origin buyers actively seeking to renegotiate terms, we responded proactively by extending selective price concessions where appropriate to protect long-standing customer relationships, alongside disciplined margin management strategies to prevent profit erosion. In parallel, we fine-tuned our sourcing with the intention of protecting margins as well as bolstering our global market competitiveness.

In a deliberate effort to offset top-line pressures, we initiated a Group-wide productivity enhancement programme designed to strengthen operational discipline across both Hayleys Fabric PLC and South Asia Textiles Limited. The programme which centred on reducing rework, minimising waste, improving yields, and elevating overall delivery performance, was supported by a set of ambitious performance benchmarks coupled with close oversight by the respective leadership teams at both entities to drive accountability. The success of the initiative was evident by the meaningful efficiency gains from the early stages of implementation, which translated into measurable and tangible financial benefits during the year.

Admittedly, considerable time and effort during the year was directed towards safeguarding the business against immediate challenges. However, we believed it was equally important to remain focused on the future by repositioning the business towards emerging opportunities and evolving market dynamics. In this regard, we expanded our engagement with premium and niche brands seeking smaller, more specialised, and higher-mix orders. I believe these premium segments align strongly with the Hayleys Fabric Group's core strengths, and technical capabilities and firmly believe that our foray into these segments will yield tangible benefits in the coming years.

To improve our readiness for this strategic pivot, we proceeded to allocate capital expenditure to acquire advanced knitting equipment designed to enable more sophisticated, customised, and differentiated fabric solutions.

SUSTAINABILITY LEADERSHIP

We are proud to be a Group that has embraced sustainability in a strategic manner. For the Hayleys Fabric Group, sustainability is not an add-on to our business model; it is the foundation on which we operate and the guiding philosophy that anchors how we think, work, adapt and evolve in a rapidly changing world.

On that note, I am deeply proud to announce the launch of our refreshed ESG Framework titled "The Green Catalyst," which was unveiled in June 2025. While inspired by the broader Hayleys PLC "Lifecode," the framework has been carefully designed to reflect the unique nature of our operations and the specific sustainability priorities associated with our business model and value chain.

In an evolving sustainability landscape, where expectations continue to move beyond compliance, "The GreenCatalyst" serves as a roadmap to further align our business with the expectations of our global stakeholders, by reinforcing commitments to climate action, circularity, ethical governance, and social empowerment in tandem with globally recognised frameworks, including the UN Sustainable Development Goals (SDGs), GRI Standards, and SLFRS S1 and S2 disclosures.

For example, under our Environmental Stewardship pillar, I am pleased to note that Group-wide renewable energy usage currently stands at 72%, placing us firmly on track to achieve our 90% target by 2030. Underscoring our commitment to UN Sustainable Development Goals (SDGs) 7 and 13 relating to Affordable and Clean Energy and Climate Action respectively.

Moreover, we have already achieved our 2030 target for 100% safe chemical management in line with ZDHC Level 1 and OEKO-TEX standards. These efforts reinforce our commitment towards responsible production practices and environmental protection in line with SDGs 6 and 12 concerning Clean Water and Sanitation and Responsible Consumption and Production.

Similarly, under the Social Responsibility pillar, we have significantly exceeded our target for supplier screening, reflecting our commitment to propagating strong social and environmental practices across our supply chain. Currently, 88% of our suppliers are subject to social and environmental screening against our 40% coverage target for 2030, supporting SDG 8 on Decent Work and Economic Growth and SDG 17 relating to Partnerships for the Goals.

In further demonstrable evidence of our sustainability leadership, we continued to make steady progress in our SLFRS S1 and S2 reporting journey. Having commenced voluntary early disclosure of the SLFRS S1 & S2 standards in the previous reporting cycle, we are now in our second year of comprehensive climate and sustainability-related financial disclosures including quantification underscoring our efforts to fully integrate ESG considerations into the DNA of our financial and operational decision-making.

PEOPLE FOCUS

Alongside the broader operational and market challenges experienced during the year, we also continued to face persistent skills shortages in key technical areas. The shortage of technical capabilities within the fabric industry which first emerged during the financial crisis in 2022, has remained a major factor influencing our people strategy in the current year.

Aiming to retain critical technical skills and knowledge we rolled out a series of Group-wide initiatives to align individual contributions with organisational outcomes. At the same time, we continued to place strong emphasis on on-the-job learning, complemented by structured career development interventions driven through coaching, mentoring, and continuous knowledge transfer initiatives undertaken by our leadership teams.

We also continued to advance our Diversity, Equity, and Inclusion (DEI) agenda to foster a more inclusive and equitable workplace across all levels of the organisation. Our focus remained on creating an environment where individuals from diverse backgrounds have equal access to equal opportunities based solely on merit. In testimony to the Group's commitment to empowering women and expanding inclusive participation within core manufacturing operations, the Hayleys Fabric knitting plant in Wagawatta, Horana continues to operate as a 100% female-operated facility.

AWARDS AND ACCOLADES

The Hayleys Fabric Group continued to be recognised at the highest level, a clear acknowledgement of our ability to sustain excellence across changing cycles and evolving expectations of our customers and the wider industry.

Managing Director's Insights

Many of our awards were in recognition of our excellence of sustainability. Hayleys Fabric PLC was declared the Winner at the SLTC Research and Innovation Awards 2025, receiving recognition for Excellence in In-house R&D under the Environment Sustainability category. The Group also clinched the Gold awards at the Green Productivity Awards organised by SLAAQP, in recognition of outstanding performance in productivity improvement aligned with sustainability principles. In addition, Hayleys Fabric PLC was named Cluster Award Winner under the UN Sustainable Development Goals (SDG)-Led Initiatives by CPM, in acknowledgement of our leadership in driving impactful sustainability initiatives across our operations.

Meanwhile on the business front, Hayleys Fabric PLC was declared the Winner in the Manufacturing (Apparel & Garments) category at the Management Leadership Excellence Awards 2025 organised by the Institute of Chartered Management Professionals (CIPM). The award recognises the Group's strong leadership capability and sustained commitment to operational excellence within a highly competitive manufacturing landscape.

Additionally, the Hayleys Fabric PLC Integrated Annual Report for FY 2024/25 won the Sector Silver Award (Manufacturing Companies Turnover LKR 10 to 50Bn) at the TAGS Awards organised by the Institute of Chartered Accountants of Sri Lanka, in recognition of our commitment reporting excellence.

OUTLOOK AND PROSPECTS

With geopolitical tensions in the Middle East casting an indefinite shadow over global economic activity, I expect the global operating environment to remain volatile for some time to come. The resulting disruptions to global trade routes, coupled with elevated logistics costs, are likely to exert continued pressure on supply chains and further temper overall consumption sentiment across key international markets.

Hence, our strategic focus will remain firmly on strengthening resilience and sustaining growth. We will continue to build on the foundations laid during the current year by pursuing strategic recalibration with greater rigour. The focus will be on diversifying our customer portfolio, expanding our order pipeline, and deepening the impact of our operational efficiency programmes, in order to balance near-term market realities with long-term value creation potential. Moreover, having successfully navigated a challenging year, and emerged as a stronger and more resilient organisation, I remain confident that the Hayleys Fabric Group is well positioned to deliver our medium growth ambitions.

In parallel, we will place strong emphasis on the execution of our "The GreenCatalyst" ESG framework through bold and purposeful action across all three core pillars, Environment, Social and Governance. Our intention is ultimately to ensure every meter of fabric we produce contributes meaningfully to environmental stewardship, social equity, and responsible corporate citizenship.

APPRECIATIONS

I wish to express my sincere appreciation to the Chairman and the Board for their steadfast stewardship in guiding the Group through a year characterised by extreme external headwinds.

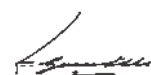
A special word of thanks also goes to the Executive Directors overseeing various operational areas, for their diligent oversight and hands-on leadership that has been instrumental in ensuring the Hayleys Fabric Group remained agile, disciplined, and strategically focused amidst a rapidly evolving operating environment.

I also extend my heartfelt gratitude to the Senior Management teams and all employees of both Hayleys Fabric PLC and South Asia Textiles Limited for the resilience, agility, and commitment demonstrated under challenging conditions which have been critical to deliver meaningful outcomes for the current year.

My sincere thanks are also due to our valued customers, whose continued trust, partnership, and loyalty remain a powerful source of motivation as we continue to push the boundaries of quality, innovation, and service excellence.

I would further like to acknowledge our supply chain partners, whose close collaboration and commitment to innovation have been instrumental in strengthening our operational agility and reinforcing the spirit of collective progress across our value chain.

Finally, I extend my sincere gratitude to our shareholders for their trust and confidence placed in the Group. I look forward to your continued partnership as the Hayleys Group strides ahead to its next phase of sustainable growth.



E.R.P. GOONETILLEKE
Managing Director/CEO

15th May 2026



Redefining the Standard

STRATEGIC REVIEW

Our Business Model

INPUTS



Financial Capital

The funds obtained through shareholders and lenders which allow us to create value and reach our strategic goals.

Total Equity: USD 39.02 Mn
Borrowings: USD 34.97 Mn



Intellectual Capital

A strong innovation pipeline, robust systems and processes and the tacit knowledge of our team which drives our competitive advantage.

Certifications/Accreditations: 63
Investment in R&D: USD 128,772



Human Capital

Skills, capabilities, knowledge and commitment of our employees who support the delivery of our strategic objectives.

3,435 employees
47,747 training hours



Social & Relationship Capital

Strong relationships that have been nurtured over the years underpin our reputation and trust of key stakeholders.

Tier 1 customers: 5
Grade 1 suppliers: 95%
Community relationships



Manufactured Capital

State-of-the-art machinery and investments in modern manufacturing facilities enables high quality and efficient production.

PP&E: USD 46.16 Mn
CAPEX: USD 3.87 Mn

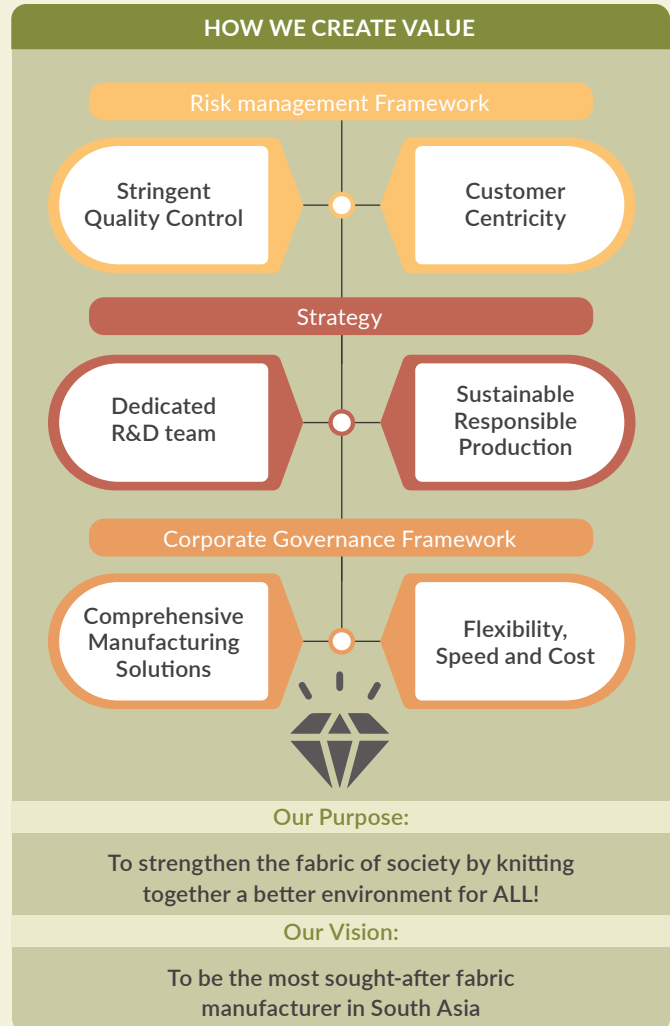


Natural Capital

Natural resources that we seek to source responsibly and consume in our value creation process.

Water intake: 2,607,672 m³ (2,608 ML)
Energy intensity: 79 GJ/ MT

HOW WE CREATE VALUE



ESG INTEGRATION



OUTPUTS FOR HAYLEYS FABRIC



Financial Capital

- PBT Margin 3%
- ROI: 5%
- Asset Turnover ratio: 1.09 Times
- Liquid Asset Ratio: 0.54 Times



Manufactured Capital

- Equipment downtime: 13%
- Capacity utilisation 85%
- Machine Utilisation Ratio 90%
- Production Efficiency Ratio > 90%



Intellectual Capital

- 98% of sales from new product development
- 50 Awards



Human Capital

- 66% employee retention
- 38% of employees employed for over 5 years
- 74% of employee wellbeing of skill building
- Best Employer Brand



Social & Relationship Capital

- First Time Through (FTT) - >95%
- On-Time Delivery (OTD) - Over 88%



Natural Capital

- Energy intensity 79 GJ/MT
- Emission intensity 11.2 tCO₂e/MT
- Water intensity 165 l/kg
- ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements, in the current financial year

CAPITAL TRADEOFFS

Financial Capital is prudently allocated to maintain appropriate balance between corporate sustainability and stakeholder benefit. Disciplined capital allocation ensures our continued growth and supports our ability to add value to all other capitals.

Innovation is an ongoing process supported by our capabilities in research and development which typically require considerable financial resources.

Safety, health and skills development underpin productivity. While our top priority is the wellbeing of our employees and fostering a diverse and inclusive culture where they reach their full potential, Hayleys Fabric Group benefits from higher productivity.

Our communities grant our social license to operate. We invest significantly to support economic empowerment and contribute to improving the lives of those living in our local communities.

Innovation, technology and strategic relationships underpin the profitability/financial viability of our business operation, and attracts investment that, in turn, ensures sustainability.

Our investment in natural capital utilises Financial Capital. It is vital to protect resources for the sustainability of our business and for future generations.

STAKEHOLDER OUTCOMES



Investors

- EPS: Rs.1.54
- Dividend Payout: 40%
- ROE: 5%



Customers

- Guarantee of best in class products underscored by global standards and certifications
- 439 new product innovations
- On time Delivery with shorter lead times



Employees

- USD 13.36 Mn distributed as monetary benefits to employees
- 187 employees promoted
- 1,438 new recruits
- 8% women in leadership in positions
- 1:1 - ratio of basic salary between men and women for entry level positions



Suppliers

- USD 113 Mn paid to suppliers (39%:61% - local:overseas)



Regulators

- 9.8% reduction in grid electricity consumption
- Withdrawal of groundwater 2,788m³
- Water discharged to the environment 2,382,045m³
- Contribute to increase in national forest cover



Community

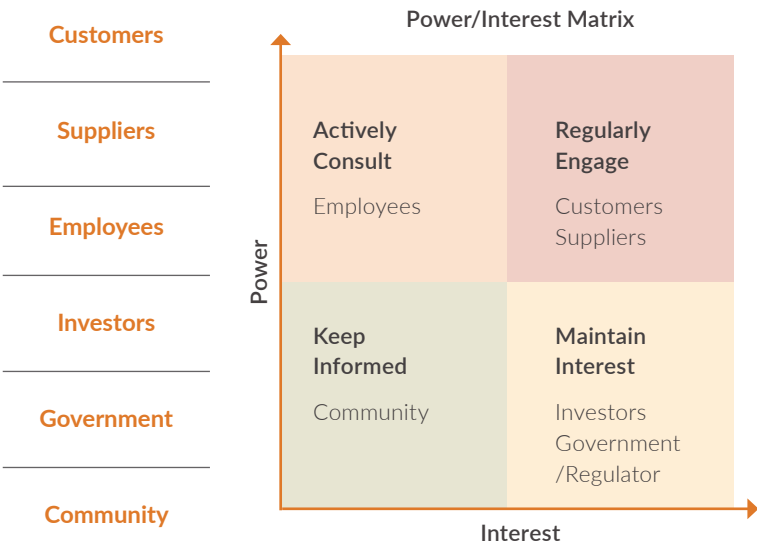
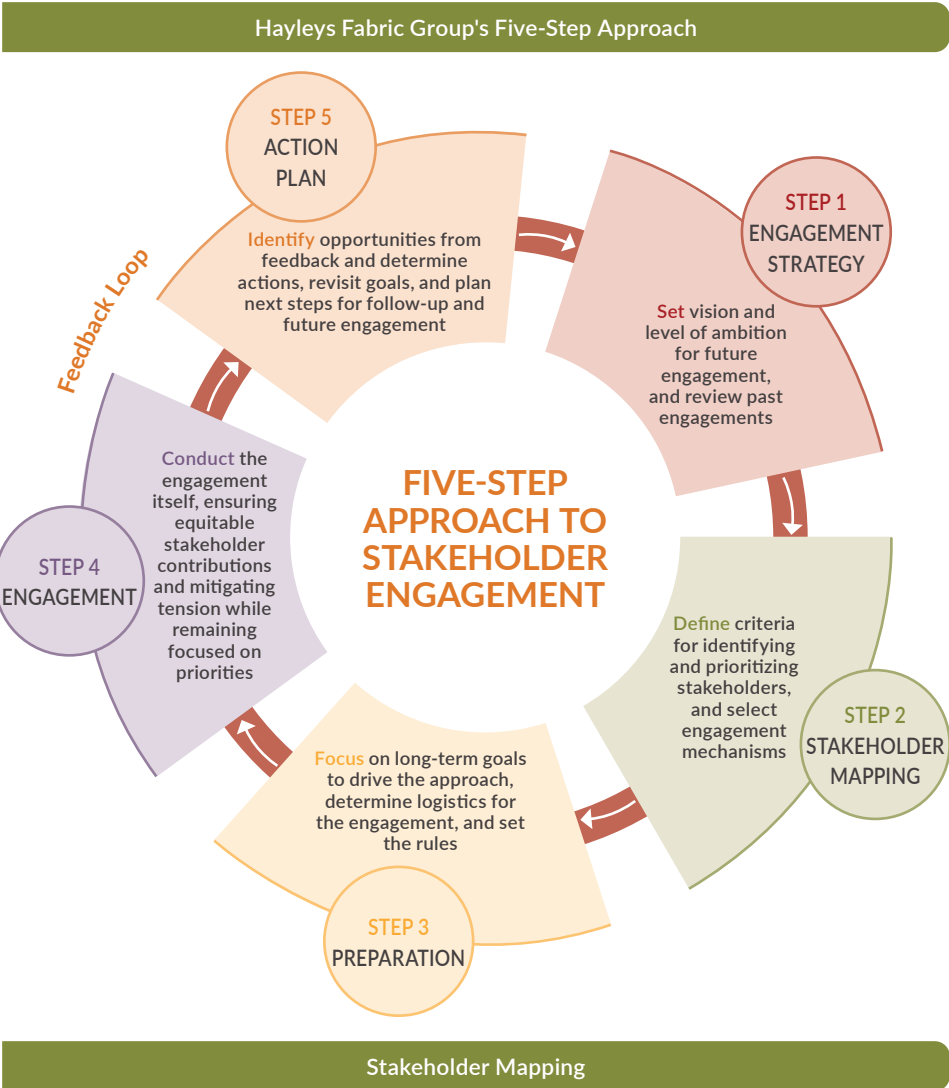
- 58% employment opportunities to local community members
- Over 6,380 direct beneficiaries through CSR projects
- Reduction in waste sent to landfills owing to use of recycling/reclaimed materials
- No contamination of water bodies owing to ZERO spills

Stakeholder Engagement

Hayleys Fabric Group recognises stakeholder engagement as a strategic imperative that underpins sustainable value creation and long-term business resilience. Premises on this, the Group strives to foster meaningful interactions with key stakeholder groups in order to better understand evolving expectations, anticipate emerging risks and opportunities, and align its strategic priorities to maximise positive impacts across its operations and value chain. To that end, the Board and its Committees consider stakeholder perspectives in policy formulation, strategic direction, and the oversight of material matters.

Operational level decisions also continue to be influenced by insights from stakeholder interactions. Collaborations with customers enable continuous improvements in products, processes, service delivery, and innovation, while ongoing engagement with suppliers helps to assure supply chain reliability, uphold quality and traceability standards, and reinforce responsible sourcing practices across the value chain. Similarly, regular dialogue with employees contributes to enhancing engagement, motivation, and workplace satisfaction, collectively strengthening overall productivity at all levels of operation.

Stakeholders are selected based on their level of influence.



 Customers	Global tier 1 brand owners and apparel manufacturers	Importance to Hayleys Fabric Group - CRITICAL	Strength of Relationship - 
Engagement Mechanisms and Frequency of Engagement	• Multi-layered relationship management (O) • Visits (as needed) • Virtual meetings (O) • Trade Exhibitions & Fairs (as needed) • Customer survey (O) • Quality & Performance Review (O)		
Key Concerns Raised	• Product quality and reliability • Lead times • Environmental footprint • Ethical labour practices • Innovations • Sustainable supply chain • Competitive pricing		

Hayleys Fabric Group's Response				
Material Matters	Strategy Integration	Resource Allocation through Capitals		Value Creation
• Customer requirements on Sustainability • Customer satisfaction • Technology and product innovations • Product Quality • Manufacturing capabilities • On time delivery (OTD) • Operational efficiency and productivity • Regulations and compliance • Human Rights Assessment • Environmental impacts in supply chain • Supplier social assessment	- Excellence in Service Levels - Inspired and Dedicated Team - Crafting a Seamlessly Integrated Supply Chain - Operational Excellence - Sustainability and Climate Action	• Investment in product innovation • Ongoing process improvements including quality assurance • Upgrading machinery • Obtaining and maintaining certifications and accreditations • Employee training and development • Maintained good industrial relations • Strengthened supply chain • Enhanced environmental practices	     	• Guarantee of best-in-class products underscored by global standards and certifications • Product innovations • On time Delivery with shorter lead times • Over 88% Customer Satisfaction Score • Alignment with sustainability goals

Stakeholder Engagement

 Suppliers	Large scale suppliers are typically selected from a pool accredited by brand owners and assessed for environmental and social practices	Importance to Hayleys Fabric Group - CRITICAL	Strength of Relationship - 
Engagement Mechanisms and Frequency of Engagement	- Suppliers' site visits - Relationship management (as needed) - Written communication and feedback (O) - Supplier appraisals (O) - Evaluation of new suppliers (As needed) - Due diligence to verify business practices and ethics (A)		
Key Concerns Raised	- Timely payments and ease of transacting - Constructive feedback - Guidance on social and environmental conformity - Opportunities for economic development and business growth		

Hayleys Fabric Group's Response				
Material Matters	Strategy Integration	Resource Allocation through Capitals		Value Creation
- Environmental impacts in supply chain - Supplier social assessment - Environmental and social issues along supply chain - Human Rights Assessment - Customer satisfaction - Product Quality - On time delivery (OTD)	Excellence in Service Levels Crafting a Seamlessly Integrated Supply Chain Operational Excellence	- Centralised procurement for the Hayleys Fabric Group - Working closely with suppliers to help them align with the Hayleys Fabric Group's sustainability parameters - Providing opportunities for local suppliers	  	33 new suppliers on boarded - USD 113 Mn paid to suppliers (39%: 61% - local:overseas) 88% supplier base screened for social and environmental criteria

 Investors	Providers of equity and debt capital to support day-to-day operations and drive business expansion	Importance to Hayleys Fabric Group - HIGH	Strength of Relationship - 
Engagement Mechanisms and Frequency of Engagement	• Annual General Meeting (A) • Investor forums and discussions (as needed) • Annual Report (A) • Quarterly financial results (Q) • CSE Announcements (As needed) • Press releases (as needed)		
Key Concerns Raised	• Business expansion • Share price and liquidity • Business continuity • Corporate governance and risk management practices • Return on investment (ROI) • Social and environmental impact		

Hayleys Fabric Group's Response				
Material Matters	Strategy Integration	Resource Allocation through Capitals		Value Creation
• Macro-economic Impacts • Regulations and compliance • Physical climate risks- rainfall • Evolving climate regulations and policies • Physical climate risks- temperature • Climate change adaptation • Energy consumption • Customer requirements on sustainability • Customer satisfaction • Employee wellbeing • Operational efficiency and productivity • Government policy	Excellence in Service Levels Operational Excellence	• Pursue new markets and Increased penetration with existing buyers • Optimal capacity utilisation • Improved productivity and cost efficiencies • Improved social and environmental practices. • Compliance and adherence to global best practices. • Awards and accolades	  	• 5% ROE • 2% ROA • 0.54 Liquid Asset ratio

Stakeholder Engagement

 Employees	3,435 employees at both Hayleys Fabric PLC and South Asia Textile Limited	Importance to Hayleys Fabric Group - HIGH	Strength of Relationship - 
Engagement Mechanisms and Frequency of Engagement	• Performance appraisals (A) • Open door policy (O) • Meetings with trade unions (O) • Training sessions (O) • Employee Engagement activities (O)		
Key Concerns Raised	• Attractive remuneration and reward schemes • Opportunities for training and career development • Safe and conducive workplace • Job security and career progression		

Hayleys Fabric Group's Response				
Material Matters	Strategy Integration	Resource Allocation through Capitals		Value Creation
• Employee wellbeing & proposition • Freedom of association and collective bargaining • Human Rights & Social Compliance • Regulations and compliance	Excellence in Service Levels Inspired and Dedicated Team Operational Excellence	Create a robust, yet challenging work environment to empower employees to achieve personal and professional growth	 	• USD 13.36 Mn distributed as monetary benefits to employees • 187 employees promoted • 1,438 new recruits • 8% women in leadership positions • 74% of employee wellbeing of skill building

 Government / Regulators	Key facilitators of a conducive environment for entities to carry out business activities	Importance to Hayleys Fabric Group - MODERATE	Strength of Relationship - 
Engagement Mechanisms and Frequency of Engagement	• Written communications (as needed) • Face to face interactions (as needed) • Annual returns (A) • Site Visits (ad-hoc) • Data submission and reporting (as needed)		
Key Concerns Raised	• Compliance with all applicable regulatory requirements • Timely payment of regulatory dues and taxes • Contribution to economic growth • Environmental and social implications		

Hayleys Fabric Group's Response				
Material Matters	Strategy Integration	Resource Allocation through Capitals		Value Creation
• Chemical management • Regulations and compliance • Water discharge and effluents • Evolving climate regulations and policies • Climate change adaptation • Biodiversity • Government policy	Operational Excellence Sustainability and Climate Action	• Established processes to ensure full compliance to all relevant regulatory requirements • Timely payment of taxes and other dues to regulatory bodies • Investment in climate action	  	• ZERO incidents of non-compliance of regulations • 2.6% reduction in water discharged to the environment • Reduction in waste sent to landfills owing to use of recycling / reclaimed materials • No contamination of water bodies owing to ZERO spills

Stakeholder Engagement

 Community	Communities living in and around the vicinity of the Group's factories	Importance to Hayleys Fabric Group - MODERATE	Strength of Relationship - 
Engagement Mechanisms and Frequency of Engagement	• CSR activities (as needed) • Community grievance mechanisms (O) • Community awareness programmes (O)		
Key Concerns Raised	• Opportunities for socio-economic development • Employment opportunities • Livelihood and community development • Environmental preservation • Infrastructure development		

Hayleys Fabric Group's Response				
Material Matters	Strategy Integration	Resource Allocation through Capitals		Value Creation
• Community and livelihood development • Regulations and compliance • Government policy	Operational Excellence Sustainability and Climate Action	• Employment opportunities • Uplift the quality of life for the community • Investment in climate action	   	• 100% female run knitting plant employing local community members • USD 32,686 invested in CSR projects • Over 6,380 direct beneficiaries through CSR projects • ZERO community grievances reported • Increase in national forest cover • Preservation of natural ecosystems

O - Ongoing A - Annual Q - Quarterly

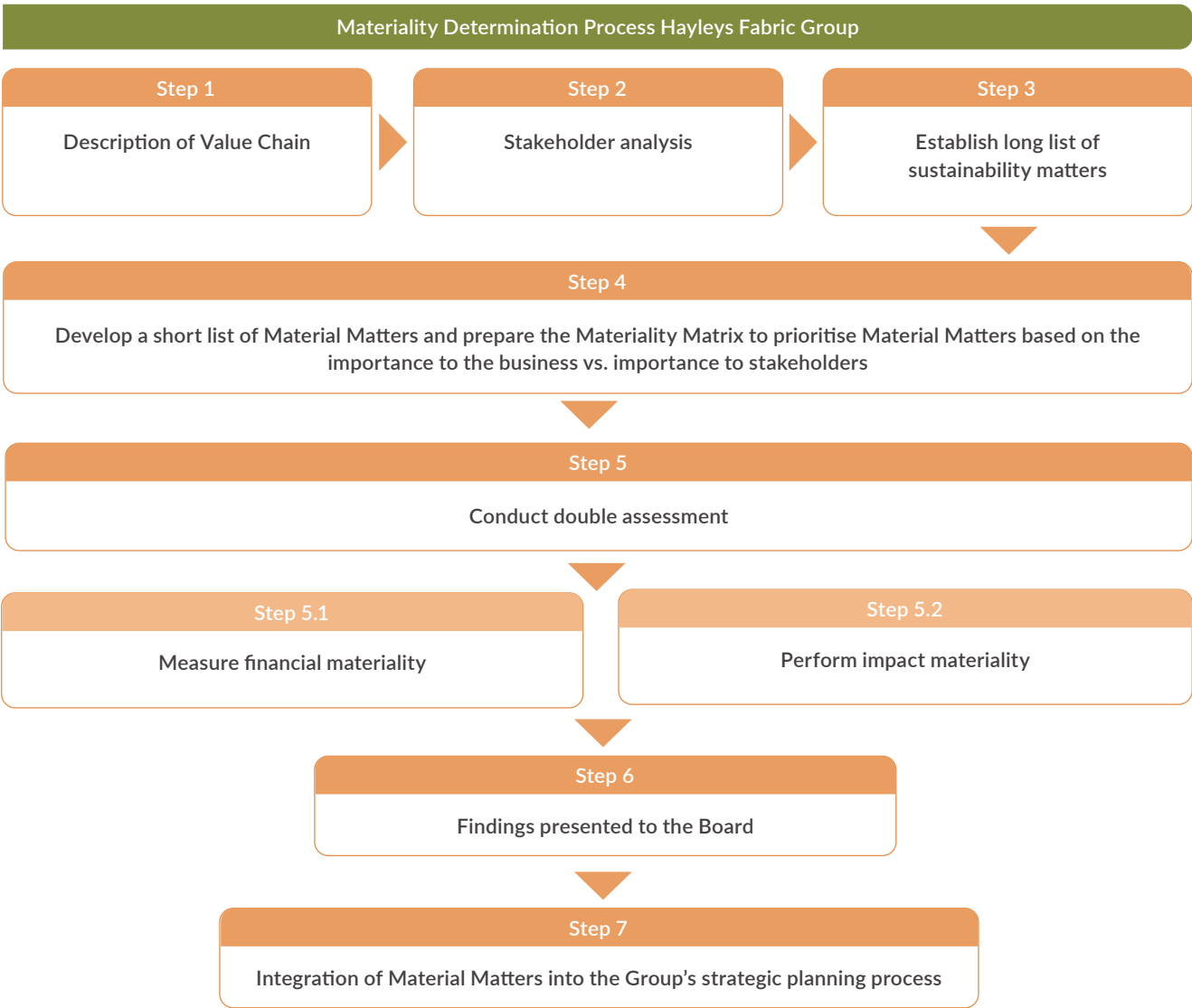
Determining Material Issues

Material Matters represent those environmental, social, and governance (ESG) factors that have the potential to significantly influence the Hayleys Fabric Group's financial performance, strategic direction, and stakeholder relationships. Therefore, the identification of Material Matters is viewed as a key strategic exercise that informs decision-making and guides resource allocation to achieve current business priorities as well as pursue long-term growth objectives.

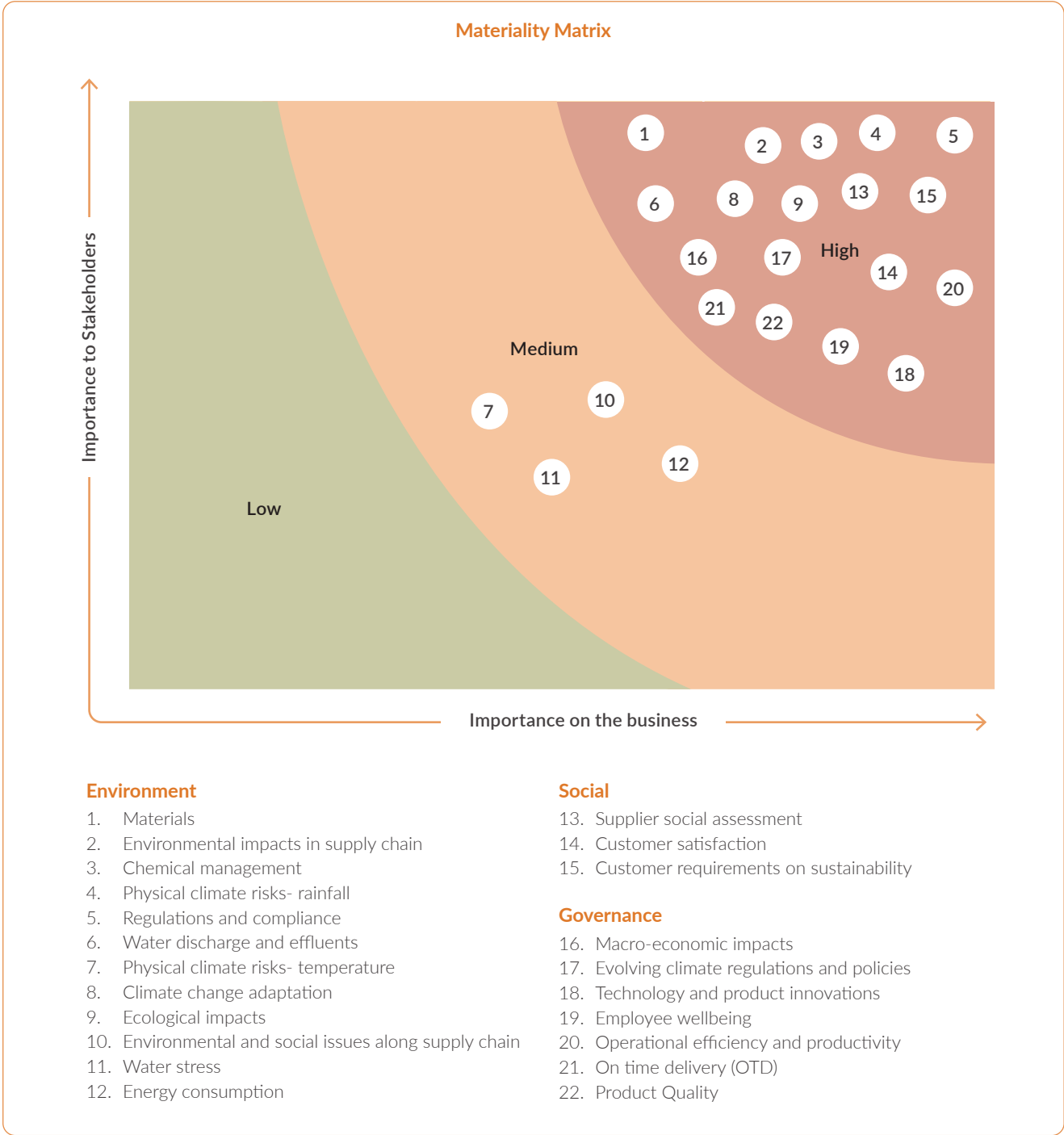
The annual materiality assessment serves as the primary tool through which Hayleys Fabric Group identifies and prioritises Material Matters. The latest

assessment resulted in the identification of an initial long list of 60 sustainability-related topics, reflecting both internal and external factors influencing the Group's business model and value chain. Through further evaluation and prioritisation, this was refined into a shortlist of 22 Material Matters deemed most significant to the Hayleys Fabric Group in the current year. All shortlisted matters were subjected to stakeholder mapping to establish the key stakeholder groups impacted by, or having a significant interest in, each topic and to assess their relative influence on decision-making.

The Hayleys Fabric Group has applied the double materiality assessment to further probe each material topic using a dual-lens approach. This involves evaluating the potential financial risks and opportunities posed to the Group (financial materiality), alongside assessing the extent of the Group's environmental and social impacts (impact materiality). The exercise provides evidenced based insights to integrate business priorities and sustainability considerations into strategic planning, risk management, and operational decision-making processes.



Determining Material Issues



Topics Removed	Reason for removals
Emissions & air quality	This material topic was considered within the 60 material list. However, it was not identified as a priority material topic, as ambient air quality levels remained within the regulatory limits throughout FY 2025–26
Waste	This material topic was considered within the 60 material list. However, it was not identified as a priority material topic, as there were no non-conformity records related to waste handling during FY 2025–26
Biodiversity	This material topic will cover under the Ecological impact
Freedom of association and collective bargaining	This material topic was considered within the 60 material list. However, it was not identified as a priority material topic, as during FY 2025–26, no regulatory concerns were recorded related to that.
Human rights & social compliance	This material topic was considered within the 60 material list. However, it was not identified as a priority material topic, as during FY 2025–26, no human rights & social compliance violations were recorded.
Local communities	This material topic was considered within the 60 material list. However, it was not identified as a priority material topic, as no community unrest situations or related issues were recorded during FY 2025–26
Principal relationships	This material topic was considered within the 60 material list. However, it was not identified as a priority material topic, as no significant issues related to principal relationships were recorded during FY 2025–26
Government policy	This material topic was considered within the 60 material list. However, it was not identified as a priority material topic, as no regulatory compliance issues were recorded during FY 2025–26

New Topics Added	Reason for Inclusion
Ecological impacts	In aligned with SLFRS S1&S2 risk assessment
Environmental and social issues along supply chain	In aligned with SLFRS S1&S2 risk assessment
Macro-economic impacts	This material topic was identified as a priority material topic due to the potential macro-economic impacts on operational & finance stability

Determining Material Issues

Material Topic		Topic Boundary	GRI/ SASB/ Other	Financial Materiality	Impact Materiality	Double Materiality	
1.	Materials	I / E - Consumption of Raw material Yarn, Greige, Dyes & Chemicals and their supply chain	GRI 301				
2.	Environmental impacts in supply chain	I / E - Emissions, Energy, Waste, Water impacts from operations as well as value chain impacts (up-stream and downstream)	GRI 302, GRI 303 GRI 305, GRI 306 SASB CG-AA- 430a.1, SASB CG-AA- 430a.2				
3.	Chemical management	I - Usage and discharge of dyes & Chemicals	SASB CG-AA- 250a.1 SASB CG-AA- 250a.				
4.	Physical climate risks- rainfall	I / E - Managing flood risk for Hayleys Fabric PLC, South Asia Textiles & Wagawatta factory	GRI 201				
5.	Regulations and compliance	I / E Legal (EPL, SWML) and other compliance requirements for the business	GRI 203, GRI 205, GRI 207 GRI 413				
6.	Water discharge and effluents	I / E - Effluent treatment systems and the discharge of treated water to water bodies	GRI 303				
7.	Physical climate risks- temperature	E / I - Impact of extreme heat on cotton harvesting and related operation	GRI 201, SASB CG-AA- 440a.3 SASB CG-AA- 440a.				
8.	Climate change adaptation	I - Transition risk for climate impact mitigation	GRI 201				
9.	Ecological impacts	E / I - Ecological impact owing to cotton harvesting & surface water quality and availability to facility operation	GRI 101				
10.	Environmental and social issues along supply chain	E / I Environmental and socio-economic issues entire supply chain	GRI 308 GRI 414 GRI 204				
11.	Water stress	E / I Water quality & availability for core manufacturing operation	GRI 303				
12.	Energy consumption	I - Energy consumption related for core manufacturing operation	GRI 302				

I - Internal / E - External

Very High

High

Moderate

	Management Approach: via strategy integration						Resource Allocation through related Capitals	SDGs
	Excellence in Service Levels	Inspired and Dedicated Team	Crafting a Seamlessly Integrated Supply Chain	Operational Excellence	Sustainability and Climate Action	Financial Growth		
			✓	✓				
			✓	✓	✓			   
				✓	✓			  
					✓	✓		 
	✓	✓		✓	✓	✓		
				✓	✓			 
					✓	✓		
				✓	✓	✓		
					✓			 
				✓	✓			 
				✓	✓			
				✓	✓	✓		 

Determining Material Issues

Material Topic		Topic Boundary	GRI/ SASB/ Other	Financial Materiality	Impact Materiality	Double Materiality	
13.	Supplier social assessment	E - Adoption of global best practices	GRI 308 SASB CG-AA- 430b.1 SASB CG-AA- 430b.2 SASB CG-AA- 430b.3				
14.	Customer satisfaction	E / I - Customer fulfilment	N/A				
15.	Customer requirements on sustainability	E / I - Env, Social & Governance requirement of customers	GRI 416, GRI 417, GRI 418				
16.	Macro-economic impacts	E / I Macro-economic impacts to core business	GRI 203 GRI 413				
17.	Evolving climate regulations and policies	I / E - Commitment to SBTi, internal protocol adaptation	GRI 201				
18.	Technology and product innovations	I - Technology implication for product innovation	N/A				
19.	Employee wellbeing	I - Employee welfare	GRI 401, GRI 402, GRI 403, GRI 404, GRI 405, GRI 406 GRI 407, GRI 408, GRI 409 GRI 202				
20.	Operational efficiency and productivity	I - Process efficiency and productivity of Fabric manufacturing	N/A				
21.	On time delivery (OTD)	I - Right time deliver customers order	N/A				
22.	Product Quality	I / E - Provide customer expected quality requirements. Material of compliant, re-work,	N/A				

I - Internal / E - External



Very High



High



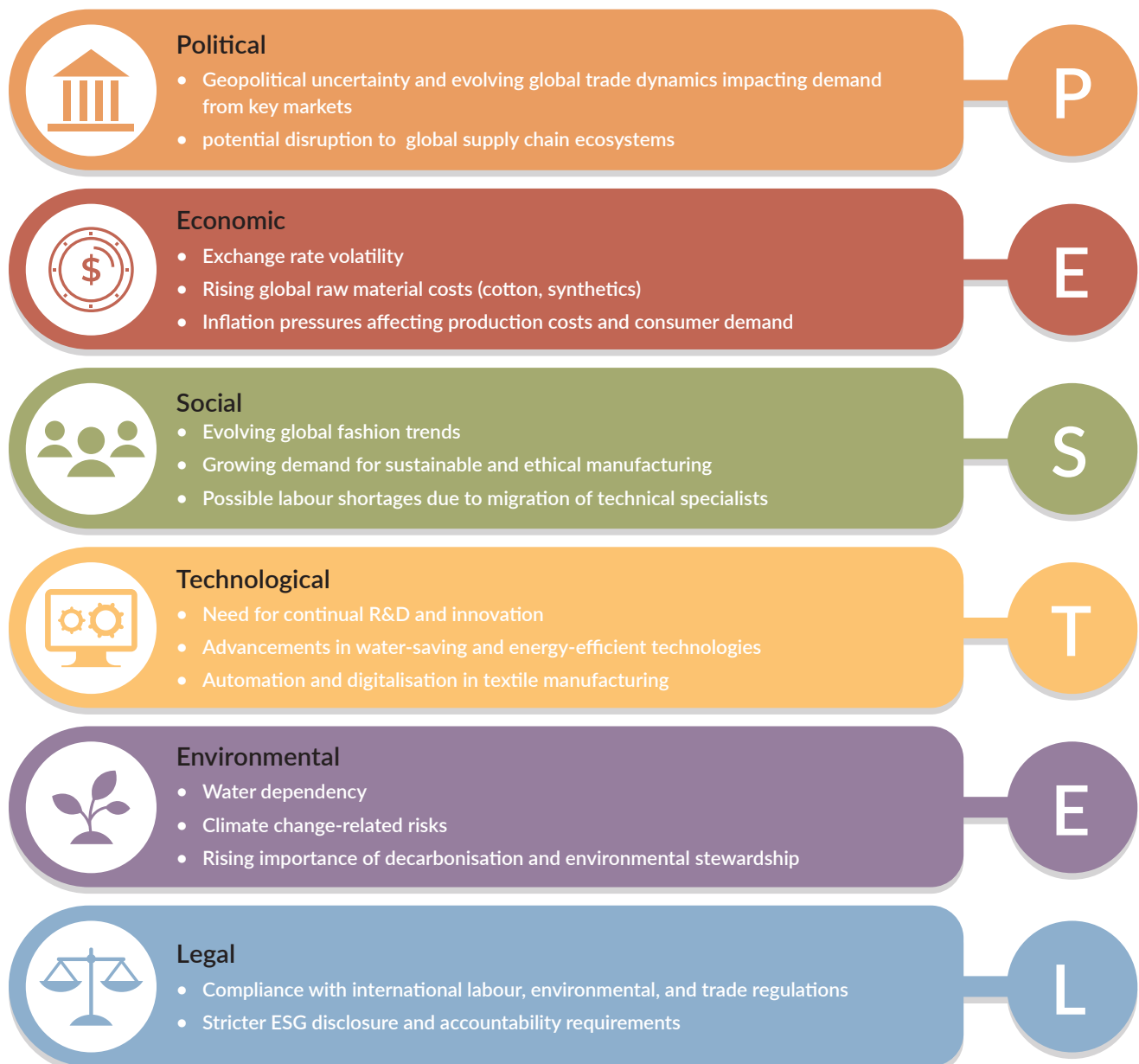
Moderate

	Management Approach: via strategy integration						Resource Allocation through related Capitals	SDGs
	Excellence in Service Levels	Inspired and Dedicated Team	Crafting a Seamlessly Integrated Supply Chain	Operational Excellence	Sustainability and Climate Action	Financial Growth		
			✓	✓	✓			
	✓	✓		✓		✓	 	
	✓		✓	✓	✓			
			✓			✓		
					✓	✓		
	✓			✓		✓	 	
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Our Strategy

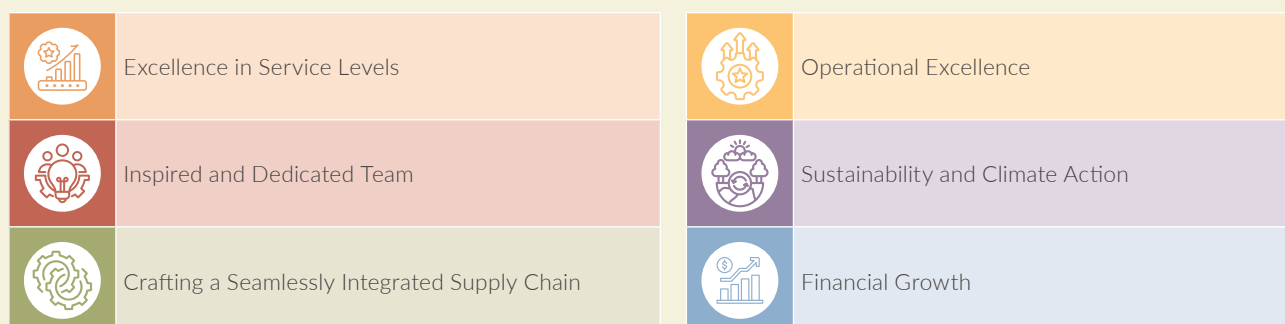
Strategy development at Hayleys Fabric Group is led by the Board in close collaboration with senior management. The process is inherently iterative and forward-looking, based on continuous environmental scanning to assess key PESTLE factors shaping the external operating landscape. These insights are then systematically mapped against Hayleys Fabric Group's SWOT framework to identify strategic implications, risks, and emerging opportunities to facilitate the development of actionable strategic initiatives. Strategic initiatives are subsequently integrated into the Group's rolling three-year strategic plan under six core pillars.

- 1) Excellence in Service Levels,
- 2) Inspired and Dedicated Team,
- 3) Crafting a Seamlessly Integrated Supply Chain,
- 4) Operational Excellence,
- 5) Sustainability and Climate Action and
- 6) Financial Growth.





Hayleys Fabric Group - Strategic Pillars



Our Strategy

Excellence in Service Levels			
Material Matters	Associated Risks		Stakeholders Impacted
- Regulations and compliance - Customer satisfaction - Customer requirements on sustainability - Technology and product innovations - Operational efficiency and productivity - On time delivery (OTD) - Product Quality	- ECR1 - ENV1 - ENV2 - ENV3 - ENV4 - ENV5 - ENV6 - SR1 - SR2 - GR1 - GR2 Refer - Risk Report on pages 74-84		  

Key Focus Areas for FY 2025/26	Resource Allocation	Performance Outcomes	Capital Trade Off's	
			Positive	Negative
Strengthening Asset Base	USD 3,874,187 invested in CAPEX	 Customer feedback ratings - First-Time-Right (FTR) - >95%	Increased customer loyalty and improved supplier collaboration	 Pressure on short-term profitability and liquidity owing to higher capital commitments
Digital Integration	Smart Manufacturing Improvements			
Product Innovation	Bio Blend and Natural Fibre Comfort Platforms	 Customer Satisfaction - Quality - 99% - On-Time-Delivery - Over 88%	Enhanced brand reputation	 Higher maintenance and upgrade costs due to risk of underutilised capacity during demand slowdowns
	Antimicrobial and Odour Control Technologies			
	Surface Durability Enhancement	 98% of total sales from product development		
R&D Collaborations with Customers	Expansion of proprietary fabric profiles through early-stage technical collaboration.	50 awards for innovation		 Increased training, retention, and incentive costs due to the; dependency on specialised talent
	Co-development of advanced microfilament, ATY and recycled yarn platforms engineered for global performance brands			

Priorities for the Future	
Short Term	Medium - Long Term
Product innovation, sustainability integration, and value-added fabric development to strengthen competitiveness and access to new customer segments.	Strengthen positioning as a preferred innovation partner through differentiated, value-added fabric solutions

Inspired and Dedicated Team		
Material Matters	Associated Risks	Stakeholders Impacted
- Employee wellbeing - Operational efficiency and productivity - On time delivery (OTD) - Product Quality	- EC2 - SR2 - SR3 Refer - Risk Report on pages 74-84	

Key Focus Areas for FY 2025/26	Resource Allocation	Performance Outcomes	Capital Trade Off's	
			Positive	Negative
Retain key skills especially among technical staff	USD 13 Mn distributed as monetary benefits to employees 187 employees promoted 427 training sessions accounting for 47,747 hours of training Development of Skills Matrix to identify skill gaps among all technical employees, Introduction of a 360-degree survey mechanism to evaluate the effectiveness of production supervisors	  66% employee retention 38% of employees employed for over 5 years 74% of employee wellbeing of skill building 3:1 Gender balance 8% women in leadership positions	Stronger employee retention, higher productivity, improved organisational performance Enhanced knowledge sharing, innovation, leadership capability, and succession readiness	  Increased expenditure on salaries, incentives, training, and wellbeing programmes
Improve gender diversity in the workforce	Technical training programmes conducted at the Wagawatta knitting plant Expanding Women's wellbeing programmes			

Priorities for the Future	
Short Term	Medium - Long Term
Strengthen employee recognition and reward mechanisms through structured performance-linked initiatives aimed at reinforcing a high-performance culture and enhancing workforce motivation across manufacturing operations	Expand learning, development, and leadership capability-building initiatives to in line with evolving manufacturing technologies

Our Strategy

Crafting a Seamlessly Integrated Supply Chain		
Material Matters	Associated Risks	Stakeholders Impacted
- Materials - Environmental impacts in supply chain - Supplier social assessment - Customer satisfaction - Customer requirements on sustainability - Technology and product innovations - Operational efficiency and productivity - On time delivery (OTD) - Product Quality	- EC1 - ENV1 - ENV2 - GR2 Refer - Risk Report on pages 74-84	 

Key Focus Areas for FY 2025/26	Resource Allocation	Performance Outcomes	Capital Trade Off's	
			Positive	Negative
Strengthening procurement and inventory management	Introduction of a Centralised Procurement Forum and the implementation of an Optimum Inventory Management System Collaborated with Tier 1 suppliers to improve delivery lead times	 Supplier audit ratings >88%  Shortest lead times: 7 days	Improved supply chain reliability, lower disruptions, stronger cost optimisation Stronger cross-functional collaboration and supply chain expertise	 
Supplier due diligence	100% of new suppliers screened for social and environmental criteria for priority raw material		Better supply chain visibility, forecasting accuracy build customer confidence	
Supply Chain Traceability	Exploring digital solutions including blockchain-based tools to improve data transparency across the supply chain			

Priorities for the Future	
Short Term	Medium - Long Term
Establish a Supplier Code of Conduct that clearly defines contract terms, delivery schedules, quality standards, and other key requirements, including environmental and social expectations in line with global benchmarks such as ISO 14001 Environmental Management Standards and SA8000 for social accountability.	Enhance supplier traceability mechanisms to strengthen supply chain accountability

Operational Excellence		
Material Matters	Associated Risks	Stakeholders Impacted
- Materials - Environmental impacts in supply chain - Chemical management - Regulations and compliance - Water discharge and effluents - Climate change adaptation - Environmental and social issues along supply chain - Water stress - Energy consumption - Supplier social assessment - Customer satisfaction - Customer requirements on sustainability - Technology and product innovations - Operational efficiency and productivity - On time delivery (OTD) - Product Quality	- EC3 - EC5 - ENV1 - ENV2 - ENV3 - ENV4 - ENV5 - ENV6 - SR1 - SR2 - SR3 - GR1 - GR2 Refer - Risk Report on pages 74-84	  

Key Focus Areas for FY 2025/26	Resource Allocation	Performance Outcomes	Capital Trade Off's	
			Positive	Negative
Optimise Asset Performance	Slitter Modification Project	 Capacity utilisation: 85%	Improved profitability, cost efficiency, and productivity gains	 High upfront investment in process improvements and technology upgrades
	Energy and Resource Efficiency Projects	 Machine utilisation ratio: 90%	Enhanced production efficiency, quality consistency, and asset utilisation	 Increased training demands and resistance to operational change
	Engineering Innovation Initiatives	 Quality rejects < 1%	Improved customer confidence, supplier coordination, and operational reliability	
	Asset Rationalisation and Maintenance	 Equipment downtime: 13%		
Product Quality Improvements	Improved yarn selection	Production efficiency ratio > 90%	Reduced waste, lower resource consumption, and improved environmental efficiency	
	Real-time inline defect monitoring			
Compliance with global quality standards certifications	100% compliance with all standards and certifications	Customer feedback ratings Right First Time: (RFT) - RFT> 95%		

Priorities for the Future	
Short Term	Medium - Long Term
Targeted automation and streamline production planning systems, in order to improve productivity across key manufacturing functions	Invest in modernising digital infrastructure and implementing a robust Business Continuity Plan (BCP) framework to minimise downtime caused by unforeseen disruptions.

Our Strategy

Sustainability and Climate Action		
Material Matters	Associated Risks	Stakeholders Impacted
- Environmental impacts in supply chain - Chemical management - Physical climate risks- rainfall - Regulations and compliance - Water discharge and effluents - Physical climate risks- temperature - Climate change adaptation - Ecological impacts - Environmental and social issues along supply chain - Water stress - Energy consumption - Supplier social assessment - Customer requirements on sustainability - Evolving climate regulations and policies	- ENV1 - ENV2 - ENV3 - ENV4 - ENV5 - ENV6 - SR3 - SR4 - GR1 - GR2 - GR3 Refer - Risk Report on pages 74-84	  

Key Focus Areas for FY 2025/26	Resource Allocation	Performance Outcomes	Capital Trade Off's	
			Positive	Negative
Holistic action to integrate climate action to the core business	Launch of "the GreenCatalyst" ESG Roadmap 2030 Life Cycle Assessment (LCA) initiative undertaken in collaboration with the National Cleaner Production Centre	 7% reduction in energy intensity  13% reduction in emission intensity  5% reduction in water intake	Long-term cost savings from energy efficiency and access to ESG-linked financing Improved brand reputation and investor confidence Stronger stakeholder trust, and better customer alignment with ESG expectations	 High upfront investment in green technologies, decarbonisation initiatives, and compliance systems  Asset upgrades required for cleaner technologies and potential short-term disruption during transition 
Reducing energy intensity across operations	8 key projects	ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements		
Renewable Energy Integration	Utilising offsite mechanisms to procure renewable energy Preliminary work on obtaining the International Renewable Energy Certificate (I-REC) certification for in-house renewable electricity generation			

Key Focus Areas for FY 2025/26	Resource Allocation		Performance Outcomes	Capital Trade Off's			
				Positive		Negative	
Promoting Circularity	“Evolve: The Art of Transformation” initiative undertaken in collaboration with the ProGreen Lab of the University of Moratuwa		7% reduction in energy intensity	Improved brand reputation and investor confidence		Asset upgrades required for cleaner technologies and potential short-term disruption during transition	
Reducing water intensity of operations			5% reduction in water intake				
Environmental advocacy	5 key projects		ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements				
	USD 19,769 towards biodiversity projects						
	The Eco Reserve – Scientific Baseline and Restoration Framework						
	Water Quality Index (WQI) research project in collaboration with the University of Sri Jayewardenepura to assess the impact of industrial effluents on the Kelani and Kalu River basins						

Priorities for the Future	
Short Term	Medium - Long Term
- Progressive elimination of heavy fuel oil across remaining operations - Enhancing supplier engagement to support Scope 3 emission reductions - Strengthening water recovery and reuse systems - Operationalising the Water Quality Index monitoring framework for river basin stewardship,	- Reduce Scope 1 and 2 emissions by 42% and Scope 3 emissions by 25% by FY2030 (base year: FY2021) - Achieve a 95% reduction in Scope 1 and 2 emissions and a 90% reduction in Scope 3 emissions by FY2050 (Net Zero Target) - Expanding rainwater harvesting capacity - Strengthening effluent water recycling systems - Strengthen circular waste practices to improve diversion rates from landfill - Advancing biodiversity conservation initiatives to achieve a Biodiversity Net-Positive Impact by 2030

Our Strategy

Financial Growth		
Material Matters	Associated Risks	Stakeholders Impacted
- Physical climate risks- rainfall - Regulations and compliance - Physical climate risks- temperature - Climate change adaptation - Energy consumption - Customer satisfaction - Macro-economic impacts - Evolving climate regulations and policies - Technology and product innovations - Employee wellbeing - Operational efficiency and productivity - On time delivery (OTD) - Product Quality	- EC1 - EC2 - EC3 - EC4 - EC5 - ENV1 - ENV2 - ENV3 - ENV4 - ENV5 - ENV6 - SR1 - SR2 - SR4 - GR3 Refer - Risk Report on pages 74-84	

Key Focus Areas for FY 2025/26	Resource Allocation	Performance Outcomes	Capital Trade Off's	
			Positive	Negative
Revenue Retention	Selective price concessions offered to key Tier 1 customers Expanded engagement with premium and niche brands seeking smaller, more specialised, and higher-mix orders Diversifying into new global markets	 USD 124Mn Revenue USD 106Mn Cost of Sales 15% Gross Profit margin USD 3.38Mn - PBT ROA: 2% ROE: 5%	Expanded production capacity, improved output and scalability Improved global recognition Efficient resource use supporting long-term competitiveness   	Potential environmental impact from growth-driven resource intensity and compliance costs 
Margin Management	Diversified sourcing networks Negotiations with suppliers to obtain bulk discounts and improved credit terms Initiated a broad based productivity enhancement programme designed to strengthen operational discipline	Gearing Ratio: 47% LKR 0.62: dividend per share declared/ paid to shareholders EPS: USD 0.005		
Balance Sheet Stability	Focus on reducing gearing			

Priorities for the Future	
Short Term	Medium - Long Term
-Improve liquidity positions to support growth	• Expand the Tier 1 customer base • Improve supplier credit terms • Transition towards a more value-added product portfolio to drive profitability



Financial Capital



Intellectual Capital



Manufactured Capital



Human Capital



Social and Relationship Capital



Natural Capital



Investors



Customers



Employees



Suppliers



Regulators



Community

Risks and Opportunities

OVERVIEW

As with any business, risk is inherent to the operations of Hayleys Fabric Group. The Group is exposed to a range of risks arising from its business model and strategic priorities, as well as from evolving conditions in the broader operating environment. Against this backdrop, Hayleys Fabric Group remains committed to proactively identifying emerging risks and implementing timely mitigation measures to minimise potential impacts and, where possible, prevent risks from materialising.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

In keeping with global best practices in risk governance, the Hayleys Fabric Group has adopted a comprehensive Enterprise Risk Management (ERM) approach which provides a structured process to identify, assess, and manage risks that may affect the achievement of its strategic and operational objectives, thereby enabling the Group to respond effectively to a rapidly evolving operating environment.

Hayleys Fabric Group's ERM framework is also aligned with the best practices adopted across the broader Hayleys PLC Group to ensure that both current and emerging risks are proactively managed while enabling the organisation to capitalise on opportunities that arise within the operating environment.

Essentially, the ERM considers a holistic, enterprise-wide perspective to identify both current and emerging risks, evaluate their potential impact and likelihood to enable these considerations to be integrated into strategic planning processes, capital investment decisions, and operational initiatives to support the Group's long-term business objectives while safeguarding stakeholder interests. The ERM process also facilitates the identification and evaluation of emerging opportunities to enable the Group to capitalise on favourable market developments, innovation prospects, and operational improvements that can enhance competitiveness and create sustainable value.

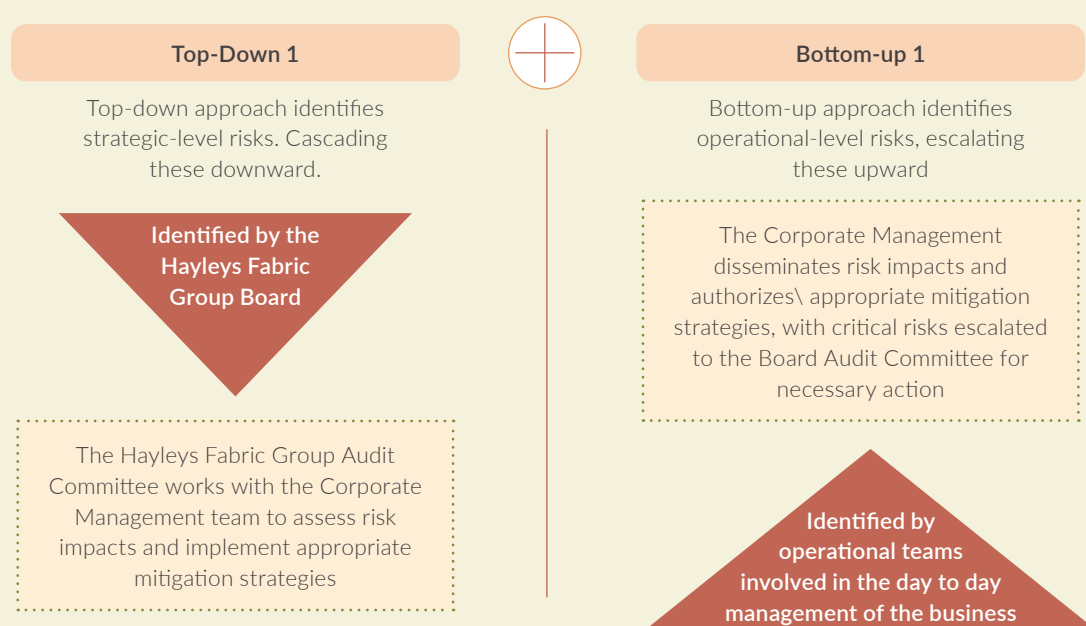
RISK GOVERNANCE

Oversight of the ERM framework rests with the Board of Directors. In discharging this responsibility, the Board is supported by the Board Audit Committee, which plays a critical role in reviewing the adequacy and effectiveness of the risk management and internal control systems, as well as monitoring key risk exposures faced by the Group. Periodic updates on risk profiles and mitigation actions are presented to the Committee and subsequently to the Board, enabling informed oversight and timely decision-making.

To strengthen accountability and ensure effective risk ownership across the organisation, the Hayleys Fabric Group's Board has instituted the Three Lines of Defense model, a widely recognised governance mechanism that promotes structured risk oversight and clear delineation of responsibilities.



Hayleys Fabric Group Risk Management Process



RISK CONTROL MECHANISMS

Risk Appetite

Risk appetite represents the level of risk that the Group is willing to accept in pursuit of its strategic objectives, and as such serves as a guiding framework for ensuring that risk-taking remains aligned with the Group's financial capacity, strategic priorities, and long-term value creation goals.

The Board of Directors is responsible for establishing and approving the Group's risk appetite. In doing so, the Board works closely with the Board Audit Committee to ensure the risk appetite remains practical and appropriate within the prevailing operating environment.

The risk appetite is subject to periodic review and refinement, supported by

ongoing monitoring of risk exposures, insights from business units, internal audit observations, and evolving external factors such as industry developments and regulatory changes.

Risk Register

A key feature of the ERM framework is the maintenance of a risk register, which captures the Group's key risks, associated controls, mitigation strategies, and responsible risk owners. The Risk Register is periodically reviewed and updated to reflect evolving internal and external conditions, thus serving as a key tool for the management to track risk trends, evaluate the effectiveness of mitigation measures, and escalate critical issues to the Board when necessary.

Risk Awareness Culture

Based on the principle that a strong risk awareness culture is essential for the effective functioning of the Three Lines of Defense framework, the Hayleys Fabric Group's Board sets the tone from the top to promote a strong risk awareness at all levels of operation. Building on this, employees across the Group are trained to remain vigilant in identifying potential risks within their areas of responsibility and to escalate such matters through the appropriate channels in order to facilitate assessment and mitigation as needed.

Risks and Opportunities



MANAGING THE HAYLEYS FABRIC GROUP'S TOP RISKS

Economic Risks (ECR)

ECR1	Geopolitical issues including the war in the Middle East			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Loss of revenue and or penalties owing to the failure to meet customer deliverables owing to supply chain disruptions - Additional cost of shipping and insurance due to route changes - Inflationary conditions leading to increase in the price of main raw Materials - Rising global oil prices pushing up domestic energy costs - Cash flow constraints attributed to export shipment delays				Mitigation Strategies - Regular engagement with strategic suppliers to secure preferential access - Leverage Hayleys Group synergies to derive cost efficiencies Opportunities Improve the diversity of supply chain networks to minimise over-reliance on a few suppliers

ECR2	Trade tariffs imposed by the USA			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Loss of market share in the US due to the lower price competitiveness - Higher input costs and potential delays due to tariff-affected imports				Mitigation Strategies - Risk assessments are conducted in line with the previous year, with additional focus on emerging global developments, particularly the potential impact of US tariff changes and the decline in demand from Tier-1 brands. Consequently, brand-level discounts and price reductions were granted to customers, especially within the US market. - Implementation of cost optimisation and operational efficiency initiatives to offset the impact of brand-level discounts and price reductions granted to customers - Focus on diversification of export markets to reduce dependence on the US market Opportunities - Pursue R&D-led product innovation to gain first mover advantage in new and emerging markets - Explore more cost reduction avenues to maintain sustainable margin. - Explore new Tier 1 & Tier 2 customers in the other regions.
ECR3	Slight slowdown of global economy amidst rising inflation			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Increase in cost of production and higher variable costs due to global inflationary conditions - Loss of revenue owing to lower demand attributed to the erosion in disposable incomes in key export markets - Capacity underutilisation due to lower production volumes				Mitigation Strategies - Reassess pricing strategies - Prioritise cost containment to safeguard the bottom line - Close supervision of wastage and production losses to enhance productivity Opportunities - Develop value-added products to improve competitiveness - Innovate to produce new types of fabric to attract niche market segments

Risks and Opportunities

ECR4	Fluctuation of SOFR/ AWPLR Rates to mid-single digit range			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
Increase in finance costs on USD/LKR borrowings				Mitigation Strategies - Proactive monitoring of interest rate developments and negotiating with Banks in partnership with the Hayleys Treasury Unit - Negotiate interest rate Cap with Banks Opportunities - Increase in rates given for USD/LKR fixed deposits in line with increase in SOFR/AWPLR Rates

ECR5	Shortage of skilled labour owing to labour out- migration			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			  
	Business Model	Value Chain	Performance and Prospects	
Disruptions to business operations due to the loss of experienced key personnel				Mitigation Strategies - Consistent investment in training and development to retain skilled employees Opportunities - Invest in workflow automation to reduce labour dependency while improving productivity

Environmental Risks (ENVR)

ENVR1	Climate (physical) risks due to riverine & urban floods			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			    
	Business Model	Value Chain	Performance and Prospects	
- Flooding can disrupt the production due to inaccessible facilities, power outages, or unsafe conditions. Roads, bridges, and transport links may be damaged, It also can impact logistics and supply chain continuity. Repeated exposure to flooding can lead to higher repair and maintenance expenses. - High chemical cost to treat the mud water				Mitigation Strategies - Implemented an Emergency Response Plan, including a comprehensive flood risk mitigation plan covering both preventive planning measures and engineering controls to protect facilities from flooding. Eg: Flood walls & Gates - Conduct continuous monitoring of riverbank rainfall during the precipitation season and maintain close coordination with the Department of Irrigation to track river water levels and manage associated communications. Opportunities - Quantification of financial impact to assess and manage the flood risks. - Take additional insurance coverages/enhance the value of coverage - Steps can be taken to minimize the flood impact

ENVR2	Quality issues and high volatility in raw material prices (Yarn & Greige) due to climate related disruptions			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			    
	Business Model	Value Chain	Performance and Prospects	
• Increase in cost of production resulting in margin pressure • Inability to meet customer fulfilment targets leading to potential claims and reputational damage • Inability to get the new orders from the customers due to increase in selling price				Mitigation Strategies • Expand and diversify the supplier base while building stronger partnerships with reliable yarn and greige fabric suppliers to reduce exposure to supply disruptions and price volatility • Conduct supplier audits and maintain strategic sourcing arrangements to ensure consistent quality and supply continuity • Improve raw material planning through forward purchasing, inventory buffering for critical inputs, and closer monitoring of market trends • Reinforce quality assurance protocols and incoming material inspections to ensure that fluctuations in supply conditions do not compromise production quality or customer specifications. • Assess upstream supplier physical climate risks to enable proactive material planning and risk mitigation including forward booking with agreed prices Opportunities • Usage of Recycle Material • Innovate to develop substitute material • Ability to explore the alternative suppliers in other regions
ENVR3	Customer and Regulatory Compliance Requirements in Relation to Water			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			   
	Business Model	Value Chain	Performance and Prospects	
• High cost of maintaining effluent water quality parameters in line with the Environment Protection License (EPL) issued by the Central Environmental Authority (CEA) in line with National Environment Act. • Reputational damage and loss of customer confidence due to non compliances				Mitigation Strategies • Invested in water treatment infrastructure in compliance with the effluent water discharge parameters as required in EPL • Continuous testing of water quality parameters in line with BOI & CEA guidelines • Independent verification water quality & quality based on ISO 14046:2014 &14065:2020 Standards. • Reporting to customers on an ongoing basis Opportunities • Expand the use of recovery & recycled water • Support to improve the ESG related KPIs

Risks and Opportunities

ENVR4	Disruptions to Energy Sources			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Continuous increase in the price of grid electricity bringing pressure on margins - Possible power outages due to low hydropower generation caused by drought conditions - Higher Scope 1 emissions due to the increased usage of fossil fuel for generators - Additional cost of sourcing furnace oil due to the disruptions in sourcing biomass.				Mitigation Strategies - Expand sourcing channels to maintain uninterrupted access to Biomass - Continuous investment in renewable energy (72% of the Group energy sources are currently renewable) - Adopted SBTi near-term targets in 2030 - 42% GHG emissions reduction in Scope 1 & 2, 25% GHG emissions reduction in Scope 3. Opportunities Explore alternative sources, including waste to energy

ENVR5	Customer and Regulatory Compliance Requirements in Relation to Waste			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- High cost of complying with waste treatment/ destruction or disposal in line with the EPL issued by the CEA - Reputational damage and loss of customer confidence due to the inability to comply - Inability to reach top brands for new orders				Mitigation Strategies - Strict adherence to CEA guidelines regarding waste handling and disposal - Pursue partnerships to promote responsible treatment (recycling, upcycling)/ destruction of waste - Independent audits conducted by Tier 1 customers to verify processes and performance Opportunities - Explore alternatives such as waste to energy conversion - Pursue collaborations to undertake waste up-cycling projects - Brand recognition for compliance with regulations - Ability to run the smooth operations

ENVR6	Climate (transition) risks due to the shift to low emission technology			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
Cost of capital and operational expenditure involved in implementing renewables and energy efficient equipment				Mitigation Strategies - Gradually reduce usage of Heavy Fuel Oil (HFO) and switch to LPG - Conduct a comprehensive decarbonization plan to identify the best-fit emission reduction pathway for business sustainability
				Opportunities - Enhancing adoption of advanced technological solutions, such as electrification - Explore alternative emission reduction options such as International Renewable Energy Certificates (IRECs) beyond conventional renewable energy sources

Social Risks (SR)

SR1	Changing Customer Behaviour			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Loss of revenue and market share if existing offerings do not align with evolving expectations of customers regarding sustainability and climate - Loss of customer demand, due to adverse economic conditions in buying countries				Mitigation Strategies - Integrating customer sustainability feedback into product innovation strategies - Focus on R & D to drive product innovation in line with sectoral sustainability trends, including partial transitions to Eco-friendly materials and improved manufacturing transparency - Ensuring production processes are aligned with recognised sustainability standards
				Opportunities - Improve transparency of customer disclosures - Opportunity to explore more innovative fabric to cater new requirements

Risks and Opportunities

SR2	Workplace health and safety			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Disruptions to manufacturing operations owing to trade union actions or as a result of injuries/fatalities/ absenteeism - Fines or legal actions owing to non-compliance with or breaches of Health and safety requirements				Mitigation Strategies - Regular and ongoing communication with trade unions to ensure worker welfare matters are understood and addressed proactively - ISO 45001 Occupational Health and Safety Management Standard Certification to ensure the systematic approach for health and safety. - Workmen's compensation and other insurance covers for employees - Conduct regular training and awareness sessions on health & Safety matters Opportunities - Expand work-life balance programs for employees - Increase productivity & efficiency
SR3	Labour and Human Rights Practices			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Non compliances with labour Laws / Potential legal actions and damage to reputation - Loss of orders from the customers resulted in less revenue & loss of profit				Mitigation Strategies - Zero tolerance of non-compliance of labour laws - As a signatory to the UNGC, the Group reiterates its commitment to adhere to the principles of Labour and Human Rights - Focus on gender equality and women's empowerment - Conducting supplier audits to identify labour and human rights risks across the supply chain - Independent audits conducted by Tier 1 customers to verify processes and performance Opportunities - Encourage suppliers and business partners to align with global best practices - Opportunity to explore new orders from top brands - Improve workforce productivity

SR4	Community Relations			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
Business disruptions and reputational damage owing to negative perceptions from the community				Mitigation Strategies - Ongoing interactions with community stakeholders to identify social needs - Sustained investment in CSR activities - Operational processes to address the adverse impacts to the community and the environment resulting from Hayleys Fabric Group operations Opportunities - Pursue partnerships with customers to deepen the impact of community efforts - Ability to maintain good relationships with surrounding community - Ability to maintain operational stability

Governance Risks (GR)

GR1	Compliance with ESG related regulations			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- High cost of complying with fast evolving national and international ESG regulations - Reputational damage and fines owing to non-compliance - Loss of customer confidence resulting lower demand from Tier 1 customers				Mitigation Strategies - Zero tolerance of non-compliance of ESG regulations - Follow up & monitoring of ESG related KPIs - Voluntary adoption of global standards and best practices - Process-level improvements focused on resource efficiency, including water recovery, energy conservation, material reuse, to support compliance requirements - Independent audits conducted by Tier 1 customers to verify processes and performance Opportunities - Implement an integrated compliance management system to proactively adapt to local and EU regulations - Ability to reduce energy costs through monitoring KPIs - Improved Brand Reputation & Customer Loyalty - Access to Capital & Investor Confidence

Risks and Opportunities

GR2	ESG Issues within the Supply Chain			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Reputational damage and fines owing to ESG risks in the supply chain - Loss of customer confidence results in lower demand from the Brands				Mitigation Strategies - Stringent supplier vetting at the time of supplier on-boarding, including verification of ESG self-declaration provisions - The Group's Supply Chain Management Unit team conducts social and environmental annual audits, spot audits, and unannounced site visits to assess supplier performance around labour laws, human rights, workplace safety, and diversity policies. - Ongoing training to educate suppliers on ESG best practices Opportunities - Encourage suppliers to adopt the best global practice certifications - Opportunity to enhance the image as ethical sourcing fabric manufacturer - Proactive disruption management
GR3	Bribery, Corruption and Fraud			
Potential Impact to the Hayleys Fabric Group	Scale of impact (Short Term)			
	Business Model	Value Chain	Performance and Prospects	
- Financial loss due to the misappropriation of company's assets - Reputational damage impacts future prospects - Inability to raise the additional capital & funding - Negative stakeholder perceptions				Mitigation Strategies - Strong tone from the top set by the Board of Directors - Zero tolerance policy - Comprehensive conduct framework underscoring the zero-tolerance approach to bribery, corruption and fraud - Conduct sessions on Bribery & corruptions covering all levels of employees. Opportunities - Enhance the brand value of the Group - Increase investor confidence and capital access - Improve operational efficiency - Sustainable long term growth

Approach To Sustainability

Hayleys Fabric Group has championed sustainable growth through the steadfast commitment to environmental, social and governance (ESG) matters, which has seen the Group often emerging as a trailblazer and a transformative force in Sri Lanka's ESG landscape.

The Group's commitment to ESG is fundamentally anchored to the Hayleys Lifecode - a comprehensive and clearly defined ESG framework of the Hayleys PLC Group which serves as an all encompassing pledge intended to showcase the commitment to the United Nations Sustainable Development Goals (SDG) and the UNGC (United Nations Global Compact) 10 principles.

The Hayleys Fabric Group expresses its commitment to the Hayleys Lifecode by taking note of the material ESG factors relevant to its core business as a textile manufacturer. Efforts to address these material ESG considerations are driven by "The GreenCatalyst", Hayleys Fabric Group's ESG Roadmap 2030 - a cohesive long range plan outlining the Group's fundamental ESG commitments, related strategies, and target KPIs for the short, medium and long term.

Environmental Commitments

Energy & Emissions Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Reliance on sustainable and renewable energy sources	90% sustainable and renewable energy applications by 2030	73%	73%	72%	74%
	Maintain 100% sustainable biomass (Responsibly managed sources)	100%	100%	100%	100%
Reduction in energy intensity through improving operational efficiencies.	30% energy intensity reductions by 2030 (58 GJ/MT)	80 GJ/MT	85 GJ/MT	79 GJ/MT	79 GJ/MT
	Scope 1 & Scope 2 GHG emissions reduce by 42%, Scope 3 GHG emissions reduce by 25% (158,614 tCO ₂ e)	206,927 tCO ₂ e	204,897 tCO ₂ e	177,444 tCO ₂ e	188,172 tCO ₂ e
Heavy Fuel Oil (HFO) Phase out plan	Maintain 100% Elimination	87% Eliminated	87% Eliminated	87% Eliminated	100% Elimination
Target	   	7.2-7.3	8.4	12.2 - 12.6	13.2

Water Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Application of sustainable water sources	30% sustainable water sourcing (rain water/water recoveries / recycled water use) across the Group by 2030	25%	24%	29%	27%
Reduction in water intensity through improving operational efficiencies	30% water intensity reductions by 2030 (119 l/kg)	147 l/kg	157 l/kg	165 l/kg	165 l/kg
Target		6.2 - 6.3 - 6.4 - 6.5 - 6.6			

Approach To Sustainability

Materials and Waste Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Value additions on all waste generation	Maintain 100%	100% Achieved	100% Achieved	100% Achieved	Maintain 100%
Ensure responsible consumption of natural resources and sustainable production across the Group	Application of green production initiatives across 30% products / services volumes by 2030	20%	23%	25%	27%
Target	 12.2 - 12.4 12.5 - 12.6  14.1				

Chemical Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Ensure best chemical management practices across the supply chain	100% Aligning with safe chemical management practices within the Group operations	99% ZDHC Level 1/ OEKOTEX 99%	100% ZDHC Level 1/100% OEKOTEX	100% ZDHC Level 1/100% OEKOTEX	Maintain 100% ZDHC Level 1/100% OEKOTEX
	10% of total green chemical consumption applications by 2030	5% of total green chemicals consumption applications (Natural + Energy efficient + Water saving options)	4% of total green chemicals consumption applications	4.6% of total green chemicals consumption applications	6% of total green chemicals consumption applications
	75% of supply chain to implement chemical management practices	60% of Bluesign certified chemical suppliers in supply chain	63% of Bluesign certified chemical suppliers in supply chain	67% of Bluesign certified chemical suppliers in supply chain	70% of Bluesign certified chemical suppliers in supply chain
Target	 3.9  6.3  8.8  12.4				

Biodiversity Conservation

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Biodiversity conservation and preservation relating to our business operations	Increase the biodiversity enhancing program to cover 5 times the area occupied by the Group	Maintain Green: Building ratio 1:1	Maintain Green: Building ratio 1:1	Maintain Green: Building ratio 1:1	Maintain Green: Building ratio 1:1
Target	 1.2  1.2 14.1 - 14.2  15.1				

Social Commitments

Employment

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Developing a diverse, engaged team	Attrition rate Managerial - 12% Executive - 19% Non-Executive - 22%	31% Attrition rate across entire Group	30% Attrition rate across entire Group	34% Attrition rate across entire Group	30% Attrition rate across entire Group
	2% new hire attrition rate across entire Group by 2030	42% New hire attrition	48% New hire attrition	42% New hire attrition	42% New hire attrition
Provide opportunity for continuous learning	Each employee to receive an average of 40 training hours per annum	Each employee received an average of 10 hrs and 40 min per annum	Each employee received an average of 12 hrs and 50 min per annum	Each employee received an average of 13 hrs and 54 min per annum	Improve training coverage to at least 15 hours per employee
Create a performance-driven conducive work culture	100% of selected employee categories to receive performance appraisals	100% performance evaluation process across the Group	100% performance evaluation process across the Group	100% performance evaluation process across the Group	Sustain 100% performance evaluation process across the Group
Leadership and supervisory development plan	10,000-man hours of leadership and supervisory development programs covering all sectors by 2030	4,876-man hours of leadership and supervisory development programs covered	12,313-man hours of leadership and supervisory development programs covered	2,264-man hours of leadership and supervisory development programs covered	2,500-man hours of leadership and supervisory development programs will be covered
Target	 4.4 - 4.5  5.5  8.1 - 8.2 8.5				

Approach To Sustainability

Health and Safety

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Ensure the health, safety and wellbeing of all employees	Safest workplace with zero workplace injuries/ occupational diseases	Injuries have been reduced by 28% and training coverage for Health & Safety programs were 123%	Minor injuries have been increased by 8% and training coverage for Health & Safety programs were 130%	Injuries have been reduced by 45% and training coverage for Health & Safety programs were 128%	Injuries to be reduced by 45% and training coverage for Health & Safety programs will be 130%
Target	4 QUALITY EDUCATION 4.4 - 4.5 8 DECENT WORK AND ECONOMIC GROWTH 8.1 - 8.2 8.5				

Community Relationships

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Uplifting livelihoods and empowering communities	Increase CSR beneficiaries by 50% by 2030	Over 6,800 beneficiaries	Over 6,850 beneficiaries	Over 6,380 beneficiaries	Over 6,500 beneficiaries
Target	10 REDUCED INEQUALITIES 10.2				

Governance Commitments

Customer Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Exceed customer expectations through identifying and responding to customer needs	Customer satisfaction surveys covering 100% of operations	Customer satisfaction survey with customer coverage of 100% achieved	Covered 100% through various feedback mechanisms	Covered 100% through various feedback mechanisms	Sustain 100% through various feedback mechanisms
	All sectors should implement a systematic customer grievance handling procedure, which is clearly communicated to all customers	All complains have been acknowledged and attended within 2-5 days on time, investigated every complain with a visit , a video call or with technical details and solutions were given same time.	All complaints have been acknowledged and Attended within 2-5 days	All complaints have been acknowledged and Attended within 2-4 days	All complaints to be acknowledged and attend within 2-4 days
Adopt responsible marketing practices	40% of all products and services include relevant product information, which enables customers to make informed purchasing decisions.	100% of the produces (hanger presentations) have product information	100% of the produces (hanger presentations) have product information	100% of the produces (hanger presentations) have product information	Sustain 100% of the produces (hanger presentations) have product information & digitalisation of the information
Target	 12.8	 16.3			

Approach To Sustainability

Non-Discrimination

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Build an inclusive and equitable organizational culture	All employees to undergo training and awareness on anti-discrimination	All employees underwent training and awareness on anti-discrimination upon the induction	All employees underwent training and awareness on anti-discrimination upon the induction	All employees underwent training and awareness on anti-discrimination upon the induction	All employees to undergo training and awareness on anti-discrimination upon the induction
Target	 8.7 - 8.8  10.3				

Procurement Practices

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Achievement in 2025/26	Focus for the Future (FY 2026/27 Target)
Propagate good social and environmental practices across our supply chain	Achieve 40% social and environmental screening of total suppliers	91% social and environmental screening of total suppliers	85% social and environmental screening of total suppliers	88% social and environmental screening of total suppliers	90% social and environmental screening of total suppliers
Implementation of strategic supplier development programs across key supply chains	All Sectors to establish at least one long term supplier development program	No of 163 suppliers joined the supplier development program	No of 132 suppliers joined the supplier development program	No of 68 suppliers joined the supplier development program	100 suppliers will join the supplier development program
Target	 8.3  16.1				

Science-Based Targets Initiative (SBTi) Journey

KNITTING A GREENER FUTURE:

Hayleys Fabric Journey with Science-Based Targets initiative (SBTi)

At Hayleys Fabric PLC (Group), sustainability is not an optional approach but a foundational element of our operations. As the first textile manufacturer in Sri Lanka to adopt the Science-Based Targets initiative (SBTi), we are leading the sector's shift to a low-carbon economy. Our commitment to limiting global warming to 1.5°C in accordance with the Paris Agreement now informs all our strategic decisions and underpins responsible growth, ensuring that each action we take advances the urgent global mandate for climate action.

OUR COMMITMENT TO A NET-ZERO FUTURE

In accordance with the established SBTi near-term and net-zero targets, Hayleys Fabric Group has embarked on the path towards the systematic reduction of greenhouse gas (GHG) emissions across Scope 1, Scope 2, and Scope 3 categories. With FY 2021/22 as our baseline, we have implemented a year-on-year reduction plan that steadily moves us toward our near-term (FY 2030) target of reducing total Scope 1 and Scope 2 GHG emissions by 42% and Scope 3 emissions by 25% by 2030.

These efforts will be instrumental in achieving our long-term net-zero target to reduce Scope 1 and 2 GHG emissions by 95% and Scope 3 emissions by 90% by 2050.



APPROVED

NET-ZERO SCIENCE-BASED TARGETS

The Science Based Targets initiative has validated that the science-based greenhouse gas emissions reductions target(s) submitted by Hayleys Fabric PLC conform with the SBTi Corporate Net Zero Standard.

SBTi has classified your company's scope 1 and 2 target ambition as in line with a 1.5°C trajectory.

The official net-zero science-based target language:

Overall Net-Zero Target: Hayleys Fabric PLC commits to reach net-zero greenhouse gas emissions across the value chain by FY2050.

Near-Term Targets: Hayleys Fabric PLC commits to reduce absolute scope 1 and 2 GHG emissions 42% by FY2030 from FY2021 base year.* Hayleys Fabric PLC commits to reduce absolute scope 3 GHG emissions 25% within the same timeframe.

*The target boundary includes land-related emissions and removals from bioenergy feedstocks.

Long-Term Targets: Hayleys Fabric PLC commits to reduce absolute scope 1 and 2 GHG emissions 95% by FY2050 from a FY2021 base year.* Hayleys Fabric PLC also commits to reduce absolute scope 3 GHG emissions 90% within the same timeframe.

*The target boundary includes land-related emissions and removals from bioenergy feedstocks.

EMISSION REDUCTION ROADMAP



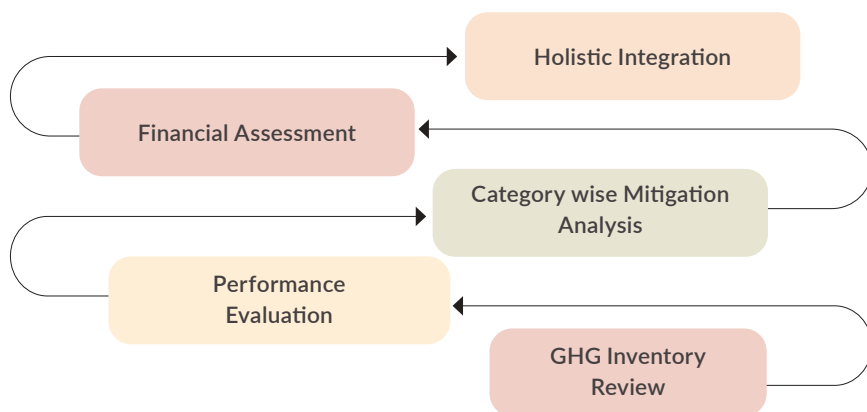
DRIVING EMISSION REDUCTIONS ACROSS OUR VALUE CHAIN

At Hayleys Fabric PLC we translate ambition into action through a cohesive, SBTi-aligned emission reduction roadmap that spans operations and the full value chain.

The roadmap sets out measurable, time-bound decarbonisation plan for both Hayleys Fabric PLC and South Asia Textiles Limited to support the achievement of the Group's near-term and net-zero targets under the SBTi commitment. GHG data review and improvement, energy performance evaluation, financial evaluation and action plan.

Science-Based Targets Initiative (SBTi) Journey

APPROACH



OUTCOMES & RESULTS



CURRENT PROGRESS

Scope 1 Initiatives

In line with the emission reduction roadmap, the Group has undertaken several strategic initiatives to reduce Scope 1 direct emissions. Notable efforts include the Renewable Transition Program (RTP) which is accelerating the shift towards alternative energy sources such as biomass, thereby significantly reducing reliance on fossil fuels. In parallel, the planned transition to certified sustainable biomass under the SLS 1551 standard is gaining momentum and is expected to support the Group's ambition of achieving 90% renewable and sustainable energy by 2030.

Scope 1 Emission Reduction programme - Key Highlights

- Renewable transition programme
- Sustainable biomass initiative
- Low-carbon fuels roadmap
- Heavy Fuel Oil reduce & phase out plan
- Steam condensate recovery
- Improve of steam Insulation

The phase-out of HFO (Heavy Fuel Oil) has been successfully implemented at South Asia Textiles Limited and is being carried out progressively at Hayleys Fabric PLC. This initiative marks a significant milestone in reducing carbon-intensive energy consumption across Group operations. Process efficiency initiatives such as the replacement of boiler and thermic heater insulations and improved steam condensate recovery further contribute towards reducing direct Scope 1 emissions.

Scope 2 Initiatives

The Hayleys Fabric Group initiated the redemption of International Renewable Energy Certificates (IRECs) generated from its in-house 4.6 MW rooftop solar installation at Hayleys Fabric PLC. For FY 2025/26, a total of 985.59 MWh was redeemed under the market-based Scope 2 GHG accounting approach. This achievement marks a significant milestone in advancing the Group's decarbonization strategy.

The ongoing Electrical Energy Optimisation Programme, which led to the Installation of energy monitoring systems in the South Asia Textiles Limited, has been another contributory factor towards energy conservation. Taking steps to broaden the scope of the Electrical Energy Optimisation Programme in the current year, a focused effort was launched to reduce energy consumption associated with the sourcing of water sourcing. To that end, pump replacements were carried out at South Asia Textiles Limited for efficient water sourcing and energy intensity reduction. Sustainable water sourcing through initiatives, water recovery measures improvements (Backwash & Condensate) also continue to support the reduction of purchased energy consumption.

Scope 2 Emission Reduction programme - Key Highlights

- International Renewable Energy Certificate (I-REC)
- Smart Energy Monitoring System
- Electrical Energy Optimisation Programme
- Switching to High efficiency equipment

Scope 3 Initiatives

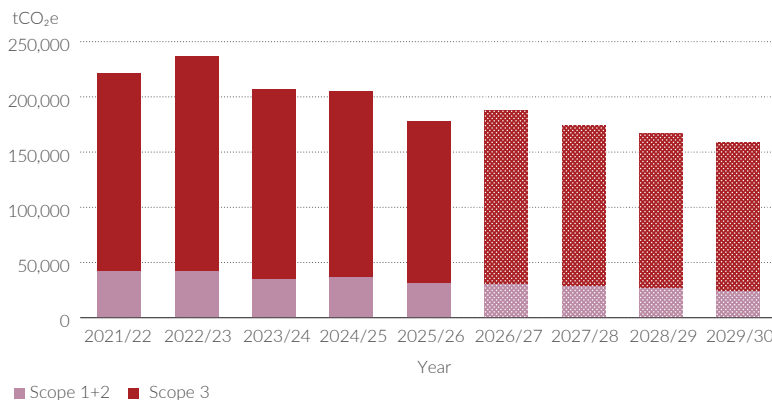
Recognising that Scope 3 emissions constitute the largest portion of the Hayleys Fabric Group's carbon footprint. We have launched a series of interventions across the value chain, specifically to optimise upstream and downstream logistics with a view to reducing transport-related emissions, while implementing category-specific reduction programmes that prioritise the highest-impact areas.

As part of our Scope 3 efforts, waste minimisation initiatives and best practices continue to be embedded in the production process to support the sustainable use of resources to complement emission reduction objectives.

GHG EMISSION REDUCTION PERFORMANCE

FY	Scope 1 (tCO ₂ e)	(Reduction) / Increase	Scope 2 (tCO ₂ e)	(Reduction) / Increase	Scope 3 (tCO ₂ e)	(Reduction) / Increase	Total (tCO ₂ e)	(Reduction) / Increase
21/22	26,844	N/A	15,161	N/A	179,004	N/A	221,008	N/A
22/23	27,690	3%	14,679	-3%	194,438	9%	236,806	7%
23/24	20,668	-25%	13,939	-5%	172,321	-11%	206,927	-13%
24/25	22,254	8%	14,073	1%	168,570	-2%	204,897	-1%
25/26	18,563	-17%	12,653	-10%	146,228	-13%	177,444	-13%

GHG REDUCTION TRAJECTORY BASELINE TO NEAR-TERM



CARBON SEQUESTRATION

Carbon sequestration initiatives aimed at offsetting unavoidable residual emissions generated during manufacturing operations, form an integral part of Hayleys Fabric Group's emission reduction roadmap. "Diyathuru Park" and the 20-acre "Eco Reserve" at Hayleys Fabric, located within the Kalu Ganga River Basin in Sri Lanka's lowland wet zone, together with "Thuru Arana" at South Asia Textiles Limited, continue to advance the Group's carbon sequestration and ecological conservation efforts.

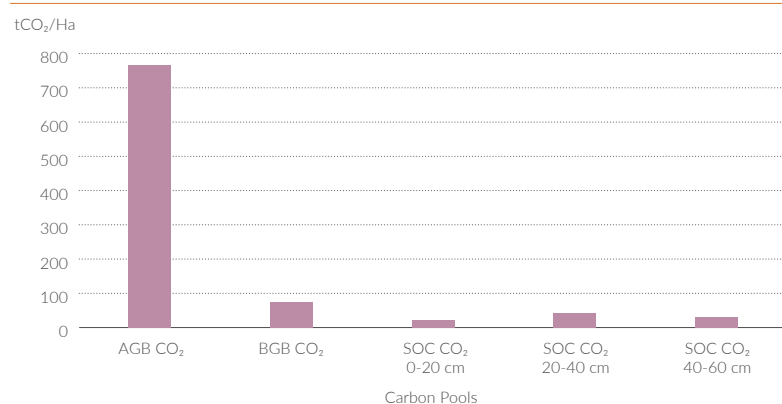
Ongoing carbon stock assessments within the Eco Reserve support the Group's efforts to quantify and reduce its carbon footprint through nature-based solutions. In addition, initiatives such as the "Life to Our Mangroves" programme further reinforce the Group's commitment to expanding carbon sequestration potential while promoting coastal ecosystem restoration.

Science-Based Targets Initiative (SBTi) Journey

Carbon Pool Stock					
	Tree Above Ground CO ₂	Tree Above Ground CO ₂	Soil Organic CO ₂ 0-20 cm	Soil Organic CO ₂ 20-40 cm	Soil Organic CO ₂ 40-60 cm
Mean stock tCO ₂ /ha	766.88 ± 198.85	73.27 ± 18.49	21.57 ± 0.83	40.93 ± 7.27	30.03 ± 1.36
Total stock tCO ₂	6,422.12 ± 1,665.22	613.58 ± 154.86	180.69 ± 6.92	342.65 ± 60.88	251.49 ± 11.39

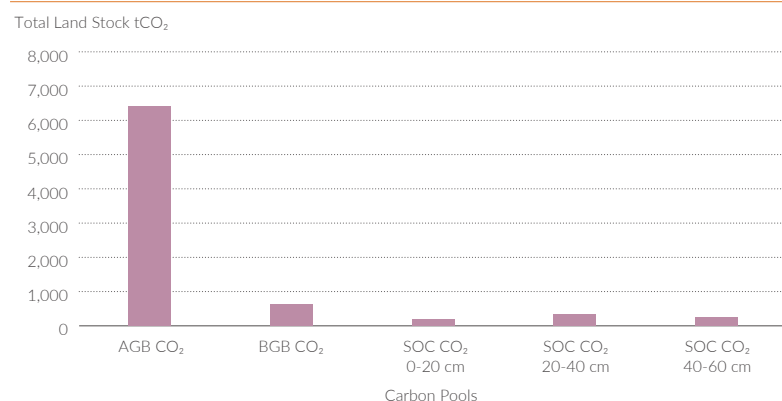
Eco Reserve carbon stock assessment - Mean and total stocks of tonnes of CO₂ in area

Mean Stock tCO₂/ha



Eco Reserve carbon stock assessment - Mean stock of tonnes of CO₂ per hectare

Total Stock tCO₂



Eco Reserve carbon stock assessment - Total stock of tonnes of CO₂ in the park



STRATEGIC PRIORITIES FOR THE FUTURE

Nature Based Solutions (NbS)

The NbS specifically aimed at reduction and elimination of synthetic material and chemicals, will be a key enabler in the Hayleys Fabric Group's future strategy. application of NbS is a major steering arm of the business in Hayleys Fabric Group. The preparatory work in this regard has already commenced with the Group collaborating with the Wayamba University of Sri Lanka to conduct preliminary research into "Eco-friendly Dye Extracts from Mangrove *Rhizophora mucronata* and Associate *Thespesia populnea*". Other collaborative initiatives involving public and private research institutes, together with Hayleys Fabric PLC, are also being carried out to support the development of natural dye-based fabric dyeing technologies. These initiatives aim to explore new techniques in fabric dye production with a particular focus on reducing greenhouse gas emissions, energy consumption, water usage, and chemical inputs.

ESG Executive Summary

This is an Executive Summary of Hayleys Fabric Group's Environmental, Social and Governance Report, which covers our ESG activities and performance for the financial year 2025/26. This summary and the full report highlight how we bring our Purpose, Vision, mission and value proposition to life through our business.

The information provided in the Report is for the period 1st April 2025 to 31st March 2026.

The Hayleys Fabric Group's ESG Steering Committee was established on 25th November 2024 to strengthen top management's oversight of environmental and social issues. The ESG Steering Committee is headed by the Hayleys Fabric Group Managing Director / CEO and comprises other members of top management, including the Executive Director-Finance & ESG, Executive Director-Marketing, Executive Director- HR & Admin and DGM-Sustainability. The multidisciplinary skill set of its members enables the ESG Steering Committee to provide strategic guidance, anticipate emerging trends, and ensure that sustainability is embedded into core business functions and long-term planning.

The Committee is also entrusted with the responsibility of identifying ESG-related risks, opportunities, and impacts, recommending appropriate actions to address them, while reviewing and advising the management on relevant policies, programmes, and stakeholder engagement strategies. The Committee reports directly to the Board and is required to keep the Board apprised of key developments through regular updates on ESG performance, emerging trends and their implications, and ESG disclosures in corporate reporting and external communications

The ESG Steering Committee setup in South Asia Textiles Limited (A fully owned subsidiary of Hayleys Fabric PLC) acts as a sub-committee to the Committee setup in Hayleys Fabric PLC.

(Please refer ESG Steering Committee Report on pages 283-284 for more information)



The Committee is governed by the Terms of Reference (TOR) that sets out the Committee composition, role and oversight responsibilities. As per the TOR, the ESG Steering Committee serves as the main body in charge of overseeing the execution of the Hayleys Fabric Group sustainability strategy. In this capacity the Committee is tasked with guiding and monitoring the execution of the Hayleys Fabric Group's ESG Road map "The GreenCatalyst" to ensure alignment with the Group's corporate purpose and the Hayleys Lifecode, as well as reviewing progress against ESG targets.

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

ABOUT THIS REPORT

This Report details the Hayleys Fabric Group's sustainability and climate-related financial disclosures as set out in the SLFRS S1 and S2 Sustainability Disclosure Standards. The Group continued to enhance the completeness and comparability of its sustainability and climate-related disclosures in line with Sri Lanka Sustainability Disclosure Standards, SLFRS S1 and S2, building on the progress made in the previous year. These improvements reflect our ongoing commitment to strong governance, effective risk management, and the creation of sustainable value for stakeholders.

Reporting entity and boundary:

The disclosures in this Report relate to Hayleys Fabric PLC and its subsidiary, South Asia Textiles Limited (collectively referred to as the Hayleys Fabric Group). The Reporting boundary is consistent with that of the Group's financial reporting boundary.

Reporting period:

The disclosures set out in this Report relate to the financial year covering the period from 1st April 2025 to 31st March 2026.

Time horizons:

Hayleys Fabric Group's scenario analysis was designed to evaluate potential transition risks in alignment with strategic planning horizons. The analysis considers two key time frames - up to 2030 and up to 2050 - mapped to our corporate strategy timelines. These are categorized into short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Hayleys Fabric Group early adopted the standard in the financial year 2023/24. A comprehensive qualitative assessment was conducted, and relevant

sustainability related SRROs & CRROs were identified & disclosed in 2024/25. This was followed by a quantitative assessment of financial implications, along with the disclosure of verified Scope 1, Scope 2, and Scope 3 greenhouse gas emissions. Therefore, no transitional relief is taken.

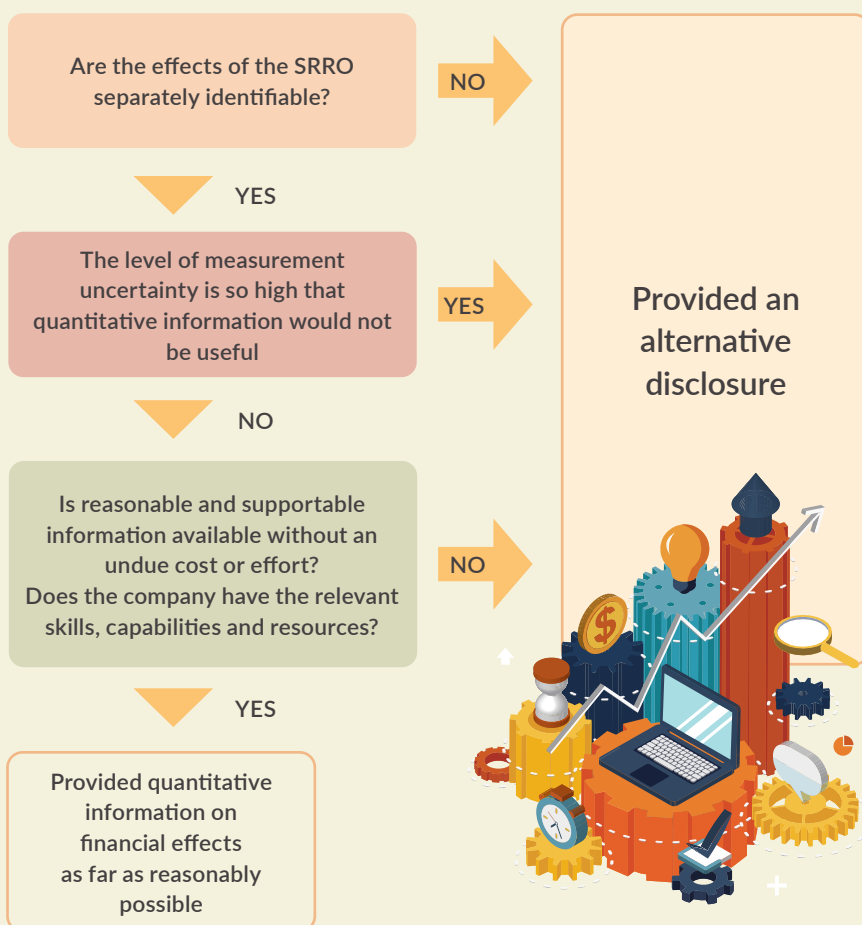
Sources of guidance:

The Group applies the following sources of guidance in identifying SRRO/CRRO and determining the related disclosure requirements

- SLFRS S2 Sustainability Disclosure Standard
- Disclosure topics in the Apparel, Accessories and Footwear SASB Standard
- Results from external market analysis and stakeholder engagement

Quantification of financial effects

In determining which SRROs to quantify, we adopted the following criteria and decision diagram;



During the current reporting period, we have sought to quantify the financial effects of the physical climate risk of riverine flood and water scarcity which are critical to our operational footprint and long-term resilience.

Quantification of extreme heat, another physical risk that Hayleys Fabric Group faces, together with climate related transition risks and other sustainability risks, will be on a phased in approach as we move forward in our sustainability journey. Quantification of these risks remains challenging due to limited availability of data and/or the level of measurement uncertainty being high.

Our Sustainability-related Financial Disclosures cover the core disclosure areas of Governance, Strategy, and Risk Management. Greenhouse Gases, a primary climate-related cross industry metric, is also included in this Report. Metrics and targets other than Greenhouse Gases are separately covered within our sustainability approach and capital reports, offering users a clearer view of our performance focus.

Judgements

The Group applied the following judgements in preparing its sustainability-related financial disclosures.

- Determining materiality thresholds, magnitudes and likelihood parameters in assessing the most material SRROs
- Selection of emission factors, fuel-efficiency factors for vehicles and computation method to be applied when measuring the Group's GHG emissions
- Estimating the level of financial impact that is directly attributable to the financial statements

Connected information: We have incorporated cross-references within the Report to enhance connectivity and clarity of disclosures under SLFRS S1 and S2, including linkages within

the sustainability-related financial disclosures, as well as connections between sustainability-related financial disclosures and other general-purpose financial reports.

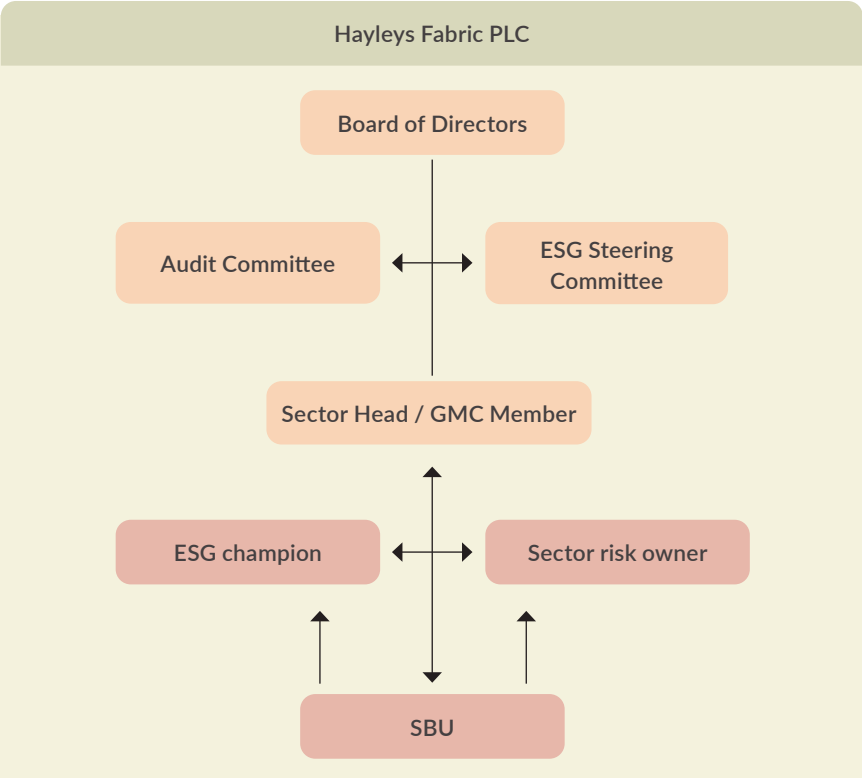
Statement of compliance: This report represents a complete set of sustainability-related financial disclosures for Hayleys Fabric PLC and its subsidiaries for the year ended 31 March 2026. The Group's sustainability-related disclosures have been prepared in accordance with SLFRS Sustainability Disclosure Standards as issued by CA Sri Lanka.

ESG GOVERNANCE

The Board of Directors of Hayleys Fabric PLC serves as the governing body responsible for the overall management, strategic direction, and long-term value creation of the Group, including oversight of sustainability and climate-related matters. The Board provides stewardship for the Group's ESG agenda and has delegated responsibility for target-setting to the ESG Steering Committee. Upon finalisation, these targets are cascaded to relevant departments, where designated representatives ensure effective implementation and integration into business activities.

ESG Steering Committee

The ESG Steering Committee, comprising of four Board members and a member of senior management of Hayleys Fabric, was established on 25th November 2024, to strengthen governance of environmental and social issues. It is headed by the Group's Managing Director/CEO with other Committee members being the Executive Director-Finance & ESG, Executive Director-Marketing, Executive Director - HR & Admin and DGM-Sustainability. The multidisciplinary skill set of its members enables the ESG Steering Committee to provide strategic guidance, anticipate emerging trends and ensure that sustainability is embedded into core business functions and long-term planning.



SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

Roles and Responsibilities

The Committee operates under a Terms of Reference (TOR) that defines its composition, role, and oversight responsibilities. In line with the TOR, the ESG Steering Committee functions as the central body responsible for overseeing the implementation of the Group's sustainability strategy.

Its mandate includes guiding and monitoring the implementation of the Group's ESG Framework, ensuring alignment with the corporate purpose, the Lifecode of Hayleys PLC, and the Fabric Group's ESG Road Map "The GreenCatalyst" initiative, while also reviewing progress against established ESG targets.

Identifying ESG-related risks, opportunities, impacts, recommending appropriate response actions, and advising management on relevant policies, programs, and stakeholder engagement initiatives are also tasks of the Committee. The ESG Steering Committee meets quarterly and reports directly to the Board, providing updates on ESG performance, emerging trends and their implications including ESG-related disclosures in corporate reporting and external communications. The ESG Steering Committee established at South Asia Textiles Limited, a fully owned subsidiary of Hayleys Fabric PLC, functions as a sub-committee to the Hayleys Fabric PLC Committee.

(Further information is available on the ESG Steering Committee Report on pages 283-284)

Skills and Competencies

In appointing new directors, the Board follows a rigorous selection process that emphasises professional expertise, industry knowledge, integrity, and diversity. A balanced mix of skills, experience, gender, and age strengthens Board deliberations, fosters independent judgment, and enhances

decision-making—particularly on sustainability-related matters. Directors receive ongoing training on ESG topics, and the Finance Director also serves as the Head of ESG, ensuring that sustainability matters receive consistent attention at the highest governance level.

Oversight of Risk, Strategy and Targets

The table below describes how the Board and its committees are informed of sustainability and climate-related risks and opportunities, how these risks and opportunities are integrated into strategy and how targets related to these risks and opportunities are monitored.

Risk Management 	The Risk Management Cycle comprising the identification, assessment, management, monitoring, and reporting of risks ensures that the Group's leadership is kept fully informed of risk performance throughout the reporting period. Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs) are reported to both the ESG Committee and the Audit Committee, with material matters escalated to the Board of Directors. The Audit Committee also updates the Board on sustainability and climate-related issues through its review of internal and external audit findings.
Strategy 	Major capital projects, investments, acquisitions, mergers, and disposals are approved by the Board, ensuring each decision aligns with the Group's strategic objectives and creates long-term stakeholder value. These decisions take into consideration the related SRROs/CRROs and associated trade-offs. ESG considerations are also incorporated into the budgeting process, reinforcing the Group's commitment to embedding sustainability within core financial and strategic decision-making.
Targets 	The Board provides oversight of Hayleys Fabric Group's customized sustainability and climate-related targets established in alignment with the Hayleys LifeCode framework. Responsibility for setting these targets has been delegated to the ESG Steering Committee. Performance is routinely monitored, with monthly progress reviews at the Management Review Meeting and quarterly updates presented to the ESG Steering Committee at Group level.

Executive Remuneration

As of FY 2025/26, Hayleys Fabric has not yet established a formal linkage between remuneration and sustainability and climate-related risks or opportunities. The Group is currently evaluating the potential to integrate such mechanisms in the future.

MANAGEMENT'S ROLE

Delegation of Oversight to Specific Management-Level Positions or Committees

Hayleys Fabric PLC manages sustainability and climate-related risks through a structured process embedded within its broader risk management framework. Management functions as the second line of defense, ensuring that all business units operate in accordance with established risk policies and standard operating procedures. Regular PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analyses to monitor the Group's evolving risk landscape, including climate-related factors are also conducted by Management.

Management is accountable for day-to-day operations, ensuring the Group operates within the approved risk appetite while overseeing the implementation of strategies and initiatives designed to mitigate identified sustainability and climate-related risks. The annual preparation of the Integrated Report including sustainability disclosures is undertaken by a Working Group led by the Executive Director Finance & ESG and comprising senior representatives from finance, marketing, and sustainability. In addition, under the supervision of the Head of Sustainability, dedicated teams have been appointed to oversee each environmental pillar.

Management Controls and Procedures Integrated with Other Internal Functions

Management maintains an integrated approach based on the Enterprise Risk Management (ERM) Framework to ensure that all key risks, including sustainability-related risks and opportunities, are managed in alignment with the overall corporate strategy.

The following support teams contribute towards management's responsibilities in reporting to the Board committees.

ESG Team - Leads the design, coordination, and monitoring of the Group's ESG and climate strategy. It identifies sustainability and climate-related risks and opportunities, sets targets, tracks performance, ensures alignment with SLFRS S1 and S2, and collaborates in the preparation of climate and sustainability disclosures for internal and external stakeholders.

Human Resources Team - Supports sustainability oversight by integrating ESG competencies, training, and performance expectations into employee development and evaluation. This team also drives diversity, inclusion, health & safety, Corporate Social Responsibilities (CSR) and workforce related sustainability initiatives ensuring the Group has the capabilities required to manage sustainability and climate related risks and opportunities.

Procurement Team - Plays a key role by ensuring responsible sourcing practices, supplier due diligence, and monitoring supply-chain sustainability and climate risks. This includes evaluating suppliers on environmental and social performance, ethical standards, and resilience to climate-related disruptions.

Marketing & Business Development

Team - Identifies market-driven sustainability opportunities, such as demand for low-carbon climate-resilient textiles. They also help assess customer-related sustainability risks (e.g., shifting preferences, regulatory changes) and support strategic positioning by communicating the Group's sustainability value proposition.

Engineering & Environment Team -

The Engineering and Environment Team focuses on managing key environmental aspects, including energy consumption, emissions, water use, and waste management. The team drives resource efficiency and intensity reduction initiatives in collaboration with production departments. In addition, the team is responsible for ensuring compliance with all applicable environmental regulations and maintaining the environmental licenses required for operational activities.

Compliance Team - The Compliance Team oversees adherence to customer, regulatory, and other certification requirements. This includes managing certification processes, onboarding process, coordinating internal and external audits, maintaining compliance documentation, and supporting departments in meeting applicable standards and regulatory obligations.

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

STRATEGY

INTRODUCTION

At Hayleys Fabric, our sustainability strategy is founded on a comprehensive understanding of industry dynamics, operational challenges, and the evolving expectations of our stakeholders. Recognizing the strategic importance of these factors, our sustainability agenda and key performance indicators (KPIs) are aligned with “The GreenCatalyst” ESG Roadmap 2030 and the six focus areas articulated in the LifeCode framework of the parent Company, Hayleys PLC:

- Climate Action,
- Nature Restoration and Regeneration,
- Resource Footprint Optimization,
- Responsible Workplace Practices,
- Progress through Partnerships, and
- Responsible Corporate Citizenship

With climate-related risks becoming increasingly significant, our strategy places greater emphasis on forward-looking climate action. In alignment with emerging regulatory requirements, including SLFRS S2, we continue to strengthen our climate resilience through enhanced scenario analysis—ensuring that our long-term decision-making remains informed, adaptive, and consistent with global best practices.

(Further information on our approach to Sustainability is available on pages 85 to 90)

RISKS AND OPPORTUNITIES

The risks and opportunities under SLFRS S1 and S2 have been broadly classified into:

- Climate-related physical risks (pages 101 to 106)
- Climate-related transition risks (pages 107 to 112)
- Other sustainability-related risks (pages 113 to 115)

Climate-related Physical Risks

Hayleys Fabric Group has completed a comprehensive Physical Climate Risk Assessment to evaluate present and future climate-related hazards that may affect our operations and integrated supply chain. Key manufacturing assets and critical supply chains have been geo-mapped and evaluated against acute and chronic climate hazards, with future risk scenarios developed for 2030 and 2050 using IPCC-aligned SSP pathways. Climate projections under the IPCC’s SSP3-7.0 and SSP5-8.5 scenarios for 2030 and 2050, analysed the potential frequency and severity of acute hazards such as riverine flooding, extreme rainfall flooding, and acute extreme heat as well as chronic hazards including long-term water stress and persistent extreme heat. The study spanned all three operational sites and produced both cumulative risk scores and indicative financial impacts for each hazard. Rainfall-induced landslides and cyclones were found to have no projected material impact across both time horizons and were therefore excluded from the material risk set.

Physical climate risk assessments are increasingly important for Sri Lanka’s fabric manufacturing sector, where exposure to flooding and water scarcity continues to rise. These hazards pose direct risks to production continuity, raw material stability, and long-term business sustainability, reinforcing the need for proactive risk identification and mitigation to support operational resilience and strategic planning. In the current financial year, the risk assessments relating to flooding and water scarcity were enhanced by quantifying the financial effects of such risks for the current and future periods.

Recognising that our Seamlessly Integrated Supply Chain is a core strength, the assessment was also extended to key upstream partners. Climate related disruptions such as production interruptions, raw material shortages, delivery delays, or cost escalations could materially affect Group’s operations. To enhance overall value-chain resilience, similar hazard assessments were conducted across 12 critical supplier locations, enabling a more holistic understanding of climate exposure across the supply chain.

Mean Financial Impact* (Risk/Opportunity)	Low	Medium	High
Risk Rating	Low	Medium	High

1. RIVERINE AND URBAN FLOODS – ACUTE PHYSICAL RISK

Nature of risk: Flooding can halt production due to inaccessible facilities, power outages, or unsafe conditions. Roads, bridges, and transport links may be damaged, affecting logistics and supply chain continuity. Repeated exposure to flooding can lead to higher repair and maintenance expenses. Anticipated financial impacts and their potential occurrence are classified into three time horizons as below.

Short (1–3 years), medium (3–5 years), and long-term (>5 years).

Risk Assessment				
Scenario	SSP3-7.0		SSP5-8.5	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
Financial Impact				
Risk Rating				

Expected effect on Hayleys Fabric Group Financial Statements (Projected under IPCC's SSP5-8.5 scenario which simulates the worst-case condition) Quantification approach detailed on pages 116 to 122				
Financial Statements Note Reference	Current USD	Anticipated		
		Short Term USD	Medium Term USD	Long Term USD
Statement of Cash Flows Investing Cash flow Key drivers include investment in construction of boundary walls, flood walls, flood pumps, training related to flooding, conducting detailed stormwater management studies and insurance costs.	405,000	1,463,000 - 1,770,000	1,330,000 - 1,449,000	3,916,000 - 5,717,000
Statement of Financial Position Property, Plant & Equipment Key drivers include direct physical damage on infrastructure due to riverine flooding.	Nil	86,400 - 131,300	134,000 - 135,300	144,000 - 258,000
Statement of Profit or Loss Operational & other expenditure Key drivers include operating expenditure on/due to operational disruption, cost of additional water treatment, relief requirements such as boat hiring, diving expenses and additional transport for employees and shipments due to water logging.	6,600	277,600 - 2,050,000	2,311,500 - 2,437,600	4,138,000 - 6,411,500

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

Mitigation Measures

- As part of its Health and Safety Policy, Hayleys Fabric Group has developed a flood risk mitigation plan under its Emergency Response Plan (ERP). The Company has implemented both preventive planning measures and engineering controls to protect its facilities from flooding.
- Hayleys Fabric Group's elimination and substitution strategies, assess flood risk before constructing or operating new facilities, and considers relocating planned operations to areas with lower or no flood exposure.
- Engineering controls have also been adopted to reduce vulnerability at existing sites, including the installation of flood walls, gates, barriers, early warning systems, secure storage practices for hazardous materials, and the construction of emergency spillways to manage excess water during high rainfall events, training, stormwater management plan.

Impact on Strategy and Decision Making

Integration with Strategy	Progress against strategy
• As part of their mitigation plan Hayleys Fabric Group at some locations is identifying the use of alternate routes for worker access and transportation to maintain operational continuity during disruptions. • Hayleys Fabric Group may need to include flood-risk checks using a ≥ 1-in-100-year riverine + 1-in-50-year pluvial scenario for new CAPEX-based spending proposals. Medium and long term investments should be incorporated into the CAPEX planning process to support strategic objectives and future growth. • To ensure supply chain resilience, Hayleys Fabric Group may need to assess suppliers' flood mitigation measures before onboarding.	• Alternative access routes have been identified to ensure site accessibility during flood events. These routes were effectively utilized during the period of Cyclone Dithwah to maintain operational access to South Asia Textiles Limited • Priority is given to regional biomass suppliers to mitigate potential transportation disruptions during countrywide flood situations.

Impact on Business Model and Value Chain

Current	Anticipated
• South Asia Textiles Limited experienced two days of factory downtime due to Cyclone Dithwah. During this period, access roads were disrupted, and both power and water supply were temporarily affected.	• Flooding may disrupt worker access and housing, affecting labor availability and continuity. • Dyeing and finishing operations risk contamination and effluent treatment failure, posing environmental threats. • Power outages from internal and external disruptions may delay operations. • Floodwaters could cause hazardous material leakage, harming nearby ecosystems. • Supplier logistics may be delayed due to road inaccessibility, impacting raw material flow.

Financial Impact	
Current	Anticipated
Hayleys Fabric PLC faces short-term margin compression due to higher CAPEX and OPEX for flood mitigation measures. Despite initial cost pressures, these investments shall improve long-term operational efficiency. During the year, operating expenditures particularly those related to water treatment increased due to the deterioration of water quality resulting from flooding associated with Cyclone Ditwah. The event also affected key assets as riverine flooding caused damage to infrastructure. Operational costs have also been included as part of the additional expenditures for corrective actions.	Direct physical damage to assets and operational disruption may result in reduced production output and direct revenue loss. This will affect overall efficiency and impact the Company's ability to meet delivery timelines and customer demand. Increased budget allocations for flood damage recovery, capital expenditure for flood mitigation measures and operating expenditure for water treatment will also add to existing OPEX and CAPEX.

Value Chain Impact
Riverine and urban floods in supply chain: Flooding at supplier sites can shut down production and transport routes, inaccessible facilities, power outages, or unsafe conditions causing raw-material shortages, delivery delays, and cost spikes for Hayleys Fabric.
The 12 most critical suppliers have the following impact from riverine and urban floods:

Hazard	Risk Rating		
	Low	Medium	High
Number of Sites	7	3	2

2. EXTREME HEAT – CHRONIC AND ACUTE PHYSICAL RISK

Nature of risk: Extreme heat over long-term poses physical climate risk by impairing machinery performance, increasing energy demand for cooling, and reducing labor productivity. This leads to higher operational costs, potential production slowdowns, and strain on energy infrastructure. Risk scenarios and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Risk Assessment				
Scenario	SSP3-7.0		SSP5-8.5	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
Financial Impact				
Risk Rating				

Mitigation Measures
Hayleys Fabric Group monitors the conditions of infrastructure undertakes modifications to infrastructure to make them more resilient to extreme heat; in addition, the Group also conducts heat stress training for employees.

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy
- Rising cooling demand may increase dependence on fossil fuels, driving up emissions and costs. - Lack of investment in efficient systems could further escalate operational expenses and carbon intensity. - Transitioning HVAC systems to renewables is likely necessary to meet 2050 targets (95% Scope 1 & 2, 90% Scope 3 reduction).	GHG emission reduction initiatives are underway across Scope 1, Scope 2, and Scope 3 emissions, in alignment with the near-term targets of the Science Based Targets initiative (SBTi).

Impact on Business Model and Value Chain	
Current	Anticipated
No current impact	- Elevated temperatures over long-term may reduce machinery efficiency, leading to decreased production performance. - Increased cooling requirements (HVAC, fans) are likely to raise energy consumption and operational expenses.

Financial Impact	
Current	Anticipated
No current impact	- Increased cooling needs will elevate overall energy consumption. - Shifting to energy-efficient and renewable solutions may raise short-term CAPEX but reduce long-term OPEX. - Higher energy use and prices are expected to drive up operating costs.

Value Chain Impact

Extreme heat in supply chain: Heatwaves and sustained high temperatures at supplier facilities may impair machinery performance, increasing energy demand for cooling, and reducing labor productivity, affect worker health leading to delays, higher costs, and supply chain disruptions.

Prolonged periods of elevated temperatures may negatively impact cotton harvesting activities.

The 12 most critical suppliers have the following impact from extreme heat:

Hazard	Risk Rating		
	Low	Medium	High
Number of Sites	6	4	2

3. WATER SCARCITY – CHRONIC PHYSICAL RISK

Nature of risk: Reduced revenue from decreased production capacity and increased operating costs for sourcing water.

Anticipated financial impacts and their potential occurrence are classified into three time horizons as below.

Short (1–3 years), medium (3–5 years), and long-term (>5 years).

Risk Assessment				
Scenario	SSP3-7.0		SSP5-8.5	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
Financial Impact				
Risk Rating				

Mitigation Measures

1. Improve Monitoring

- Set specific targets across extraction, usage, treatment, reuse, and release.
- Continuously monitor performance to identify efficiency improvements.
- Installed flow meters at each production stage to enhance the accuracy of monitoring and reporting.
- Calibration of flow meters on a regular basis.

2. Technology to Reduce Water Intensity

- Backwash recovery project at the water treatment plant.
- Improved cooling water recovery in the dye house.
- Install sand bed filtration as final raw water treatment method.
- Recovery of dye house final soaping bath

3. Nurturing a Culture of Water Consciousness

- Regular training sessions and awareness programs are conducted for employees to educate them on effective water-saving techniques and promote responsible water usage.

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy
• Hayleys Fabric recover & recycles 26% of its process water, with backwash recovery and efficient equipment reducing freshwater consumption and lowering the risk of operational disruption. • Upgrades to ETP/WTP systems and annual water footprint assessments help manage water supply and regulatory compliance risks. • R&D in low-water processes strengthens long-term operational resilience and supports future regulatory alignment.	• Water recovery and recycling initiatives are underway, currently achieving a 29% recovery rate. In addition, raw water treatment has been implemented to further enhance water recovery and ensure compliance with regulatory water discharge requirements. • A collaborative project is underway with the University of Sri Jayewardenepura to enhance the efficiency of the Effluent Treatment Plant (ETP).

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

Impact on Business Model and Value Chain	
Current	Anticipated
Hayleys Fabric Group has not experienced water shortages to date, with no adverse impacts observed on its own operations or across the upstream value chain.	- Intensifying water stress from climate change, regulation, and population growth may restrict freshwater access and disrupt operations. - Supplier-side water scarcity may necessitate diversification of the procurement base. - Shifting to low-water materials and processes will reduce dependency but require new sourcing channels.

Financial Impact	
Current	Anticipated
Hayleys Fabric Group faces short-term margin compression due to higher CAPEX and OPEX for water efficiency measures, effluent treatment plants (ETPs), and R&D.	Near-term profitability may dip due to high CAPEX/OPEX for Zero Liquid Discharge (ZLD) and Sewage Treatment Plants (STPs), though profit margins may improve as efficiencies improve. No financial impact is calculated with water unavailability, as the assessment indicates no anticipated future water scarcity.

Value Chain Impact	
Water scarcity in supply chain: Water stress in supplier regions may disrupt raw material availability, increase input costs, and impact delivery timelines, posing a risk to supply chain continuity and cost stability. The 12 most critical suppliers have the following impact from water scarcity:	

Hazard	Risk Rating		
	Low	Medium	High
Number of Sites	5	5	2

CLIMATE-RELATED TRANSITION RISKS

Evaluating transition risks is critical for Hayleys Fabric as the Group responds to evolving climate regulations, changing customer expectations, and broader stakeholder demands. Understanding these risks and opportunities enables us to maintain compliance with emerging climate-related policies, mitigate potential adverse impacts, and remain competitive in a transitioning low-carbon economy. This assessment also strengthens strategic decision-making by informing proactive investments in sustainable product development, energy-efficiency measures, and carbon-reduction initiatives.

Transition risks and opportunities, including regulatory shifts and market pressures, technological shifts, change in customer preferences, resource efficiency, and access to new markets, were assessed using global scenarios such as IEA Stated Policies Scenario (STEPS) and IEA NZE2050. Risks were prioritized based on likelihood and impact, with high-level financial analysis estimating potential effects on revenue using a high, medium, low scale.

Mean Financial Impact* (Risk/Opportunity)	Low	Medium	High
Likelihood	Low	Medium	High
Risk Rating	Low	Medium	High

The following risks and opportunities were identified in this evaluation:

1. POLICY & LEGAL RISK - COMPLIANCE RELATED OBLIGATIONS

Nature of risk: Evolving national and international environmental and sustainability regulations may require ongoing process adjustments and reporting upgrades, posing risks of non-compliance penalties or reputational damage. Risk scenarios and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Risk Assessment				
Scenario	SSP3-7.0		SSP5-8.5	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
Financial Impact				
Likelihood				
Risk Rating				

Mitigation Measures				
- Strong environment and social management systems such as ISO 14001, ISO 50001, ISO 45001 are in place. - Alignment with EPL, SWML requirements; adoption of SLFRS S1 & S2; ZDHC Level 1 (99% aligned), along with certifications like Eco Label Sri Lanka and Higg FEM assessments. - Regular third-party energy, water, and waste audits, and surveillance audits under ISO 14001, including Carbon; Management of waste by authorized partners				

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy
- Hayleys Fabric Group may need to adopt stricter sustainability targets and advanced green manufacturing practices in response to evolving regulations in Sri Lanka, the EU, and the US. - Alignment with the Sri Lankan Green Finance Taxonomy may require pursuing green or sustainability certifications. - Enhanced tracking, reporting, and due diligence will be essential across operations and the supply chain.	- We adhere to all applicable global and local legal and regulatory requirements, ensuring that all necessary licenses and permits are maintained on a continuous basis. - Enhancements are being made in line with sustainability reporting standards, with a particular focus on impact quantification under SLFRS S1 and S2 for all material transition risks.

Impact on Business Model and Value Chain	
Current	Anticipated
- Environmental Protection, Scheduled Waste Management Licenses, and the National Policy on Chemicals Management are the Environmental Compliances applicable to Hayleys Fabric Group currently. - Hayleys Fabric Group conducts Environmental Impact Assessments (EIA) before launching development projects. - There are other compliance/voluntary sustainability requirements from the US and EU customers.	- Future domestic carbon market/regulations in Sri Lanka may require Hayleys Fabric Group to adopt carbon taxes, or internal carbon pricing. - Compliance with EU and US regulations (CSRD, CSDDD, SEC Climate Disclosure Rules) may demand advanced ESG monitoring across operations and the value chain.

Financial Impact	
Current	Anticipated
- Hayleys Fabric Group incurs recurring costs for audits, certifications, licensing, and due diligence to meet compliance obligations. - Invests in wastewater treatment and quality assessment for river discharge compliance.	The cost of compliance may increase as sustainability regulations become stringent.

2. TECHNOLOGY RISK - COSTS OF TRANSITIONING TO LOWER EMISSION TECHNOLOGY

Nature of risk: Investments in low-carbon technologies, such as renewable energy systems and cleaner production processes, may require additional capital and operational expenditure. Risk scenarios and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Risk Assessment				
Scenario	SSP3-7.0		SSP5-8.5	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
Financial Impact				
Likelihood				
Risk Rating				

Mitigation Measures

- Hayleys Fabric Group has adopted SBTi Net Zero targets and aims to achieve net zero GHG emissions by 2050.
- Out of the total energy requirements, 72% comes from renewable sources. Hayleys Fabric Group has a 4.5MW & 3.6MW rooftop solar and a 35kW floating solar system.
- The Group's energy efficiency program includes energy audits, energy-efficient equipment installation - LED, HVAC, solar energy, biomass-based boilers, smart energy-saving systems, and energy-efficient pumps.
- Transitioned from Heavy Fuel Oil (HFO) to biomass-based boilers at the South Asia Textiles Limited plant as part of its shift to cleaner energy sources. The Company is gradually phasing out HFO and replacing it with LPG.

Impact on Strategy and Decision Making

Integration with Strategy	Progress against strategy
• Hayleys Fabric Group integrates sustainability into strategic decisions through investments in renewable energy and energy efficiency. • Strategic targets include achieving 100% sustainable biomass by 2030, phasing out HFO (Heavy Fuel Oil) and a 42% reduction in absolute Scope 1 and 2 emissions by 2030 from a 2021/22 base year, aligned with SBTi.	• Future strategy focuses on a complete transition to renewable energy. • Increased investment in R&D for clean technologies and energy efficiency will be necessary to mitigate long-term climate-related operational risks.

Impact on Business Model and Value Chain

Current	Anticipated
• Currently, 72% of Hayleys Fabric Group energy is generated from renewable sources- which comprises of biomass, rooftop solar, and floating solar installations. • Smart energy-saving initiatives have reduced electricity consumption by approximately 45,000 kWh monthly, contributing to cost savings and lower GHG intensity. • Fuel transition from HFO to LPG has lowered direct emissions. There are other compliance/voluntary sustainability requirements from the US and EU customers.	• Hayleys Fabric Group is expected to transform its value chain to align with low-carbon expectations by scaling on-site/off-site renewable energy solutions, including third-party Power Purchase Agreements (PPAs) and wind energy projects. • Digital energy management systems, like smart metering, are anticipated to improve energy oversight and operational agility. • Focus on developing less carbon-intensive products by embedding sustainability in sourcing and production.

Financial Impact

Current	Anticipated
• Significant CAPEX invested in solar, LPG and energy-efficient systems for long-term cost savings and reduced fossil fuel reliance. • 87% of HFO phased out, lowering operational costs and exposure to energy price volatility.	• Continued energy cost savings and efficiencies to strengthen financial resilience. • Renewable energy investments are expected to result in savings in the long-term. • Additional CAPEX for clean energy and rising borrowing costs may impact short-term profitability.

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

3. MARKET RISK - CHANGING CUSTOMER BEHAVIOR: ESCALATING CUSTOMER REQUIREMENTS ON SUSTAINABILITY

Nature of risk: Potential loss of market share due to customers' push for sustainability integration & increasing demand for sustainable end-products. Risk scenarios and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Risk Assessment				
Scenario	SSP3-7.0		SSP5-8.5	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
Financial Impact				
Likelihood				
Risk Rating				

Mitigation Measures	
- On account of evolving customer expectations, Hayleys Fabric is focused on reducing reliance on fossil fuels, increasing water efficiency and improving working conditions of the workforce. - Hayleys Fabric Group implements strategic supplier development programs across key supply chains. In FY 2025/26, 59 supplier-supported development programs were conducted. - Yarn and greige suppliers are required to disclose additional information adhering to the Group's traceability indicators. - Strict compliance with customer specifications and stringent quality control checks are implemented across the value chain. They consistently maintain a Right-First Time (RFT) rate of > 95% across all processes.	

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy
- Hayleys Fabric Group has integrated customer sustainability feedback into its product innovation cycle, resulting in eco-branded launches like Eco Stretch and INNO Label. - Production processes are aligned with recognized sustainability standards, enabling compliance with customer-specific procurement requirements. - Strategic sourcing of recycled polyester, organic dyes, and traceable raw materials ensures alignment with evolving customer expectations and helps maintain competitiveness in sustainable textiles, additionally supplier qualification now includes BCI, GRS, and RCS criteria, with cost-pass-through mechanisms used where possible.	- To meet future customer requirements, Hayleys Group may need to strategically design new products that align with evolving sustainability criteria. - Brand-driven sourcing shifts and limited domestic supplier readiness complicate procurement planning and elevate operational risks. - Continuous monitoring and integration of customer requirements into product design will become essential, with a focus on sustainability features such as recyclability, organic materials, and ethical sourcing.

Impact on Business Model and Value Chain	
Current	Anticipated
- Alignment with international certifications such as Oeko-Tex 100, GRS, SEDEX has enhanced market credibility. - Supplier development programs have strengthened supply chain resilience and helped retain critical customers demanding sustainability compliance. - Integration of sustainability requirements has significantly enhanced traceability across Tier 1 suppliers.	- Increasing customer focus on supply chain transparency and ethical sourcing will require deeper visibility across all tiers of the supply chain. - Rising demand for real-time sustainability data and improved product labeling will necessitate advanced digital tracking and reporting systems.

Financial Impact	
Current	Anticipated
- Hayleys Fabric Group has invested in product innovation, resource efficiency, and environmental management to support its customer requirements, some of which are passed on to customers. - No material financial impact from sustainability-related market share loss has been observed. - Alignment with international certifications adds recurring audit fees and administrative costs.	- Sustainability investments will continue to pressure profit margins. - Opportunities include access to green financing and sustainability-linked investments. - Revenue growth is expected from expanding sustainable product lines and targeting eco-conscious markets. - Procurement costs may rise with growing demand for sustainable raw materials.

4. OPPORTUNITY ON RESOURCE EFFICIENCY

Nature of Opportunity: Improving the efficiency of water, energy, and raw material use can lower operating costs, reduce waste, and enhance environmental performance. This supports compliance with evolving sustainability standards while strengthening profitability and long-term competitiveness. Opportunities and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Opportunity Assessment	
Impact	Likelihood

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy
- Resource efficiency is recognized as a key sustainability pillar, guiding investment in process upgrades. - Strategic decisions will increasingly prioritize ESG alignment, long-term cost savings, and risk mitigation through investment in circular manufacturing and closed-loop systems, along with digital monitoring infrastructure.	During the 2025/26 financial year, the Group managed to sustain the business and financial position amid global war & USA Tariff through high operational efficiency and reducing waste.

Impact on Business Model and Value Chain	
Current	Anticipated
- Process-level improvements such as water recovery, energy conservation, material reuse, and insulation upgrades, presently pose as opportunities for improving resource efficiency helping reduce external resource dependency and operational inefficiencies. - Regulatory and customer pressures are pushing resource optimization across the supply chain.	- Business model to evolve toward circular production systems. - Aim to collaborate with local and regional recycling companies to repurpose textile offcuts and leftover yarn, and to convert ETP sludge into construction material by-products, moving away from traditional co-processing methods.

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

Financial Impact	
Current	Anticipated
Operational costs of electrical energy have been reduced due to the implementation of solar PV modules.	- Moderate improvement in cost efficiency is expected through better resource use and reduced wastage. - Alignment with environmental policies may help avoid future compliance costs and improve readiness for ESG-driven customer requirements.

5. OPPORTUNITY ON PRODUCT INNOVATION AND ACCESS TO NEW MARKETS

Nature of Opportunity: Rising demand for low-carbon, climate-resilient, and sustainably produced textiles present an opportunity for Hayleys Fabric to innovate its product portfolio. By developing eco-friendly fabrics and leveraging certifications, the Group can access new customer segments, enter sustainability-focused markets, and strengthen partnerships with global brands committed to climate goals. Opportunities and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Opportunity Assessment	
Impact	Likelihood

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy
- Strategy is guided by meeting immediate customer sustainability targets. Innovation efforts are decentralized, and new market entry is primarily through existing brand relationships. - Decision-making will be more proactive and innovation-focused, with dedicated R&D investments aligned with evolving customer targets	By closely monitoring global textile innovations and evolving customer expectations, the Group implements market-oriented requirements to remain competitive and responsive to industry trends.

Impact on Business Model and Value Chain	
Current	Anticipated
Hayleys Fabric Group has initiated product innovation efforts in line with sectoral sustainability trends, including partial transitions to recycled materials and improved manufacturing transparency.	- The business model is expected to evolve toward sustainability-led innovation, with a focus on low-impact, traceable, and certified fabric solutions. - New market entry will be supported by certifications, strategic partnerships, and sustainable sourcing agreements.

Financial Impact	
Current	Anticipated
- Revenue from sustainable fabrics is gradually increasing, driven by demand from select customers with clear sustainability targets. - Profitability gains are modest, with cost pressures from sourcing sustainable inputs and limited premium realization to date.	- With increasing demand for certified and eco-friendly products, Hayleys Fabric Group is well-positioned to capture premium pricing, reduce input cost volatility through forward sourcing agreements, and secure repeat business. - This is expected to improve profitability, market resilience, and unlock significant revenue opportunities in the sustainable textile segment.

OTHER SUSTAINABILITY-RELATED RISKS

Beyond climate-related physical and transition risks, Hayleys Fabric Group is exposed to a broader set of sustainability risks that have the potential to affect operational continuity, product integrity, and stakeholder confidence. As a fabric manufacturer, our activities interact closely with natural ecosystems and an extended global supply chain, creating exposure to ecological impacts such as water pollution, biodiversity loss, and waste generation. Additionally, upstream risks, including raw material sourcing, labor practices, and supplier compliance, present challenges related to ethical conduct, resource scarcity, and traceability.

Other sustainability risks were prioritized based on likelihood and impact, using a high, medium and low scale.

Impact	Low	Medium	High
Likelihood	Low	Medium	High
Risk Rating	Low	Medium	High

1. RISK FROM ECOLOGICAL IMPACTS

Nature of Risk: Risks arising from nature degradation, ecosystem disruption, and biodiversity loss can directly affect the Group's operations, supply chain stability, and a limited effect on market positioning. Risk scenarios and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Risk Assessment		
Impact	Likelihood	Rating

Mitigation Measures
- The Group currently maintains a Green:Building Ratio of 1:1 - Monitor of critical suppliers' biodiversity impacts. - Biodiversity conservation activities on site and off-site

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy
- The Group collaborates with Tier 1 customers to adopt Global Recycled Standard (GRS)-certified recycled yarns, supporting traceable and sustainable sourcing practices. - Hayleys Fabric Group may face pressure on margins if global brands mandate biodiversity impact assessments and comprehensive biodiversity management plans for upstream operations.	Supplier and material traceability initiatives have been implemented to strengthen sustainability practices across the supply chain.

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

Impact on Business Model and Value Chain	
Current	Anticipated
- The operational sites of Hayleys Fabric PLC and South Asia Textiles Limited are situated outside designated biodiversity hotspots and therefore do not pose any direct risk to protected ecosystems. - The special yarn blends made from Cotton, Cashmere, Wool, and Silk rely on their ecosystems for raw fibre.	Overexploitation of limited fauna for sourcing special yarns from Tier-1 supplier in India may pose a potential threat to local biodiversity in that region.

Financial Impact	
Current	Anticipated
No current impact	Implementing an ecosystem conservation and biodiversity management plan would lead to an increase in short-term operational costs for Hayleys Fabric Group.

2. RISK OF SUSTAINABILITY ISSUES ALONG THE SUPPLY CHAIN

Nature of Risk: Sustainability issues along the supply chain arise from non-compliance by the suppliers on social and environmental parameters. Risk scenarios and their associated behaviors are classified into three time horizons, as below.

Short-term (<12 months), medium-term (1–5 years), and long-term (>5 years).

Risk Assessment		
Impact	Likelihood	Rating

Mitigation Measures
- Hayleys Fabric Group collaborates with existing and new Tier 1 suppliers to develop capabilities for sustainable raw material production. - The Group has implemented customized self-declaration tools, aligned with international frameworks (e.g., SASB), to strengthen environmental and social credentials. - The Supply Chain Management Unit team conducts social and environmental annual audits, spot audits, and unannounced site visits to assess supplier performance around labour laws, human rights, workplace safety, and diversity policies.

Impact on Strategy and Decision Making	
Integration with Strategy	Progress against strategy

- | | |
|--|---|
| <ul style="list-style-type: none"> • Hayleys Fabric Group currently implements supplier development programs across its supply base, with 59 programs completed in 2025/26. As supply chain expansion continues, additional resources will be required to support ongoing capacity-building efforts. • Continued engagement with B and C-rated suppliers to resolve non-compliance issues is raising supplier management costs but remains essential for strengthening long-term supply chain resilience and regulatory conformity. • Shifting brand sourcing preferences and gaps in domestic supplier readiness may increase the risk of operational disruptions, potentially impacting key performance targets such as 95% Right First Time and 95% On-Time Delivery. • Strengthening local supplier capabilities and enhancing traceability systems will be critical to maintaining supply chain resilience and operational performance. | <ul style="list-style-type: none"> • The Group continues to enhance the capacity of both global and local suppliers, particularly those providing yarn, greige fabric, dyes, chemicals, and other local materials, through an ongoing supplier evaluation process. These factors are taken into consideration during supplier onboarding and contract renewal. |
|--|---|

Impact on Business Model and Value Chain	
Current	Anticipated

- | | |
|--|---|
| <ul style="list-style-type: none"> • Divergent brand sourcing policies on human rights and child labour such as restrictions on sourcing from some other countries Hayleys Fabric' sourcing flexibility and complicate procurement planning and supply chain management. • While 88% of suppliers are currently assessed for environmental and social compliance, gaps remain in meeting customer expectations for eco-friendly product offerings. | <ul style="list-style-type: none"> • Rising compliance expectations under the upcoming EU CSDDD may compel Hayleys Fabric Group to implement enhanced environmental and social due diligence across its supply chain, increasing administrative burden and compliance-related costs. |
|--|---|

Financial Impact	
Current	Anticipated

- | | |
|---|--|
| <ul style="list-style-type: none"> • Hayleys Fabric Group faces increased operational expenditure due to ongoing sustainability audits, compliance with certification requirements, and investments in logistics upgrades to meet evolving customer and regulatory expectations. | <ul style="list-style-type: none"> • Non-compliance with emerging sustainability regulations or customer-specific ESG criteria may expose Hayleys Fabric Group to regulatory fines and penalties. |
|---|--|

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

QUANTIFICATION OF FINANCIAL EFFECTS

Hayleys Fabric PLC has conducted a detailed physical riverine flood and water scarcity risk financial quantification to identify current and future climate-related impacts on Group's financial position, financial performance and cash flows. The assessment incorporates projections under IPCC's SSP5-8.5 scenario as it simulates the worst-case condition. The analysis covers an integrated hydrological and hydraulic modelling approach on its three operational sites to understand financial impact for water scarcity and riverine flooding on the assets. Notably, the assessment suggests that water availability is high in the region and therefore water scarcity is not the major risk whereas riverine flooding is the significant risk. Therefore, only riverine flooding risk is assessed in the current year's financial disclosures.

Limitation analysis

While Hayleys Fabric Group has conducted a comprehensive transition and physical risk assessment based on a likelihood impact matrix, the financial impact quantification of such risks has been conducted for the risk of riverine flood & water scarcity. In line with the Group's criteria for determining which SRROs to quantify (refer pages 116-122 of this Report), it was determined that the quantification of financial impacts for transition risks and physical risks other than floods and water is deemed not relevant or sufficiently reliable for disclosure at this juncture.

This is due to the inherent uncertainty in forecasting future regulatory mechanisms of transition risks such as carbon pricing, taxes, and other market-based instruments-which are currently under policy development and vary significantly across jurisdictions. Based

on the technical assessment conducted, no significant risk of future water scarcity has been identified. Accordingly, no material financial implications are expected. Additionally, Hayleys Fabric Group continues to meet customer sustainability expectations and has aligned with prevailing compliance obligations, thereby minimizing immediate financial exposure.

Current Period Financial Effects

The table below highlights the impacts on the financial position, financial performance and cash flow during the current reporting period.

Financial Impact		
Cash flows	Financial position	Financial performance
Impacts on cash flow include increased expenditure on climate resilience infrastructure such as flood walls, flood pumps, boundary walls etc.	Financial position impact includes impacts on assets or liabilities such as damage on infrastructure due to riverine flooding	Financial Performance impacts reflect increased operating expenditure (OPEX) such increased cost of water treatment due to degraded water quality during the flooding event

Anticipated Financial effects across Time Horizons

Generally, risk scenarios and their behavior are classified into short-term (<12 months), medium-term (1–5 years), and long-term (>5 years) categories.

The following time horizons have been defined to evaluate anticipated financial impacts and their potential occurrence.

The anticipated financial effects are classified in three-time horizons namely, short (1–3 years), medium (3–5 years), and long term (>5 years).

Anticipated Effects

Anticipated Financial Effects	
Time Horizon	Expected Effects on Financial Statements
Short (1–3 years)	- Direct physical damage to Infrastructure - Increased budget allocations for flood damage recovery - Operational disruption occurring due to accessibility issues - Increased CAPEX for installation of flood mitigation measures - Increased OPEX for water treatment

Anticipated Financial Effects	
Time Horizon	Expected Effects on Financial Statements
Medium (3–5 years)	• Direct physical damage to Infrastructure • Increased budget allocations for flood damage recovery • Operational disruption occurring due to accessibility issues • Increased CAPEX for installation of flood mitigation measures • Increased OPEX for water treatment
Long (>5 years)	• Increased budget allocations for flood damage recovery • Operational disruption occurring due to accessibility issues • Increased OPEX for water treatment

INTEGRATION WITH FINANCIAL PLANNING, CAPITAL ALLOCATION AND FUNDING STRATEGY

Sustainability-related financial effects are integrated into Hayleys Fabric Group's financial planning processes through:

- The annual capital expenditure approval cycle
- ESG-linked project screening criteria
- Internal budgeting and cost variance tracking at site level

The Group uses a risk-adjusted approach to financial decision-making to balance short-term performance with long-term resilience.

Hayleys Fabric Group integrates the financial implications of sustainability-related risks and opportunities into its financial planning, capital allocation

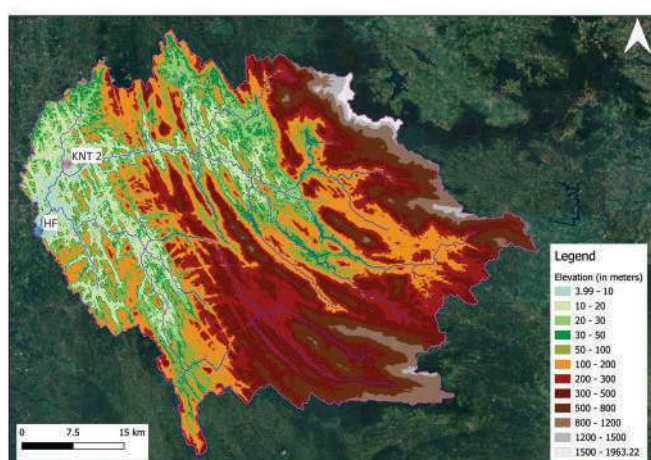
decisions, and investment prioritization frameworks. These considerations are embedded within the Group's five-year rolling financial plan, approved annually by the Board. Financial effects for current and anticipated periods are presented as a range, from lowest to highest, based on the specified time horizon. Example, for short term (1–3 years), lowest-end estimate is calculated as three times the value for FY2025/26, while the upper-end estimate is three times the value for FY2027/28.

Quantification of Climate-related Physical Risks

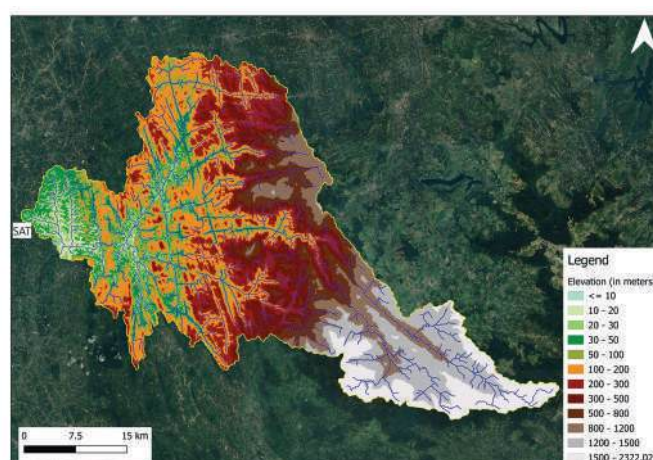
In the current year, Hayleys Fabric Group undertook a full-scope Flood Risk Assessment (FRA) and Water Risk Assessment study for Hayleys Fabric PLC, Wagawatta Knitting Plant 2 and

South Asia Textiles Limited, covering the Kalu Ganga and Kelani Ganga catchments of Sri Lanka. The assessment was conducted between 12th to 20th November 2025 which included a site visit reconnaissance survey that recorded internal and external drainage networks, river channel geometry, existing flood-defense installations, topographic features, land-use patterns and the location of critical plant assets.

The maps below show elevation in the Kalu ganga river (left) and Kelani ganga river (right) watershed where assets are located. The highest elevation is observed on the eastern side of both the watersheds whereas the slope is towards west.



Elevation in the Kalu ganga river watershed



Kelani ganga river watershed

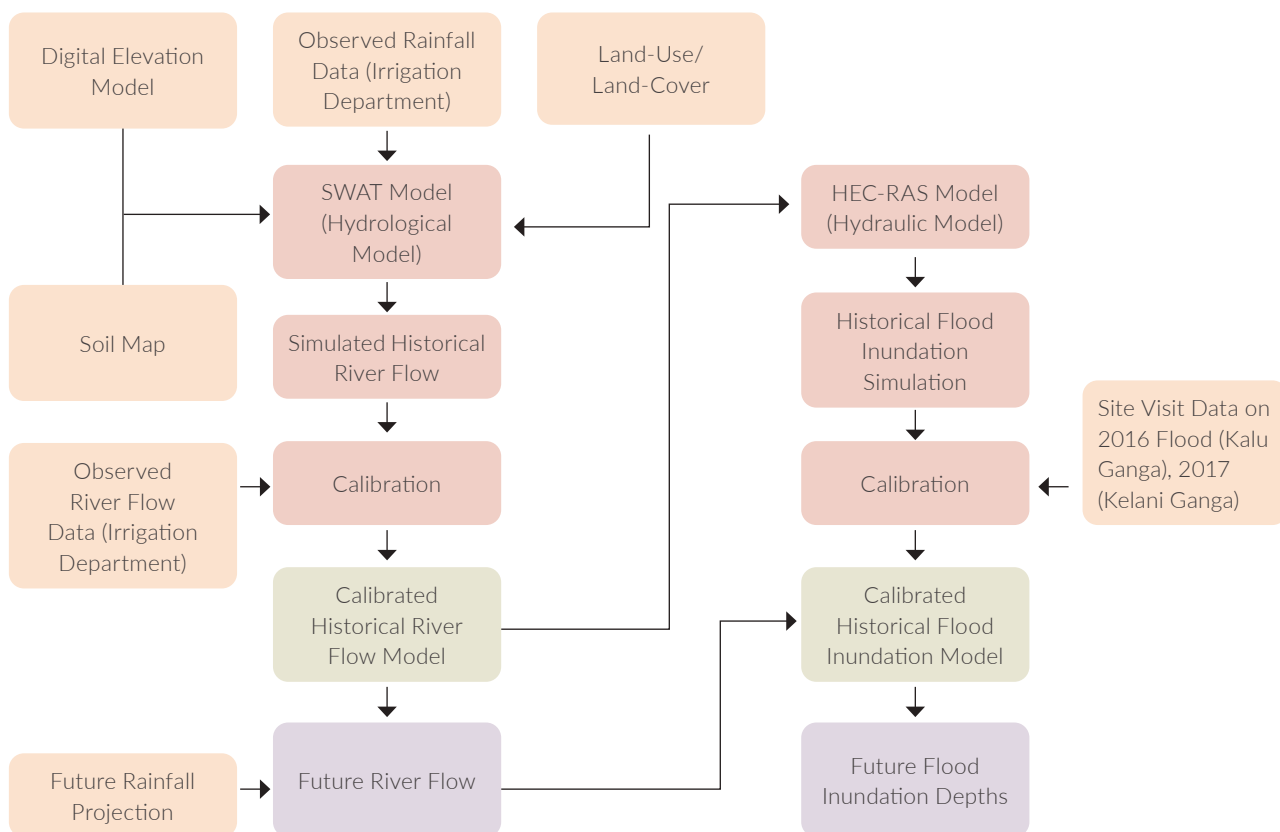
Source: The map is prepared using QGIS software and Digital Elevation Model (DEM) is collected from ALOS-PALSAR (~12.5 m spatial resolution)

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

To understand high flood levels for the current time horizon and future time horizon at all the assets, an integrated 2-D flood modeling approach was undertaken by combining the SWAT hydrological model and the HEC-RAS hydraulic model to simulate and predict flood patterns and water depths across the study domain. This integrated method also enabled the generation of flow data at the asset water intake which gave an idea about the water availability for the water risk assessment.

The flow chart below shows the methodology which was followed to estimate the flood inundation depths at various locations of the assets. The figure represents input data, processes followed, intermediate outputs and final outputs.

Detailed Approach and Methodology

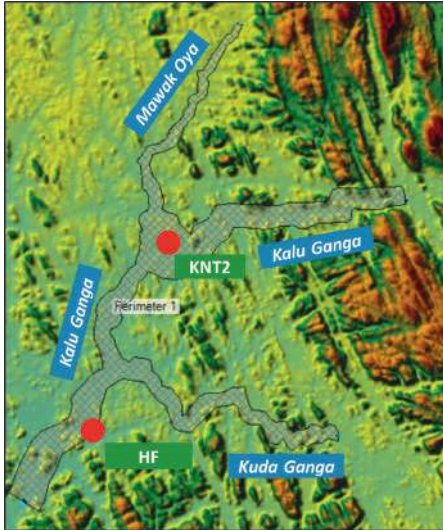


The integrated approach includes use of high-resolution Digital Elevation Model (DEM), soil data, land-use land cover data along with the rainfall, river flow and river cross-sections data which was supplied by the Irrigation Department. The model was set up in such way that it will also include nearby rivers and tributaries of major Kalu Ganga and Kelani Ganga rivers. Calibration of the model was done using site-visit data from the 2017-flood event for the Kalu Ganga watershed and 2016-flood event data for Kelani Ganga watershed by matching the observed versus the simulated flood depths.

The maps below show that Mawak Oya and Kuda Ganga are two major tributaries of the Kalu Ganga River, which significantly contribute to the river flow near the Wagawatta Knitting Plant & Hayleys Fabric PLC's assets, respectively (left). Gurugoda Oya and the Seethawaka River are two major tributaries of the Kelani Ganga River, contributing to the flow near the South Asia Textiles Limited's Assets (right).

¹ QGIS

² ALOS-PALSAR



Kalu Ganga and tributaries near the Hayleys Fabric and Wagawatta Knitting Plant -2 Site
Source: The map is prepared using HEC-RAS software



Kelani Ganga and tributaries near the South Asia Textiles Limited Site

Rainfall is a key parameter that influences riverine flooding. The amount of rainfall that occurred, and extreme events (high rainfall within a short duration) are primary reasons for flooding. Hence, historical rainfall data was procured from the Irrigation Department and analyzed to understand the relation between the trend of rainfall and flooding events. Streamflow is a parameter which influences water availability as well as river flooding. The streamflow is useful in calibrating the hydrological model. Hence, historical streamflow data was also obtained from the irrigation department. The hydro-meteorological stations were considered based on data availability, spatial distribution and geographic conditions. Following station data was procured for the analysis:

List of Hydro-meteorological stations selected for the assessment

Station	Watershed	Data Collected	Data Availability	Data Procured
Ellagawa	Kalu Ganga	Rainfall	2006 – 2024	2006-2024
Kithulgala	Kelani Ganga	Rainfall	1990 - 2024	2015-2024
Norwood	Kelani Ganga	Rainfall	1990 - 2024	2015-2024
Putupaula	Kalu Ganga	Streamflow	1990 – 2024	2005-2024
Glencorse	Kelani Ganga	Streamflow	1990 – 2024	2005-2024

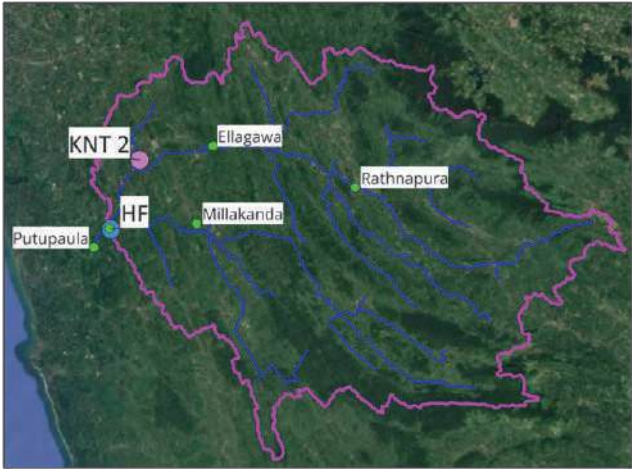
Source: Irrigation department⁴

The maps below show the location of the hydro-meteorological station for the Kalu ganga (left) and the Kelani ganga river (right) watershed.

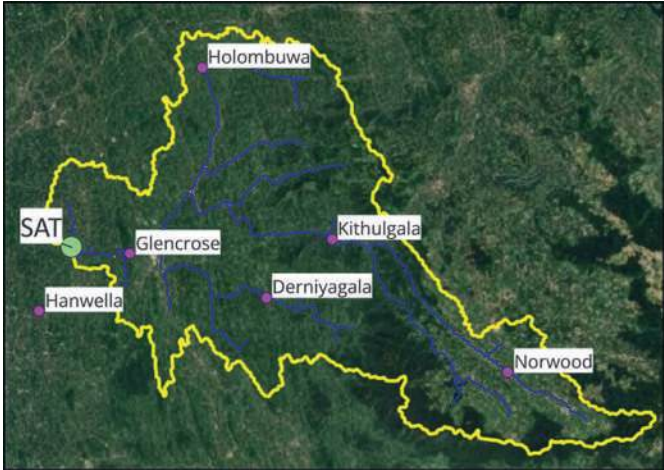
³ HEC-RAS

⁴ Sri Lanka Irrigation Department

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

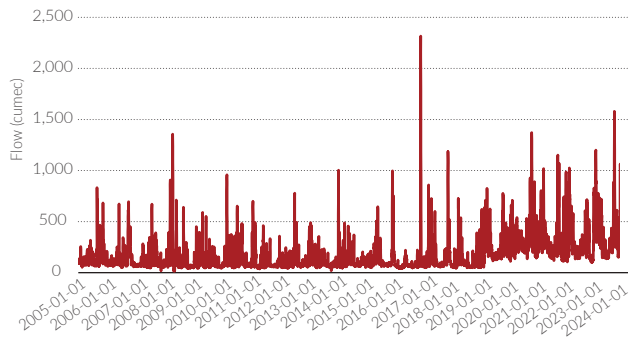


Source: Irrigation department



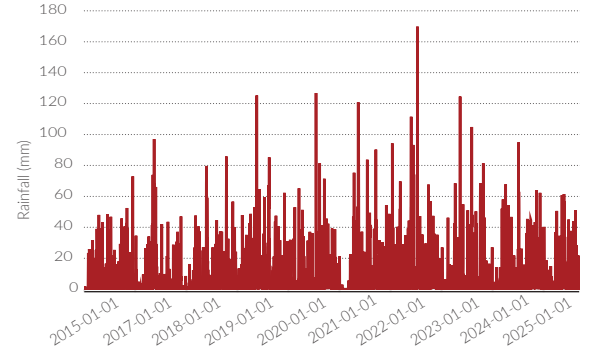
The graph below shows streamflow data from 2005 to 2025 at Putupaula location of the Kalu ganga river (left) and Rainfall data from 2015 to 2025 at Norwood station of Kelani ganga river (right). The flow data was used to calibrate the SWAT model of both the watersheds.

Putupaula (Kalu Ganga)



Source: Irrigation department

Norwood (Kelani Ganga)



River Cross section at Putupaula



Source: Irrigation department

River Cross section at Glencourse



For calculating future flood inundations, climate model projection inputs were drawn from bias-corrected CMIP6 projections for the SSP5-8.5 (worst-case) scenario at 0.25° × 0.25° spatial resolution. The daily rainfall was quantile-mapped against observed Irrigation Department records to remove systematic biases. The climate model that closely matched observed data was selected for each watershed.

Financial quantification was linked with the simulated flood depths, extents and durations to understand operational disruption (downtime, loss of access, production delays) and structural damage (machinery, parking areas, utilities). Baseline financial figures were collected based on the historical events which have been faced by the site whereas future figures estimated based on the flood modelling.

CLIMATE RESILIENCE

In the 2025/26 reporting period, Hayleys Fabric Group conducted a comprehensive climate resilience assessment using climate related scenario analysis aligned with SLFRS S2. This analysis evaluated both physical and transition risks across multiple global warming pathways to understand potential implications for our operations, strategy, and long term resilience.

The assessment confirms that our strategy and business model remain fundamentally resilient. This resilience is supported by ongoing commitments to decarbonisation, sustainable innovation, and operational efficiency. At the same time, we recognise the need to accelerate investments in renewable energy, water-efficiency solutions, and broader decarbonisation initiatives to strengthen our competitive position and effectively manage emerging climate related risks.

The Group is well positioned to adapt to evolving climate conditions. Hayleys Fabric Group benefits from access to group level financial resources, a largely modular and upgradable asset base, and an active capital expenditure pipeline. Key planned investments include rooftop solar expansion or modification, water-reuse and recovery infrastructure, and ISO-aligned energy-management upgrades. These initiatives support the achievement of our near term emission reduction targets while enhancing long term resilience in line with SBTi commitments and enabling us to capture opportunities across the growing sustainable textiles market.

During the current financial year, Hayleys Fabric Group undertook a detailed financial quantification of riverine flood and water scarcity risks to assess potential impacts on the Group's financial position, performance, and cash flows.

Estimation Uncertainty and Quantification Limitations

The current financial estimation applies integrated hydrological and hydraulic modelling techniques to determine flood inundation at the sites. Based on these results, potential damages to assets, mitigation costs, and operational disruptions are quantified. The modelling tools rely on input data such as topography, rainfall, land use, soil characteristics, river flow, and river cross-sections, each of which carries inherent limitations and varying degrees of data availability. Where precise financial figures are unavailable, reasonable assumptions have been applied to estimate the impact. Hayleys Fabric Group will continue to strengthen its ESG-financial data integration capabilities to support more robust quantification in future reporting cycles.

Financial quantification for water risk was not assessed as the modelling outcomes suggests good water availability in the region.

Scenario Analysis

Time Horizons

Hayleys Fabric Group's scenario analysis was designed to evaluate potential transition risks in alignment with strategic planning horizons. The analysis considers two key time frames - up to 2030 and up to 2050 - mapped to our corporate strategy timelines. These are categorized into short, medium, and long-term horizons to ensure our climate response is timely, targeted, and transformative.

Short (<12 months)

Focuses on near-term regulatory changes, shifts in consumer expectations, and short-term physical risks such as sudden-onset climate events (e.g., floods or heatwaves). This period is critical for operational responsiveness and immediate mitigation planning.

Medium (1-5 years)

Aligned with strategic and operational planning cycles, this period supports the execution of key decarbonization and resource efficiency projects. It also involves preparing for chronic physical risks like rising temperatures and water stress that could impact operations and supply chains.

Long (>5 years)

Captures broader systemic transitions, including shifts in energy systems, technology, and consumer behavior. This horizon also addresses long-term physical climate risks such as recurring droughts, sea level rise, and ecosystem disruption, shaping Hayleys Fabric's adaptation strategy and low-carbon business model.

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

Scenarios

Physical Risks	Transition Risks
Scenario 1: Low-emission scenario (Regional Rivalry – Limited Climate Action) SSP3-7.0 a low-mitigation scenario characterized by limited global cooperation, regional policy divergence, and slower technological development.	Scenario 1: IEA Stated Policies Scenario (STEPS) Reflects current policy settings based on a detailed sector-by-sector and country-by-country assessment of energy-related policies as of August 2024, including those under development. Projected rise in temperature to 2.7°C by 2100.
Scenario 2: High-emission scenario (Business-as-usual without additional mitigation) SSP5-8.5 is a high-emissions scenario that follows a fossil fuel-driven growth model with minimal additional climate policy.	Scenario 2: IEA Net Zero Emissions by 2050 (NZE 2050) Outlines a pathway for the global energy sector to achieve net zero GHG emissions by 2050, aligned with limiting global warming to 1.5°C. Projected rise in temperature to 1.5°C by 2100.
Hayleys Fabric used a dual approach to obtain a balanced view of potential physical and transitional climate outcomes over the short, medium, and long-term horizons.	



RISK MANAGEMENT

The Group's processes for identifying, assessing and managing sustainability and climate-related risks and opportunities are integrated into our enterprise-wide risk management framework, consistent with the requirements of SLFRS S1 and SLFRS S2. These processes involve qualitative and quantitative assessments and consider the nature, likelihood and potential magnitude of risks that may affect our strategy, business model and ability to create value over the short, medium and long term.

Processes

Sustainability and climate-related risks and opportunities are regularly reported to the ESG Steering Committee as well as to the Audit Committee & to the Board, which holds overarching responsibility for the Group's risk management framework. Sustainability and climate-related risks are fully integrated into the Group's enterprise risk management processes, with the Audit Committee responsible

for overseeing this integration as well as reporting outcomes and priorities directly to the Board of Directors.

Prioritising

The Audit Committee is responsible for prioritising the Group's overall risk profile. Sustainability and climate-related risks identified through our materiality assessment are consolidated with risks arising from other assessment processes across the Group. Prioritisation is based on nature, magnitude and likelihood. The Board of Directors reviews and approves the final list of priority risks.

Sustainability and climate-related opportunities are evaluated and monitored by the ESG Steering Committee. This Committee works closely with the Board of Directors to ensure that identified opportunities are appropriately prioritised alongside other strategic and operational opportunities within the Group.

Monitoring

All sustainability and climate-related risks and opportunities are monitored using defined metrics and targets. Progress, performance and emerging issues are reviewed regularly and reported to the ESG Steering Committee to support continuous oversight and decision-making.

Inputs and Parameters

Inputs and parameters for the scenario analysis were derived from multiple data sources: for physical hazards, the Group evaluated mean daily maximum temperature (extreme heat), water stress indices (water scarcity), 100-year flood return periods (riverine floods), historical rainfall & streamflow data (riverine floods), elevation-based studies (urban/flash floods), annual rainfall-triggered landslide frequencies, and historical cyclone tracks. These assessments covered key operations under two climate scenarios (SSP3-7.0 and SSP5-8.5).

NATURE, LIKELIHOOD AND MAGNITUDE

For Physical risks the nature, likelihood, and magnitude of each risk is determined using low-medium-high thresholds derived from scenario-specific data, cross-supported by both qualitative and quantitative factors for each hazard. For transition risks, Hayleys Fabric evaluates impacts using the Stated Policies Scenario (STEPS) and the IEA Net Zero Emissions by 2050 (IEA NZE 2050) to analyze regulatory developments, shifting operational requirements, emissions limitations, evolving customer expectations, and emerging low-carbon technologies. The assessment process extends from defining scenario boundaries through to quantifying potential financial implications and engaging with internal and external stakeholders. Each risk is then rated based on likelihood and associated potential financial impact. (Further information on the Risk Management Approach is available on pages 122 to 123)

METRICS AND TARGETS

CLIMATE-RELATED METRICS

Greenhouse Gases

GHG Footprint & Absolute Emission Targets (1.5°C)

The Hayleys Fabric Group measures its

direct (Scope 1) and indirect (Scope 2 and Scope 3) greenhouse gas emissions in line with ISO 14064-1:2018 and the GHG Protocol. Individual Greenhouse Gas Inventory reports are prepared for Hayleys Fabric PLC and South Asia Textiles Limited, while consolidated results are independently verified with reasonable level of assurance in accordance with ISO 14064-3:2019.

Following the formal validation of its net-zero targets by the Science Based Targets initiative (SBTi) in 2024, the Group now aligns its operational performance with a 1.5°C decarbonisation pathway. Annual targets set in line with the SBTi trajectory were met during the reporting period, underscoring progress toward the FY2030 near-term commitments. (Refer pages 91-94 for further information)

To support the achievement of these 2030 objectives, the Group initiated the development of a structured decarbonisation plan in partnership with Control Union Sri Lanka. This work aims to translate validated targets into a comprehensive implementation roadmap that incorporates operational improvements, technological advancements, and fuel-transition strategies required for both near- and long-term emission reductions.

Fuel transition continues to play a central role in reducing Group-wide emissions. South Asia Textiles Limited has fully eliminated heavy fuel oil from its operations, while Hayleys Fabric PLC is advancing its phased transition from heavy fuel oil to lower-carbon alternatives. These initiatives contribute to reducing the carbon intensity of thermal processes and enhancing the resilience of the Group's energy portfolio.

Beyond its own operations, the Group continues to address Scope 3 emissions by strengthening supplier engagement and promoting best practices across the value chain. During the year, upstream supplier mapping processes were enhanced, and training and awareness programmes were expanded to improve visibility of indirect emissions and encourage responsible practices.

Ambient air quality parameters including NO₂, SO₂, and Ozone continue to be monitored within industrial premises using prescribed methodologies. Results are submitted to the Board of Investment and the Central Environmental Authority in accordance with Environmental Protection License requirements.

GHG Emissions across the Hayleys Fabric Group Value Chain

GHG Footprint- Hayleys Fabric Group				
Scope	2025/26	2024/25	(Reduction)/Increase	
	tCO ₂ e	tCO ₂ e	tCO ₂ e	%
Scope 1	18,563	22,254	(3,691)	-17%
Scope 2	12,653	14,073	(1,420)	-10%
Scope 1 + Scope 2	31,216	36,327	(5,111)	-14%
Scope 3	146,228	168,570	(22,342)	-13%
Scope 1 + Scope 2 + Scope 3	177,444	204,897	(27,453)	-13%

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

Category Wise absolute GHG Emissions comparison 2024/2025 - 2025/26

Scope and Category	2025/26	2024/25	(Reduction) / Increase	
	tCO ₂ e	tCO ₂ e	tCO ₂ e	%
Scope 1 Emissions				
Stationary emissions	17,028	20,676	(3,648)	-18%
Mobile emissions	968	980	(11)	-1%
Fugitive emissions	565	597	(32)	-5%
Total Scope 1 Emissions	18,563	22,254	(3,691)	-17%
Scope 2 Emissions				
Purchased electricity	12,653	14,073	(1,420)	-10%
Total Scope 2 Emissions	12,653	14,073	(1,420)	-10%
Scope 3 Emissions				
Purchased goods and services	59,272	71,281	(12,009)	-17%
Capital goods	752	1,134	(382)	-34%
Fuel and energy related activities	8,775	10,012	(1,237)	-12%
Upstream transportation and distribution	2,096	2,159	(63)	-3%
Waste generated in operations	61	103	(43)	-41%
Business travel	85	105	(20)	-19%
Employee commuting	1,157	1,115	42	4%
Downstream transportation and distribution	545	564	(19)	-3%
Processing of sold products	48,990	54,730	(5,741)	-10%
End-of-life treatment of sold products	24,495	27,365	(2,870)	-10%
Total Scope 3 Emissions	146,228	168,570	(22,342)	-13%
Total Emissions	177,444	204,897	(27,453)	-13%



Category Wise absolute GHG Emissions - 2025/26

Scope 1

Emission Category		Emission in tCO ₂ eq
Category 1 - Stationary Emissions		17,028
Category 2 - Mobile Emissions		968
Category 3 - Fugitive Emissions		565

Scope 2

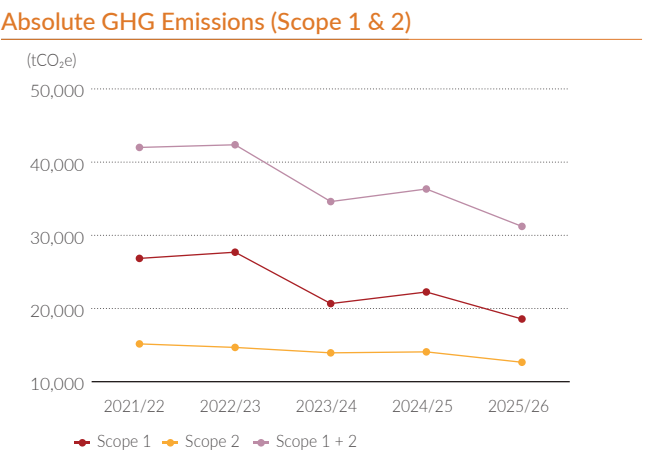
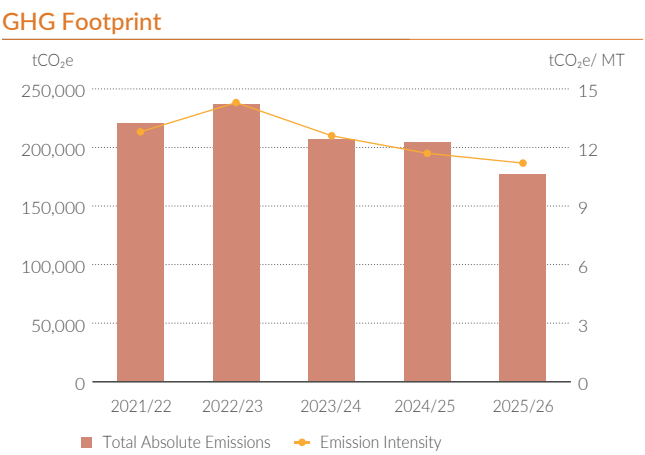
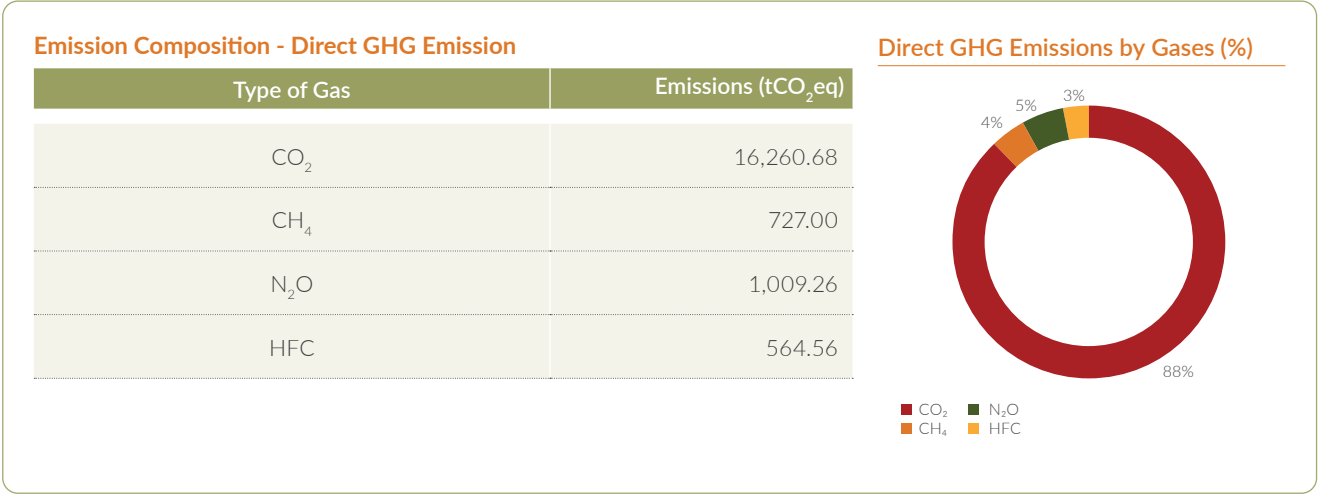
Emission Category		Emission in tCO ₂ eq
Purchased Electricity		12,653

Scope 3

Emission Category		Emission in tCO ₂ eq
Category 1- Purchased goods and services		59,272
Category 2 - Capital goods		752
Category 3 - Fuel- and energy-related activities		8,775
Category 4 - Upstream transportation and distribution		2,096
Category 5 - Waste generated in operations		61
Category 6 - Business travel		85
Category 7 - Employee commuting		1,157
Category 9 - Downstream transportation and distribution		545
Category 10 - Processing of sold products		48,990
Category 12 - End-of-life treatment of sold products		24,495



SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures



Other cross-industry metrics

Hayleys Fabric defines the asset boundary as direct assets, encompassing gate-to-gate operations.

	Amount (USD)	% of Assets
Business activities vulnerable to climate-related physical risks	18,458	0.09
Business activities vulnerable to climate-related transition risks	Nil	Nil

Key Assumptions and Sources used for GHG Measurement

Scope	Emission Category	Activity	Data Source	Emission Factor (EF) Source	Source of Global Warming Potential (GWP) Values
Scope 1	C1: Stationary combustion	Diesel, Petrol, HFO, Biomass Use for stationary thermal use	Fuel invoices	2006 IPCC, etc, DEFRA	IPCC (AR6) 2024
	C2: Mobile Combustion	Diesel, Petrol, LPG for Forklifts and other vehicles, and machinery	Fuel invoices	In-house calculation using CEYPETCO fuel technical data sheets via density calculation	IPCC (AR6) 2024
	C3: Fugitive Emissions	Refrigerants - R22, R32, R134a, R401, R404, R407, R410a, R600a CO ₂ for Fire Extinguishers Emission due to fertilizer usage	Invoices/ SAP issuances		IPCC (AR6) 2024
Scope 2	Emissions from Imported Energy	Grid Electricity used for machines - Knitting, Dyeing, Finishing	Electricity e-Bills	Grid emission factor - Energy Balance 2022 T&D loss - Statistical Digest 2024	Not Applicable
Scope 3	C1: Purchased Goods & Services	Yarn, Greige, Dye & Chemicals, Packaging materials, Cleaning Services & Maintenance", Research & Development, Marketing services, IT & software services, Audit & certification services, Maintenance-repair- overhaul, Other consultancy services, Stationary, Refreshments (Food & Beverage), Training & awareness, Lab expenses, Medical expenses, Admin	SAP records (Expenses for fuel in Scope 1 is removed)	Open CEDA/ U.S EPA of Research and Development (ORD)	Not Applicable
	C2: Capital Goods	Plant & Machinery, Tools & equipments, Factory equipment, Furniture & fitting, office equipment, Vehicles, Building-leasehold, Electrical installations, Land & land development, Water treatment plant, Water inlet plant, water purification plant, Consumer equipment, Software, Safety & medical equipment, leased assets	SAP records	U.S. Environmental Protection Agency - Supply Chain GHG Emissions Factors v.1.3.0NAICS	Not Applicable

SLFRS S1 and S2 – Sustainability and Climate–Related Disclosures

Scope	Emission Category	Activity	Data Source	Emission Factor (EF) Source	Source of Global Warming Potential (GWP) Values
	C3: Fuel & Energy Related Activities	Diesel, Petrol, LPG, Furnace Oil, Acetylene, Grid Electricity.	SAP records	In-house calculation using CEYPETCO fuel technical data sheets via density calculation IDEMAT 2021 IEA Life Cycle Upstream Emission Factors 2023 (Pilot Edition)	IPCC (AR6) 2024
	C4: Upstream Transportation & Distribution	Raw material transport - Sea freight, Air Freight, Land Transport Interfacility transport, Other Transport (Admin, Sample)	FileMaker record - CUSDEC Information	DEFRA	Not Applicable
	C5: Waste Generated in Operations	Fabric waste - Fabric, Fabric Trims, Fluff, Offcuts, Yarn Other waste - Metal waste mixed, Contaminated Textile, Contaminated Polythene, Non contaminated Polythene, Contaminated Plastic, Non contaminated Plastic, Contaminated Paper & Cardboard, Non Contaminated Paper & Cardbord - General & Yarn Corns, Food waste, Building Debris, Sludge, E-waste, Wood waste, Glass, Boiler Ash, Garden waste, Waste oil, Rubber, Expired Dyes and Chemicals Ash Transportation Contaminated & Non contaminated Waste Transportation	SAP records	DEFRA	Not Applicable
	C6: Business Travels	Business Travels - Road Transport, Business Air Travels Hotel Stays	Travel Invoices	ICAO, DEFRA	Not Applicable
	C7: Employee Commuting	Outsourced Staff Transport Services, Employee Commuting not paid by the company, Public Transport, Teleworking	FileMaker record - Vehicle Requisition records Employee commuting survey	IDEMAT 2021 India GHG Program, 2015	Not Applicable
	C9: Downstream Transportation & Distribution	Finished Goods Transport	FileMaker record - Vehicle Requisition records	IDEMAT 2021	Not Applicable

Scope	Emission Category	Activity	Data Source	Emission Factor (EF) Source	Source of Global Warming Potential (GWP) Values
	C10: Processing of Sold Products	Processing of sold products (100% Cotton, 100% Polyester, Poly + Cotton blends, Other)	Monthly Sales Report	Calculated values	Not Applicable
	C12: End of Life Treatment of Sold Products	Fabric Waste (100% Cotton, 100% Polyester, Poly + Cotton blends, Other)	Monthly Sales Report	Calculated values	Not Applicable

Internal Carbon Pricing

As of FY 2025/26, the Group has not adopted an internal carbon pricing mechanism. However, it is assessing the feasibility of introducing a shadow carbon price to guide future investment decisions and support long-term decarbonisation planning.

SLFRS S1 and S2 Content Index

SLFRS S1 & S2 Indicator	Indicator Description	Section – (Sub Section)	Page
Governance			
SLFRS S1 – 27 (a) SLFRS S2 – 6 (a)	The governance body(s) (which can include a Board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of sustainability and climate-related risks and opportunities.	ESG Governance & ESG Steering Committee	97-98
SLFRS S1– 27 (a) i SLFRS S2 – 6 (a) i	How responsibilities for sustainability and climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);	ESG Governance – roles & responsibilities	98
SLFRS S1– 27 (a) ii SLFRS S2 – 6 (a) ii	How the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to sustainability and climate-related risks and opportunities;	ESG Governance – skills & competencies	98
SLFRS S1– 27 (a) iii SLFRS S2 – 6 (a) iii	How and how often the body(s) or individual(s) is informed about sustainability and climate-related risks and opportunities;	ESG Governance – roles & responsibilities, oversight of risk, strategy and targets	98-99
SLFRS S1– 27 (a) iv SLFRS S2 – 6 (a) iv	How the body(s) or individual(s) takes into account sustainability and climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities	ESG Governance – oversight of risk, strategy and targets	99
SLFRS S1– 27 (a) v SLFRS S2 – 6 (a) v	How the body(s) or individual(s) oversees the setting of targets related to sustainability and climate-related risks and opportunities, and monitors progress towards those targets, including whether and how related performance metrics are included in remuneration policies.	ESG Governance – oversight of risk, strategy and targets / Remuneration	99
SLFRS S1– 27 (b) i SLFRS S2 – 6 (b) i	Whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee;	Governance – Management's Role	99

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

SLFRS S1 & S2 Indicator	Indicator Description	Section – (Sub Section)	Page
SLFRS S1 – 27 (b) ii SLFRS S2 – 6 (b) ii	Whether management uses controls and procedures to support the oversight of sustainability and climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	Governance -Management's Role	99
Strategy			
SLFRS S1 – 30 (a) SLFRS S2 – 10 (a)	Describe sustainability and climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	Strategy – Physical, transition and other sustainability-related risks	100-115
SLFRS S1 – 30 (b) SLFRS S2 – 10 (c)	Specify the time horizons—short, medium or long term—over which the effects of each of those sustainability and climate-related risks and opportunities could reasonably be expected to occur;	Strategy – Approach to Risk Assessment	121
SLFRS S2 – 10 (b)	Explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk	Strategy – Climate-related physical and transition risks	101-112
SLFRS S1 – 30 (c) SLFRS S2 – 10 (d)	Explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.	Strategy – Scenario Analysis: Time Horizons	121
SLFRS S1 – 29 (a) SLFRS S2 – 9 (a)	The sustainability and climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	Strategy – Physical, transition and other Sustainability Risks	100-115
SLFRS S1 – 29 (b), 32 SLFRS S2 – 9 (b), 13	The current and anticipated effects of those sustainability and climate-related risks and opportunities on the entity's business model and value chain	Strategy – Physical, transition and other Sustainability Risks	100-115
SLFRS S1 – 29 (c), 33 SLFRS S2 – 9 (c), 14	The effects of those sustainability and climate-related risks and opportunities on the entity's strategy and decision-making, including information about its sustainability and climate-related transition plan	Strategy – Physical, transition and other Sustainability Risks	100-115
SLFRS S1 – 29 (d), 34 SLFRS S2 – 9 (d), 15	The effects of those sustainability and climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those sustainability-related risks and opportunities have been factored into the entity's financial planning	Strategy – Physical, transition and other Sustainability Risks, Financial Effects - Integration with Financial Planning, Capital Allocation and Funding Strategy	100-117
SLFRS S2 – 9 (e), 22	The climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities	Strategy – Climate Resilience	121
Climate Resilience			
SLFRS S2 – 22 (a)	The entity's assessment of its climate resilience as at the reporting date including: - the entity's assessment for its strategy and business model - significant areas of uncertainty in the assessment - capacity to adjust or adapt its strategy and business model to climate change	Strategy – Climate Resilience and Climate-related Physical and Transition Risks	100-112, 121

SLFRS S1 & S2 Indicator	Indicator Description	Section – (Sub Section)	Page
SLFRS S2 – 22 - (b)	How and when the climate-related scenario analysis was carried out including: - information about inputs such as which climate-related scenarios were used, whether a diverse range of scenarios were used, whether the scenario was associated with the latest international agreement on climate change etc. - key assumptions made in the analysis - the reporting period in which the analysis was carried out	Strategy – Quantification of Financial Effects, Climate Resilience, Scenario Analysis, Climate-related Physical and Transition Risks Risk Management – inputs and parameters	100-112, 116-123
Risk Management			
SLFRS S1 – 44 (a) SLFRS S2 – 25 (a)	The processes and related policies the entity uses to identify, assess, prioritise and monitor sustainability and climate-related risks including: - inputs and parameters - whether climate-related scenario analysis is used for identification of climate-related risks - how the nature, likelihood and magnitude of the effects of those risks are assessed - monitoring climate-related risks - changes in processes compared to the previous year	Risk Management, Climate-related physical and transition risks	100-112, 121-122
SLFRS S1 – 44 (b) SLFRS S2 – 25 (b)	The processes the entity uses to identify, assess, prioritise and monitor sustainability and climate-related opportunities	Risk Management	122
SLFRS S1 – 44 (c) SLFRS S2 – 25 (c)	The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring sustainability and climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	Risk Management	121-122
Greenhouse Gases			
SLFRS S2 – 29 (a) (i)	Disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent classified as: (1) Scope 1 greenhouse gas emissions (2) Scope 2 greenhouse gas emissions (3) Scope 3 greenhouse gas emissions	Emission Footprint across the Hayleys Fabric Group Value Chain	123
SLFRS S2 – 29 (a) (ii)	Measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)	Greenhouse Gases	123
SLFRS S2 – 29 (a) (iii)	Disclose the approach it uses to measure its greenhouse gas emissions including measurement approach, inputs and assumptions	Greenhouse Gases, Key Assumptions and Sources used for GHG Measurement	123, 127-129
SLFRS S2 – 29 (a) (iv)	For Scope 1 and Scope 2 greenhouse gas emissions disclosed, disaggregate emissions between the consolidated accounting group and other investees such as associates, joint ventures and unconsolidated subsidiaries	N/A	

SLFRS S1 and S2 – Sustainability and Climate-Related Disclosures

SLFRS S1 & S2 Indicator	Indicator Description	Section – (Sub Section)	Page
SLFRS S2 – 29 (a) (v)	For Scope 2 greenhouse gas emissions disclosed, disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions	N/A	
SLFRS S2 – 29 (a) (vi)	For Scope 3 greenhouse gas emissions disclosed: (1) the categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) Additional information about the entity's Category 15 greenhouse gas emissions	Emission Footprint across the Hayleys Fabric Group Value Chain	124-125
SLFRS S2 – 29 (b)	Amount and percentage of assets or business activities vulnerable to climate-related transition risks	Other Cross Industry Metrics	127
SLFRS S2 – 29 (c)	Amount and percentage of assets or business activities vulnerable to climate-related physical risks	Other Cross Industry Metrics	127
SLFRS S2 – 29 (f) (i)	Internal carbon prices—the entity shall disclose: (1) an explanation of whether the entity is applying a carbon price in decision-making	Internal Carbon Pricing	129
SLFRS S2 – 29 (g) (i)	Remuneration—the entity shall disclose: (2) a description of whether climate-related considerations are factored into executive remuneration	Executive Remuneration	98



Rising with Resilience

MANAGEMENT COMMENTARY

Operating Environment

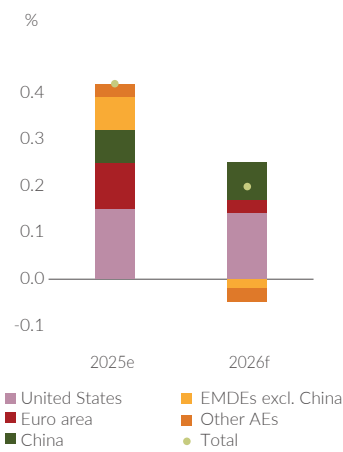
GLOBAL ECONOMIC OVERVIEW 2025

Global economic growth in 2025 remained subdued, largely due to the lagged effects of tight monetary conditions in major economies, elevated geopolitical tensions, and ongoing fragmentation in global trade. Further, growth remained uneven across regions, with divergences becoming more pronounced between advanced economies and emerging markets.

Advanced economies registered modest growth in 2025, broadly reflecting the impact of restrictive monetary policy environments and subdued consumer demand. While some easing of inflation allowed for a gradual shift towards policy normalisation in select economies, investment activity remained restrained and manufacturing sectors continued to experience softness.

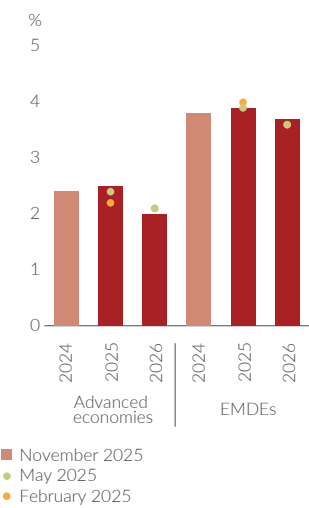
In contrast, Emerging Markets and Developing Economies (EMDEs) continued to outpace advanced economies, albeit at a moderated and uneven pace. Growth in these economies was supported by relatively stronger domestic demand, ongoing infrastructure development, and gradual recovery in trade volumes. However, performance varied significantly across regions, influenced by external financing conditions, currency volatility, and exposure to global trade disruptions. While EMDEs remained the primary engine of global growth, their momentum was tempered by tighter global financial conditions and persistent external uncertainties, underscoring a cautiously optimistic but fragile growth trajectory.

Contributions to global growth



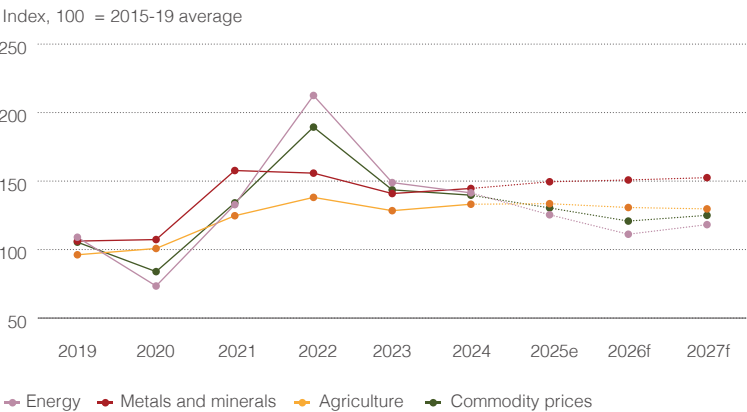
Source: Global Economic Prospects - Jan 2026 (World Bank)

Consensus expectations, headline CPI



Source: Global Economic Prospects - Jan 2026 (World Bank)

Commodity price forecasts



Source: Global Economic Prospects - Jan 2026 (World Bank)



GLOBAL TRADE

Global trade in 2025 remained subdued, amidst the continued fragmentation of supply chains and the gradual shift towards regionalised sourcing models. Other key factors influencing global trade in 2025 were geopolitical tensions, evolving trade policies, and tariff-related uncertainties which contributed to cautious purchasing behaviour among global businesses. While some recovery in goods trade was observed compared to prior periods, momentum remained uneven across regions, with demand increasingly driven by services and intra-regional trade flows rather than traditional long-haul manufacturing networks.

INFLATION

Supported by stabilising energy prices and improved supply chain normalisation, a gradual easing on inflationary conditions was evident in 2025, in contrast to the elevated levels of preceding years. However, inflation moderation was not uniform across geographies, with clear divergence between advanced economies and EMDEs.

In advanced economies, inflationary pressures continued to ease more steadily, reflecting the impact of earlier monetary tightening cycles, softer demand conditions, and stabilising input

costs. In contrast, EMDEs experienced a more uneven inflation trajectory, influenced by currency volatility, imported cost pressures, and varying degrees of exposure to global commodity movements. Although some economies benefited from easing global price trends, domestic structural constraints and external financing conditions contributed to greater variability in inflation outcomes.

COMMODITY PRICES

Commodity markets in 2025 were characterised by relative stability with intermittent volatility driven by geopolitical developments and supply-side disruptions. Energy prices remained more contained compared to previous peaks, supported by balanced supply-demand conditions, although periodic spikes were observed due to regional conflicts and logistics constraints. Industrial commodities showed mixed trends, with demand softness from manufacturing sectors offsetting supply-side pressures in certain segments. Agricultural commodities remained sensitive to weather patterns and input cost fluctuations.

GLOBAL ECONOMIC OUTLOOK 2026

The global economic outlook for 2026 points towards a fragile recovery, marked by persistent uncertainty and an uneven pace of growth across regions. While a

gradual improvement in global activity is anticipated, supported by easing inflationary pressures and the expected normalisation of interest rates in several major economies, the overall momentum is likely to remain moderate. Structural headwinds, including geopolitical tensions, trade fragmentation, and subdued investment sentiment, are expected to continue weighing on the pace of expansion.

Advanced economies are projected to experience subdued but stable growth in 2026, with EMDEs expected to remain the primary drivers of global growth, supported by domestic demand, infrastructure investment, and improving external conditions.

GLOBAL FASHION INDUSTRY 2025

The global fashion industry in 2025 operated in an environment defined by muted growth, persistent uncertainty, and intensifying structural change. Overall industry sentiment remained cautious, with consumer confidence and discretionary spending continuing to act as key constraints on revenue expansion. While pockets of resilience were evident, particularly in value-led segments and selected luxury categories, the broader industry experienced subdued momentum as brands navigated weaker demand visibility and increasingly complex operating conditions.



Operating Environment

Trends Influencing the Global Fashion Industry in 2025

Increasing Market Fragmentation

The increasing divergence in performance across market segments and business models within the global fashion industry, was very evident in 2025. Established players came under pressure as consumer preferences shifted towards value, versatility, and experience-led consumption, challenging traditional reliance on brand equity as the primary demand driver. At the same time, continued supply chain recalibrations, cost volatility, and geopolitical uncertainties further intensified fragmentation across global markets. This evolving landscape has compelled fashion companies to fundamentally reassess their operating models, with a heightened focus on agility, operational efficiency, and closer alignment with rapidly changing demand signals.

Shift in Consumer Buying Patterns

Consumer behaviour continued to evolve towards greater selectivity and value consciousness. Purchasing decisions were increasingly influenced by affordability, functionality, and perceived long-term value, rather than purely aspirational branding. This shift has resulted in stronger performance from design-led and value-oriented brands, while traditional players have been compelled to recalibrate pricing strategies, product relevance, and customer engagement models to sustain competitiveness.

Technology-Led Transformation and the Rise of AI-Driven Commerce

Artificial intelligence is reshaping how consumers discover, evaluate, and purchase fashion, with AI-enabled tools increasingly influencing product search and recommendation journeys. Internally, brands are leveraging automation and generative AI to enhance productivity, streamline design and marketing functions, and improve decision-making speed, marking a structural shift in how value is created across the fashion ecosystem.

Supply Chain Reconfiguration Driven by Speed-to-Market

Global sourcing and supply chain models continued to undergo significant restructuring in 2025, driven by tariff changes, geopolitical uncertainty, and the need for greater responsiveness. Brands increasingly shifted towards more flexible, regionalised, and near-market production models, prioritising speed, agility, and risk diversification over cost optimisation alone. This shift has fundamentally altered supplier expectations, with greater emphasis on shorter lead times, smaller batch production, and continuous replenishment capabilities.

FASHION INDUSTRY OUTLOOK FOR 2026

In 2026, the global fashion industry is expected to operate within a persistently complex and uneven macroeconomic environment, with growth remaining moderate and highly differentiated across regions and segments. While inflationary pressures are set to gradually stabilise in select markets, discretionary spending is likely to remain cautious, with consumers prioritising value, durability, and relevance over aspirational consumption.

These consumption patterns are expected to reinforce the ongoing shift towards more, demand-driven growth rather than volume-led expansion, with performance increasingly concentrated among agile, well-positioned players.

Against this backdrop, brands will likely prioritise speed, flexibility, and localisation, with continued emphasis on near-shoring, smaller batch production, and reduced lead times. As a result, competitive advantage in 2026 will be defined less by scale alone and more by responsiveness, operational efficiency, and the ability to continuously align with rapidly evolving consumer expectations.

SRI LANKA'S ECONOMIC PERFORMANCE 2025

GDP Growth

Sri Lanka's economy continued its recovery momentum in 2025, recording real GDP growth of around 5%, marking the second consecutive year of expansion, with the positive momentum underpinned by sustained macroeconomic stabilisation, improved investor confidence, and continued policy consistency under ongoing reform programmes. Growth was broad-based across key sectors, supported by stronger domestic activity following the gradual normalisation of economic conditions following prior disruptions.

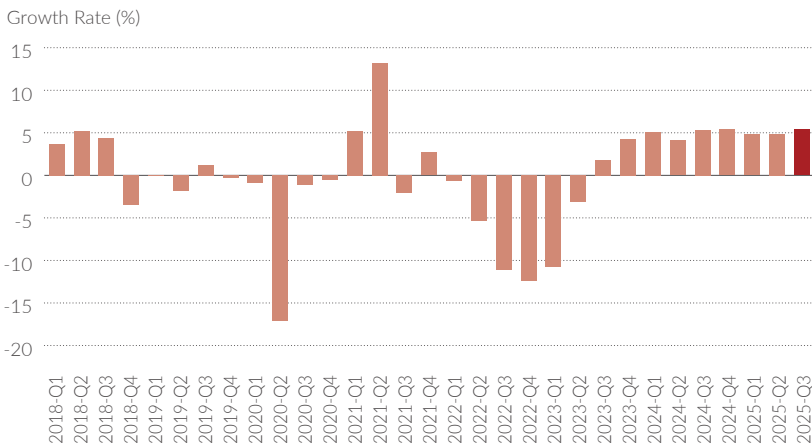
Inflation

Inflationary conditions remained broadly subdued, with price levels stabilising compared to the elevated volatility of preceding years. Inflation turned positive from around August 2025 following a period of deflation. Overall, price stability was supported by improved supply conditions, stabilising import costs, and a relatively disciplined monetary policy stance, resulting in a low and stable inflation environment by year-end.

Exchange Rate

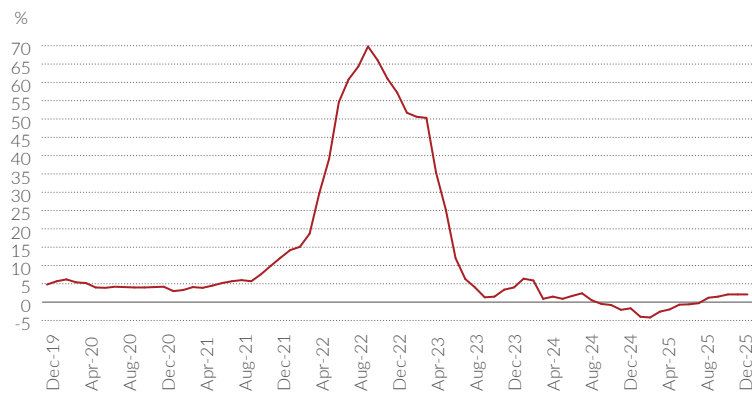
Compared to the sharp volatility experienced in previous years, the Sri Lankan Rupee remained broadly stable throughout 2025 under a flexible exchange rate regime. While modest depreciation was recorded over the year, currency movements remained orderly and contained, supported by stronger foreign exchange inflows from remittances, services exports, and improved external sector performance.

Quarterly Real GDP Growth



Source: Annual Economic Review 2025 (Central Bank of Sri Lanka)

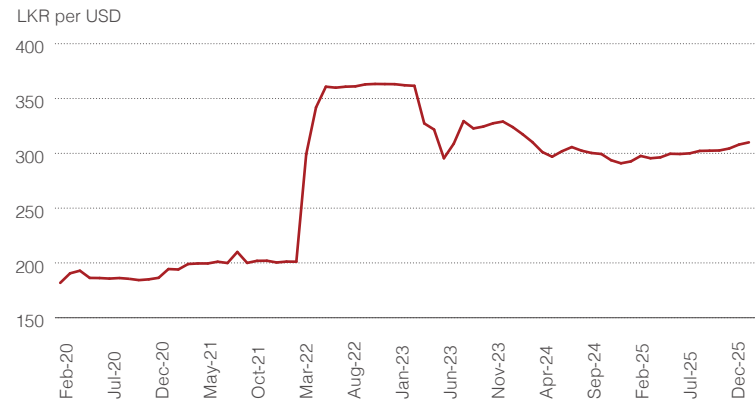
CCPI based Y-o-Y Headline Inflation



Source: Annual Economic Review 2025 (Central Bank of Sri Lanka)

Operating Environment

US Dollar



Source: Annual Economic Review 2025 (Central Bank of Sri Lanka)

EXTERNAL SECTOR

Sri Lanka's external sector continued to strengthen in 2025, with the current account recording a surplus for the third consecutive year. Improvements were largely attributed to the cumulative impact of higher workers' remittances and the expansion of services exports, particularly from tourism-related inflows. However, the trade deficit persisted and widened to some extent, driven by higher import demand amid economic recovery and policy-related relaxation in import restrictions.

Performance of Sri Lanka's Apparel and Textile Sector – 2025

The apparel and textile sector remained a key contributor to Sri Lanka's industrial recovery in 2025. Notwithstanding headwinds from softer export demand in certain markets and pricing pressures across the value chain, the sector maintained its position as a critical foreign exchange earner for the country.

However, the Apparel and Textile Sector operated within an increasingly competitive global sourcing landscape, defined by shifting trade policies, cost pressures, and realignment of global supply chains. While industrial manufacturing, including textiles and apparel, recorded continued expansion in 2025, growth momentum moderated compared to the previous year, reflecting softer global consumption and intensified competition from regional peers. Within this context, performance across the sector remained uneven, with exporters increasingly required to navigate pricing pressures while maintaining competitiveness through efficiency, agility, and value-added offerings.

OUTLOOK FOR THE SRI LANKAN ECONOMY IN 2026

The outlook for the Sri Lankan economy in 2026 remains broadly positive. The economy is expected to sustain its recovery trajectory, supported by strengthening domestic demand, gradual normalisation of monetary conditions, and continued momentum in key export-oriented sectors. The commitment to fiscal consolidation and prudent macroeconomic management is anticipated to further reinforce economic stability, while ongoing reforms aimed at improving productivity and competitiveness are expected to support medium-term growth prospects.

At the same time, the recovery path is likely to remain gradual and subject to external uncertainties. Global economic conditions, including geopolitical tensions, trade fragmentation, and volatility in energy and commodity markets, continue to pose downside risks to the outlook. However, stronger external buffers, improving foreign exchange inflows, and a more stable exchange rate environment are expected to provide resilience against external shocks. Within this context, Sri Lanka is positioned to build on the stabilisation achieved in recent years, with 2026 expected to reflect a phase of cautious but steady consolidation in economic performance.

Strategic Risk & Opportunity Assessment – Hayleys Fabric PLC

Strategic Theme	Key Risk for Hayleys Fabric	Threat Level	Opportunities	Way Forward / Strategic Response
Increasing Market Fragmentation	Loss of scale advantages and pricing power due to the demand for smaller order quantities Increased competition from agile regional players	High		- Accelerate customer diversification strategies - Strengthen multi-segment positioning - Enhance agility in order management and production flexibility to serve varied demand profiles
Shift in Consumer Buying Patterns	Pressure on margins due to heightened price sensitivity and reduced reliance on brand-driven demand	High	Reposition as a solution-driven fabric partner.	- Move up the value chain through innovation-led product development - Deepen engagement with premium and niche brands - Strengthen technical design capability and co-creation with customers
Technology-Led Transformation & AI Adoption	Risk of lagging behind competitors in digital integration, design automation, and AI-enabled demand forecasting; potential inefficiencies in traditional operating models.	Moderate	(M) Aim for productivity gains through automation	Invest in AI-enabled planning tools, and smart manufacturing systems to improve demand forecasting accuracy
Supply Chain Reconfiguration & Speed-to-Market	Increased pressure to meet shorter lead times and smaller batch requirements	High	Enhance position as a preferred agile supplier for near-market, fast-response sourcing models	- Stronger integration with global supply networks. - Build digital capabilities across design, production, and supply chain functions to enhance speed-to-market
		Moderate High		

Financial Capital



Financial Capital underpins Group capacity to generate sustainable value through a balanced mix of equity, internal reserves, operating cash flows, and external financing. These resources support business continuity, drive strategic investments, strengthen operational resilience, and facilitate ongoing modernization to meet evolving industry demands.

Management Approach

The Hayleys Fabric Group's fundamental approach to managing Financial Capital aims to safeguard profitability while continuously strengthening the balance sheet. Key strategic priorities in this regard include progressive revenue growth to maintain earnings consistency alongside prudent cost management to maintain margin resilience that will translate into improved returns for shareholders. Equal emphasis is given to maintaining a strong financial position through healthy cash flow generation, adequate liquidity, and sound solvency levels required to support long-term business continuity, strategic investments, and future expansion.

Decision-making across the Group is underpinned by a robust enterprise risk management framework and strong internal control systems, ensuring that financial resources are allocated responsibly and in line with strategic priorities. As part of its commitment to sound financial stewardship, the Group adheres to globally recognised standards in accounting, auditing, and financial governance, while maintaining full compliance with applicable statutory and regulatory requirements. Independent assurance provided by both internal and external auditors further reinforces the integrity, transparency, and credibility of the Group's financial reporting.



Challenges and Opportunities

Challenges

- Heavy reliance a few large buyers for revenue growth
- Impact of exchange rate fluctuations on financial reporting due to LKR denominated borrowings and local expenses

Opportunities

- Diversify the customer base by making inroads into new segments including premium markets.
- Improve sourcing efficiency through strategic partnerships

Material Matters

- Regulations and compliances
- Government policy

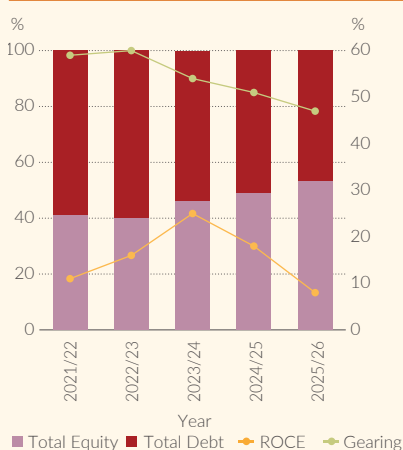


Value Transformation

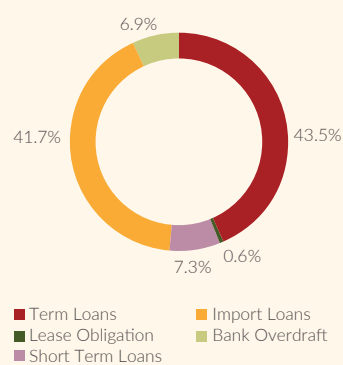
Outputs for Hayleys Fabric Group

- 15% Gross Profit Margin (18% FY 2024/25)
- 47% gearing ratio (51% FY 2024/25)

Capital Structure



Debt Structure (%)



Stakeholder Outcomes

- 40% Dividend Payout
- 2.48 Dividend cover (times)
- USD 0.005 EPS
- 5% Return on Equity
- USD 0.09 Net Assets per share
- LKR 30.50 Market price per share
- 19.70 P/E ratio (times)



Financial Capital

Vertical Analysis of Income Statement - Group

	2025/26		2024/25		2023/24		2022/23		2021/22	
	USD '000	%	USD '000	%	USD '000	%	USD '000	%	USD '000	%
Revenue	123,815	100%	146,036	100%	155,327	100%	166,631	100%	150,219	100%
Cost of sales	(105,374)	-85%	(120,146)	-82%	(126,150)	-81%	(145,236)	-87%	(130,658)	-87%
Gross Profit	18,442	15%	25,890	18%	29,177	19%	21,396	13%	19,560	13%
Other operating income	716	1%	916	1%	722	0%	704	0%	1,876	1%
Administrative expenses	(12,591)	-10%	(11,799)	-8%	(11,385)	-7%	(9,313)	-6%	(10,989)	-7%
Distribution expenses	(793)	-1%	(953)	-1%	(580)	0%	(1,265)	-1%	(1,907)	-1%
Other expenses	-	0%	(31)	0%	(69)	0%	(42)	0%	(208)	0%
Net financing income/(expense)	(2,391)	-2%	(3,710)	-3%	(6,117)	-4%	(3,097)	-2%	6,643	4%
Profit before tax	3,382	3%	10,313	7%	11,748	8%	8,383	5%	14,976	10%
Income tax expense	(1,305)	-1%	(3,277)	-2%	(3,883)	-2%	(7,250)	-4%	(2,199)	-1%
Profit for the year	2,077	2%	7,036	5%	7,865	5%	1,133	1%	12,777	9%

Horizontal Analysis of Income Statement - Group

	2025/26		2024/25		2023/24		2022/23		2021/22	
	USD '000	%	USD '000	%	USD '000	%	USD '000	%	USD '000	%
Revenue	123,815	-15%	146,036	-6%	155,327	-7%	166,631	11%	150,219	
Cost of sales	(105,374)	-12%	(120,146)	-5%	(126,150)	-13%	(145,236)	11%	(130,658)	
Gross Profit	18,442	-29%	25,890	-11%	29,177	36%	21,396	9%	19,560	
Other operating income	716	-22%	916	27%	722	3%	704	-62%	1,876	
Administrative expenses	(12,591)	7%	(11,799)	4%	(11,385)	22%	(9,313)	-15%	(10,989)	
Distribution expenses	(793)	-17%	(953)	64%	(580)	-54%	(1,265)	-34%	(1,907)	
Other expenses	-	-100%	(31)	-56%	(69)	64%	(42)	-80%	(208)	
Net financing income/(expense)	(2,391)	-36%	(3,710)	-39%	(6,117)	98%	(3,097)	-147%	6,643	
Profit before tax	3,382	-67%	10,313	-12%	11,748	40%	8,383	-44%	14,976	
Income tax expense	(1,305)	-60%	(3,277)	-16%	(3,883)	-46%	(7,250)	230%	(2,199)	
Profit for the year	2,077	-70%	7,036	-11%	7,865	594%	1,133	-91%	12,777	

REVENUE

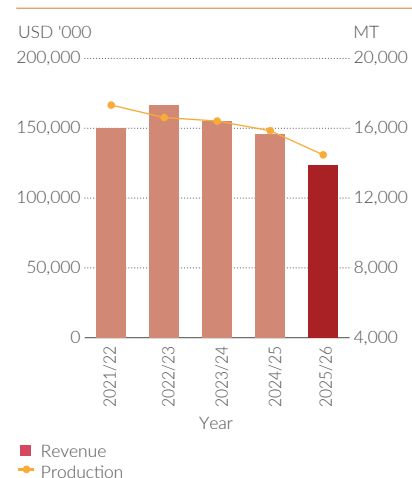
The Hayleys Fabric Group represented by Hayleys Fabric PLC and South Asia Textiles Limited (SAT), reported consolidated revenue of USD 124 Mn for FY 2025/26, representing a 15% decline from USD 146 Mn recorded in the previous financial year, attributed to the combined impact of lower sales volumes and reduced average selling prices during the current year.

Both Hayleys Fabric PLC and South Asia Textiles Limited experienced notable volume declines following the implementation of revised US tariff structures in April 2025, which

significantly reduced the competitiveness of Sri Lankan exports relative to regional peers. South Asia Textiles Limited was particularly affected owing to a notable demand contraction from a major Tier 1 customer. The impact to Hayleys Fabric PLC was comparatively less severe owing to the Company's diversified customer portfolio with sustainable margins.

Overall, the situation was further exacerbated owing to lower average selling prices, driven by discounts extended to retain market share among key global brands amid heightened competitive pressures from regional peers.

Revenue vs Production



GROSS PROFIT AND GROSS PROFIT MARGIN

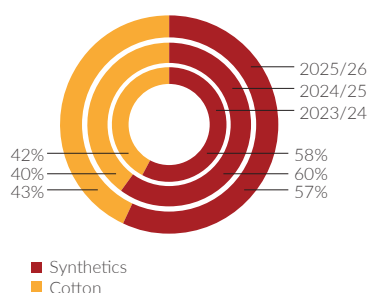
In direct correlation with the revenue decline at both Hayleys Fabric PLC and South Asia Textiles Limited, consolidated gross profit decreased from USD 25.9 Mn in FY 2024/25 to USD 18.4 Mn in the current financial year, reflecting a year-on-year decline of 29%.

Hayleys Fabric PLC recorded gross profit of USD 14.8 Mn during the year, representing a decline of 21% from USD 18.8 Mn in the previous financial year.

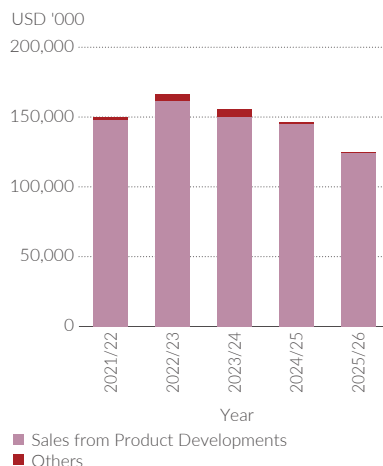
Notably, the adverse impact on both the Group and the Company would likely have been significantly greater had it not been for the stringent cost control and raw materials reduction initiatives implemented during the year. In particular, measures focused on improving sourcing efficiencies, streamlining inventory management, and closer monitoring of work-in-progress (WIP) to reduce rework levels and improve on-time delivery performance, were instrumental in safeguarding operational resilience amidst challenging external conditions.

The effectiveness of these cost management efforts is also evident in the gross profit margins. Group gross profit margin stood at 15% in FY 2025/26 compared to 18% in the previous year, while the Company recorded a margin of 19%, denoting a marginal decline from 20% in FY 2024/25.

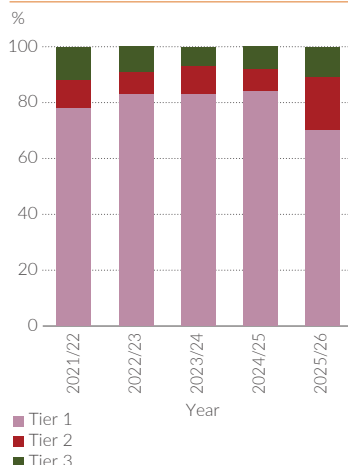
Synthetic vs Cotton



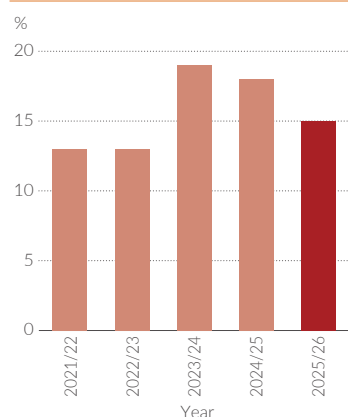
Sales from Product Developments



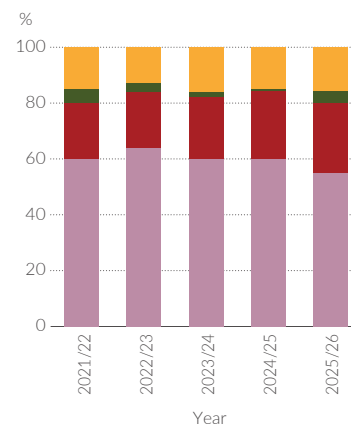
Revenue by Customer Tiers



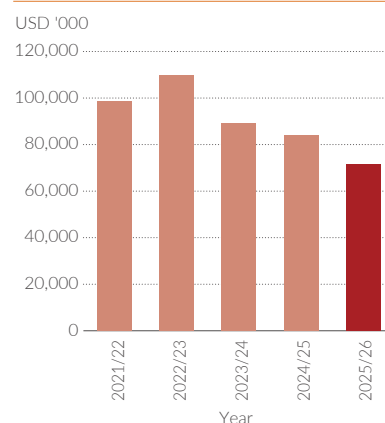
Gross Profit Margin



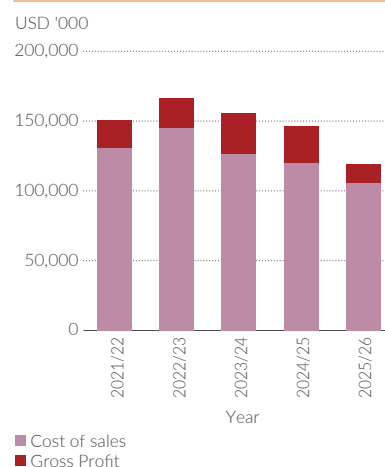
Revenue Mix



Cost of Raw Materials



Cost of Sales vs Gross Profit



Financial Capital

OPERATING EXPENSES

Operating expenses did not record any material changes compared to the previous year. Group administrative expenses were contained to a modest increase of 7% in the current year, with the increase attributable mainly to higher administrative costs resulting from the reclassification of inventory provisions at South Asia Textiles Limited (SAT). These inventory provisions, which had previously been recognised under cost of sales, were reallocated under administrative expenses to align with the Hayleys Fabric Group's reporting approach.

Group distribution expenses declined by 17%, reflecting the successful implementation of cost control measures through focused efforts to strengthen logistics planning and execution. In addition, improvements in on-time delivery performance helped reduce customer freight claims, with certain previously recognised claims being reversed, in turn contributing to the overall reduction in distribution costs. No fines or penalties have been paid for non compliances.

NET FINANCE EXPENSES/INCOME

Finance expenses of the Group declined to USD 2.4 Mn in the current year from USD 3.7 Mn in the previous year, reflecting a 36% decrease.

A similar trend was observed at Hayleys Fabric PLC, where finance expenses reduced from USD 2.01 Mn to USD 1.04 Mn in FY 2025/26, indicating a 48% decrease.

Reductions in both cases were mainly attributed to ongoing term loan repayments which exceeded new borrowings during the year. The Group recorded term loans borrowings for CAPEX and loan re-structuring purposes of USD 8.6Mn against repayments of USD 11.8Mn, while Hayleys Fabric PLC drew new term loans of USD 6.3 Mn against settlements of USD 8.2 Mn. Consequently, term loan interest costs reduced from USD 2.1Mn to USD 1.3Mn

at Group level and from USD 1.27Mn to USD 0.80Mn at Company level.

The reduction in term loans has positively impacted on the gearing level of both Group and the Company thereby gearing has improved from 51% to 47% and from 38% to 30% of the Group and Company levels respectively.

At the same time, favourable movements in the LKR also supported the decline in finance costs. The Group recorded a minor foreign exchange gain of USD 0.035Mn in the current year compared to the exchange loss of USD 1.06 Mn in the previous year, while the Company

recorded a gain of USD 0.041Mn compared to a loss of USD 0.64 Mn in the prior year.

PROFITABILITY

While profitability was impacted by the overall reduction in revenue and margins, the Group demonstrated continued resilience in maintaining positive earnings. Consolidated Profit Before Tax (PBT) declined to USD 3.4Mn from USD 10.3Mn in the previous year, representing a 67% reduction, while the Company - Hayleys Fabric PLC recorded a comparatively more moderate decline from USD 9.0Mn to USD 5.5Mn, denoting a 39% decrease.

TAX POLICY

Hayleys Fabric PLC and its Subsidiaries adhere to a robust and transparent tax policy, reflecting its commitment to responsible corporate citizenship and compliance with regulatory requirements. The Group's proactive approach to tax planning takes into account all applicable tax structures and prioritises timely and accurate tax filings. Furthermore, the Group upholds integrity and accountability in all tax-related matters, striving for transparency in its financial reporting to stakeholders. Through diligent adherence to its tax policy, Hayleys Fabric Group demonstrates its dedication to contributing positively to the communities in which it operates while maximising shareholder value in a sustainable manner. The Finance Director approves the tax policy and reviews it regularly.

In line with these movements, consolidated Profit After Tax (PAT) fell to USD 2.1 Mn in the current year from USD 7.0Mn in the previous year, representing a 70% reduction. PAT at a Company level, decreased from USD 5.7Mn to USD 3.6Mn, reflecting a 37% year-on-year decline.

It should be noted that, notwithstanding the revenue challenges, the Group's ability to remain profitable underscores the effectiveness of cost optimisation measures, disciplined financial management, and operational efficiencies implemented during the year, which collectively helped cushion the impact on bottom-line performance.

Quarterly Results 2025/26	Q1 USD '000	Q2 USD '000	Q3 USD '000	Q4 USD '000
Revenue	34,462	31,140	27,045	31,168
Gross Profit	5,904	4,157	3,487	4,894
Profit Before Tax	1,955	726	112	590
Profit After Tax	1,295	450	24	308
Gross Profit Margin (%)	17%	13%	13%	16%
Profit Before Tax Margin (%)	6%	2%	0%	2%
Profit After Tax Margin (%)	4%	1%	0%	1%

Vertical Analysis of Statement of Financial position - Group

	2025/26		2024/25		2023/24		2022/23		2021/22	
	USD '000	%	USD '000	%	USD '000	%	USD '000	%	USD '000	%
ASSETS										
Non-Current Assets										
Property, plant and equipment	46,163	40%	46,425	39%	44,489	38%	44,660	38%	43,920	36%
Right of use assets	830	1%	861	1%	803	1%	832	1%	844	1%
Intangible assets	334	0%	455	0%	590	1%	709	1%	364	0%
Goodwill	10,440	9%	10,440	9%	10,440	9%	10,440	9%	10,440	9%
Other non current receivables	-		-		-		-		327	0%
	57,768	51%	58,181	49%	56,323	48%	56,641	48%	55,895	46%
Current Assets										
Inventories	26,400	23%	30,986	26%	30,414	26%	36,717	31%	36,794	30%
Trade receivables	21,263	19%	16,892	14%	15,947	14%	18,030	15%	16,159	13%
Other receivables	591	1%	482	0%	624	1%	1,480	1%	1,398	1%
Advances and prepayments	1,699	1%	1,706	1%	1,917	2%	1,521	1%	1,921	2%
Cash and cash equivalents	6,383	6%	10,505	9%	11,043	9%	4,561	4%	9,876	8%
	56,336	49%	60,571	51%	59,945	52%	62,309	52%	66,148	54%
Total Assets	114,104	100%	118,752	100%	116,267	100%	118,950	100%	122,043	100%
EQUITY AND LIABILITIES										
Capital and Reserves										
Stated capital	17,562	15%	17,562	15%	17,562	15%	17,562	15%	17,562	14%
Revaluation reserve	936	1%	936	1%	515	0%	515	0%	632	1%
Retained earnings	20,518	18%	19,249	16%	14,733	13%	10,222	9%	12,263	10%
Total Equity	39,016	34%	37,746	32%	32,809	28%	28,299	24%	30,457	25%
Non-Current Liabilities										
Interest bearing loans and borrowings	7,449	7%	10,497	9%	17,083	15%	15,870	13%	17,446	14%
Deferred tax liabilities	8,230	7%	8,514	7%	8,957	8%	9,526	8%	4,205	3%
Retirement benefit obligations	4,455	4%	4,339	4%	3,866	3%	3,032	3%	2,942	2%
	20,134	18%	23,350	20%	29,905	26%	28,429	24%	24,592	20%
Current Liabilities										
Trade and other payables	27,082	24%	28,394	24%	31,986	28%	35,059	29%	40,954	34%
Interest bearing loans and borrowings	27,522	24%	28,891	24%	21,301	18%	27,088	23%	25,700	21%
Amounts due to Parent Company	350	0%	370	0%	266	0%	74	0%	339	0%
	54,954	48%	57,656	49%	53,553	46%	62,222	52%	66,994	55%
Total Equity and Liabilities	114,104	100%	118,752	100%	116,267	100%	118,950	100%	122,043	100%

Financial Capital

Horizontal Analysis of Statement of Financial Position- Group

	2025/26		2024/25		2023/24		2022/23		2021/22
	USD '000	%	USD '000	%	USD '000	%	USD '000	%	USD '000
ASSETS									
Non-Current Assets									
Property, plant and equipment	46,163	-1%	46,425	4%	44,489	0%	44,660	2%	43,920
Right of use assets	830	-4%	861	7%	803	-3%	832	-1%	844
Intangible assets	334	-27%	455	-23%	590	-17%	709	95%	364
Goodwill	10,440	0%	10,440	0%	10,440	0%	10,440	0%	10,440
Other non current receivables	-		-		-		-		327
	57,768	-1%	58,181	3%	56,323	-1%	56,641	1%	55,895
Current Assets									
Inventories	26,400	-15%	30,986	2%	30,414	-17%	36,717	0%	36,794
Trade receivables	21,263	26%	16,892	6%	15,947	-12%	18,030	12%	16,159
Other receivables	591	23%	482	-23%	624	-58%	1,480	6%	1,398
Advances and prepayments	1,699	0%	1,706	-11%	1,917	26%	1,521	-21%	1,921
Cash and cash equivalents	6,383	-39%	10,505	-5%	11,043	142%	4,561	-54%	9,876
	56,336	-7%	60,571	1%	59,945	-4%	62,309	-6%	66,148
Total Assets	114,104	-4%	118,752	2%	116,267	-2%	118,950	-3%	122,043
EQUITY AND LIABILITIES									
Capital and Reserves									
Stated capital	17,562	0%	17,562	0%	17,562	0%	17,562	0%	17,562
Revaluation reserve	936	0%	936	82%	515	0%	515	-19%	632
Retained earnings	20,518	7%	19,249	31%	14,733	44%	10,222	-17%	12,263
Total Equity	39,016	3%	37,746	15%	32,809	16%	28,299	-7%	30,457
Non-Current Liabilities									
Interest bearing loans and borrowings	7,449	-29%	10,497	-39%	17,083	8%	15,870	-9%	17,446
Deferred tax liabilities	8,230	-3%	8,514	-5%	8,957	-6%	9,526	127%	4,205
Retirement benefit obligations	4,455	3%	4,339	12%	3,866	27%	3,032	3%	2,942
	20,134	-14%	23,350	-22%	29,905	5%	28,429	16%	24,592
Current Liabilities									
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Interest bearing loans and borrowings	27,522	-5%	28,891	36%	21,301	-21%	27,088	5%	25,700
Amounts due to Parent Company	350	-5%	370	39%	266	257%	74	-78%	339
	54,954	-5%	57,656	8%	53,553	-14%	62,222	-7%	66,994
Total Equity and Liabilities	114,104	-4%	118,752	2%	116,267	-2%	118,950	-3%	122,043

DIVIDEND

Against the backdrop of lower profitability for FY 2025/26, a dividend of Rs.0.62 per share was paid during the year, indicating a decline from the total dividend of Rs 1.85 per share declared in the previous year.

NON-CURRENT ASSETS

At Group level, non-current assets remained broadly in line with the previous year. Meanwhile at a Company level, Hayleys Fabric PLC recorded a moderate increase in non-current assets, primarily driven by additions to Property, Plant and Equipment amounting to USD 3.3Mn. These investments were focused on capacity enhancement and improving operational efficiency, including the installation of energy-efficient finishing and knitting machinery, washing range upgrades, and investments in advanced

knitting technologies such as interlock and jacquard machines to support the production of higher-value fabric ranges.

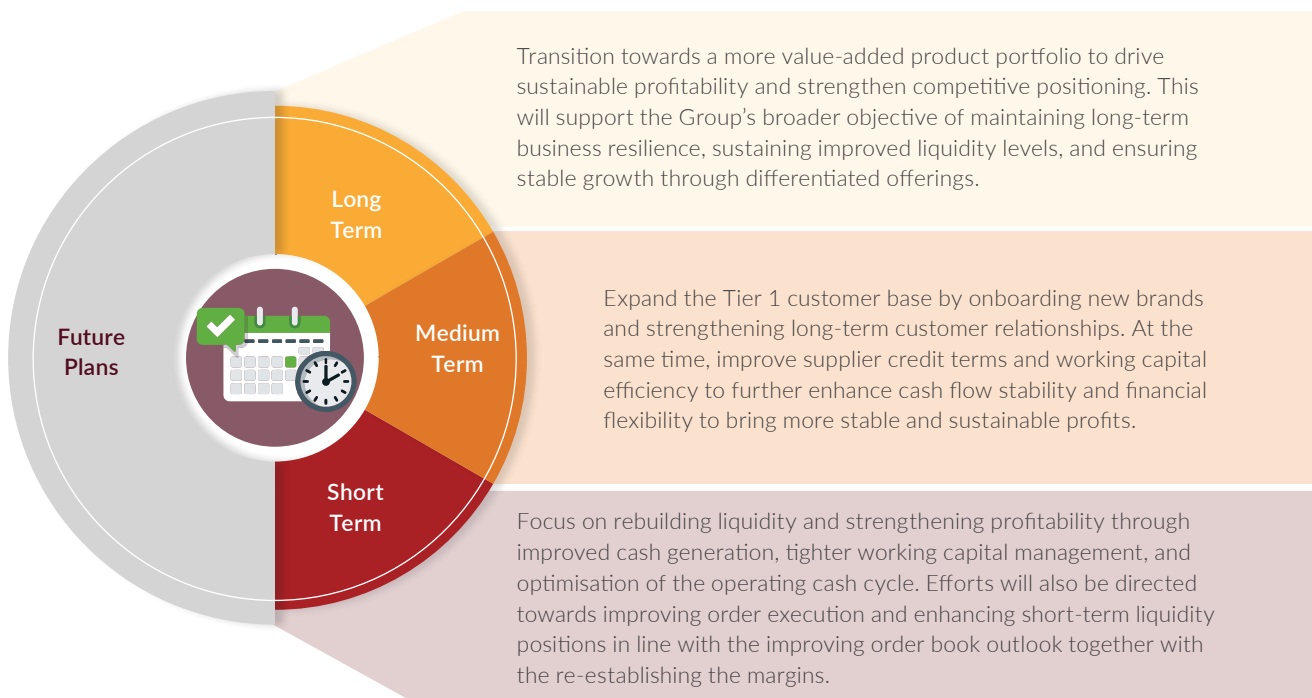
CURRENT ASSETS

Current assets declined at both Group and Company level during the year. Inventories reduced by 15% at Group level and by 26% at Company level, mainly as a consequence of the decline in order book volumes and utilization of existing inventories for new orders. Stricter inventory monitoring, improved production planning, and a more disciplined approach to stock management as part of the overall cost containment efforts, also contributed to the overall reduction in inventory levels and related cost as well.

On the other hand, trade receivables increased by 26% at Group level and

17% at Company level. The increase was due to a combination of factors, including slower customer payment cycles and the selective extension of credit terms to key customers to support retention in a challenging market environment. The recognition of 18% VAT as receivable in the current year compared to the previous SVAT process was also partly attributable to the high value in trade receivable in FY 2025/26.

Net cash and cash equivalents declined from USD 8.4Mn to USD 3.9Mn i.e. 53% declined at Group level and dropped by 44% at Company level, reflecting lower cash generation in line with reduced revenue and margins, along with cash outflows for tax payments, dividends, and employee related payments.



Manufactured Capital



Production facilities comprising Property, Plant & Equipment (PP&E) and IT infrastructure that collectively enable Hayleys Fabric Group to conduct its core business operations.

Management Approach

Manufactured Capital is managed through a disciplined approach focused on prioritising resource allocation to strengthen manufacturing capability and optimise asset performance. Strategic emphasis is also placed on modernising equipment, integrating technology and enhancing asset reliability to support scalability, resilience and evolving customer requirements.



Challenges and Opportunities

Challenges

- Rising maintenance costs and production inefficiencies associated with ageing equipment
- Operational disruptions arising from unexpected machine failures
- Energy intensity and environmental impact linked to inefficient assets
- Downtime caused by delays in sourcing critical spare parts

Opportunities

- Automation and smart technologies to strengthen process control
- Asset rationalisation to optimise capital deployment

Material Matters

- Materials
- Climate change adaptation
- Customer satisfaction
- Technology and product innovation
- Manufacturing capability
- On-time delivery (OTD)
- Operational efficiency and productivity
- Product quality



Value Transformation

Operational Outputs

- Equipment downtime: 13% (7% – 2024/25)
- Capacity utilisation: 85% (> 85% – 2024/25)
- Machine utilisation ratio: 90% (97% – 2024/25)
- Production efficiency ratio > 90% (> 90% – 2024/25)

Stakeholder Outcomes

- Improved on-time delivery and shorter lead times for customers
- Enhanced returns through cost efficiencies for shareholders
- Reduced environmental impact from manufacturing operations



Manufactured Capital

Hayleys Fabric Group Manufactured Capital

	Hayleys Fabric PLC – Narthupana	Hayleys Fabric PLC – Wagawatte Knitting Plant	South Asia Textiles Limited – Pugoda
Location	Main Plant – Neboda, Horana	Wagawatte, Horana Industrial Zone	Main Plant – Felix R. Dias Bandaranayake Mawatha, Pugoda
Capabilities	Knitting, Dyeing, Finishing, Printing, Brushing and Sueding	Knitting	Knitting, Dyeing, Finishing, Printing, Brushing and Sueding
Investment in PP&E during the year	USD 3.3 Mn	-	USD 0.5 Mn
ERP Systems	SAP ECC6 on AWS cloud infrastructure, Fast React Planning Tool FileMaker	SAP ECC6 on AWS cloud infrastructure, Fast React Planning Tool FileMaker	IFS Application 9.1 on Microsoft Azure cloud infrastructure Fast React Planning Tool
Current Capacity	900 MT per month	175 MT Knitting capability per month	750 MT per month
Capacity Utilisation	85%	85%	85%
Energy Sources	58% Biomass 20% LPG 10% HFO		100% Biomass

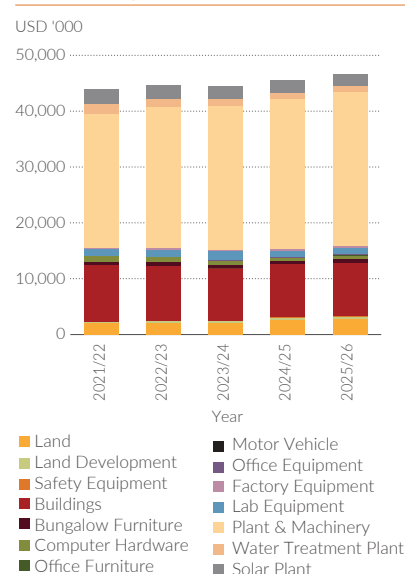
Property, Plant & Equipment (PP&E)

Property, Plant and Equipment (PP&E) consists of production buildings, specialised machinery, integrated production lines and supporting factory infrastructure that collectively facilitates manufacturing operations across all Hayleys Fabric Group's facilities.

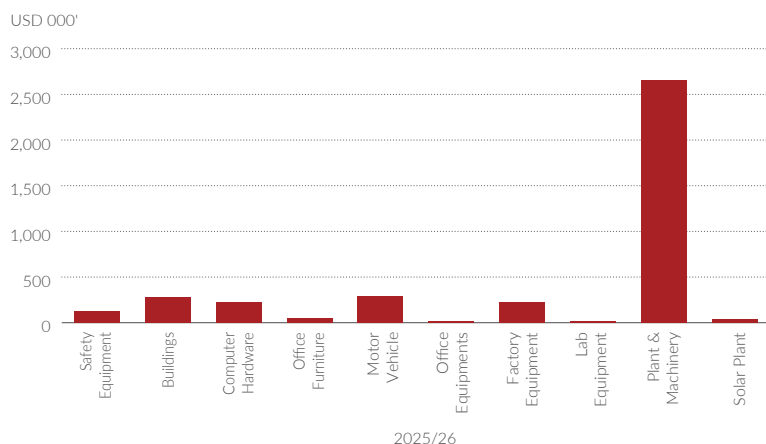
The scale and configuration of the Group's PP&E base reflects the operational complexity of both Hayleys Fabric PLC and South Asia Textiles Limited. Investment in PP&E is undertaken with a view to maintaining asset reliability, improving process performance and ensuring that production infrastructure remains aligned with evolving customer specifications and technical requirements.

Capital expenditure incurred during 2025/26 amounted to approximately USD 3.87 Mn, reflecting investments across land and buildings, plant and machinery, factory equipment and operational support assets at both Hayleys Fabric PLC and South Asia Textiles Limited.

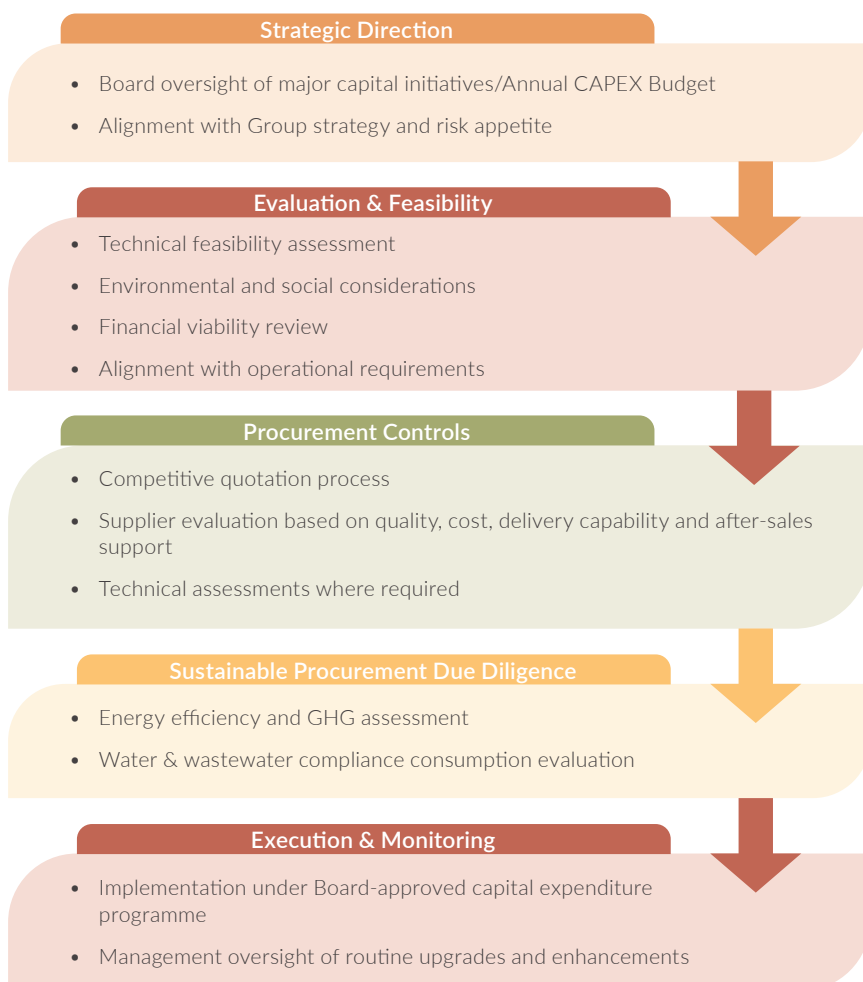
PP&E Composition



CAPEX



PP&E Investment Framework - Hayleys Fabric Group



Optimising Asset Performance

Optimising asset performance is undertaken through a lifecycle-oriented approach driven by four interconnected levers: upgrades, innovation, asset rationalisation and maintenance. Together, these enable production lines to be modernised in line with evolving process requirements, ensure assets remain fit for purpose, and support consistent quality and delivery performance. Machinery upgrades and targeted innovation aim to stabilise processes and improve output quality, while asset rationalisation ensures that obsolete or underperforming equipment is either upgraded or phased out to optimise resource utilisation and control operating costs.

A comprehensive maintenance framework reinforces these efforts by minimising unplanned downtime and improving asset reliability to support manufacturing operations to perform consistently under varying production demands. Preventive maintenance covers routine servicing of critical equipment, while predictive and condition-based maintenance helps to identify early signs of performance deviation or potential failure.

Manufactured Capital

Optimising Asset Performance Key highlights - FY 2025/26



UPGRADES

Hayleys Fabric PLC

- Condensate recovery system upgrades 8% additional condensate recovery; biomass fresh water savings and emission reduction
- Chemical distribution system enhancement – Colour kitchen - Improved dosing accuracy and reduced chemical wastage
- Nozzle modifications – Sample dye machines - Reduced fabric creasing and improved production efficiency
- Colour pump system modification – Stork printing machine - Reduced paste wastage and lower rework

South Asia Textiles Limited

- Online biomass weighing system implementation - Improved fuel accuracy and enhanced energy balancing



INNOVATION

Hayleys Fabric PLC

- Singeing and washing range installations - Improved fabric hand feel; reduced water intensity; increased dyeing capacity
- Rainwater harvesting and automated gate system - 60–70% roof rainwater harvested
- Fire sprinkler system – Warehouses - Improved operational safety

South Asia Textiles Limited

- METAL EYE system enhancement of Improved defect detection reliability and traceability



ASSET RATIONALISATION

Hayleys Fabric PLC

- Colour kitchen expansion and de-oiling washing range building - Improved compliance and operational readiness
- Thermic heaters optimization - Fuel savings through reduced surface heat losses

South Asia Textiles Limited

- Slitter machine modification - 10% increase in slitting capacity and extended asset life



MAINTENANCE (GROUP-WIDE)

Hayleys Fabric PLC

- Preventive, predictive and condition-based maintenance expansion - Improved asset reliability and reduced unplanned downtime

South Asia Textiles Limited

- Dyeing floor improvement - Elimination of water accumulation and improved shop-floor conditions

Slitter Machine Modification to Enhance Asset Performance at South Asia Textiles Limited

As part of its asset rationalisation and continuous improvement efforts, South Asia Textiles Limited undertook a targeted modification of its Slitter machine during the year under review. The project focused on enhancing the performance and capability of an existing asset to meet evolving production and quality requirements, while extending its productive life through in-house engineering expertise.

Originally operating with limited functionality, Slitter machine was identified as a constraint within the finishing process, affecting downstream operations and overall production efficiency. The modification project involved mechanical, electrical and automation enhancements designed to improve fabric handling, process stability and operational efficiency. Key upgrades included the installation of an improved de-twisting mechanism, a newly designed fabric washing bath and a water recirculation system to reduce freshwater consumption. The electrical and control systems were also modernised through the introduction of a PLC-based control system and a user-friendly human-machine interface.

Following the modification, the Slitter machine demonstrated a measurable improvement in performance.

Operational Outcomes

- Approximately 10% increase in slitter fleet capacity
- Broader range of fabric qualities processed in-house
- Reduction in downstream finishing bottlenecks
- Improved fabric cleanliness prior to stenter and dryer processes
- Enhanced operational stability
- Improved water usage efficiency

Capability Impact

- Extended asset life
- Strengthened in-house technical expertise
- Improved production flexibility

Sustainable Manufacturing

Sustainable manufacturing is embedded in the way manufacturing assets are operated across the Group's operations. Energy efficiency forms a central pillar of this approach. Alignment with the ISO 50001 Energy Management Standard provides a structured framework to systematically improve energy performance across manufacturing operations.

Additionally the gradual migration to energy-efficient technologies and continuous monitoring of energy usage, helps to reduce energy intensity across manufacturing processes. These initiatives are complemented by investments in renewable energy, aimed at reducing the overall carbon footprint of manufacturing activities.

The Hayleys Fabric Group's commitment to sustainable manufacturing extends to the adoption of closed-loop processes that support circular economy principles. These processes aim to minimise waste generation and optimise the use of water, energy and other critical inputs at various stages of the manufacturing operation. Water stewardship initiatives also contributed towards driving the Group's commitment to sustainable manufacturing.

IT Infrastructure

Reliable and resilient IT infrastructure is fundamental to sustaining uninterrupted manufacturing operations. Hence, strong focus is placed on ensuring that core systems and infrastructure are designed to support operational continuity, and timely decision-making in a manufacturing-intensive environment

Hayleys Fabric PLC operates on the SAP ERP system via a robust AWS cloud platform that supports performance, scalability and system availability. South Asia Textiles Limited operates the IFS ERP system hosted on Microsoft Azure cloud infrastructure, incorporating disaster recovery capabilities to support continuity during potential system disruptions.

IT investments are evaluated through a structured assessment of business requirements, operational efficiency and technological advancements, with strict adherence to Hayleys Group compliance protocols and relevant industry standards. This process involves identifying gaps within existing systems, aligning IT capabilities with strategic and operational objectives, and assessing factors such as scalability, cost effectiveness and return on investment to ensure that technology investments deliver long-term value and operational resilience.

Manufactured Capital

Disaster Recovery (DR) Infrastructure

The Hayleys Fabric Group has established a robust DR infrastructure encompassing on-premises Primary Sites and on-premises Disaster Recovery Sites at both Hayleys Fabric PLC and South Asia Textiles Limited. Equipped with fire-resistant ceilings, raised floors, environmental monitoring systems, fire suppression mechanisms and access control units to provide a secure and controlled operating environment, these facilities ensure operational continuity and system availability in the event of unforeseen disruptions.

Network reliability and data protection are reinforced through a secure three-layered network architecture supported by clustered firewalls, ensuring secure and reliable user authentication. Critical user data and server backups are protected through Network Attached Storage (NAS) solutions, enabling automated backups and reducing the risk of data loss arising from system failures or cyber incidents. Additionally, virtualisation technology has been adopted across operations to optimise

system efficiency, improve resource utilisation and enhance infrastructure scalability.

These measures are further strengthened through planned off-site backup arrangements, enhancing disaster recovery readiness and overall system resilience.

Information Security Systems

Information security remains a key focus area in safeguarding proprietary systems and data assets of the Hayleys Fabric Group. During the year, data classification capabilities were strengthened through the deployment of Microsoft data classification licenses across the Group. This was followed by the deployment of a Privileged Access Management (PAM) solution to strengthen control and oversight of privileged system access.

In parallel, network and server infrastructure was integrated with the Group’s Network Operations Centre (NOC) and Security Operations Centre (SOC), enabling continuous 24x7

monitoring by specialised teams to detect and respond to potential security incidents. Endpoint and server protection was also further reinforced through the renewal of next-generation antivirus and advanced server security licenses, while annual vulnerability assessments and penetration testing were conducted to identify and address potential weaknesses across connected devices.

User awareness initiatives, including periodic communication and training were conducted to promote the culture of shared responsibility for information security.

Digital Integration

Digital integration plays an increasingly important role in strengthening manufacturing coordination, visibility and operational efficiency. By embedding digital tools into production, planning and support processes, operations are progressively moving away from fragmented, manual workflows towards more connected and data-driven execution.

Business Unit / Department	Digital Tool / Platform	Operational Benefit
Production Departments	FileMaker – Production Tracking Dashboard	Improved production visibility and timely operational oversight
Knitting, Development, Yarn, Chemical and FG Warehouse	Power BI – Production Support Dashboard	Enhanced decision-making through real-time, visually presented insights
Finishing Department	Power Apps – Finishing Planning and Production Monitoring System (Pilot)	Improved scheduling, capacity management and reduction in bottlenecks and idle time
Support Functions	Power Apps – Vehicle Request Automation	Reduced paperwork, faster turnaround times and improved process transparency
Group-wide	Privileged Access Management (PAM) (Ongoing deployment)	Improved system security, access visibility and prevention of privilege misuse

As part of the broader approach to digital integration the Group continues to invest in enabling technologies that support operational efficiency and

future readiness. These include IoT-based initiatives to optimise resource utilisation, Secure Access Service Edge (SASE) solutions to support secure

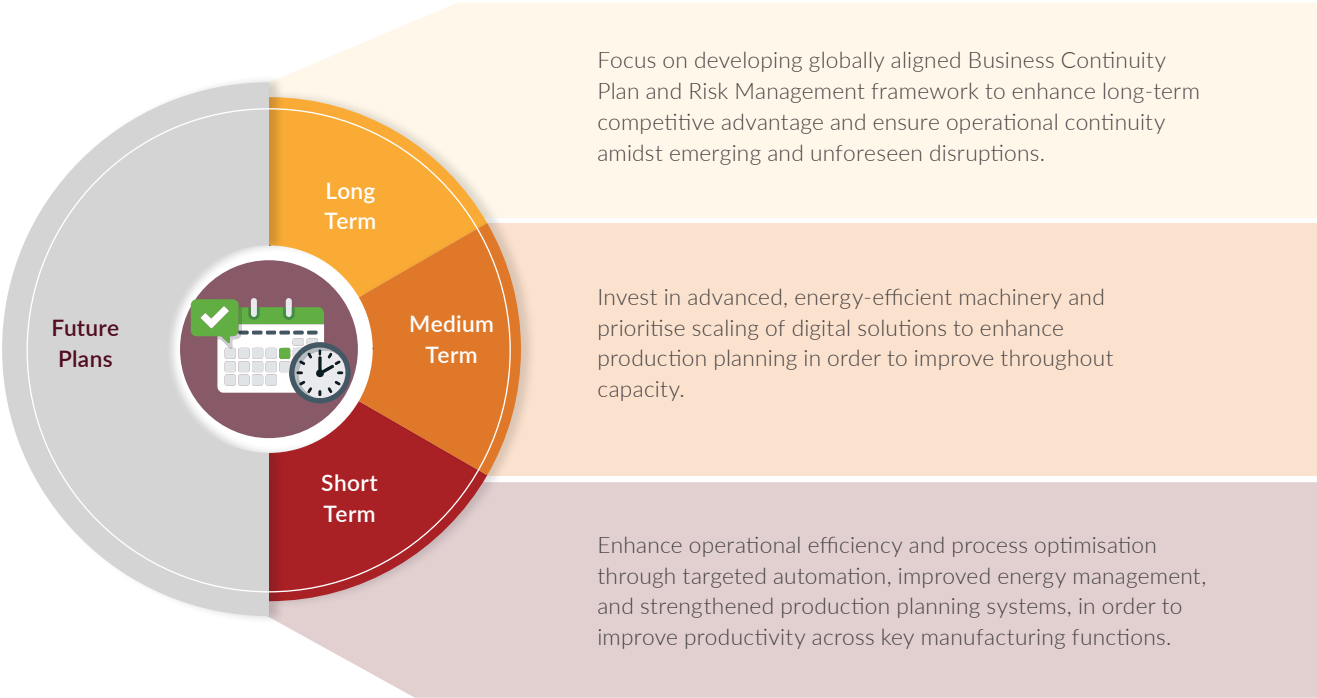
connectivity, and workflow automation tools that streamline manual processes and enhance digital workflows.

Business Continuity Plan (BCP) Framework

The Hayleys Fabric Group Business Continuity Plan (BCP) framework designed to safeguard critical assets and ensure the continuity of essential business functions during disruptive events. The existing BCP framework has been internally developed and broadly aligned with the principles of ISO 22301 Business Continuity Management Standard.

Accordingly, clear roles and responsibilities underpin its governance structure, with oversight provided by a dedicated BCP Committee and incident response coordinated through a Crisis Management Team (CMT) to ensure timely decision-making, coordinated response actions and structured recovery during disruption scenarios.

During the year under review, the focus remained on strengthening the foundation of the BCP framework. In this context, external service providers were evaluated with the objective of implementing a more comprehensive and standardised Group-wide BCP framework.



Intellectual Capital



Hayleys Fabric Group's Intellectual Capital comprises the Group's reputation, goodwill, knowledge, expertise, research and development capability and other intangible assets that together provide the foundation of resilience, adaptability and long-term sustainability of the business across both Hayleys Fabric PLC and South Asia Textiles Limited.

Management Approach

The Hayleys Fabric Group adopts a structured approach to strengthening Intellectual Capital by systematically enhancing each intangible aspect while ensuring alignment across elements.

This approach is aimed at supporting disciplined resource allocation to ensure innovation systems, quality frameworks, sustainability benchmarks and collaborative networks operate cohesively in support of long-term strategic objectives and competitive positioning in global textile markets.



Challenges and Opportunities

Challenges

- Intellectual property protection issues.
- Regulatory compliance risks, especially in upstream supply chain & international markets.
- Environmental and chemical governance risks arising from evolving global standards.

Opportunities

- Expanding market reach through collaboration and knowledge sharing.
- Differentiating the brands with sustainable practices and eco-friendly solutions.
- Strengthening competitive advantage through performance-driven innovation and circular material integration.

Material Matters

- Technology and product innovations
- Environmental and social issues along supply chain
- Customer satisfaction
- Product quality



Value Transformation

Outputs for Hayleys Fabric Group

- 50 Local & International Awards
- 98% of sales from product development

Stakeholder Outcomes

- Guarantee of best-in-class products underscored by global standards and certifications.
- Strengthened environmental accountability aligned with recognised sustainability frameworks.

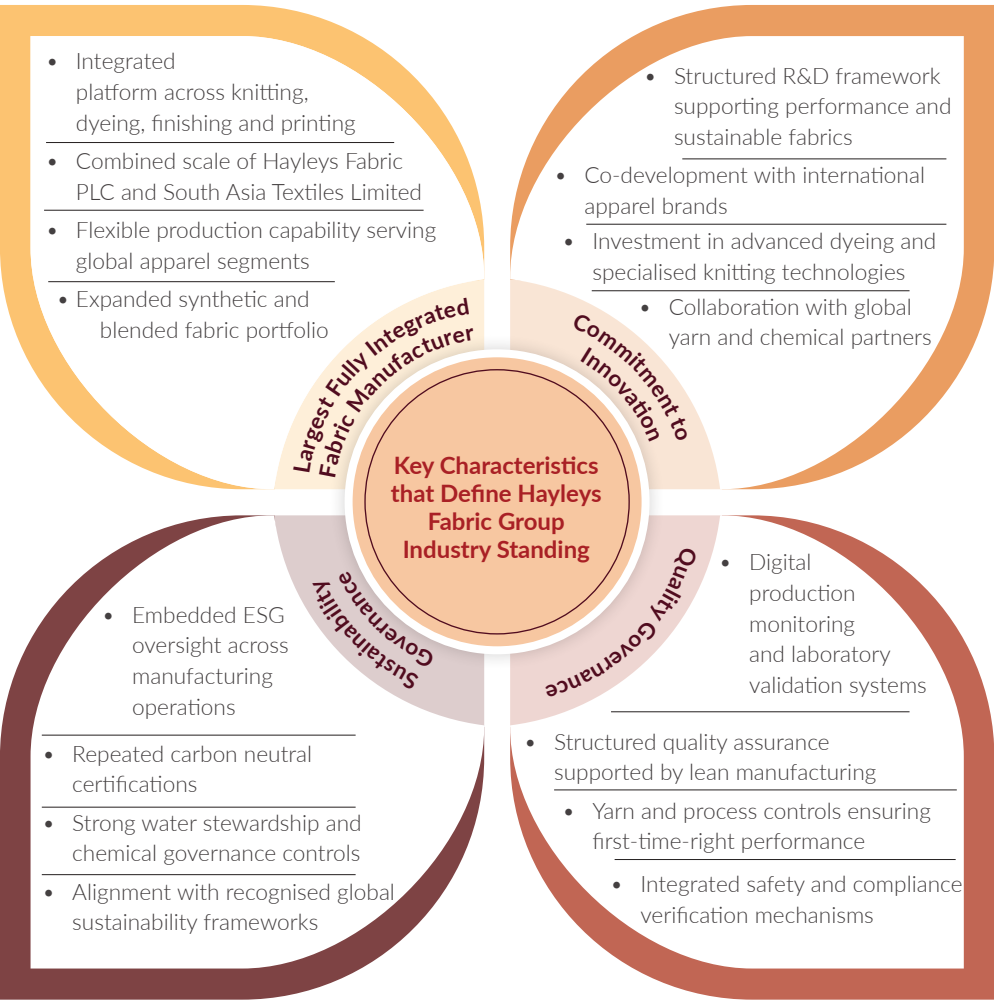


Industry Standing

The Hayleys Fabric Group has a strong reputation and standing in the local textile industry as Sri Lanka's largest fully integrated fabric manufacturer. The combined operational strength of Hayleys Fabric PLC and its fully-owned subsidiary South Asia Textiles Limited creates a solid foundation

for end-to-end integration of textile manufacturing process which provides the scale, flexibility and technical depth that reinforces the Group's status as the industry leader. The Group's industry leadership is further solidified by commitment to innovation, sustainability and operational discipline.

Intellectual Capital



R&D Capability

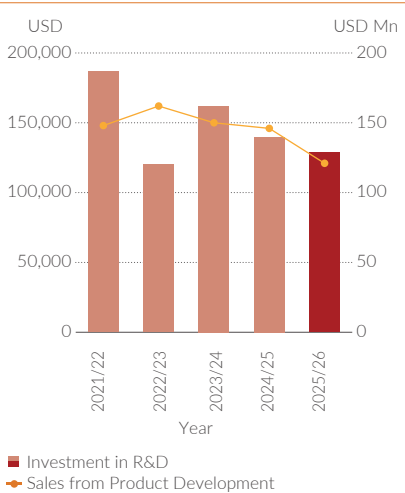
R&D remains integral to the Hayleys Fabric Group's value creation model, translating technical expertise into commercially scalable, performance driven fabric solutions.

Building on successful R&D initiatives in the past, the focus for the current year was directed towards enhancing fabric functionality, strengthening quality reliability and embedding sustainability within material engineering and process design.

Ongoing efforts to further enhance the Hayleys Fabric Group’s industry standing in the current year included strategic capacity expansion and technology upgrades across dyeing, knitting and finishing operations, all aimed at strengthening first-time-right performance in line with international buyer standards. Likewise the focus on expanding synthetic and blended fabric capability was intended to enhance the Group’s ability to diversify into new customer markets.

Quality governance was further reinforced through introduction of the latest technology to enable contamination free yarn selection for lighter shades, strict yarn count validation, monitoring of loop dimensions and disciplined colour matching supported by colour fastness testing. Safety checks were also integrated within inspection processes to improve alignment with evolving customer compliance requirements.

The Strength of R&D



Product Innovation Highlights for FY 2025/26

Innovation	Key Technical Enhancements
Bio Blend and Natural Fibre Comfort Platforms	Introduction of modal, bamboo, Tencel and natural-based additives. Improved moisture vapour transmission and thermo regulation. Development of smooth breathable structures suitable for sleepwear and loungewear.
Antimicrobial and Odour Control Technologies	Durable antimicrobial finishes and inherent additive-based protection tested for long-term wash durability. Application suitability across activewear and innerwear categories.
Surface Durability Enhancement	Optimised yarn twist variation and surface engineering. Refined finishing processes to minimise fibre migration and improve abrasion resistance.

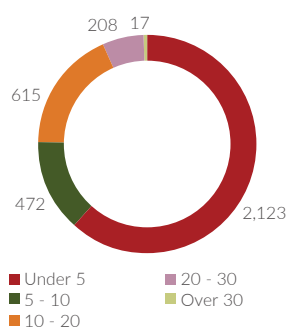
Process Innovations Highlights for FY 2025/26

Innovation	Key Technical Enhancements
Sustainable and Circular Integration	Integration of recycled and bio-based materials within optimised process flows. Adoption of energy and water-saving finishing techniques. Closed-loop waste and effluent reduction systems.

Product Quality Innovation Highlights for FY 2025/26

Innovation	Key Technical Enhancements
Fabric Consistency and Defect Reduction	Improved yarn selection protocols and upgraded knitting parameters. Tighter control of GSM, width and shrinkage tolerances. Real-time inline defect monitoring through upgraded inspection systems.

Tenure Analysis of Existing Carder



Intellectual Capital

Innovation Centre	Strategic Innovation Partnerships for FY 2025/26	Recognition for Innovation Excellence
The Hayleys Fabric Group's dedicated Innovation Centre serves as the nucleus of its research and development capability. Equipped with specialised laboratory infrastructure and supported by a multidisciplinary team of textile engineers and designers, the Centre facilitates fabric prototyping, material testing, performance validation and sustainable material experimentation. The Innovation Centre enables accelerated product development cycles, supports co-creation initiatives with international apparel brands and ensures that new material platforms are engineered to meet evolving global performance and sustainability expectations.	Reinforcing its position as a key innovator within the industry, the Hayleys Fabric Group continued to strengthen its R&D pipeline through strategic collaborations with specialised yarn and technology partners which led to the; - Co-development of advanced microfilament, ATY and recycled yarn platforms engineered for global performance brands. - Reduction of 20%-30% in chemical usage during finishing for selected development programmes through engineered yarn-based softness solutions. - Co-creation initiatives aligned with Spring & Summer, 2027 seasonal roadmaps and future brand requirements. - Expansion of proprietary fabric profiles through early-stage technical collaboration.	The Group's innovation capability was recognised through the Merit Award for Outstanding R&D in the Textile and Apparel Category at the SLTC Research and Innovation Awards 2025, reflecting continued technical leadership and sustainable product development within the Sri Lankan textile sector.

Process Innovation and Digital Enablement

Process innovation within the Hayleys Fabric Group extends across both production environments and administrative workflows at all levels of operation. Process innovation within the Group operates at two complementary levels: production intelligence through real time monitoring and enterprise governance as well as workflow automation designed to enhance reliability, reduce manual intervention and improve decision accuracy.

In the year under review, automation initiatives were deployed across planning, quality inspection, energy monitoring and laboratory processes to improve process reliability and minimise variability.

Key efforts included the Group-wide Credit Note Request system and the Gate Pass system and the Proforma Invoice Management system implemented at South Asia Textiles Limited.

Strategic Partnerships

Strategic partnerships form an integral component of the Hayleys Fabric Group's Intellectual Capital, extending the Group's material innovation capability, circular sourcing strength and performance engineering depth across both Hayleys Fabric PLC and South Asia Textiles Limited.

The Group's key strategic partnerships and their areas of value contribution are Summarized below.

Strategic Partner	Key Advantage
- Sulochana Spinning Mills, India - Eco Spindle, Sri Lanka - Lubrizol - Fulgar Lanka - Itochu, Japan	- Lifecycle perspective of product - PET bottle recycling - Low melt spandex technology - Durable stretch fibre solutions - Silk substitute fibre platforms

Awards and Recognition

Awards and industry recognitions serve as external validation of the Hayleys Fabric Group's operational discipline, sustainability governance, innovation capability and leadership strength. During the year, both Hayleys Fabric PLC and South Asia Textiles Limited received multiple national and international accolades.

Company	Awarding Body & Award Programme	Recognition Received
Hayleys Fabric PLC	CA Sri Lanka - TAGS Awards 2025	Silver Award - Manufacturing Companies
		Certificate of Recognition - Sustainability Reporting
	National Chamber of Exporters - NCE Export Awards	Silver - Textile and Garment Sector
	Association for the Advancement of Quality and Productivity (SLAAQP) - Green Productivity Awards	Gold Award
	Institute of Chartered Management Professionals (CPM) – Best Management Practices Company Award 2025	Leadership Excellence Award
		Excellence Awards
		Forty Outstanding Companies
		UN Sustainability Goals
	Lanka Responsible Care Council – Water Stewardship Champion Awards 2025	Winner
	Chartered Quality Institute (UK) – International Quality Award 2025	Top 4 Finalist – ESG Impact Category
	National Chamber of Commerce – National Business Excellence Awards 2025	Runner Up – Manufacturing Apparel, Textile and Leather Sector
		Runner Up – Excellence in Capacity Building
	Institute of Chartered Management Professionals (CPM) – Management Leadership Excellence Awards 2025	Overall, Silver Award – Executive Director Category
		Outstanding Leadership Competency Award – Enabling Diversification Growth Strategy
		Winner – Manufacturing (Apparel & Garments)
		Winner – Corporate Social Responsibility
		Winner – Sustainability & Circular Economy
		Winner – Diversity, Equity & Inclusion
		Winner – Industry Case Analysis
	World HRD Congress, CMO Asia – Sri Lanka Leadership Awards 2025	Best Employer Brand Award
	National Cleaner Production Centre – National Cleaner Production Awards 2025	Bronze Award – Large Scale Textile Manufacturing Category
	SLTC – Research and Innovation Awards 2025	Winner – Excellence in In-house R&D (Environment Sustainability Category)
	CSR Works International Pte Ltd, Singapore – Asia Sustainability Reporting Awards 2025	Finalist – Asia's Best SDG Reporting
	MerComm Inc.(USA) – Questar Awards 2025	Grand Winner – Best Online Annual Report
		Gold – Corporate Social Responsibility Report

Intellectual Capital

Company	Awarding Body & Award Programme	Recognition Received
	National Chamber of Commerce – Western Province Entrepreneur Awards 2025	Overall, Gold – Entrepreneur of the Year
		Best Entrepreneur – Most Jobs Created for Females
		Best Exporter
		Runner Up – Industry Manufacturing Sector (Large Category)
	CMA Sri Lanka – Excellence in Integrated Reporting Awards 2025	Winner – Best Integrated Report (Apparel Sector)
		Recognised as One of the Ten Best Integrated Reports
		Overall, Bronze Award
	International Business Magazine – International Business Magazine Awards 2025	Best Textile Manufacturer of the Year – South Asia
		Best Sustainable Textile Innovation – Sri Lanka
	CIPM – The Great HR Awards 2025	Excellence in Industrial Relations
		Runners Up – Textile, Apparel and Leather Sector
South Asia Textiles Limited	Lanka Responsible Care Council – Water Stewardship Champion Awards 2025	Winner
	National Cleaner Production Centre – National Cleaner Production Awards 2025	Bronze Award – Large Scale Textile Manufacturing Category
	Central Environment Authority – Presidential Environment Awards 2025	Merit Award – Textiles and Textile Processing Industry
	SLTC – Research and Innovation Awards 2025	Merit Award – Outstanding R&D in Textile & Apparel Sector

Standards and Certifications

Standards and certifications represent a core dimension of the Hayleys Fabric Group's intellectual capital. Adoption of internationally recognised standards and certifications strengthens global brand confidence, mitigates regulatory risk and enables sustained access to premium export markets.

Responsible Sourcing and Traceability

Certification	Scope Focus	Strategic Value to the Group
Global Organic Textile Standard (GOTS v7.0)	End-to-end verification of certified organic fibres across processing, colouring, finishing and manufacturing	Strengthens organic product integrity, enhances ESG credibility and supports access to sustainability-driven markets
Organic Content Standard (OCS v3.0)	Traceability and verification of organic material content across the supply chain	Enhance sourcing transparency and reduces risk of inaccurate product claims
Global Recycled Standard (GRS v4.0)	Verification of recycled material content with environmental, chemical and social compliance requirements	Reinforces circular economy positioning and strengthens sustainable brand alignment
Regenagri Content Standard (v2.1)	Chain of custody for regenerative agricultural fibre inputs	Aligns sourcing with climate-positive agriculture and biodiversity restoration objectives
Forest Stewardship Certification (FSC)	Verification of responsibly sourced wood-based fibre inputs	Supports sustainable fibre traceability and responsible forestry practices

Product Safety and Chemical Governance

Certification	Scope Focus	Strategic Value to the Group
OEKO-TEX Standard 100 (Cotton)	Testing of cotton materials and finished products for harmful substances	Strengthens consumer safety assurance and supports global regulatory compliance
OEKO-TEX Standard 100 (Polyester & Blends)	Human-ecological safety testing for synthetic and blended textiles	Reduces reputational risk and aligns with international safety benchmarks
ZDHC Physical CIL Coverage Verification	Structured chemical inventory management aligned with MRSL standards	Enhances chemical transparency and strengthens compliance with global brand requirements
ZDHC Supplier to Zero Level- 2	Progressive elimination of hazardous substances in manufacturing processes	Demonstrates alignment with international sustainable chemistry expectations
WRAP Certification	Social compliance and responsible production practices	Reinforces ethical manufacturing standards within global supply chains
SA 8000 Certification	Social accountability management system	Strengthens labour rights governance and workplace responsibility frameworks

Environmental and Energy Management

Certification	Scope Focus	Strategic Value to the Group
ISO 14001:2015	Environmental management system covering identification and control of environmental impacts	Strengthens environmental governance and regulatory compliance
ISO 50001:2015	Structured energy management and performance improvement framework	Enhances energy efficiency, reduces emissions and supports ESG performance metrics
Higg Facility Environmental Module (Higg FEM) Verification	Environmental performance benchmarking across manufacturing facilities	Improves transparency and comparability within global apparel supply chains
Eco Label Certification	Environmental performance compliance within textile processing	Reinforces eco-friendly production credentials
International Renewable Energy Certificate (IREC)	Certification of renewable electricity usage redemption	Supports renewable energy transition and de-carbonization journey
Responsible Care Certification	Chemical safety and environmental stewardship programme	Strengthens chemical management discipline and environmental accountability
Zero Waste to Landfill Certification under ISO 14065: 2020	Waste management and legal compliance	Enhance industry standards and strengthen the company's image

Workplace Health, Safety and Welfare

Certification	Scope Focus	Strategic Value to the Group
ISO 45001:2018	Occupational health and safety management system	Protects workforce wellbeing and supports operational continuity
GMP Certification (SLS 956)	Food safety management within employee canteen operations	Ensures employee welfare and compliance with national hygiene standards

Intellectual Capital

Memberships and Affiliations

Memberships and affiliations with national trade institutions and sectoral associations further strengthen the Hayleys Fabric Group's intellectual capital by providing access to trade developments, export regulations, sustainability-related policy dialogue and sector-wide advocacy platforms. Active participation in these institutions strengthens regulatory foresight and supports informed strategic planning across both Hayleys Fabric PLC and South Asia Textiles Limited.

Organisation	Strategic Relevance
Ceylon Chamber of Commerce	Access to macroeconomic insights and policy dialogue
Fabric & Apparel Accessory Manufacturers Association (FAAMA)	Sector representation and technical collaboration
Federation of Chambers of Commerce and Industry of Sri Lanka	Collective advocacy and industry engagement
National Chamber of Exporters (NCE)	Export policy alignment and global trade networking
Export Development Board (EDB)	Trade facilitation and international market development
Import Export Control Department / Department of Commerce	Enhanced understanding of trade compliance requirements and export control frameworks

Sustainability Leadership

Sustainability Leadership forms a core pillar of the Hayleys Fabric Group's intellectual capital, strengthening its reputation, governance maturity and long-term competitiveness. Across both Hayleys Fabric PLC and South Asia Textiles Limited, the Group's commitment to internationally recognised sustainability benchmarks reinforces its positioning as a responsible textile manufacturer aligned with global climate, environmental and social standards. By integrating climate action, responsible manufacturing, water stewardship, chemical governance and structured sustainability disclosure into its operating framework, the Hayleys Fabric Group enhances regulatory preparedness, stakeholder confidence and strategic resilience within international supply chains.

Global climate and environmental commitments

Framework/Initiative	Nature of Alignment
Science Based Targets initiative (SBTi)	Validation of near-term and net-zero targets under the SBTi Corporate Net Zero Standard
United Nations Global Compact (UNGC)	Adoption of Ten Principles covering human rights, labour, environment and anti-corruption
UNGC CEO Water Mandate	Commitment to water stewardship and basin-level engagement

Sustainability Reporting and Disclosures

Framework	Nature of alignment	Strategic value
Global Reporting Initiative (GRI) Standards	Sustainability reporting in line with internationally recognised disclosure principles	Strengthens transparency and stakeholder trust
Sustainability Accounting Standards Board (SASB) – Apparel Sector	Industry-specific sustainability disclosure alignment	Enhances comparability and investor relevance
SLFRS S1 and S2 Sustainability Disclosure Standards	Adoption of emerging sustainability reporting standards	Positions the Group ahead of evolving regulatory disclosure requirements

Group Synergies

As a member of the Hayleys PLC Group, one of Sri Lanka's largest and most diversified conglomerates, the Hayleys Fabric Group benefits from institutional depth, financial strength and shared strategic capabilities, with advantages extending across governance, sustainability, finance, digital transformation, procurement and Human Capital development.



Financial Synergies

Central Treasury & Financing

- Consolidated treasury oversight
- Stronger negotiation leverage

Foreign Exchange Management

- Pooled FX monitoring
- Structured hedging mechanisms

Kyriba Treasury Platform

- Real-time treasury visibility
- Enhanced rate transparency



Operational Synergies

Operational Integration

- Coordinated planning across subsidiaries
- Cross-entity production alignment

Group Digital Roadmap

- Shared digital innovation
- Workflow automation support

Central Procurement

- Aggregated demand consolidation
- Supplier negotiation strength



Governance Synergies

Governance & Capital Stewardship

- Integrated reporting heritage
- Structured governance framework

Sustainability Expertise

- ESG governance alignment
- Shared environmental practices



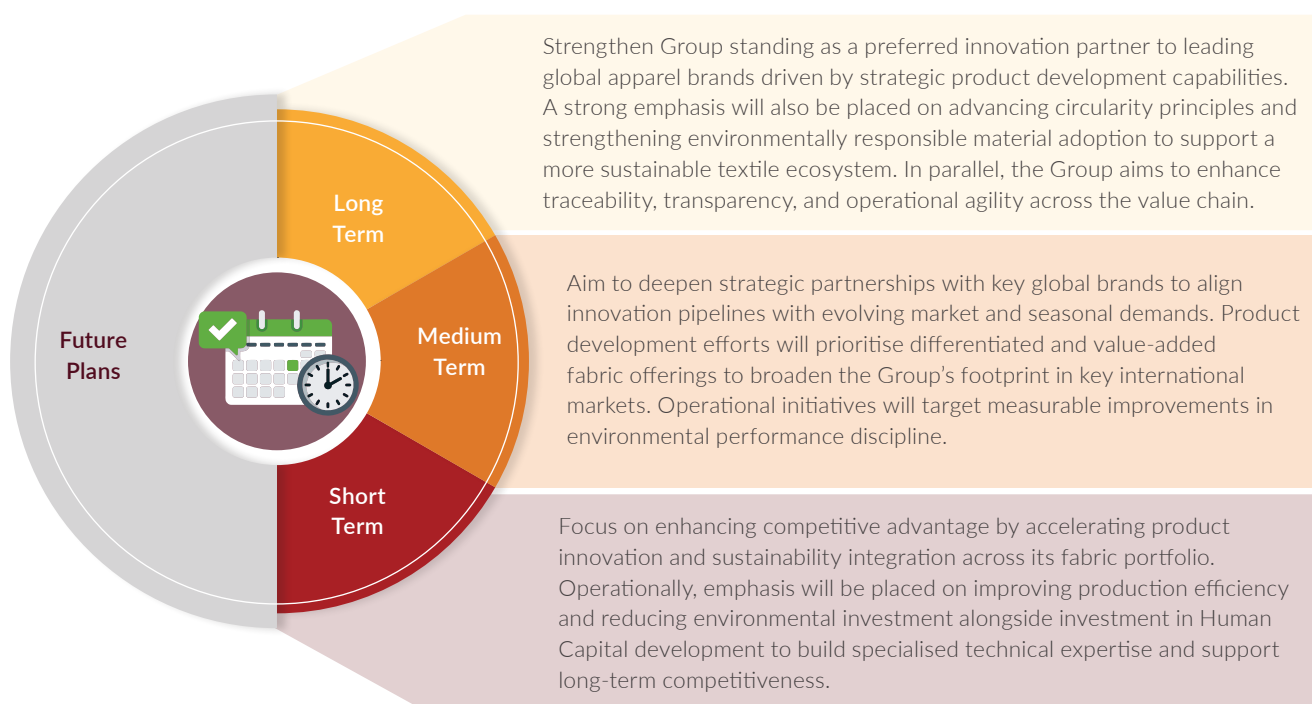
Human Capital Synergies

Workforce Upskilling

- AI & sustainability training
- Leadership development

Paperless Processes

- Low-code platforms
- Streamlined approvals



Human Capital represents a critical enabler of manufacturing stability and operational performance across Hayleys Fabric PLC and South Asia Textiles Limited. A technically competent, disciplined and engaged workforce underpins product quality, efficiency and continuous improvement.

Management Approach

The Group's Human Capital strategy focuses on strengthening workforce capability, improving retention of specialised skills and reinforcing employee engagement within a competitive labour environment. Strategic emphasis is placed on attracting and retaining skilled technical personnel, strengthening leadership capability and sustaining workforce motivation through competitive remuneration structures, structured training pathways and performance-based recognition mechanisms.



Challenges and Opportunities

Challenges

- Continued outflow of skilled technical employees to overseas markets
- Sector-wide competition for experienced production and technical personnel
- Severe weather disruptions affecting South Asia Textiles operations in November 2025
- Transition from manual to digital employee data systems in line with 2025 regulatory requirements

Opportunities

- Continued expansion of female workforce participation in alignment with diversity and inclusion objectives
- Strengthening retention through salary revisions, internal promotions, upskilling initiatives and succession planning for critical technical roles

Material Matters

- Human rights and social compliance
- Regulations and compliance
- Employee wellbeing & proposition
- Government policy
- Freedom of association and collective bargaining
- Operational efficiency and productivity



Value Transformation

Outputs for Hayleys Fabric Group

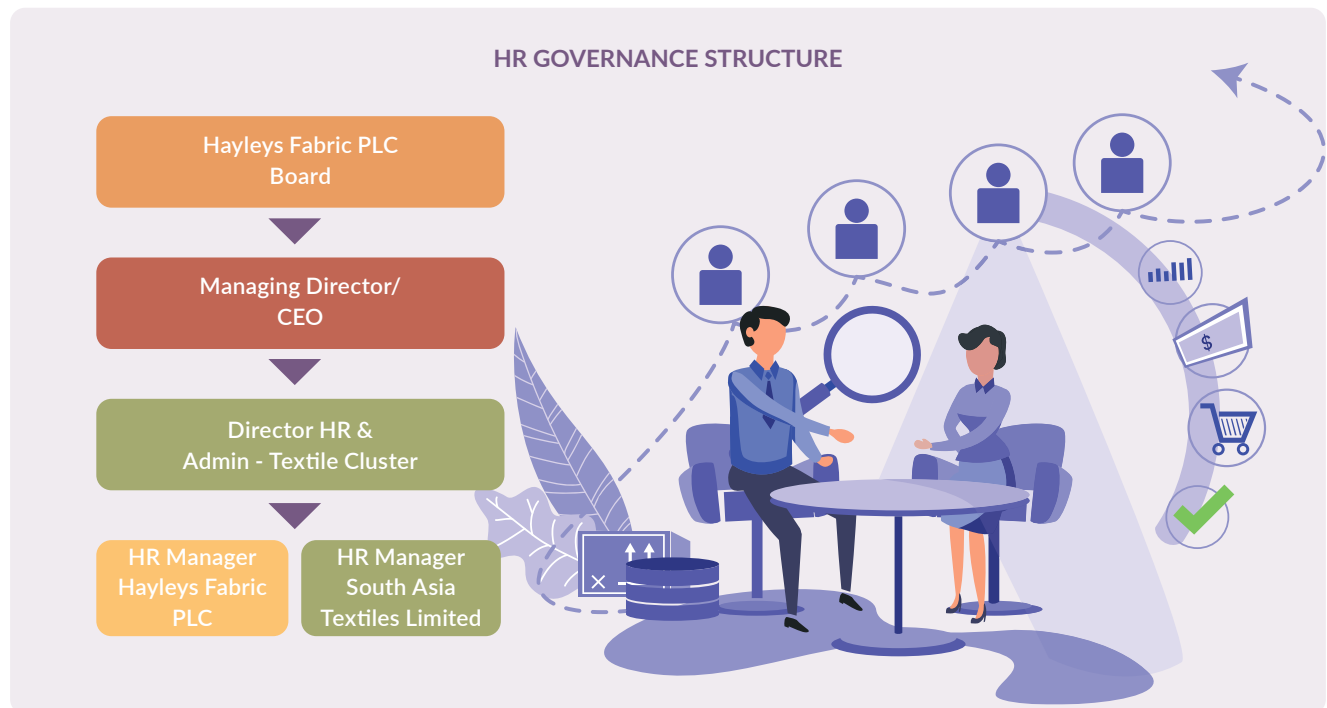
- 66% employee retention rate
- 38% of employees with service exceeding five years
- 74% of employee wellbeing of skill building

Shareholders Outcomes

- USD 13.36 Mn distributed as monetary benefits to employees
- 187 employees promoted during the year
- 1,438 new recruits onboarded
- 8% women in leadership positions
- 1:1 ratio of basic salary between men and women at entry level
- 427 training sessions conducted accounting for 47,747 training hours
- Revised minimum wage implementations effective 1st April 2025 and 1st January 2026



Human Capital



HAYLEYS FABRIC PLC AND SOUTH ASIA TEXTILES LIMITED - HUMAN CAPITAL MANAGEMENT FRAMEWORK

Regulatory Compliance	Voluntary Best Practices	Internal Policies and Procedures
• Shop and Office Employees Act of 1954 • Wages Board Ordinance Amendment Act • Factories Ordinance No. 45 of 1942 • Social Security Act • Women, Young Persons & Children Act 1920	• UNGC Principle 3: freedom of association and the effective recognition of the right to collective bargaining • UNGC Principle 4: elimination of all forms of forced and compulsory labour • UNGC Principle 5: effective abolition of child labour • UNGC Principle 6: elimination of discrimination in respect of employment and occupation. • All employees are covered by the ISO 45001 Occupational Health and Safety Management System • Global certifications such as WRAP, SEDEX, ETI	• HR Manual • Recruitment and Selection Policy • Disciplinary Procedure Policy • Maternity Leave Policy • Benefit Structure • Grievance Handling Policy Procedure • Compensation Policy • Work Hours Policy • Communication Policy • Suggestion Box Policy • Freedom of Association Policy • Anti-corruption & Bribery Policy • Salary Advance Policy • Facility Management & Workplace Rules • Manpower Subcontractor Policy • Hayleys Lifecode • Hayleys Way

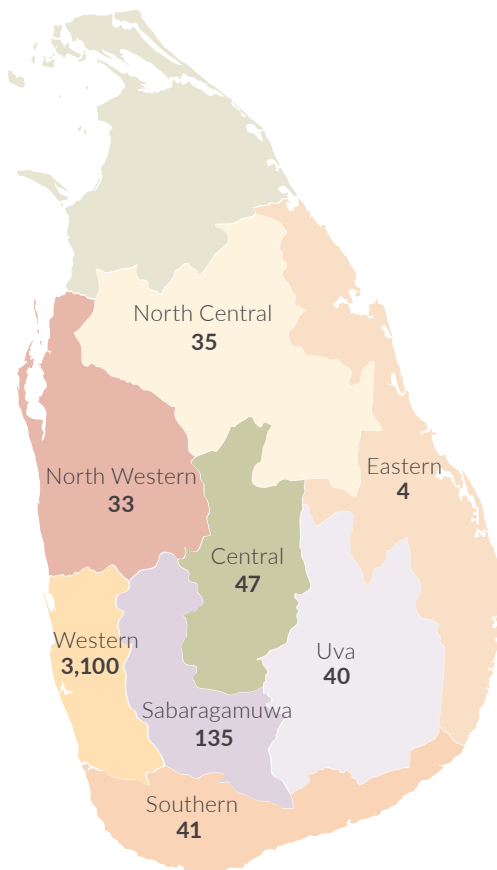
EMPLOYEES BY REGION AND GENDER

- HAYLEYS FABRIC GROUP

Employees by Type						
Employee by Type	Male		Female		Total	
Permanent	2,374		690		3,064	
Contract	242		129		371	

Team Profile - FY 2025/26						
Category	Employee Grade					% of Composition
	Executive and Above	Manual Grade	Clerical, Supervisory & Allied	Casual & Contract	Total	
Total	452	1,823	559	601	3,435	100%
Distance from work						
< 15 Km	87	1,197	377	330	1,991	58%
> 15 km	365	626	182	271	1,444	42%
Total	452	1,823	559	601	3,435	100%
Gender						
Male	362	1,380	480	394	2,616	76%
Female	90	443	79	207	819	24%
Total	452	1,823	559	601	3,435	100%
Age						
18 - 30	120	878	154	547	1,699	49%
30 - 50	273	826	347	41	1,487	43%
> 50	59	119	58	13	249	7%
Total	452	1,823	559	601	3,435	100%

*All employees are on Full-Time basis



	Permanent	Contract	Total
Central			
Male	38	-	38
Female	9	-	9
Eastern			
Male	3	-	3
Female	1	-	1
North Central			
Male	17	-	17
Female	16	2	18
North Western			
Male	26	-	26
Female	7	-	7
Sabaragamuwa			
Male	112	-	112
Female	23	-	23
Southern			
Male	30	1	31
Female	10	-	10
Uva			
Male	34	2	36
Female	4	-	4
Western			
Male	2,114	239	2,353
Female	620	127	747

Human Capital

Employees by Category and Gender			
Category	Male	Female	Total
Executive	362	90	452
Non-Executive	2,254	729	2,983

Head count of workers who are not employees

Details of outsourced employees 31st March 2026

Type of non-employees	Group Head Count	
	Male	Female
Clerical & Supervisory	21	26
Manual Grade	324	117
Total	345	143

Diversity, Equality and Inclusion (DEI)

The Hayleys Fabric Group remains committed to fostering a diverse, equitable and inclusive workplace where every employee is valued and empowered. As a non discriminatory and equal opportunity employer, the Group ensures individuals from all backgrounds have equal access to opportunities for growth, development and advancement.

Gender pays equity remains a cornerstone of the Group's DEI framework. A 1:1 ratio in minimum wages

and basic salaries is maintained for men and women performing comparable roles across executive, supervisory, clerical and manual grades within both entities.

Supported by clear policies, inclusive leadership practices and targeted interventions, the Group continues to work towards eliminating unconscious bias and strengthening a culture grounded in fairness, dignity and mutual respect. The Board approved Diversity, Equity and Inclusion Policy reinforce a zero tolerance approach to discrimination

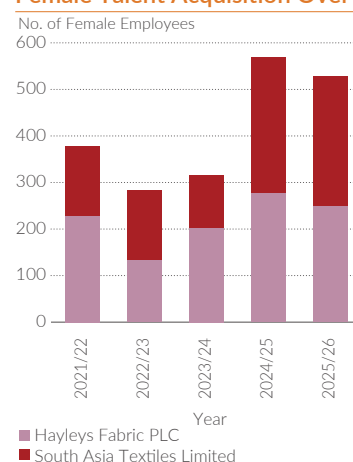
and workplace harassment. The policy mandates fair treatment irrespective of race, gender, age, ethnicity or background. There were no incidents of discrimination reported during the financial year.

The Hayleys Fabric knitting plant in Wagawatta Horana continues to operate as a 100% female operated facility, reflecting the Group's commitment to expanding inclusive participation within core manufacturing operations.

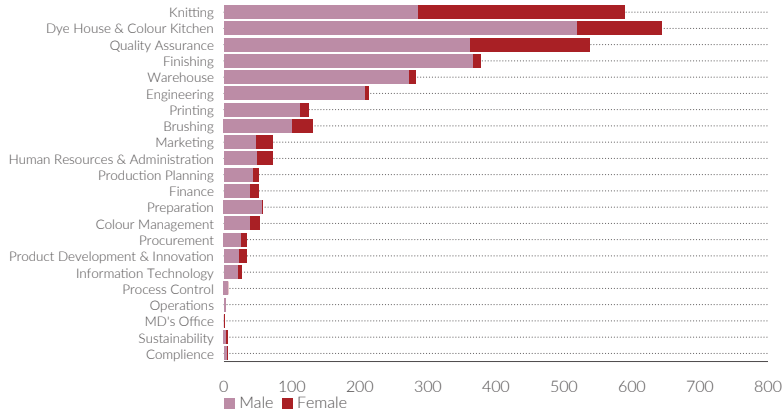
Women Empowerment Initiatives – 2025/26

- Technical training programmes conducted at the Wagawatta knitting plant to enhance operational competencies of female employees
- Breast cancer awareness programmes to promote preventive healthcare
- Free medical camps for women employees
- Preparatory activities for the Women's Day celebration scheduled for March 2026
- Continued performance-based promotions supporting female participation in supervisory and leadership roles

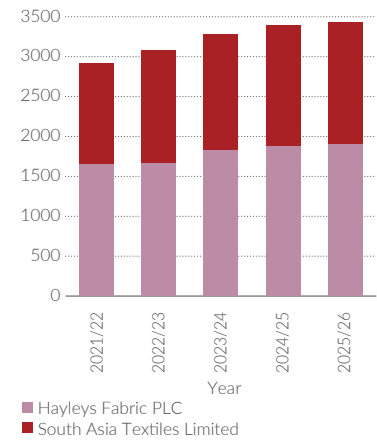
Female Talent Acquisition Overview



Composition of Male: Female by Departments



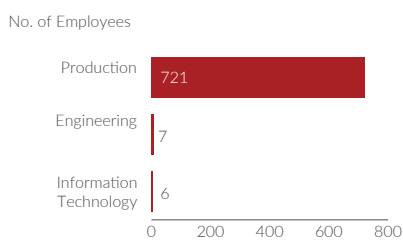
No. of Employees



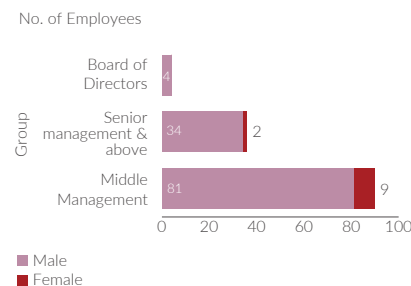
Diversity, Equality and Inclusion Indicators

Salary Ratios of Permanent Employees -2025/26					
Company		Executive and above	Clerical Supervisory and Allied	Manual Grade	Total
Hayleys Fabric PLC	M:F	Depending on position, experience & qualifications	1:1	1:1	1:1
South Asia Textiles Limited	M:F	Depending on position, experience & qualifications	1:1	1:1	1:1

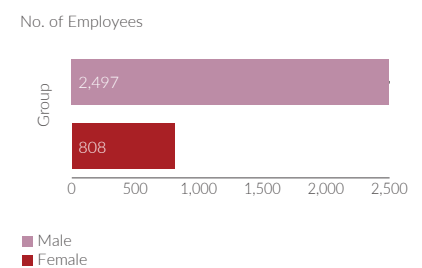
Proportion of Women in IT, Engineering and Production Related Activities



Gender Representation Across Middle Management and Above



Gender Representation Across Below Middle Management



Human Rights

The Hayleys Fabric Group continues to uphold internationally recognised human rights standards across its operations and extended value chain. As signatories to the United Nations Global Compact, both Hayleys Fabric PLC and South Asia

Textiles Limited, align internal policies and practices with the UNGC principles relating to human rights and labour.

These commitments extend beyond direct employment to contractors, outsourced service providers and

suppliers. Ongoing engagement and awareness initiatives, including sessions conducted for outsourced security personnel and value chain partners, reinforce responsible workplace conduct and compliance with ethical labour standards.

Human Capital

Principle 3: Freedom of Association and Collective Bargaining

The Group recognises the legitimate right of employees & suppliers to organise, associate and engage in collective dialogue. Employees are free to join trade unions or worker councils of their choice without interference or retaliation.

The primary objective of the Freedom of Association Policy is to effectively manage industrial relations by providing a structured framework for engagement between management and recognised employee representatives. The Policy ensures that representatives of recognised employee bodies are granted appropriate access to management to support transparent communication and constructive dialogue.

Collective bargaining arrangements remain in place, covering 18% of the Group's workforce during the year under review.

Principle 4: Elimination of all forms of forced and compulsory labour

The Group maintains a firm prohibition against forced or compulsory labour and ensures employment relationships are entered into voluntarily and governed by transparent contractual arrangements that comply with both national legislation and best international practices. No incidents of forced or compulsory labour were recorded during the year.

Principle 5: Effective abolition of child labour

Strict controls are maintained to prevent the employment of individuals below the legally permissible working age. Age verification procedures form an integral part of the recruitment process, supported by documented due diligence protocols to ensure full compliance with the minimum employment age of 18 years as mandated under the Employment of Women, Young Persons and Children Act, No. 47 of 1956.

No instances of child labour were identified or reported during the financial year.

Recruitment and Selection

The Group's recruitment activities are based on an approved annual workforce plan and budget which is reviewed and approved by the Managing Director/CEO, thereby ensuring that hiring decisions are aligned with operational requirements.

The Recruitment and Hiring Policy govern all talent acquisition processes, reinforcing principles of transparency, fairness and merit-based selection. Vacancies are communicated through both internal and external channels to support career progression for existing employees while attracting qualified candidates from the external labour market. All applicants are assessed under consistent evaluation criteria.

Executive appointments undergo structured multi-stage assessments to ensure alignment with strategic and technical requirements. Recruitment of non-executive employees remains demand-driven and is conducted regularly through walk-in interviews to support uninterrupted production operations.

The Hayleys Fabric Group recruits both permanent employees as well as outsourced workers contracted through labour service providers.

All executives of the Group are permanent employees. Senior Management members of the Group are all permanent employees recruited locally from Sri Lanka.

The Group uses outsourced workers contracted through labour service providers for clerical and supervisory roles and for manual workers.

Orientation and Induction

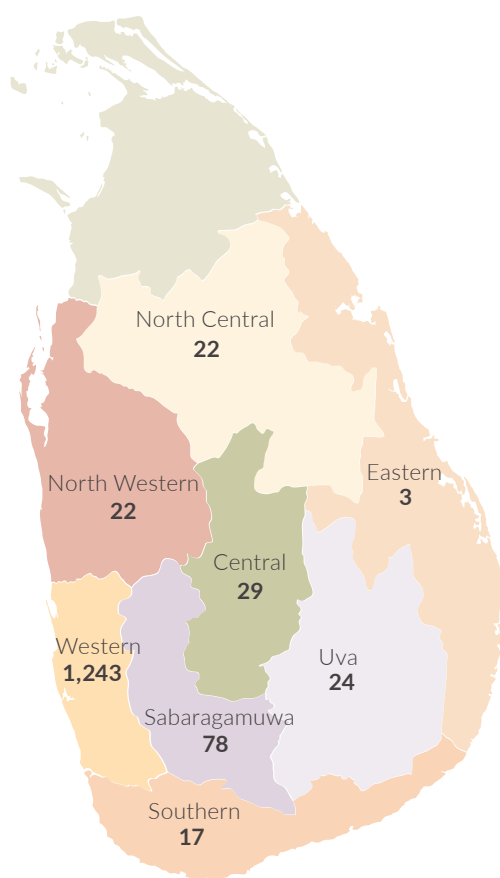
Orientation and induction continue to form an integral part of the Fabric Group's hiring process. Appointment letters and employee handbooks are issued at the commencement of the orientation.

During 2025/26, the induction framework was streamlined through the introduction of the On-the-Job Training Manual for new trainees within production departments. The induction timetable was also standardised to ensure sequential delivery of training by the General Service Officer, followed by HR induction, Occupational Health and Safety training, and sessions on compliance, sustainability and environmental awareness to promote operational readiness.

NEW HIRES BY REGION AND GENDER

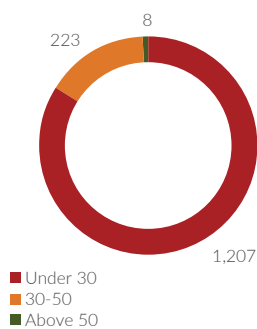
- HAYLEYS FABRIC GROUP

Employee grade	Distance from work			Gender			Age			
	≤15 Km	> 15 km	Total	Male	Female	Total	18 - 30	30 - 50	> 50	Total
Head count- No	736	702	1,438	909	529	1,438	1,207	223	8	1,438
Head count- %	51%	49%	100%	63%	37%	100%	84%	16%	1%	100%

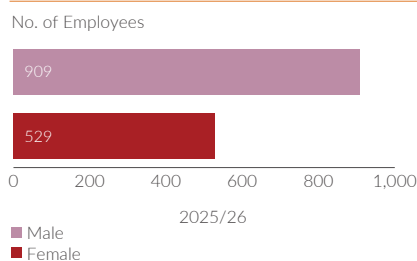


Central			
Male	20	1.4%	
Female	9	0.6%	
Eastern			
Male	2	0.1%	
Female	1	0.1%	
North Central			
Male	13	0.9%	
Female	9	0.6%	
North Western			
Male	13	0.9%	
Female	9	0.6%	
Sabaragamuwa			
Male	60	4.2%	
Female	18	1.3%	
Southern			
Male	11	0.8%	
Female	6	0.4%	
Uva			
Male	17	1.2%	
Female	7	0.5%	
Western			
Male	773	53.8%	
Female	470	32.7%	

Recruitment by Age Group



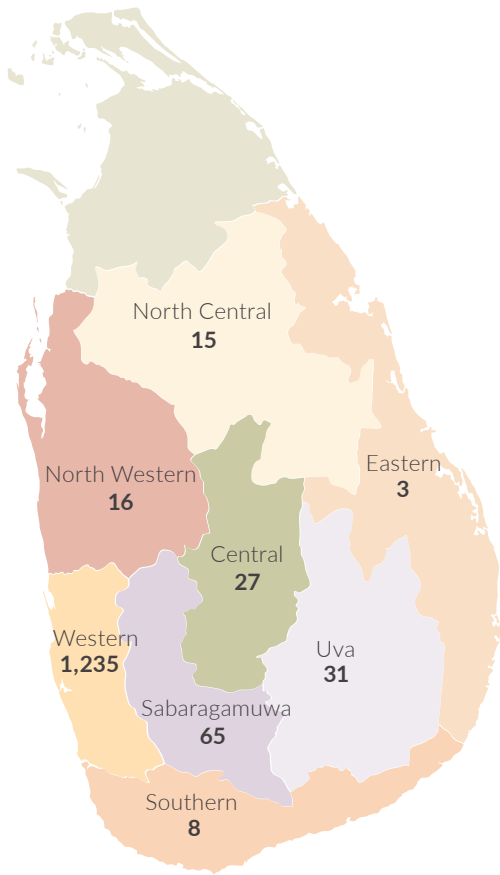
Recruitment by Gender



EMPLOYEE TURNOVER BY REGION AND GENDER

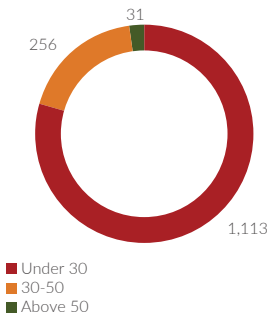
- HAYLEYS FABRIC GROUP

Employee grade	Distance from work		Total	Gender		Total	Age			Total
	≤15 Km	> 15 km		Male	Female		18 - 30	30 - 50	> 50	
Head count- No	706	694	1,400	937	463	1,400	1,113	256	31	1,400
Head count- %	50%	50%	100%	67%	33%	100%	80%	18%	2%	100%

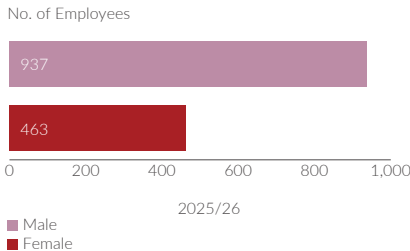


Central			
Male	20	1.4%	
Female	7	0.5%	
Eastern			
Male	3	0.2%	
Female	-	-	
North Central			
Male	11	0.8%	
Female	4	0.3%	
North Western			
Male	9	0.6%	
Female	7	0.5%	
Sabaragamuwa			
Male	43	3.1%	
Female	22	1.6%	
Southern			
Male	3	0.2%	
Female	5	0.4%	
Uva			
Male	22	1.6%	
Female	9	0.6%	
Western			
Male	826	59.0%	
Female	409	29.2%	

Turnover by Age Group



Turnover by Gender



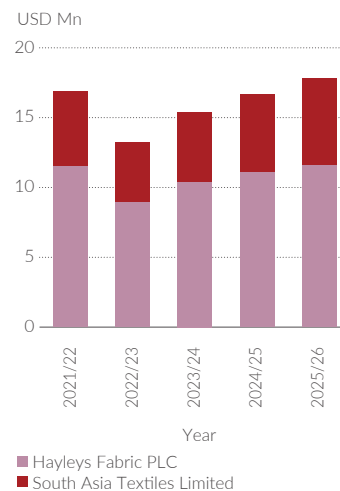
Remuneration and Benefits

The Group remains committed to maintaining a remuneration framework that is fair, competitive and aligned with applicable regulatory requirements. Compensation structures are guided by the Compensation Policy, which links remuneration to role complexity, competencies and individual contribution to organisational objectives.

Executive remuneration is determined with reference to skills, experience and the demands of each role, supported by periodic reviews to ensure alignment with prevailing market conditions within the manufacturing sector.

Non-executive remuneration continues to be structured in accordance with statutory wage regulations. All employees are entitled to EPF and ETF contributions on their basic salary and gratuity upon completion of five consecutive years of service.

Remuneration



Benefit	Executive	Non-Executive
Attendance Incentives		✓
Shift Incentives		✓
Production Incentives	✓	✓
Annual Bonus	✓	✓
Annual Salary Revision	✓	✓
Annual Salary Increment	✓	✓
Leave Encashments		✓
Best Attendance		✓
Funeral Fund	✓	✓
Festival Advance		✓
Forklift Performance Incentives		✓
Chemical Handling Incentives		✓
Fabric Inspection Incentives		✓
Fire Team Membership Incentives		✓
Non-Financial Benefit		✓
Uniforms	✓	✓
Transports	✓	✓
Personal Safety Equipment (PPE's)	✓	✓
Tea and Snacks (Day and Night shift)	✓	✓
Medical Insurance	✓	✓
Rewarding best performance employees	✓	✓
Parental Leave (Paternity – approved recently) & Maternity Leaves	✓	✓
Gift Ceremony for employee's children who excelled in O'level/ A'level/ Grade 05 Exams	✓	✓
Annual Book Donation	✓	✓

Human Capital

Benefit	Executive	Non-Executive
Health & Medical Camps	✓	✓
Women Empowerment Annual Training / Workshop Programs	✓	✓
First Aid Courses / Development Courses for Employees	✓	✓
SLITA Diploma Program for Employees	✓	✓
Company Doctor Consultation (Free Medical services in-house)	✓	✓

Improvements to Remuneration and Benefits in FY 2025/26

Effective 1 April 2025, the Group implemented the revised government-mandated minimum wage structure, increasing the minimum monthly wage for employees governed by the Wages Board under National Minimum Wage Act from Rs. 21,000 to Rs. 27,000 and revising the minimum monthly salary for employees covered under the National Minimum Wage Act from Rs. 27,000 to Rs. 30,000 effective from 1st January 2026.

All entry-level wages are fully compliant with local minimum wage regulations

During the year, further enhancements were introduced to strengthen performance-linked benefits. A new reward mechanism was also introduced for production employees within the Finishing Department to reinforce productivity and operational discipline. A new reward mechanism was also introduced for production employees within the Finishing Department to reinforce productivity and operational discipline.

In addition, employees who voluntarily serve in the Fire Response Team were granted a monthly fire duty allowance in recognition of their additional safety responsibilities.

Parental Leave

The Group's Parental Leave Policy contains provisions for both maternity and paternity leave. Female employees are granted 84 days of paid maternity leave in accordance with the Shop and Office Employees Act of 1954, as amended by Act No. 14 of 2018, and the Wages Board Ordinance Amendment Act. In addition, eligible employees are entitled to two hours of nursing time per day for a period of one year following their return to work. Male employees are entitled to three days of paid leave upon the birth of a child. The Maternity Leave Policy is uniformly applied across Hayleys Fabric Group.

Parental Leave	2025/26	2024/25
Total number of employees that were entitled to parental leave	819	753
Total number of employees that took parental leave	7	11
Total number of employees that returned to work in the reporting period after parental leave ended	6	10
No of employees remained more than year after coming	39	37

Performance Management

All permanent employees continue to participate in a structured performance management framework designed to align individual performance with operational and strategic objectives.

The performance evaluation process for executive employees is structured around a two-stage review cycle comprising a mid-year review and an Annual Performance Review, both formal assessments aimed at evaluating

employee progress against established quantitative targets and qualitative performance indicators. The process also facilitates the identification of training and development needs and supports decisions relating to salary increments and promotions.

Non-executive employees are evaluated on an ongoing basis by respective line managers against job-specific performance standards, which ensures timely identification of performance gaps and reinforces accountability within

production and support functions. Incentives and increments for non-executive employees continue to be guided by appraisal results.

During 2025/26, the performance management framework for non-executives also further streamlined with the introduction of a structured Skills Matrix to map individual competencies against operational requirements, enabling the identification of skill gaps and deployment targeted training interventions.

Evaluation criteria were also refined by linking performance ratings to measurable attendance and punctuality benchmarks, while a visual Skills Matrix

dashboard was introduced to provide employees with clear visibility of their progression status. Implementation of the new Skills Matrix commenced within

production departments for the 2025/26 performance cycle with the phased roll out across other departments in the next year.

Performance Evaluation of Permanent Employees - 2025/26									
Company		Executive and above Clerical		Supervisory and Allied		Manual Grade		Total	
		No of Heads	%	No of Heads	%	No of Heads	%	No of Heads	%
Hayleys Fabric PLC	M	201	100%	233	100%	1,048	100%	1,482	100%
	F	61	100%	21	100%	337	100%	419	100%
South Asia Textiles Limited	M	161	100%	247	100%	726	100%	1,134	100%
	F	29	100%	58	100%	313	100%	400	100%

Career Progression

The Hayleys Fabric Group considers employee career progression as a critical role in retaining institutional knowledge and strengthening the Group's competitive advantage. By nurturing internal talent and creating clear pathways for advancement, the Group preserves operational expertise, promotes continuity of leadership, and reduces dependency on external talent acquisition. The performance

management process serves as the key facilitator for career progression by enabling the identification of high performing employees and emerging talent to assume greater responsibilities in line with the Group's long-term growth objectives.

To further strengthen the identification and development of leadership capabilities, a 360-degree survey mechanism was introduced during the

current performance cycle to evaluate the effectiveness of production supervisors. This assessment considers the quality of performance guidance provided to operators as well as supervisors' contribution towards the achievement of key operational performance indicators, thereby supporting more informed development and succession planning decisions.

Employee Category	Promotions Granted					
	2025/26		2024/25		2023/24	
	Men	Women	Men	Women	Men	Women
Hayleys Fabric PLC	81	11	79	22	42	8
South Asia Textiles Limited	81	14	84	37	50	9



Human Capital

Training and Development

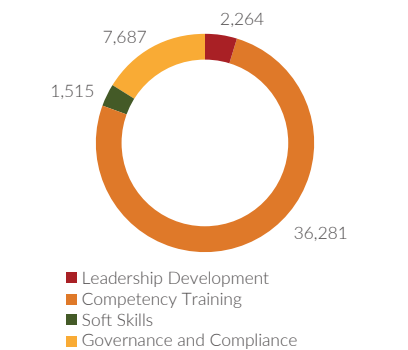
Training continues to serve as a strategic enabler in strengthening operational capability and leadership depth across the Hayleys Fabric Group. As a textile manufacturer operating within a technically demanding environment, continuous skill enhancement across production, quality assurance and support functions remain essential to sustaining product quality and operational efficiency.

All operations have been assessed for corruption-related risks and no incidents of corruption reported during the 2025/26 period

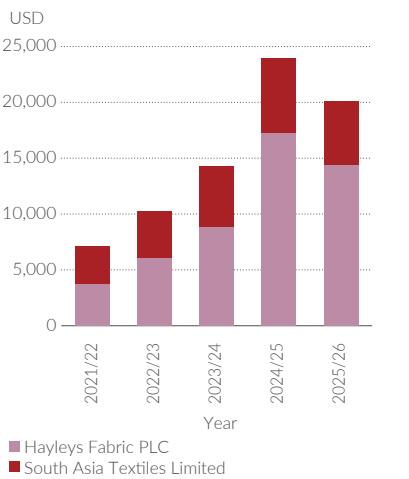
Training Hours for FY 2025/26			
Executives		Non-Executives	
M	F	M	F
3,222	876	21,381	22,268

Average Training Hours by Gender	
Male	9.40
Female	28.26
Average Training Hours by Category	
Managerial	10.00
Executives and Junior Executives	8.69
All Others	14.63

Training Mix (Hours)



Investment in Training



Employee Relations

The Fabric Group continues to foster constructive employee relations through structured communication channels, formal representation mechanisms and accessible grievance redress processes.

For executive employees, engagement is facilitated through regular team briefings, departmental discussions and direct dialogue with reporting managers. Additionally, the open-door approach enables employees to seek clarification, raise concerns and provide feedback through established reporting lines.

For non-executive employees, scheduled trade union meetings remain the primary platform for structured engagement. The Group Head of HR continues to meet union representatives on a monthly basis to discuss matters relating to workforce

welfare and operational issues. The Collective agreement which had been signed in 2023 for three years was expired and new collective agreement was signed in 2026 for another three years.

Operational changes continue to be communicated at least 04 weeks prior to implementation. Executive employees are informed through electronic communication, while factory noticeboards are utilised to notify non-executive employees. Union representatives are also briefed during scheduled meetings.

Suggestion boxes as well as the formal Grievance Handling Procedure continue to provide a confidential avenue for employees to report grievances. Each reported matter is subject to

investigation and documented review, while the Disciplinary Action Register tracks grievance-related cases and ensures procedural accountability. Periodic training sessions are conducted to educate employees on grievance handling and disciplinary processes.

During 2025/26, the number of grievance collection points increased and their placement redesigned to improve visibility. Information notices outlining the grievance procedures were installed across work areas to ensure employees are fully aware of available reporting channels. Plans are also underway to introduce department-wise logbooks to support systematic documentation and resolution of workplace issues at departmental level.

Measuring Employee Satisfaction

Measuring employee satisfaction remains an integral component of the Group's Human Capital governance framework. Structured feedback mechanisms are utilised to assess workforce sentiment, leadership effectiveness and workplace conditions, enabling data-driven interventions to enhance employee experience and organisational performance.

The Annual Employee wellbeing survey was conducted for 2025/26.

In addition, periodic department-wise Focus Group Discussions organised by the HR team generated qualitative insights into employee concerns and opportunities for workplace improvement.

The ongoing Great Place Award project forms part of the Group's broader efforts to benchmark and enhance employee experience standards through structured assessment and continuous improvement initiatives.



Human Capital

Occupational Health and Safety (OH&S)

Occupational health and safety is fundamental to maintaining operational continuity, protecting employee wellbeing and safeguarding manufacturing assets across all sites. As a production-intensive environment, the Group places strong emphasis on safety governance, risk mitigation and proactive incident prevention.

Compliance with statutory safety regulations continues to form the foundation of the Group's approach to occupational health and safety management. All sites operate in accordance with the requirements set out under the Factories Ordinance No. 45 of 1942 and its amendments, together with relevant provisions under the Urban Councils Ordinance, Municipal Councils Ordinance and the Pradeshiya Sabhas Act No. 15 of 1987. No instances of non-compliance with applicable safety regulations were reported during the financial year.

Beyond regulatory adherence, the Group maintains an Occupational Health and Safety (OH&S) Management System aligned with ISO 45001:2018 standards. The system is supported by Standard Operating Procedures designed to safeguard employees, contractors and visitors across operational sites. Hazard identification and risk assessment remain central to the framework, supported by routine inspections, safety walkthroughs and internal audits. Safety objectives are established annually, with defined action plans developed to address identified risks and drive continual improvement.

During the current year, enhancements were introduced to strengthen process controls within the OH&S management system. An Accident Investigation Reporting System was implemented to ensure systematic documentation of incidents and near misses, enabling structured root cause analysis and timely corrective action. The Work Permit Procedure was revised to reinforce

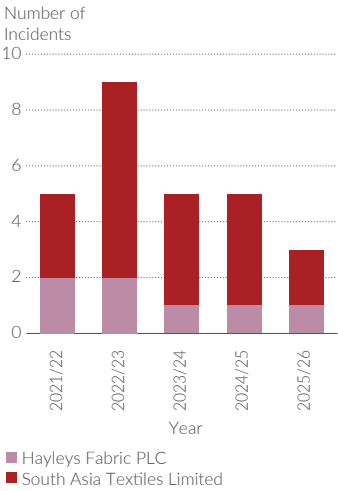
controls over high-risk activities and formalise authorisation protocols prior to execution, while safety checklists were introduced to promote consistency in monitoring practices across operational areas.

In parallel, the Contractor Safety Management Directive was initiated to strengthen oversight of contractor activities and ensure alignment with the Group's safety standards.

Standardisation of fire protection infrastructure was undertaken across sites, including alignment and upgrading of fire hydrant and hose reel systems, fire detection systems and fire sprinkler systems in accordance with applicable safety requirements. A structured Emergency Evacuation and Fire Drill Schedule were formalised to ensure coordinated emergency preparedness and periodic testing of response protocols.

A formally documented change management process was introduced during the year to ensure any operational, technical or infrastructural modification is subjected to prior safety risk assessment, documented approval and structured review before implementation.

Rate of Injury



Safety Governance

Governance of the OH&S framework remains under the stewardship of the Hayleys Fabric Group OHS Manager, supported by site-level safety teams responsible for implementation, monitoring and incident investigation.

Cross-functional Safety Teams, comprising management representatives, non-executive employees and union representatives, continue to support employee participation in safety matters. A dedicated fire team remains operational across shifts to ensure site-level fire preparedness.



Risk-based Approach to handling Chemical Risks

The Hayleys Fabric Group has established a risk-based approach to assess and manage risks associated with chemicals used in production with a view to reducing workplace incidents associated with chemical handling and storage. As per this approach, chemical risks are systematically evaluated based on their inherent hazardous properties and the potential impacts they may pose across operations with each substance subject to a multi-dimensional assessment encompassing health and safety risks, including worker exposure and toxicity; environmental risks, such as effluent discharge and volatile emissions; and physical risks, such as flammability and reactivity. This comprehensive evaluation framework enables the identification and prioritisation of higher-risk substances, supporting the implementation of targeted control measures to minimise adverse impacts on employees, the environment, and operational safety. Key controls in place include:

- Engineering Controls: - Automated dosing systems (e.g., pumping dyes and chemicals directly into machines) are used to reduce manual handling and limit human exposure.
- Administrative Controls: - Access to chemical storage areas is restricted to authorized personnel only. Standard operating procedures (SOPs) and safe handling guidelines are enforced.
- Personal Protective Equipment (PPE) - Appropriate PPE is mandated based on the risk assessment of each chemical.
- Information and Awareness - Up-to-date Safety Data Sheets (SDS) are maintained and made readily accessible at all chemical handling locations to ensure safe usage and emergency preparedness.

Monthly reviews are also conducted to assess chemical inventory levels and verify ongoing compliance with regulatory and internal requirements, which effectively ensures that only approved chemicals are stored and used, and that expired or non-compliant substances are identified and removed in a timely manner. Continuous training and awareness sessions are conducted for relevant teams to ensure adherence to evolving regulatory and customer requirements.



Human Capital

Safety Training

Occupational Health and Safety training initiatives reinforce a culture of safety awareness and support continuous improvement in workplace risk management.

Potential Safety Risks at Hayleys Fabric PLC and South Asia Textiles Limited	
Identified Risk Activity	Safety Measures Adopted
Handling of chemicals in the dyeing process	Comprehensive safety data sheets detailing proper chemical handling process, including use of appropriate PPE
	Storage of chemicals as per manufacturer recommended specifications and considering the compatibility
	Lockout and tag out procedures
Injury due to moving parts of mechanical equipment	Appropriate safeguards for all moving parts
	Clear guidelines for safe use of machinery and equipment
	Instruction and facilitate to wear appropriate PPE
	Lockout and tag out procedures
Noise/heat/dust etc	Installation of dust screens
	Installation of temperature controlled systems and monitoring of ambient environment within the factory
	Use of noise insulation materials and wearing suitable PPE

Hayleys Fabric Group Injury / Health Record					
	2025/26	2024/25	2023/24	2022/23	2021/22
No. of minor injuries	52	109	101	144	74
No. of major injuries	Nil	Nil	Nil	Nil	Nil
No. of fatalities	Nil	Nil	Nil	Nil	Nil
No. of lost workdays due to injury	181	218	187	184	211
No. of cases of ill health	Nil	Nil	Nil	Nil	Nil
No. of fatalities due to ill health	Nil	Nil	Nil	Nil	Nil
No. of lost workdays due to ill health	Nil	Nil	Nil	Nil	Nil

Safety Training Hours for FY 2025/26		
	Male	Female
Hayleys Fabric PLC	1,344	1,240
South Asia Textiles Limited	1,366	1,356

Employee Engagement

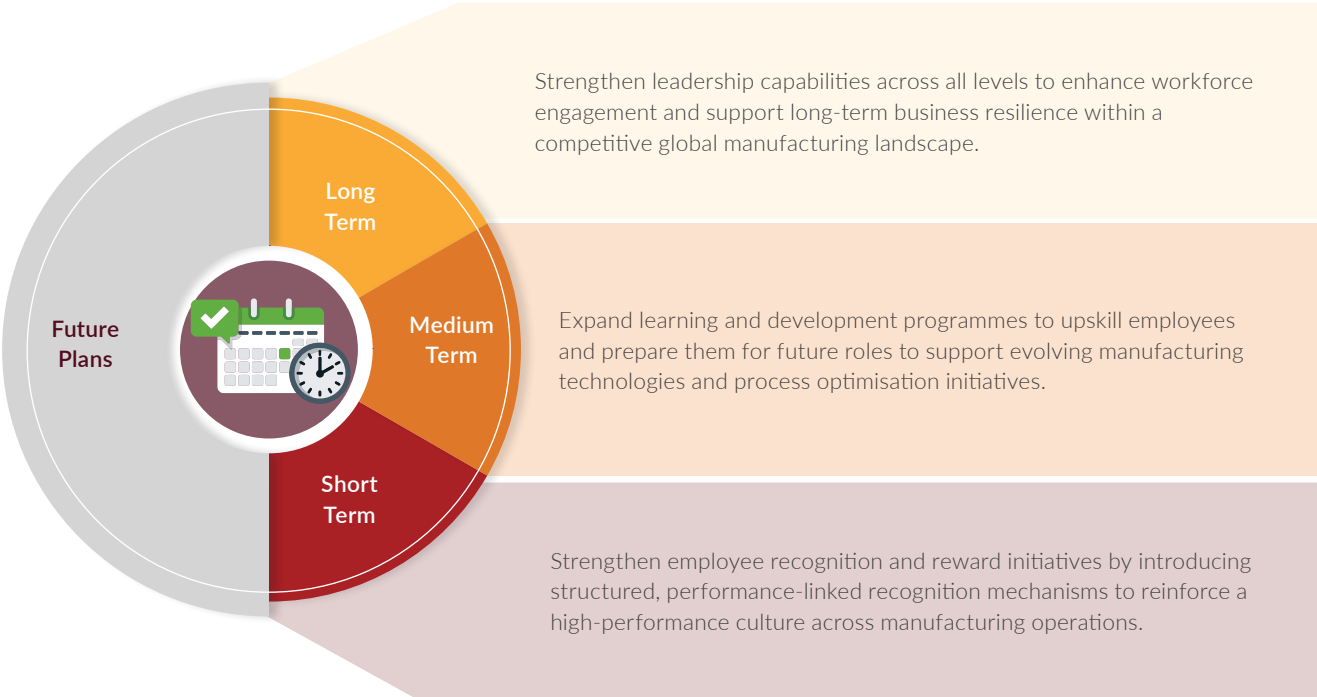
Employee engagement initiatives are implemented to reinforce a sense of belonging, recognise contribution and strengthen alignment with the Group's values and objectives.

Efforts for the current year included recognition of best shift performers, employee talent competitions, the annual

employee get-together, the annual Pirith ceremony, and the annual blood donation programme. Health awareness sessions covering blood-borne diseases and safe lifting practices were also conducted.

Educational support initiatives also continued through the annual book donations for employees' children and the distribution of essential gift packs

to children who achieved outstanding academic results at the Grade 05 Scholarship Examination, Ordinary Level and Advanced Level examinations. The Dansel organised in celebration of Poson Poya and the Haritha Sithuwam Art Competition for employees and their children further contributed to strengthening community engagement within the workforce.



Social and Relationship Capital



Social and Relationship Capital comprises the Hayleys Fabric Group's strategic relationships with customers, suppliers and communities that collectively safeguard business continuity, strengthen market access and support long-term value creation.

Management Approach

The Hayleys Fabric Group adopts a multi-pronged approach to deepen relationships with key stakeholders, including collaborating with customers, promoting responsible procurement practices and sustaining meaningful community engagement. Governance oversight, performance monitoring and compliance frameworks are embedded across customer, supplier and community interactions to support resilience amid evolving global trade and market conditions.



Challenges and Opportunities

Challenges

- Implementation of US tariff on Sri Lankan exports, impacting competitiveness
- Revenue concentration risk with approximately 51% exposure to the US market
- Sourcing delays due to logistical disruptions due to ongoing Middle East war

Opportunities

- Internal mergers within leading local apparel manufacturers creating new market avenues
- Onboarding of new customers in key markets
- Growth in local sourcing due to global logistical challenges
- Market diversification into emerging and niche segments
- Rising demand for value-for-money performance fabrics

Material Matters

- Supplier social assessment
- Environmental and social issues along supply chain
- Human rights assessment
- Regulations and compliance
- Customer requirements on sustainability
- Climate change adaptation
- Customer satisfaction
- Technology and product innovation
- On-Time Delivery (OTD)
- Product quality
- Community and livelihood development



Value Transformation

Outputs for Hayleys Fabric Group

Key Indicator	Requirement (%)	Achievement (%)
First Time Through (FTT)	95%	95%
On-Time Delivery (OTD)	95%	Over 88%

- 88% of suppliers demonstrating compliance

Shareholders Outcomes

- 302 new product innovations delivered to customers
- USD 113 Mn paid to suppliers (39% local : 61% overseas)
- 1,991 employment opportunities supported within local communities
- Over 6,380 direct beneficiaries through CSR initiatives



Customers

Customers play an anchoring role in safeguarding the Hayleys Fabric Group's operational and financial performance. The Group's customer portfolio is structured around Tier 1 partners, that account for approximately 70% of annual revenue and 70% of total manufacturing capacity utilisation, underscoring their significance in driving both financial outcomes and operational alignment.

The nature of these relationships extends beyond transactional arrangements with customer expectations influencing product development, process improvements and sustainability practices, reinforcing the need for disciplined execution and continuous enhancement across operations.

Given the scale and strategic importance of Tier 1 customers, the Group maintains a focused approach to relationship management, ensuring alignment of

production planning, technical execution and service delivery with evolving market requirements.

The remaining customer base comprises Tier 2 and other customers who contribute the balance 30% of revenue and capacity utilisation. While comparatively smaller in scale, these relationships provide diversification within the customer portfolio and support broader market engagement.

Social and Relationship Capital

Product Stewardship

As a textile manufacturer supplying to global apparel brands, the Hayleys Fabric Group’s approach to product stewardship represents a holistic model that encompasses quality assurance, traceability and regulatory compliance across the value chain. To that end, an integrated quality management approach is applied from planning through to final dispatch to ensure product specifications, timelines and sustainability expectations are prioritised at each stage of production.

Sales Product Categories



Close coordination between Planning teams and customer representatives ensures accurate translation of technical specifications into production processes, while collaboration between procurement and production teams ensures alignment between upstream material sourcing and downstream manufacturing schedules. These efforts are complemented by continuous testing and inspections to ensure consistency in quality performance throughout the production cycle.

Additionally, the Group also facilitates customer quality inspections within its premises prior to fabric dispatch, strengthening transparency and reinforcing confidence in product standards.

Customer health and safety forms an integral part of the Hayleys Fabric Group’s product stewardship commitments and is operationalised via a comprehensive chemical management framework designed to ensure full compliance with applicable restricted substances regulations. Accordingly, before introducing any new chemical or material into the facility, a formal approval process is conducted to ensure that all relevant compliance requirements are met. This includes verification against applicable Restricted Substances Lists (RSLs), Manufacturing Restricted Substances Lists (MRSLS), and regulatory requirements. Supporting documentation, including Safety Data Sheets (SDS), are reviewed prior to approval.

Strict control is exercised over the use of dyes and chemicals throughout the production process, with all finished textile products subject to a rigorous assessment in accordance with the OEKO-TEX® Standard 100 to verify the absence of harmful substances and assure that products are safe for human use. In particular, Hayleys Fabric Group adheres to the most stringent Annexure 1V, Product Class I requirements, applicable to textiles intended for babies and toddlers up to three years of age, thereby meeting the highest thresholds for human safety. The Group also aligns with customer-specific Restricted Substances Lists (RSLs) and Product RSLs (PRSLs) and where multiple standards apply, the Group adopts the most stringent requirements as the baseline, thereby ensuring compliance with the highest standards of product safety and quality.

Compliance is reinforced through continuous monitoring and further supported by routine testing and certification to ensure restricted or hazardous substances are not present beyond permissible limits.

During the year under review, a series of enhancements were implemented to strengthen product integrity. In-line quality monitoring was made more stringent with tighter control over shade consistency and shrinkage parameters, improved chemical accuracy and strengthened batch-level oversight. Similarly, improvements were made to the nylon dyeing process to standardise quality performance and reduce reprocessing requirements.

All products have been assessed for health and safety impact, with no incidents of non-compliance relating to product safety during the financial year, and no reclaimed products or packaging materials recorded for the 2025/26 period

Responsible Labelling

The Hayleys Fabric Group conforms strictly to all customer labelling expectations including B2B markets across all product disclosures. Additionally, labelling alignment with relevant international certification requirements further enhances transparency and supports customers’ sustainability objectives.

As part of ongoing improvements, Group-wide product labelling practices continued to be scrutinised to ensure that all labels accurately reflect yarn composition and blend specifications. No incidents were reported concerning non-compliance with product information and labeling or marketing information requirements.

Commitment to Innovation

Innovation remains integral to the Hayleys Fabric Group’s ability to meet evolving customer expectations within the global fashion industry. A comprehensive approach spanning product development, process optimisation and quality enhancement underpins the Group efforts to deliver innovate-led to customers. Innovation initiatives also support customers’ sustainability objectives. The Group’s research and development teams focus on enhancing energy efficiency, and minimising waste.

Innovation Highlights FY 2025/26		
Product Innovation	Process Innovation	Quality Assurance
Development of new knit structures and lightweight fabric ranges	Tighter shade and shrinkage control	Enhanced inline quality monitoring
Recycled and sustainable yarn programs	Improved chemical recipe accuracy	Introduction of midway inspection prior to final testing
High-stretch fabric solutions	Improvements to nylon dyeing process to stabilise output quality	Daily batch-level inspections for early deviation detection and timely corrective action before final validation
Performance finishes including quick-dry and cooling technologies		Integration of additional quality-related KPIs into daily monitoring
		Strengthened quality discipline and performance oversight

Customer Communication

The Hayleys Fabric Group maintains structured communication channels to facilitate regular performance review and responsive issue resolution.

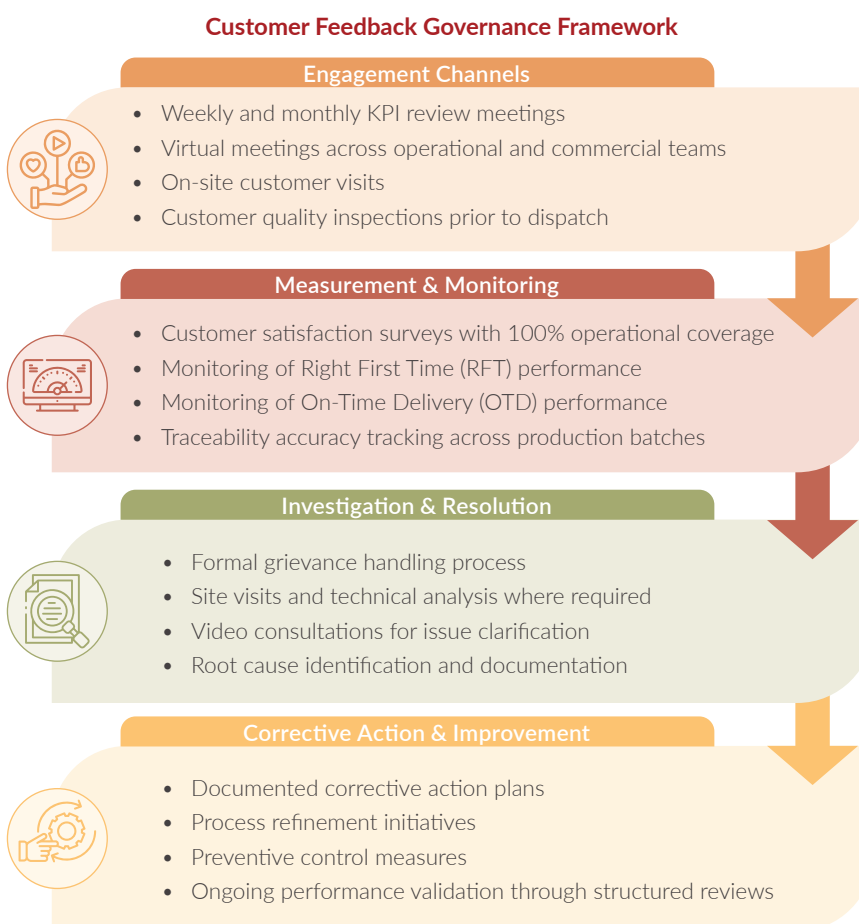
Weekly and monthly performance reviews are conducted with Tier 1 customers to evaluate critical KPIs and monitor progress against agreed targets. Continuous quality and service performance reviews are undertaken to assess product standards, delivery reliability and overall service consistency. Key performance indicators monitored include Right First Time (RFT) performance, On-Time Delivery (OTD) and traceability accuracy across production batches.

In addition to scheduled reviews, virtual meetings are conducted as required to address operational matters and understand complaints. Customer visits by the Marketing and Customer Care teams foster direct communication and serve as a vital channel for promptly resolving complaints.

All complaints are managed through a defined grievance handling process, whereby concerns are investigated through on-site visits, video consultations or technical analysis depending on the nature of the issue. Findings are documented and corrective actions implemented to prevent recurrence.

Customer satisfaction is measured through structured surveys conducted across the entire active customer base. Meanwhile roadshows are conducted as required to engage with existing and build relationships with potential customers.

There were no incidents of non-compliance concerning marketing communications reported in the current financial year.



Social and Relationship Capital

Data Privacy

Given the Hayleys Fabric Group’s engagement with leading global apparel brands, safeguarding customer data and intellectual property is embedded within the Group’s customer management framework.

Customer intellectual property rights are protected through Non-Disclosure Agreements signed during new product development engagements. Internally, dedicated teams are assigned to Tier 1 customers to manage communication and documentation flows, ensuring that sensitive information is handled through controlled and authorised channels.

Information dissemination is subject to defined internal approval protocols, restricting access to authorised personnel and minimising exposure risk. Internal data protection initiatives implemented within the broader Hayleys framework further support the safeguarding of customer information and reinforce compliance with applicable data security requirements.

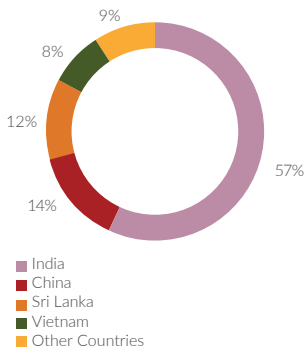
There were no reported incidents of breaches of customer privacy and losses of customer data during the financial year under review.

Suppliers

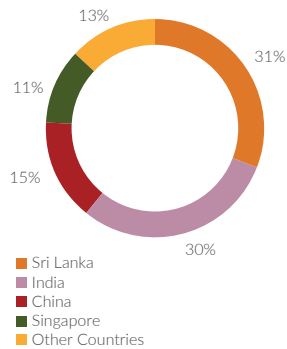
A diverse supplier network is vital for support Hayleys Fabric Group’s manufacturing ecosystem. The Group’s supply network comprises over 830 suppliers, with material partners supplying Yarn, Greige, Dyes and Chemicals accounting for 68% of total annual procurement value. Given their direct influence on operational stability, these suppliers are classified as Tier 1 material partners.



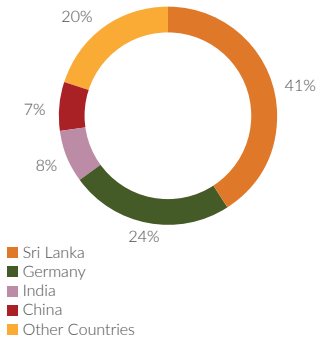
Yarn & Greige Supply by Country



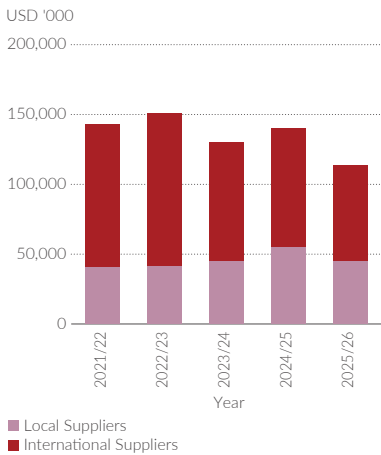
Dye & Chemicals Supply by Country



Machinery & Spare Parts Supply by Country



Amount Paid to Suppliers



The Hayleys Fabric Group maintains a diversified sourcing structure with overseas suppliers accounting for approximately 61% of annual procurement spend and local suppliers contributing 39%. The Group’s dedicated Supply Chain Management Unit oversees procurement activities in accordance with established Procurement Guidelines and category-specific Standard Operating Procedures governing the selection, onboarding and management of Tier 1 suppliers.

Supply Chain Governance

Supply chain governance is managed under the purview of a committee comprising Managing Director, Finance and Marketing Directors together with Head of Procurements in both Companies and head of compliance. The Committee is entrusted with the responsibility of reviewing high-risk suppliers, approving exceptions where required and ensuring alignment with

regulatory, contractual and ethical standards.

During the year under review, the Group introduced a Centralised Procurement Forum to strengthen coordination of raw material purchasing activities across business units, supported by the implementation of an optimum inventory management system to enhance inventory visibility and control.

In addition, contractual and legal controls with principal suppliers were strengthened through the incorporation of enhanced clauses addressing human rights, environmental compliance, reporting and transparency obligations, audit rights and termination provisions for serious violations.

Key Improvements to the Supply Chain Governance Framework in FY 2025/26

During the year under review, the Hayleys Fabric Group strengthened procurement coordination and inventory control through the introduction of a Centralised Procurement Forum and the implementation of an Optimum Inventory Management System.

Centralised Procurement Forum

The Centralised Procurement Forum was established to enhance coordination and oversight of raw material purchasing activities across the Hayleys Fabric Group.

Key improvements include:

- Consolidated monitoring and execution of raw material procurement
- Improved alignment of purchasing decisions across business units
- Enhanced negotiation capability with key suppliers
- Strengthened visibility over procurement commitments

Optimum Inventory Management System

The Optimum Inventory Management System was implemented to enhance inventory visibility and support operational continuity.

Key improvements include:

- Improved tracking and control of inventory levels
- Enhanced demand forecasting and replenishment planning
- Reduced carrying costs
- Minimised risk of stock-outs and production disruptions



Social and Relationship Capital

Supplier Assessment and Onboarding



Supplier Assessment Program

All new suppliers undergo a structured evaluation of operational capability and organisational credentials, including:

- a) Capacity: Ability to meet required demand volumes and technical specifications.
- b) Quality Standards: Compliance with defined quality requirements and production controls.
- c) Legal and Regulatory Compliance: Adherence to applicable laws and statutory requirements.
- d) Financial Stability: Assessment of financial strength and business continuity capability.
- e) Delivery Track Record: Evaluation of historical performance in meeting agreed delivery timelines.



Sustainability Self- declaration

Suppliers are required to submit formal declarations confirming adherence to environmental, social and ethical responsibility principles in line with the Group's Supplier Code of Conduct.

This includes compliance with expectations relating to:

- Labour practices, human rights and workplace safety
- Compliance with national labour laws
- Environmental management practices (e.g. ISO 14001 alignment, EPL and SWML requirements, ZDHC and OEKO-TEX where applicable)
- Social accountability standards (e.g. SA8000 alignment)
- Assessment of risks related to corruption and unethical business conduct
- Alignment with relevant UN Sustainable Development Goals



Teir 1 Material Supplier Requirements

Suppliers providing yarn, greige, dyes and chemicals are subject to enhanced scrutiny under the Group's risk-based assessment model.

Additional requirements include:

- Submission of traceability documentation
- Disclosure of environmental and social performance data
- Transparency in sourcing practices
- Third-party validation through recognised platforms such as Sedex and EcoVadis
- Commitment to providing measurable sustainability KPIs
- Exploration of digital traceability enhancements, including blockchain-based solutions
- Prioritisation of high-risk suppliers for enhanced due diligence



Site Visits and Due Diligence

Final onboarding approval is contingent upon verification activities conducted by Management and Compliance teams, including:

- Site inspections and operational assessments
- Review of regulatory permits and statutory licenses
- Validation of documented policies and practices
- Implementation and monitoring of corrective action plans where required
- Defined escalation mechanisms governing instances of non-conformity prior to approval

Supplier Monitoring and Capability Development

Ongoing supplier monitoring remains integral to the Hayleys Fabric Group's efforts to maintain a reliable and compliant supply chain. Following onboarding, suppliers a multi-tier risk assessment model is applied to prioritise higher-risk suppliers for enhanced oversight and targeted engagement. Key efforts include annual audits, spot audits and unannounced site visits. Audit activities are conducted by the Group's Compliance team and, where applicable, in line with customer and buyer requirements.

The audit scope encompasses operational performance, adherence to contractual obligations and compliance with environmental and social expectations. Additionally, social audits assess labour law compliance, human rights practices, workplace safety standards and diversity policies, while environmental assessments evaluate carbon footprint, waste management practices, energy utilisation and responsible sourcing commitments. Findings are documented and reviewed for appropriate action, with corrective measures implemented where required.

Suppliers who fail to meet defined contractual or compliance standards,

are identified and reported to the Cross Functional Committee headed by the Managing Director and Executive Directors for appropriate action.

Beyond monitoring, the Group adopts a development-oriented approach to strengthen supplier capability. Suppliers' operational gaps identified through audits are managed by Hayleys Fabric Supply Chain Management Unit through appropriate training and capacity building activities. Additionally, regular training and awareness initiatives are provided to enhance suppliers' understanding of evolving environmental, social and governance expectations.

Suppliers assessed for risks related to corruption

Total number of new suppliers assessed for risks related to corruption .	06
Total number of suppliers benefitting from anti-corruption training and awareness	47
Total number of incidents of corruption detected in the supply chain	Nil
Action taken in relation to incidents	Nil

Supplier environmental Assessment

Percentage of new suppliers providing priority materials that were screened using environmental criteria	100%
Total number of existing suppliers assessed for environmental impacts	54
Number of suppliers identified as having significant actual and potential negative environmental impacts	Nil
Significant actual and potential negative environmental impacts identified	Nil
Percentage of suppliers with whom improvements were agreed upon as a result of negative environmental impacts identified	Nil
Percentage of suppliers with whom relationships were terminated as a result of then negative environmental assessment, and why.	Nil

Supplier Social Assessment

Percentage of new suppliers providing priority materials that were screened using social criteria	100%
Total number of existing suppliers assessed for social impacts	54
Number of suppliers identified as having significant actual and potential negative social impacts	Nil
Significant actual and potential negative social impacts identified	Nil
Percentage of suppliers with whom improvements were agreed upon as a result of negative social impacts identified	Nil
Percentage of suppliers with whom relationships were terminated as a result of the social assessment, and why.	Nil

Social and Relationship Capital

Supply Chain Traceability and Transparency

Traceability across the supply chain is a critical component of the Hayleys Fabric Group's supplier oversight framework. An internal traceability mechanism is currently in place to monitor the movement of raw materials and inputs across the value chain.

The framework supports accountability, enhances transparency and facilitates timely identification of irregularities within the procurement cycle. It also complements supplier assessment, monitoring and audit processes by strengthening documentation integrity and information accuracy.

Recognising the evolving expectations of customers and stakeholders with regard to supply chain transparency, the Group is exploring digital solutions to further enhance traceability capabilities. Blockchain-based tools are among the technologies under consideration to improve data integrity, strengthen transparency and enable more efficient verification processes across the supply chain.

No major issues related to labour conditions or environmental compliance were identified among suppliers during the year.

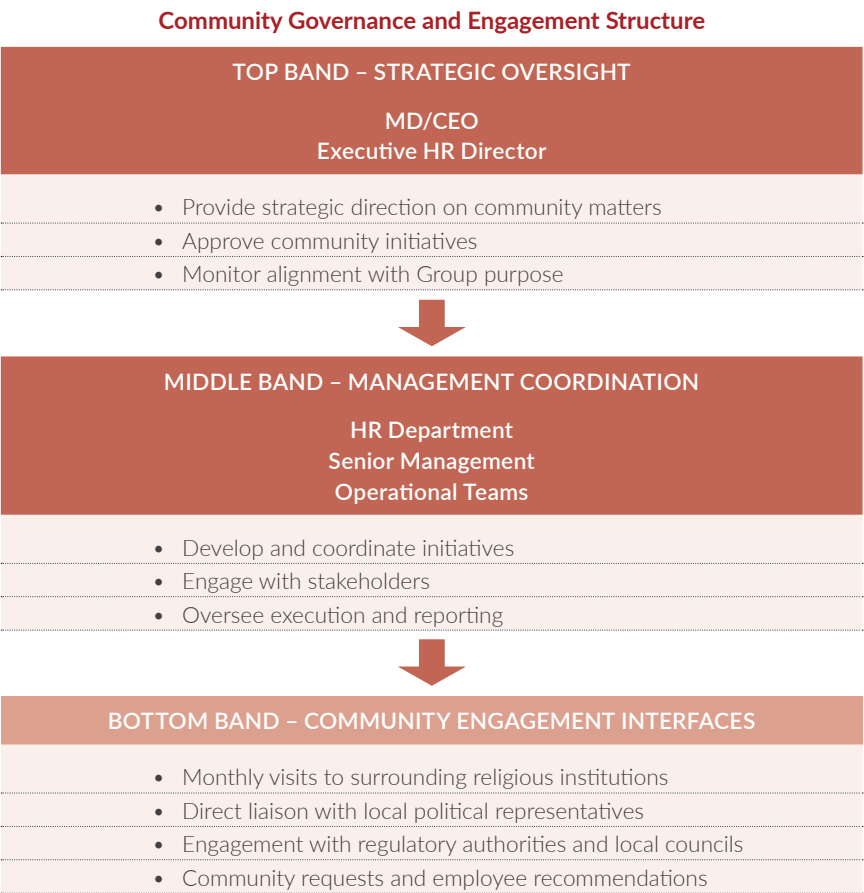
Community

Community, for the Hayleys Fabric Group, represents the interconnected network of people whose lives, livelihoods and environments are influenced by the Group's operations. This understanding has promoted the Group's principal focus towards employment generation and providing opportunities for women empowerment, education support, health and wellbeing initiatives, environmental stewardship and broader social and cultural engagement.

Through its operations, the Group supports Over 6,380 direct and indirect employment opportunities. Job creation, particularly for women, continues to provide income stability and empowerment within surrounding communities. The Group maintained 100% job security during the year under review, with no layoffs or pay cuts, thereby contributing to social continuity and household financial stability.

At the same time, the Hayleys Fabric Group acknowledges that manufacturing processes may have environmental and social impacts, including emissions, wastewater, noise and resource consumption. Compliance with Environmental Protection Licenses and scheduled waste management licenses requirements forms a foundational safeguard towards mitigating these adverse impacts. To that end, the Group has over the years made significant investments in effluent treatment facilities to ensure that discharged water consistently meets the standards prescribed by the Central Environmental Authority.

Likewise, investment in renewable energy, including solar power and biomass, has reduced reliance on furnace oil, while continuous monitoring and operational improvements are undertaken to minimise disturbances relating to emissions, waste water, noise and resource usage. Engagement with community stakeholders remains central to this mitigation approach, enabling concerns to be identified early and addressed proactively.



Community Engagement

Oversight of community-related matters rests at the highest levels of the organisation. The Hayleys Fabric Group MD/CEO and Executive Director-HR & Admin oversees community engagement initiatives, supported by the HR team and senior management. Monthly visits by the MD and Executive Director HR & Admin to various places in the vicinity of operational sites provide an opportunity to understand concerns raised by local residents, while direct

liaison with different local stakeholder representatives further strengthens responsiveness and ensures that grievances are addressed in a timely and responsible manner.

Community needs are also identified through, requests from community stakeholders and recommendations from employees or local representatives. Proposed projects are reviewed and approved by the MD/CEO to ensure alignment with the Group's purpose and

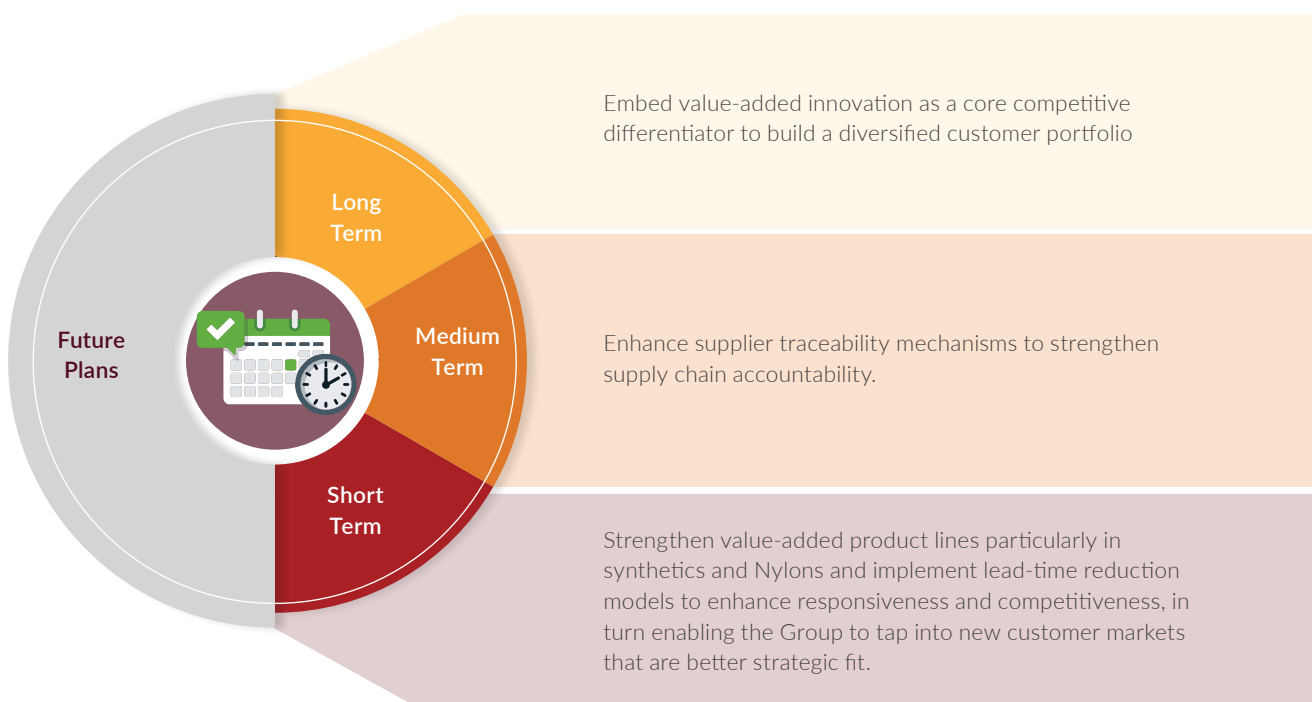
community priorities. Upon approval, detailed implementation plans are prepared by the HR department or relevant operational teams, with progress monitored by top management to ensure effective execution and measurable outcomes.

There are no community negative impacts resulting from the company's operations.

Community Projects

During the year under review, a total of USD 32,686 was incurred on Group-wide Corporate Social Responsibility initiatives.

Focus Area	Key Initiatives	Outcomes/Impact
Education	- Rathmalgahawewa Book Donation - Karranagoda Primary School Book Donation - Support to Bodhiraja College – Pugoda - Sponsorship for students participating in All Island Games	Strengthening community education to equip individuals with the knowledge and skills required for higher education.
Youth & Industry Development	- Educational factory tours for SLITA students - Factory visits for University of Peradeniya undergraduates	30+ SLITA students 32+ University undergraduates
Cultural & Social Engagement	- Sponsorships for Poson Udanaya and community Dansals - Support to local religious and community organisations	Promote meaningful engagement and strengthen long-term relationships with the community.



Social and Relationship Capital



Annual Pirith Ceremony Hayleys Fabric January 2026



Hayleys Fabric PLC & South Asia Textiles Ltd Annual Get Together April 2025.

Commencement for the Sinhalese & Tamil New year 2025



Grade 5 Scholarship exam passing gifts given to employees' children



15th Annual Blood Donation-200 Donors



Poson Poya Kadala Dansala



Annual school book donation to employees' children



Monthly best production performance recognition

Karannagoda village school 2026 book donation



Sand-Box -Executive Leadership Training Program



Annual Art Competition

Natural Capital comprises the environmental resources that enable the Hayleys Fabric Group's manufacturing operations, including emissions, water, energy, and surrounding ecosystems. As a resource-intensive textile manufacturer, safeguarding natural resources is essential to operational continuity, regulatory compliance and meeting evolving customer expectations for responsible production.

Management Approach

The Hayleys Fabric Group manages Natural Capital through a compliance-led and performance-driven framework anchored in national regulation and the voluntary adoption of global best practices. The Group's approach is also guided by the principles of the Hayleys Lifecode & Hayleys Fabric Group's ESG Road Map "The GreenCatalyst" which establishes the mandate for responsible environmental stewardship across operations. Additionally, the Group has made a firm commitment to environmental conservation as part of a broader effort to enhance net-positive environmental impact over time.



Challenges and Opportunities

Challenges

- Increasing regulatory and disclosure requirements including climate-related reporting standards
- Physical climate risks impacting water quality and raw material supply
- Rising customer expectations for measurable decarbonisation and supply chain transparency
- Managing resource intensity within energy and water-intensive manufacturing processes
- Biodiversity degradation and ecosystem vulnerability within surrounding landscapes

Opportunities

- Strengthening decarbonisation leadership through validated Science-Based Targets
- Advancing renewable energy adoption and low-carbon fuel transition
- Embedding circular economy practices across materials and waste streams
- Leveraging Life Cycle Assessment to enhance product transparency and customer confidence
- Driving measurable biodiversity restoration and watershed resilience initiatives

Material Matters

- Climate change adaptation
- Water stress
- Regulations and compliance
- Physical climate risks – rainfall
- Physical climate risks – temperature
- Ecological impacts
- Environmental and social issues along the supply chain
- Energy consumption
- Customer sustainability requirements



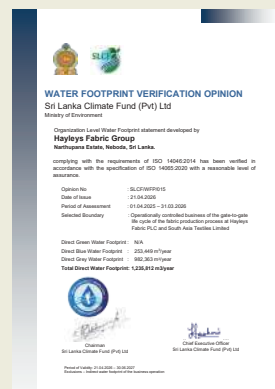
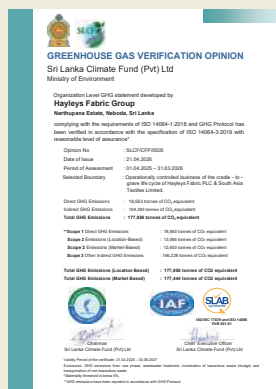
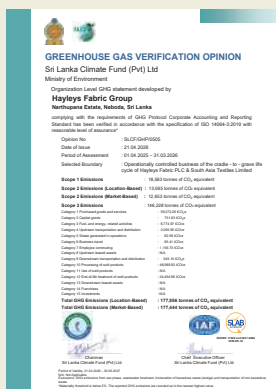
Value Transformation

Outputs for Hayleys Fabric Group

- Energy intensity: 79 GJ/MT
- Emission intensity: 11.2 tCO₂e/MT
- Water intensity: 165 l/kg
- ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements

Shareholders Outcomes

- 9.8 % reduction in grid electricity consumption
- Water intake of 2,607,672 m³ (2,608 ML)
- Water discharge to the environment of 2,382,045 m³ (2,382 ML)
- Zero waste to landfill and promotion of recycled and reclaimed materials
- Biodiversity conservation and ecological restoration
- Preservation of natural ecosystems
- No contamination of water bodies owing to ZERO spills



Natural Capital

Environmental Governance

Environmental governance within the Hayleys Fabric Group is driven by Board-approved policies and supported by structured management accountability across both sites.

In the year under review, governance was further enhanced through the centralisation of environmental monitoring and testing functions to support more reliable reporting. As part of these efforts, the Hayleys Fabric Group's ESG Steering Committee undertook to conduct monthly meetings

with plant teams to review sustainability priorities, assess environmental risks and opportunities, and evaluate performance against Science Based Targets initiative trajectories, thereby strengthening cross-functional ownership of environmental targets and reinforcing accountability at operational level.

The Group also made good headway in updating its Enterprise Risk Management framework by formally integrating climate-related financial considerations under SLFRS S1 and SLFRS S2. As part of the full adoption of these standards, the

Hayleys Fabric Group commenced the quantification of physical climate risks and their potential financial implications.

The Group's Environmental Management System continued to evolve in line with these developments where production departments were assigned targeted environmental objectives tied to specific environmental Key Performance Indicators, while performance monitoring mechanisms were enhanced through daily and monthly review cycles, enabling timely identification and correction of deviations.

Hayleys Fabric Group Environmental Management Framework



Regulatory Compliance

- Trade Licence
- Environmental Protection Licence (Renewed Annually)
- Scheduled Waste Management Licence (Renewed Annually)

Hayleys Fabric Group continued to uphold full compliance with all applicable environmental and statutory requirements during 2025/26.



Voluntary Commitments

- | | | |
|---|---|--|
| <ul style="list-style-type: none">• Internal Mandates• Science Based Targets initiative (SBTi)• Global Recycled Standard (GRS)• Global Organic Textile Standard (GOTS) | <ul style="list-style-type: none">• Standard 100 by OEKO-TEX• Organic Content Standard (OCS 100) - Responsible Sourcing Network• Eco Label Certification-Hayleys Fabric Group | <ul style="list-style-type: none">• International Renewable Energy Certificate (I-REC)• ZDHC Framework• Responsible Care Council Membership-Hayleys Fabric Group |
|---|---|--|



Internal Mandates

- | | |
|---|--|
| <ul style="list-style-type: none">• Hayleys Lifecode• Hayleys Fabric Group's ESG Road Map "The GreenCatalyst"• Environmental Policy• Energy and Emission Management Policy | <ul style="list-style-type: none">• Waste Management Policy• Environmental Management System certified under ISO 14001:2015• Energy Management System certified under the ISO 50001:2018 |
|---|--|



Performance Monitoring & Assurance

- Carbon footprint quantification in line with ISO 14064-1: 2018 and GHG Protocol
- GHG Verification in line with ISO 14064-3: 2019
- Water footprint quantification and verification in line with ISO 14046:2014 & ISO 14065:2020
- Zero Waste to Landfill certification verified in accordance with ISO 14065:2020



Reporting & Disclosure

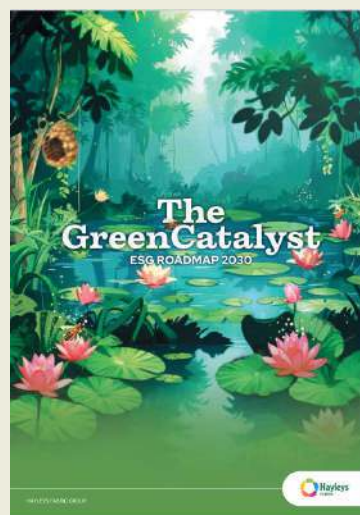
- Global Reporting Initiative (GRI) Standards - In Accordance
- United Nations Sustainable Development Goals (SDGs)
- Sustainability Accounting Standards Board (SASB) - Apparel, Accessories and Footwear Standard
- Ten Principles of the United Nations Global Compact (UNGC)
- UNGC CEO Water Mandate
- Gender Parity Reporting Framework of CA Sri Lanka
- SLFRS S1 & S2

Another key landmark in the current year was the launch of the Hayleys Fabric Group's ESG Road Map 2030 "The GreenCatalyst" setting out strategic priorities and measurable pathways towards achieving the Groups' 2030 sustainability vision.

"The GreenCatalyst" – ESG Road Map 2030

The GreenCatalyst – ESG Road Map 2030 articulates the long-term sustainability ambition of the Hayleys Fabric Group, developed in direct synergy with the Hayleys Lifecode's six long-term areas of commitment, which include Climate Action, Restoring and Regenerating Nature, Optimising the Resource Footprint, Partnering Progress, Responsible Workplace and Responsible and Responsive Corporate Citizenry. Building on these pillars "The GreenCatalyst" is tailored to meet the specific needs, risks, and opportunities within the textile manufacturing sector. This includes strategic focus areas such as decarbonisation, water and chemical stewardship, ethical labour practices, circular innovation, and biodiversity conservation. Through this sector-specific adaptation, Hayleys Fabric continues to translate the Lifecode's vision into operational reality, ensuring compliance with international ESG frameworks, while advancing Sri Lanka's textile industry toward a regenerative and resilient future.

The GreenCatalyst was formally communicated to customers, suppliers and regulatory stakeholders during the year, reinforcing transparency and shared accountability across the value chain.



Natural Capital

Materials

The profile of materials used in the Group’s manufacturing operations is determined largely by customer specifications, where the functional requirements of the end product dictate the fibres, yarns and associated processing inputs. On this basis, the Hayleys Fabric Group uses a mix of renewable and non-renewable material inputs in its day-to-day production

requirements. Non-renewable materials comprise dyes and chemicals, along with yarn and greige fabrics made from 100% synthetic fibres such as polyester and nylon, and natural-synthetic blends including poly-cotton, while renewable materials include yarn and greige fabrics made from 100% natural fibres such as cotton, PIMA, SUPIMA, BCI, Compact, Organic Cotton and Viscose.

Understanding the adverse impact on the environment resulting from the use of non-renewable materials, the Group makes a concerted effort to reduce the proportion of non-renewable inputs utilised in day-to-day operations. These efforts are involved investment in technology solutions and research and development initiatives aimed at identifying eco-friendly alternatives and improving overall material efficiency.

Integrating Nature-based Solutions (NbS) and Promote Circularity



Fungal-based dye initiative (MICRO SHADES) in collaboration with SLINTEC – Ongoing Project

Materials used across the Hayleys Fabric Group value chain						
Material Type (MT)		2025/26	2024/25	2023/24	2022/23	2021/22
Non - Renewable Materials	Yarn & Greige	8,558	12,789	10,685	11,097	10,630
	Dyes & Chemicals	11,632	11,236	11,358	11,276	14,259
Renewable Materials	Yarn & Greige	6,274	6,480	6,536	6,560	8,590
Total Raw Materials		26,464	30,505	28,579	28,933	33,479
Non - Renewable Materials	Recycled Yarn	3,361	3,414	1,805	2,049	1,150
	% of Recycled Yarn/ Total Material Consumption	13%	11%	6%	7%	3%
	% of Recycled Yarn/ Total Production	21%	22%	11%	12%	7%



PET bottle recycled yarn

Chemical Management

The Hayleys Fabric Group's end-to-end approach to chemical management begins at the procurement stage where only compliant and approved chemical inputs that align with stringent safety, environmental, and regulatory requirements are introduced into manufacturing operations.

In this regard, the Group's Environmental Protection and Chemical Control Programme developed in alignment with global best practices, including the ZDHC Manufacturing Restricted Substances List (MRSL) Version 3.1, serves as the basis for eliminating hazardous substances at the outset while ensuring the stringent management of chemicals during the manufacturing process as well as preventing the release of untreated or harmful residues during production.

The effective application of the Environmental Protection and Chemical Control Programme is driven by supplier evaluations, comprehensive chemical inventory management systems and, third-party assurance to confirm the Group's adherence to highest standards of chemical safety and environmental stewardship across its operations.

Circular Innovation: Evolve – The Art of Transformation

The "Evolve: The Art of Transformation" initiative undertaken in collaboration with the ProGreen Lab of the University of Moratuwa, remains a key circularity-focused programme. The project centers on converting hazardous and non-hazardous waste generated from internal operations into value-added construction materials, embedding circular economy principles within manufacturing processes.

Earlier phases of the initiative explored several waste-to-value applications, including the utilisation of industrial sludge and residual material streams in the development of eco-friendly

construction composites and alternative building materials. Building on this, the newest development introduced during the current year focused on the creation of geo-polymerised concrete slabs derived from selected industrial waste materials. Geo-polymerisation is a chemical process that activates alumino-silicate rich materials to form durable binder structures without the need for conventional Portland cement, thereby significantly reducing the carbon footprint typically associated with traditional construction materials.

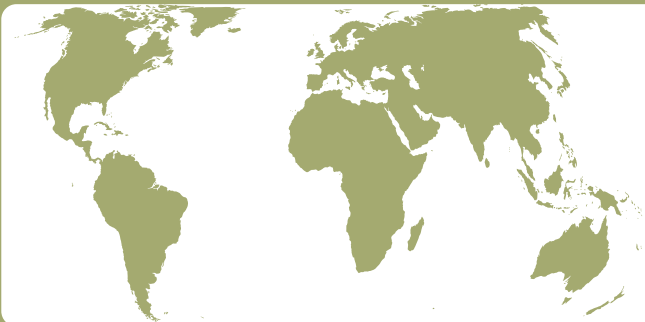


Process Optimisation and Reduction of Hazardous Chemicals

The Hayleys Fabric Group continues to focus on phasing out the use of hazardous chemicals within production processes. In line with this commitment, the Group has over the years increased its investment towards process optimisation technologies, including equipment introduced to minimise chemical intensity in finishing processes, while also strengthening internal monitoring practices.

The focus in the current year was on improving chemical management controls, enhancing process monitoring and reinforcing responsible chemical handling practices across production operations to systematically reduce chemical consumption intensity. Further, as part of ongoing efforts to substitute higher-risk chemical inputs with safer alternatives, a series of initiatives were undertaken to explore improved chemical formulations.

Priority Materials



Yarn (including cotton and synthetic yarn), Greige (unfinished fabric), dyes & Chemicals are the priority materials consumed by the Hayleys Fabric Group. Priority Materials account for approximately 82% of the materials consumed in the product process

Environmental and Social Factors Threatening Sourcing of Priority Materials

Environmental factors	Yarn	Greige	Dyes	Chemicals
High greenhouse gas (GHG) emissions from yarn production	✓	✓		
Water consumption and chemical usage in textile processing	✓	✓	✓	✓
Climate-related impacts affecting cotton availability	✓	✓		
Social factors				
Labour rights violations (e.g., excessive working hours, unfair wages)	✓	✓	✓	✓
Risk of child labour and poor working conditions in upstream suppliers	✓	✓	✓	✓
Risk minimisation strategies are aligned to the Science Based Targets initiative (SBTi) and the Ethical Trading Initiative (ETI).				

Impact to the Hayleys Fabric Group	Management Strategies
Risks: - Supply chain disruptions due to environmental non-compliance - Reputational damage from labour or environmental violations - Increased costs due to carbon regulations and resource scarcity Opportunities: - Increased demand for sustainable textiles (e.g. organic and recycled materials) - Market access through certified products such as Global Organic Textile Standard (GOTS), and Global Recycled Standard (GRS). - Enhanced brand value and customer trust through sustainability leadership	Decarbonization strategy: Integration of GHG monitoring across facility and supplier levels, aligned with SBTi targets, including long-term emission reduction initiatives Supplier engagement and monitoring: Continuous monitoring of supplier environmental and social performance, supported by audits and corrective action programs Certification and sustainable sourcing: Adoption of globally recognized certifications such as GOTS (organic textiles), GRS (recycled materials), SLS 1551 (sustainable biomass) to ensure compliance with environmental and social standards Capacity building: Long-term training programs for suppliers to improve sustainability performance Lifecycle perspective: Assess the lifecycle environment & social impacts Sustainability disclosures: Aligned with SLFRS S1 S2 and reporting disclosures

Amount of Priority Materials Certified by Third-Party Standards

A significant proportion of raw materials is sourced as certified materials, primarily driven by customer requirements and market demand for sustainable products. Certified materials are aligned with recognized third-party standards such as:

- Global Organic Textile Standard (GOTS) – for organic fibres
- Global Recycled Standard (recycled materials standard) (GRS) – for recycled content

The share of certified materials continues to increase due to:

- Strong customer-driven demand for sustainable and traceable inputs
- Expansion into new markets requiring certified textile products
- Alignment with the company's overall sustainability strategy and commitments

Life Cycle Assessment (LCA) of Five Fabric Products

The Life Cycle Assessment (LCA) initiative undertaken in 2025-26 marks a major breakthrough in the Hayleys Fabric Group's sustainability journey, reflecting the Group's commitment to lead by example in advancing product-level environmental accountability within the textile manufacturing sector.

The LCA initiative was undertaken in collaboration with the National Cleaner Production Centre was conducted in accordance with ISO 14040:2006 and ISO 14044:2006 standards, evaluating 18 environmental impact categories from raw material extraction through manufacturing, distribution, use and end-of-life disposal.

The assessment enabled:

- Identification of significant environmental impact categories
- Comparative analysis of environmental performance across product types
- Quantification of environmental impacts to support customer transparency and sustainability disclosures
- Data-driven guidance for material selection and product development

By establishing a scientifically validated product-level environmental assessment framework, the LCA initiative creates a platform to support responsible product innovation and meet the transparency expectations of global customers.

Energy

Energy remains a critical input for the Hayleys Fabric Group's manufacturing operations, particularly in dyeing, finishing and thermal processing activities. Managing energy intensity therefore remains central to operational efficiency, cost optimisation and climate-related risk mitigation. Energy management continues to be guided by

the ISO 50001 Energy Management Standard, which provides a structured framework for monitoring, control and continuous improvement across the Group.

As part of the ongoing improvements under the energy management standards Hayleys Fabric Group undertook a series of targeted energy intensity reduction

initiatives designed to improve system efficiency, minimise energy loss and strengthen energy management across operations. A collective total USD 63,162 was invested in energy intensity reduction projects at Hayleys Fabric PLC and South Asia Textiles Limited in the year.

Focus Area	Project / Initiative	Annual Energy Saving (kWh)
Steam system optimisation	Recovery of steam condensate and flash steam	663,650
Thermal efficiency	Improvement of steam and condensate line insulation	43,333
Process optimisation	Reduction of steam intensity in dye house through improved steam trap efficiency and leak elimination	2,091,600
Resource efficiency	Improvement of cooling water recovery and utilisation	675,604
Compressed air efficiency	Fixing compressed air leaks	24,865
Equipment efficiency	Implementation of smart energy saving system for stenter machines	96,000
Operational optimisation	Reduction of downtime in finishing department and improved motor management plan	1,000
Fuel transition	Elimination of HFO through replacement with LPG fuel	
Total Annual Energy Savings		3,596,052

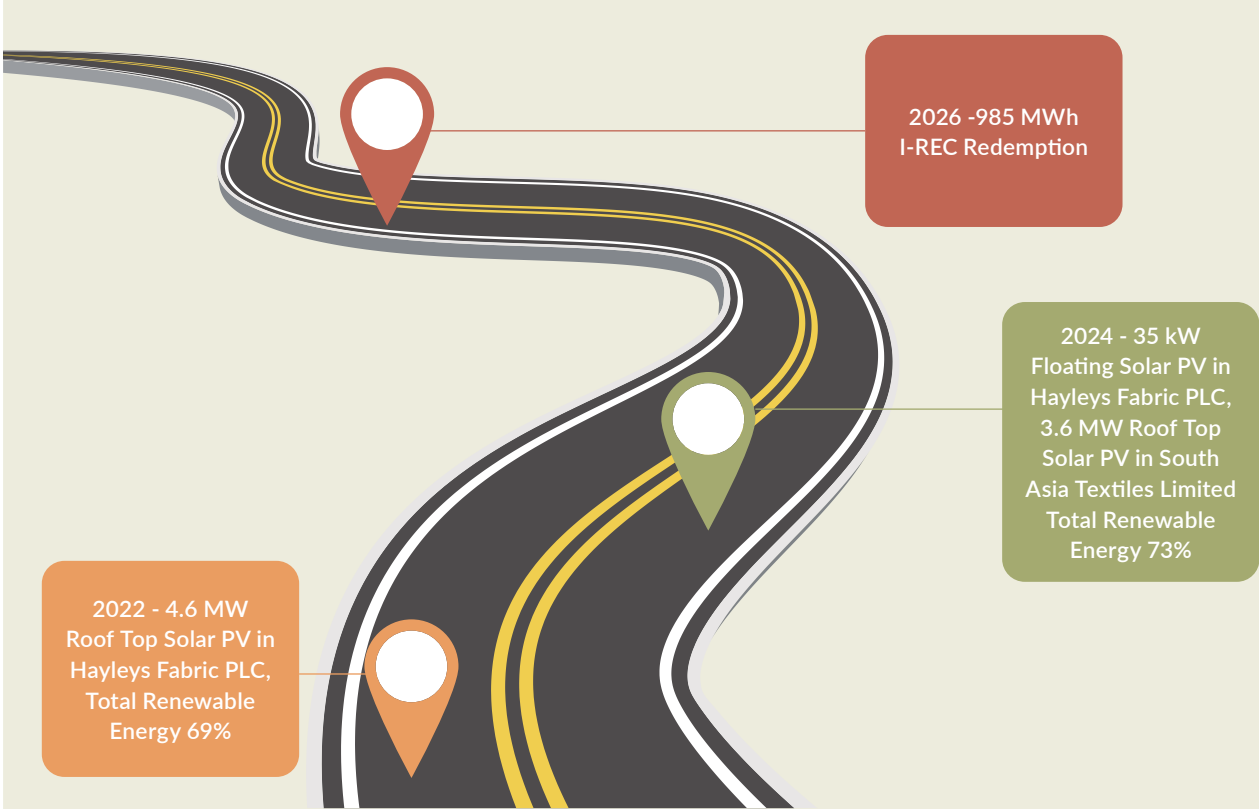
Natural Capital

Investment in Renewable Energy and Clean Energy Integration

The Hayleys Fabric Group continues to build on its early investments in renewable energy infrastructure. The 4.6 MW rooftop solar installation commissioned in 2021 has remained the cornerstone of the Group's renewable energy portfolio, significantly strengthened on-site renewable generation capacity and reduced dependence on conventional grid-based electricity. In addition, the 35 kW floating solar system commissioned in 2024 further expanded the Group's renewable energy infrastructure. Beyond on-site generation, the Group has also begun utilising off-site mechanisms to procure renewable energy. During the year, 985.59 MWh of renewable electricity was redeemed under the International Renewable Energy Certificate (I-REC) Standard.

These investments together with the integration of biomass energy across manufacturing operations have ensured that, approximately 72% of the Group's annual energy requirements are met through renewable sources.

Hayleys Fabric Group - Renewable Energy Milestones



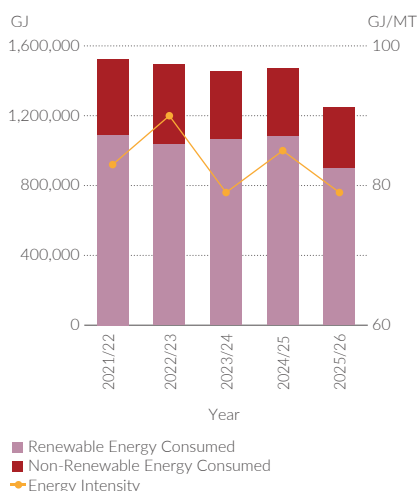
Building on these achievements, the Group commenced work on obtaining the International Renewable Energy Certificate (I-REC) certification for in-house renewable electricity generation in net metering scheme. The I-REC framework is an internationally recognised renewable energy certificate system that verifies electricity generated from renewable sources and enables organisations to transparently account for renewable electricity generation and usage. Once operationalised, this mechanism will allow the Group to formally certify renewable electricity exported to the grid and strengthen the credibility and traceability of its renewable energy reporting.

Type of energy	Group		Company	
	2025/26	2024/25	2025/26	2024/25
Non-renewable energy (GJ)	349,776	391,070	285,908	318,924
Renewable energy (GJ)/ %	897,246/ 72%	1,080,317/ 73%	419,852/ 59%	485,297/ 60%
Total energy consumption (GJ)	1,247,022	1,471,387	705,760	804,221
Energy intensity ratio (GT/MT of dyeing production)	78.9	84.9	80.8	85.2

Performance Against Lifecode Goals	2030 Target	2025/26 Performance
Sustainable and Renewable energy applications	90%	72%
Sustainable biomass sourcing (Responsibly managed sources)	100%	100%

Energy consumption was reduced by 224,365 GJ compared to FY 2024/25 through fuel optimization and energy efficiency initiatives.

Energy Consumption & Intensity

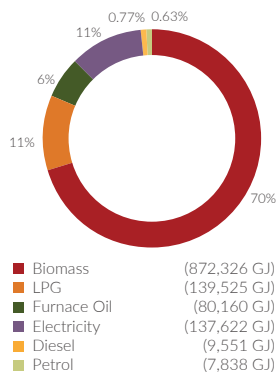


Emissions

Hayleys Fabric Group has measured direct (Scope 1) and indirect (Scope 2 and Scope 3) emissions in accordance with ISO 14064-1:2018 and the GHG Protocol. Separate Greenhouse Gas Inventory reports are compiled for Hayleys Fabric PLC and South Asia Textiles Limited, with consolidated assessments independently verified in line with ISO 14064-3:2019 standards.

Additionally, following formal validation of its net-zero greenhouse gas emissions targets under the "Science Based Targets initiative" in 2024, the Hayleys Fabric Group now aligns operational performance with its 1.5°C pathway commitments. Current year targets set in accordance with the SBTi trajectory were successfully achieved, reinforcing progress toward the FY2030 near-term goals.

% of Energy by Source



Description	Emissions (tCO ₂ e)
Target for FY2025/26	190,073
Actual for FY2025/26	177,444

Meanwhile, as part of the ongoing efforts to stay on course with the 2030 targets, the Hayleys Fabric Group commenced the development of a structured decarbonisation plan in collaboration with Control Union Pvt Ltd, Sri Lanka. This initiative is intended to translate validated targets into a clearly defined implementation roadmap, integrating operational, technological and fuel-transition strategies required to meet both near-term and long-term commitments.

Fuel transition remains a key driver in achieving Group-wide emission reduction targets. In this regard, South Asia Textiles Limited has fully eliminated heavy fuel oil from its operations, while Hayleys Fabric PLC continues the phased replacement of heavy fuel oil with lower-carbon fuel alternatives. These measures form part of a broader effort to reduce carbon intensity across thermal processes and strengthen the resilience of the Group's energy mix.

In addition to direct operational emissions, the Hayleys Fabric Group continues to address Scope 3 by embedding emission management best practices beyond the Group's immediate operational boundary. During the year, upstream supplier mapping processes were strengthened and training and awareness initiatives were enhanced to improve visibility of indirect emissions and promote responsible practices among suppliers.

Ambient air quality parameters including NO₂, SO₂ and Ozone continue to be tested within industrial premises in accordance with prescribed methodologies. Hayleys Fabric Group does not track ozone-depleting substances.

Natural Capital

GHG Footprint- Hayleys Fabric Group				
Scope	2025/26	2024/25	(Reduction)/Increase	
	tCO ₂ e	tCO ₂ e	tCO ₂ e	%
Scope 1	18,563	22,254	(3,691)	-17%
Scope 2	12,653	14,073	(1,420)	-10%
Scope 1 + Scope 2	31,216	36,327	(5,111)	-14%
Scope 3	146,228	168,570	(22,342)	-13%
Scope 1 + Scope 2 + Scope 3	177,444	204,897	(27,453)	-13%

Absolute GHG emissions were reduced by 27,453 tCO₂e compared to FY 2024/25 through process efficiency improvements, renewable energy integration, and production optimization initiatives.

Water

Water is a critical resource supporting the Hayleys Fabric Group's manufacturing operations. Fabric dyeing alone accounts for a significant proportion of total water intake across operations. The quality of finishing operations is also heavily dependent on a reliable and consistent supply of water.

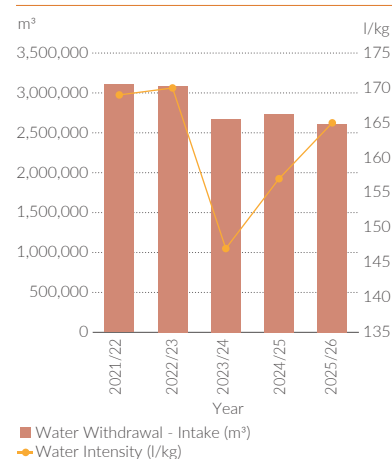
Water requirements are withdrawn from nearby river systems, with intake sourced from the Kalu Ganga river system for Hayleys Fabric PLC and from the Kelani river system for South Asia Textiles Limited, with abstraction levels monitored in accordance with regulatory approvals. Average daily withdrawal during FY2025/26 was approximately 3,900 m³ at Hayleys Fabric PLC and 3,350 m³ at South Asia Textiles Limited. Total water intensity for FY2025/26 was 165 l/kg, compared with 157 l/kg in FY2024/25. Water intensity targets have been established and performance against targets is regularly monitored and reported to Tier 1 customers as part of compliance and sustainability requirements.

As a member of the UN Global Compact CEO Water Mandate, the Hayleys Fabric Group has made a formal commitment to responsible water use and risk mitigation. In this regard, the Group has committed to a target of reducing water intensity by 30% by 2030 against a 2022 baseline. Progress toward this target is supported through a combination of process optimisation

initiatives and water recovery and reuse mechanisms implemented across production processes.

The Group has also made significant investments in building water recovery & rainwater harvesting infrastructure to reduce dependence on freshwater withdrawals from natural sources. The Hayleys Fabric Group's current rainwater harvesting capacity stands at approximately 250 m³ per month.

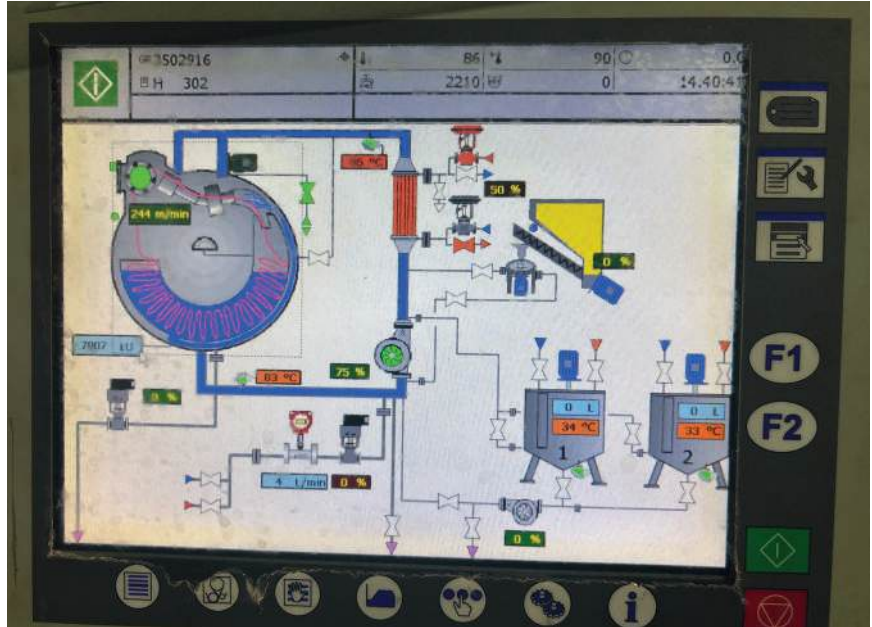
Water Withdrawal (Intake) & Intensity



Condensate Water Recovery Project



Water treatment optimization of Sand Filtration



Reuse of final soaping bath in dyeing process



Blow down water recovery system

Focus Area	Project / Initiative	Water Intensity Reduction (l/kg)
Process optimisation	Dye process optimisation through efficiency improvements	2.8
Recovery and reuse	Recovery and reuse of steam condensate and flash steam	0.8
	Improvement of cooling water recovery and utilisation for dye house	3.5
	Sedimentation tank blowdown recovery (sand bed installation)	0.5
	Modification of sand filtration backwash water recovery system	0.5
	Total Water Intensity Reduction – FY 2025/26	8.1

Water withdrawal (intake) was reduced by 125,914 m³ (126 ML) compared to FY 2024/25 through water recovery, recycling, and other water conservation initiatives.

Natural Capital

Water Quality Index (WQI) Research for the Kelani and Kalu River Basins

Given the Hayleys Fabric Group's operational reliance on the Kelani and Kalu river systems as primary water sources for manufacturing processes, the Group recognises that sustainable industrial activity is closely linked to the resilience of these surrounding watersheds. Demonstrating the commitment to proactive watershed management beyond regulatory compliance, the Group initiated a Water Quality Index (WQI) research project in collaboration with the University of Sri Jayewardenepura to assess the impact of industrial effluents on the Kelani and Kalu River basins.

The project aims to develop and validate a scientifically robust Water Quality Index tailored specifically to industrial discharge conditions within these river basins. The study includes systematic collection and analysis of key physicochemical parameters, transformation of individual parameter measurements into weighted sub-indices and integration of both physicochemical and microbiological data into a composite, interpretable WQI score.

The research also incorporates validation against ecological indicators to ensure environmental relevance and reliability. The outcomes are expected to strengthen water quality monitoring frameworks, support evidence-based decision making and enhance transparency in river basin stewardship.



Waste and Effluents

The Hayleys Fabric Group generates both hazardous and non-hazardous waste as a consequence of its manufacturing operations. Hazardous waste, primarily textile sludge and contaminated packaging, is governed by the Central Environmental Authority's Scheduled Waste Management License. Non-hazardous waste streams include fabric waste, polythene, plastic, paper

and cardboard generated across production and administrative functions.

Hazardous sludge from on-site effluent treatment plant continues to be directed to co-processing within the cement industry, supporting responsible treatment and industrial symbiosis while aligning with the Zero Discharge of Hazardous Chemicals (ZDHC) framework.

In addition, wastewater generated as a consequence of the washing and dyeing process is directed to the on-site effluent treatment plant operated in line with the Environment Protection License (EPL) issued by the Central Environmental Authority. Water quality parameters are monitored in line with EPL requirements

and reported as mandated. There were no significant spills reported during the year under review.

Hayleys Fabric PLC follows and maintains a Restricted Substances List (RSL) based on both customer and regulatory requirements. The respective substance

lists are also publicly available on customers' websites. Hayleys Fabric PLC is certified to OEKO-TEX® STANDARD 100 to ensure that our products are free from harmful substances.

Ongoing Waste Reduction Initiatives

Focus Area	Initiative	Outcomes/Impact
Waste Governance 	Waste management focused meeting series and nomination of departmental waste champions	Improved cross-departmental coordination in waste management, clearer accountability through designated waste champions and structured monitoring of waste reduction actions across operational departments
Recycling Partnerships 	Agreements with local waste contractors for repair, reuse and recycling processes	Increased diversion from landfills, enhanced circularity and strengthened local supply chain engagement
Waste to Energy 	Partnership with cement industry for hazardous sludge co-processing	Responsible treatment of hazardous waste, eliminate of landfill disposal and contribution to industrial symbiosis
Sludge Optimisation Research 	Collaboration with University of Sri Jayewardenepura to evaluate sludge volume, moisture reduction and upcycling potential	Targeted 20%-30% sludge volume reduction, 15%-25% moisture reduction and development of sustainable industry guidance
Zero Waste to Landfill 	ZWTL certification initiative under ISO 14065:2020 (South Asia Textiles Limited)	Strengthened diversion practices, improved recovery and reuse systems and alignment with ESG targets
Value Chain Oversight 	Centralised waste contractor monitoring, license inspections, contractor training and end-user site verifications	Improved traceability, enhanced contractor compliance, and reduced risk of improper disposal
Effluent Quality Improvement 	Process optimisation within effluent treatment plant and increased testing parameters	Reduction in Total Suspended Solids (TSS), improved chemical consistency and optimised treatment efficiency

Natural Capital



Hayleys Fabric Group	Location	2025/26	2024/25	Source Classification	Measurement
Withdrawal (ML)	Kalu River, Kelani River, Tube well, Third party water	2,608	2,734	Surface water, Ground water - fresh water, Third party water	Daily
Grey Water (ML)	Recycled	755	664	Recycled	Calculated
Discharge (ML)	Kalu River, Kelani River	2,382	2,430	Surface water- fresh water	Calculated

Hayleys Fabric PLC	Location	2025/26	2024/25	Source Classification	Measurement
Withdrawal (ML)	Kalu River	1,398	1,566	Surface water- fresh water	Daily
Withdrawal (ML)	Tube well	3	4	Ground water- fresh water	Daily
Withdrawal (ML)	Third party water	4	2	Third party water	Daily
Grey Water (ML)	Recycled	446	461	Recycled	Calculated
Discharge (ML)	Kalu River	1,370	1,431	Surface water- fresh water	Calculated

South Asia Textiles Limited	Location	2025/26	2024/25	Source Classification	Measurement
Withdrawal (ML)	Kelani River	1,203	1,162	Surface water- fresh water	Daily
Grey Water (ML)	Recycled	309	203	Recycled	Calculated
Discharge (ML)	Kelani River	1,012	999	Surface water- fresh water	Calculated

Hayleys Fabric Group Waste and Waste Sources



Waste Type	Hayleys Fabric PLC		South Asia Textiles Limited		Group	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
Directed to Disposal						
Hazardous Waste (Incineration)	2,194	2,340	913	1,017	3,107	3,357
Total waste - MT (Disposed according to CEA requirements)	2,194	2,340	913	1,017	3,107	3,357
Diverted from Disposal						
Non- Hazardous Waste (Reuse & Recycling)	1,345	1,558	984	1,233	2,329	2,791
Total waste - MT	1,345	1,558	984	1,233	2,329	2,791
Total waste Generated & Disposal -MT	3,539	3,898	1,897	2,250	5,436	6,148
% of waste recycled or incinerated through third party contractors	69%	67%	57%	57%	65%	63%

Natural Capital

Biodiversity

Although none of the Hayleys Fabric Group's operational sites are located within formally designated biodiversity hotspots or protected areas, the Group recognises its responsibility to safeguard and enhance the ecological value of the landscapes within which it operates. The Group has always taken great pride in its biodiversity conservation initiatives, which extend beyond conventional compliance-driven environmental management to actively restore and strengthen ecological systems within the landscapes where it operates.

The ultimate aim of these initiatives is to enhance the positive impact over time.

Hayleys Fabric Group's operations are not associated with biodiversity degradation or biodiversity loss. Therefore, biodiversity has not been identified as a priority material topic.

Guided by this philosophy, the Hayleys Fabric Group has adopted a long-term biodiversity vision aimed at achieving a Biodiversity Net-Positive Impact (NPI) by 2030. To support this ambition, biodiversity initiatives are structured across four key focus areas:

Ecosystem Restoration - Restoring degraded ecosystems including wetlands, mangroves and native vegetation.

Habitat Enhancement - Improving ecological conditions through invasive species removal and native species planting.

Species Conservation - Protecting endemic and threatened species through targeted conservation programmes.

Community Stewardship - Promoting environmental awareness and stakeholder engagement in ecosystem protection.

The Eco Reserve – Scientific Baseline and Restoration Framework

The Eco Reserve is a 20-acre green buffer zone owned by Hayleys Fabric PLC and located within the Narthupana Estate, Neboda, in the Kalu Ganga River Basin in Sri Lanka's lowland wet zone. The Eco Reserve represents a diverse ecological landscape consisting of abandoned rubber stands, regenerating secondary forest patches, wetlands, marshes and riparian habitats, creating multiple habitat types that support varied flora and fauna.

A comprehensive biodiversity and ecological assessment was undertaken during the year in collaboration with independent ecological experts to establish a scientific baseline for the Eco Reserve. The assessment provides the foundation for long-term restoration planning, conservation interventions and ecological monitoring.

Findings from the study recorded a total of 1,098 individual species across 388 Flora and 710 Fauna. The study also revealed the presence of several endemic and nationally threatened species, underscoring the conservation significance of the site.

The ecological assessment also identified pressures including invasive alien species, habitat disturbance and fragmentation within certain wetland and riparian zones. In response, a structured habitat enhancement plan has been developed with planned interventions targeted gap-filling using native wet-zone species, restoration of disturbed ecological components, systematic invasive species management and the establishment of permanent monitoring plots to track ecological succession and biodiversity improvements over time.

Flora Diversity Indices

Plots	FY 2025/26	
	Species Richness	Individuals
Q1	10	73
Q2	10	47
Q3	19	88
Q4	10	114
Q5	10	66

Fauna Diversity Indices

Plots	FY 2025/26	
	Species Richness	Individuals
Q1	46	144
Q2	50	175
Q3	43	151
Q4	38	133
Q5	30	107

Ground Cover Saturation

Plots	FY 2025/26		
	IAS cover (%)	Native cover (%)	IAS : Native Ratio
Q1	9.6	84	1:8.8
Q2	0.75	81.6	1:109
Q3	13.3	67.6	1:5.1
Q4	4.1	91.3	1:22.3
Q5	7.8	61	1:7.8



The Purple-faced Langur
(*Semnopithecus vetulus*)



The Hour-glass Tree Frog
(*Polypedates cruciger*)



The Hump-nosed Viper
(*Hypnale hypnale*)



Blue Mormon butterfly
(*Papilio polymnestor parinda*)



The land snail
(*Cryptozona bistrialis*)



Inflorescence of the orchid
(*Polystachya concreta*)



The Pale-billed Flowerpecker
(*Dicaeum erythrorhynchos*)

Natural Capital

In acknowledgement of the Hayleys Fabric Group's extensive expertise in biodiversity conserve action and restoration, the Group was invited to participate in the 10th Annual Technical Sessions organised by "Biodiversity Sri Lanka, contributing to industry dialogue on biodiversity integration and sustainable manufacturing practices."



Biodiversity & Ecosystem Restoration Projects – FY 2025/26

Life to Our Mangroves – Coastal Ecosystem Restoration

Overview: Five-year ecological restoration of the Eluwilayaya Wetland Sanctuary, Galle, implemented in partnership with Biodiversity Sri Lanka and the Wildlife Conservation Society, with guidance from the Department of Wildlife Conservation.

Key Activities:

- Analysis of Air/Soil Quality in 5 acres as baseline, with continued testing and monitoring of environmental conditions.
- Conduct of Flora & Fauna detailed assessment.
- Gap filling of identified flora patches.
- Eradication of Invasive Alien Species (IAS)



SDG Targets: 13.1 | 14.2 | 15.1 | 17.16



Environmental Education & Community Engagement

Overview: Native tree planting and habitat enhancement activities carried out at Tharuwara Uyana (South Asia Textiles Limited) and Diyathuru Uyana (Hayleys Fabric PLC).

Key Activities:

- Educational sessions highlighting marine ecosystems, biodiversity conservation and the textile industry's role in sustainable manufacturing.
- Engagement of students, employees and community members in collaborative environmental stewardship initiatives.



SDG Targets: 4.7 | 13.3 | 17.17



Species Conservation & Habitat Restoration

Key Activities

- Removal of invasive alien plant species within Tharuwara Uyana to improve ecological balance and enable native species regeneration.
- Restoration of endangered endemic flora and fauna.
- Habitat restoration through native species planting initiatives implemented in partnership with VS&Co.



SDG Targets: 15.5 | 15.8 | 17.16



Community Ecosystem Support

Overview: Cleaning and restoration of 35 community wells within four days following flood events, improving access to safe water for surrounding communities.



SDG Targets: 6.6 | 11.5 | 17.17



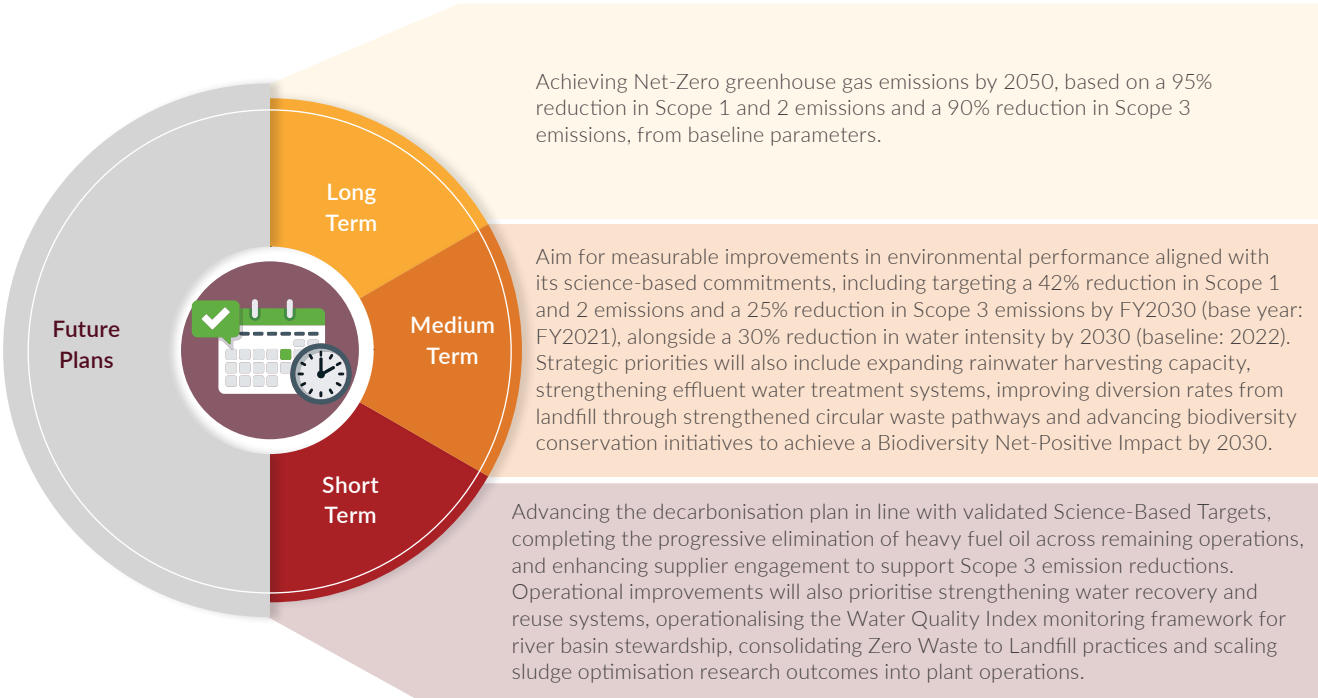
Natural Capital

Sustainable Industrial Sludge Management Project - With the University of Sri Jayewardenepura

Hayleys Fabric PLC has partnered with the Faculty of Technology at the University of Sri Jayewardenepura on a research project focused on "Sustainable Sludge Management," reflecting its continued commitment to finding scientific solutions that support its long-term responsible environmental journey.



SDG Targets: 6.6 | 11.5 | 17.17





Redefining the Future

VOLUNTARY DISCLOSURES

United Nations Global Compact – Highlights

The Ten Principles of the UN Global Compact	Disclosure References
Human Rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	We are committed to maintaining operations in compliance with local regulations and international best practices on human right across prevention of child labour, forced and compulsory labour, non-discrimination, Freedom of association/collective bargaining, health and safety, fair wages and zero tolerance against any form of harassment. Our efforts are governed by Board approved policies and practices. The voluntary adoption and benchmarking of our practices to industry-specific global certifications including SEDEX, SLCP, ISO 45001:2018 Occupational Health and Safety Management and Higg index - Facility Social & Labour Module is an endorsement of our commitment. Further, we strive to promote human rights best practices across our supply chains with raw material suppliers screened for environmental and social compliance and the commitment to ethical business practices, prior to onboarding. Refer: Corporate Governance – pages 236-263, Human Capital – pages 166-183, supplier screening, onboarding and engagement, Social and Relationship Capital – pages 184-195.
Principle 2: Make sure that they are not complicit in human rights abuses.	A robust risk management framework including annual assessments by third party assurance by accredited social compliance frameworks further validate our commitment to human rights practices. Refer: Risks and Opportunities – pages 74-84
Labour	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Hayleys Fabric Group strongly promotes the employees' rights to freedom of association and collective bargaining. The Group maintains strong relationships with three trade unions that represent 18% of the workforce. Refer - Respecting the Freedom of Association - Human Capital page 172
Principle 4: The elimination of all forms of forced and compulsory labour;	We maintain clear procedures to comply with local regulations for the prevention of child labour and all forms of forced and compulsory labour. Accordingly, comprehensive background checks to comply within the national minimum employable age requirements. Additionally, all employees are allowed to leave the organisation subject to the terms and conditions prescribed under their employment contracts. A Supplier due diligence questionnaire completed as part of the supplier screening process, ensures illegal forms of employment are eradicated from the Group's supply chain.
Principle 5: The effective abolition of child labour; and	Refer Respecting Human Rights - Corporate Governance - pages 236-263, A Preferred Employer - Human Capital pages 166-183, Supplier screening, onboarding and engagement - Social and Relationship Capital - pages 184-195
Principle 6: businesses should uphold the elimination of discrimination in respect of employment and occupation	Hayleys Fabric Group is an equal opportunity employer, and does not discriminate discrimination in respect of employment against gender, marital status, religion, race, or disability. Further, in line with the commitment to Diversity, Equity and Inclusion, the Group strives to create an environment that respects the dignity of individuals throughout their employment journey. Refer Human Capital pages 166-183
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	We are conscious of our significant environmental footprint as a textile manufacturer. We remain firm in our commitment to support environmental sustainability.
Principle 8: Undertake initiatives to promote greater environmental responsibility; and	The GreenCatalyst – ESG Roadmap 2030 articulates the long-term sustainability ambition of the Group covering several key pillars, namely Climate Action, Restoring and Regenerating Nature, Optimising the Resource Footprint, Partnering Progress, Responsible Workplace and Responsible and Responsive Corporate Citizenry.
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	Additionally, the Hayleys Fabric Group has committed to both near-term and net-zero greenhouse gas (GHG) emission reduction targets in alignment with the Science Based Targets initiative (SBTi) Refer Natural Capital – pages 196-216
Anti-corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Hayleys Fabric Group upholds zero tolerance to corruption and bribery. Refer Anti-Bribery and Corruption (ABC). Further, as a member of the Hayleys PLC, Hayleys Fabric Group has adopted the Hayleys Way - Code of Conduct, as the basis for embedding ethical behaviour across the organisation. Key elements of the Code include the Anti-Bribery and Corruption Policy and the Whistleblowing Policy, which together represent a firm commitment to ethical business practices and responsible governance Corporate Governance – pages 236-263

GRI Content Index

STATEMENT OF USE

Hayleys Fabric Group has reported in accordance with the GRI Standards for the period 1st April 2025 to 31st March 2026.

GRI 1 used

GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1 Organizational details	IBC				
	2-2 Entities included in the organization's sustainability reporting	7				
	2-3 Reporting period, frequency and contact point	6, 9				
	2-4 Restatements of information	9				
	2-5 External assurance	8-9, 231-234				
	2-6 Activities, value chain and other business relationships	11-14, 185, 188				
	2-7 Employees	170				
	2-8 Workers who are not employees	169				
	2-9 Governance structure and composition	236-237, 239				
	2-10 Nomination and selection of the highest governance body	246-247				
	2-11 Chair of the highest governance body	18				
	2-12 Role of the highest governance body in overseeing the management of impacts	238, 283-284				
	2-13 Delegation of responsibility for managing impacts	248-249,255, 283-284				
	2-14 Role of the highest governance body in sustainability reporting	9				
	2-15 Conflicts of interest	241				
	2-16 Communication of critical concerns	254				No critical concerns reported in FY 2025/26.
	2-17 Collective knowledge of the highest governance body	98				
	2-18 Evaluation of the performance of the highest governance body	252				

GRI Content Index

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	2-19 Remuneration policies	247,268				
	2-20 Process to determine remuneration	247,268				
	2-21 Annual total compensation ratio		2-21	Confidentiality constraints	Not disclosed due to confidentiality concerns.	
	2-22 Statement on sustainable development strategy	40-42				
	2-23 Policy commitments	8, 144, 168, 252-254				
	2-24 Embedding policy commitments	8, 144, 168, 252-254				
	2-25 Processes to remediate negative impacts	179,187				
	2-26 Mechanisms for seeking advice and raising concerns	254				
	2-27 Compliance with laws and regulations	144				No such instances/ monetary fines of non compliance reported in FY 2025/26
	2-28 Membership associations	164				
	2-29 Approach to stakeholder engagement	50-56				
	2-30 Collective bargaining agreements	172				

MATERIAL TOPICS

GRI 3: Material Topics 2021	3-1 Process to determine material topics	57-59				
	3-2 List of material topics	60-63				

BIODIVERSITY

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 101: Biodiversity 2024	101-2 Management of biodiversity impacts	212				
	101-5 Locations with biodiversity impacts	212-214				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	

ECONOMIC PERFORMANCE

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	35				
	201-2 Financial implications and other risks and opportunities due to climate change	78				
	201-3 Defined benefit plan obligations and other retirement plans	305				
	201-4 Financial assistance received from government					No financial assistance received from the government

MARKET PRESENCE

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	176				Remuneration offered is above minimum wage, with no gender bias.
	202-2 Proportion of senior management hired from the local community	172				

INDIRECT ECONOMIC IMPACTS

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	193				
	203-2 Significant indirect economic impacts	192				

PROCUREMENT PRACTICES

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	188				

GRI Content Index

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
ANTI-CORRUPTION						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption	178,191				
	205-2 Communication and training about anti-corruption policies and procedures	191-254				
	205-3 Confirmed incidents of corruption and actions taken	178,191				No incidents of corruption have been reported
TAX						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 207: Tax 2019	207-1 Approach to tax	144, 306- 307				
	207-2 Tax governance, control, and risk management	144				
	207-3 Stakeholder engagement and management of concerns related to tax	55				
	207-4 Country-by-country reporting		207-4	Not Applicable	Local operations only	
MATERIALS						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	200				
	301-2 Recycled input materials used	200				
	301-3 Reclaimed products and their packaging materials	186				
ENERGY						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	203-205				
	302-2 Energy consumption outside of the organization	32				
	302-3 Energy intensity	205				
	302-4 Reduction of energy consumption	203				
	302-5 Reductions in energy requirements of products and services	203-205				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	

WATER AND EFFLUENTS

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	206				
	303-2 Management of water discharge-related impacts	206				
	303-3 Water withdrawal	206-210				
	303-4 Water discharge	206-210				
	303-5 Water consumption	32				

EMISSIONS

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	91-93, 123-129, 205-206				
	305-2 Energy indirect (Scope 2) GHG emissions	91-93, 123-129, 205-206				
	305-3 Other indirect (Scope 3) GHG emissions	91-93, 123-129, 205-206				
	305-4 GHG emissions intensity	32				
	305-5 Reduction of GHG emissions	123				
	305-6 Emissions of ozone-depleting substances (ODS)		305-6	Information unavailable	The Group does not track this information, at present.	
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions		305-7	Information unavailable	The Group does not track this information, at present.	

WASTE

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	208-209				
	306-2 Management of significant waste-related impacts	208-209				
	306-3 Waste generated	211				

GRI Content Index

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	306-4 Waste diverted from disposal	211				
	306-5 Waste directed to disposal	211				

SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	191				
	308-2 Negative environmental impacts in the supply chain and actions taken	191				

EMPLOYMENT

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	172-174				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	175				
	401-3 Parental leave	176				

LABOR/MANAGEMENT RELATIONS

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	179				

OCCUPATIONAL HEALTH AND SAFETY

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	180				
	403-2 Hazard identification, risk assessment, and incident investigation	180-181				
	403-3 Occupational health services	180				
	403-4 Worker participation, consultation, and communication on occupational health and safety	180				
	403-5 Worker training on occupational health and safety	182				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	403-6 Promotion of worker health	180				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	180				
	403-8 Workers covered by an occupational health and safety management system	168				
	403-9 Work-related injuries	182				
	403-10 Work-related ill health	182				

TRAINING AND EDUCATION

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	178				
	404-2 Programs for upgrading employee skills and transition assistance programs	178				
	404-3 Percentage of employees receiving regular performance and career development reviews	176-177				

DIVERSITY AND EQUAL OPPORTUNITY

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	169,241				
	405-2 Ratio of basic salary and remuneration of women to men	171				There is no gender bias in remuneration offered.

NON-DISCRIMINATION

GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	170				No such incidents reported in FY 2025/26

GRI Content Index

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	172, 190-191				No such incidents reported in FY 2025/26
CHILD LABOR						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	172				
FORCED OR COMPULSORY LABOR						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	172				
LOCAL COMMUNITIES						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	193				
	413-2 Operations with significant actual and potential negative impacts on local communities	193				No such instances reported in FY 2025/26
SUPPLIER SOCIAL ASSESSMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	191				
	414-2 Negative social impacts in the supply chain and actions taken	191				No such instances reported in FY 2025/26

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
CUSTOMER HEALTH AND SAFETY						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	186				Samples of finished fabrics are regularly tested by independent third parties for harmful substances.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	186				No such instances reported in FY 2025/26
MARKETING AND LABELLING						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	186				
	417-2 Incidents of non-compliance concerning product and service information and labelling	186				No such instances reported in FY 2024/25
	417-3 Incidents of non-compliance concerning marketing communications	187				No such instances reported in FY 2025/26
CUSTOMER PRIVACY						
GRI 3: Material Topics 2021	3-3 Management of material topics	228				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	188				No such instances reported in FY 2025/26

Topic Boundary

GRI Material Topic	Management Approach GRI 3-3	Internal Stakeholders The Company	External Stakeholders					
			Brand Owners & Apparel Manufacturers	Investors	Employees	Suppliers	Regulators	Community
Biodiversity (304)	196-216	✓	✓				✓	
Economic Performance (201)	32, 140-147	✓	✓	✓	✓	✓		✓
Market Presence (202)	184-195	✓	✓	✓		✓		
Indirect Economic Impacts (203)	148-155	✓	✓	✓	✓	✓		✓
Procurement Practices (204)	184-195	✓	✓	✓		✓		
Anti-corruption(205)	184-195	✓		✓	✓		✓	
Tax (207)	140-147	✓		✓	✓		✓	
Materials (301)	196-216	✓	✓				✓	
Energy (302)	196-216	✓	✓				✓	✓
Water and Effluents (303)	196-216	✓	✓				✓	✓
Emissions (305)	196-216	✓	✓				✓	✓
Waste (306)	196-216	✓	✓				✓	✓
Supplier Environmental Assessment (308) and Supplier Social Assessment (414)	184-195	✓	✓			✓		
Employment (401)	166-183				✓		✓	✓
Labour Management Relations (402)	166-183	✓	✓		✓	✓	✓	
Occupational Health and Safety (403)	166-183	✓	✓		✓		✓	✓
Training and Education (404)	166-183	✓			✓			
Diversity and Equal Opportunity (405)	166-183	✓	✓		✓		✓	✓
Non-Discrimination (406)	166-183	✓	✓		✓		✓	
Freedom of Association and Collective Bargaining (407)	166-183	✓	✓		✓		✓	
Child Labour (408) and Forced or Compulsory Labour (409)	184-195	✓	✓			✓	✓	
Local Communities (413)	184-195	✓		✓				✓
Customer Health and Safety (416) and Marketing and Labelling (417)	184-195	✓	✓					
Customer Privacy (418)	184-195	✓	✓					

Sustainability Accounting Standard (SASB) – Apparel, Accessories & Footwear Standard (Version 2023–12)

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference
Management of Chemicals in Product	Discussion of processes to maintain compliance with restricted substances regulations	Discussion & Analysis	N/A	CG-AA-250a.1		163, 186, 201, 209
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in product	Discussion & Analysis	N/A	CG-AA-250a.2		15, 86, 163, 181, 186, 201
Environmental Impacts in the Supply Chain	Percentage of Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements	Quantitative	Percentage (%)	CG-AA-430a.1	In FY 2025/26, 91% reported compliance to the ZDHC and other wastewater requirements. [Refer below note]	
	Percentage of Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	Quantitative	Percentage (%)	CG-AA-430a.2	In FY 2025-26, 87% reported compliance to Higg FEM and other local requirement. [Refer below note]	
Labour Conditions in the Supply Chain	Percentage of Tier 1 suppliers and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct	Quantitative	Percentage (%)	CG-AA-430b.1	In FY 2025/26, 80% of supplier facilities were assessed to a labour code of conduct, of which 75% have been audited for SMETA, or SLCP assessments by SEDEX / SLCP approved verifiers. [Refer below note]	
	2. Percentage of total audits conducted by a third-party auditor					
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits	Quantitative	Rate (%)	CG-AA-430b.2	No major non-compliances recorded	
	Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain	Discussion and Analysis	N/A	CG-AA-430b.3	No significant labour risk has been identified. We continuously monitor the labour, Environmental and Health & Safety Compliance through regular audits.	182

Sustainability Accounting Standard (SASB) – Apparel, Accessories & Footwear Standard (Version 2023–12)

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference														
Raw Materials Sourcing	1. List of priority raw materials; for each priority raw material:	Discussion and Analysis	n/a	CG-AA-440a.3	Cotton sourcing faces risks from water stress in key growing regions, leading to possible supply disruptions and price volatility. We address this through diversified sourcing, sustainable cotton investments, and monitoring dye costs and environmental regulations. We also aim to reduce reliance on virgin polyester by exploring recycled alternatives. Our chemical sourcing follows industry best practices, prioritising certified suppliers and globally compliant formulations.	200, 202														
	2. Environmental and/or social factor(s) most likely to threaten sourcing,																			
	3. Discussion on business risks and/or opportunities associated with environmental and/or social factors, and																			
	4. Management strategy for addressing business risks and opportunities																			
	1. Amount of priority raw materials purchased, by material, and	Quantitative	Percentage (%) by weight	CG-AA-440a.4	<table><tr><th>Priority Raw Material</th><th>Cotton</th><th>Polyester</th><th>Chemicals and Dyes</th></tr><tr><td>Amount Purchased (MT)</td><td>7,407</td><td>9,819</td><td>12,239</td></tr><tr><td>Certification Standard</td><td>BCI, GOTS, OCS, Regenagri and OEKO-TEX 100 certified sources only</td><td>Global Recycled Standard (GRS), RCS</td><td>ZDHC level 1, Bluesign or GOTS certified</td></tr><tr><td>Amount Certified (MT)</td><td>3,255</td><td>1,896</td><td>12,239</td></tr></table>	Priority Raw Material	Cotton	Polyester	Chemicals and Dyes	Amount Purchased (MT)	7,407	9,819	12,239	Certification Standard	BCI, GOTS, OCS, Regenagri and OEKO-TEX 100 certified sources only	Global Recycled Standard (GRS), RCS	ZDHC level 1, Bluesign or GOTS certified	Amount Certified (MT)	3,255	1,896
Priority Raw Material	Cotton	Polyester	Chemicals and Dyes																	
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Amount Certified (MT)	3,255	1,896	12,239																	
2. Amount of each priority raw material that is certified to a third-party environmental and/or social standard, by standard																				
	We prioritise sourcing recycled polyester and certified cotton, including OCS, GOTS, Regenagri and BCI, to support sustainability goals and meet customer requirements. This promotes water-efficient farming, improved farmer welfare, and responsible sourcing practices. Our focus is on increasing certified cotton usage annually to reduce environmental impact and strengthen supply chain resilience.																			
	[Refer below note]																			

TABLE 2. ACTIVITY METRICS

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference
Activity metrics	Number of Tier 1 suppliers	Quantitative	Number	CG-AA-000.A	Tier 1 suppliers – 54	191

Note : Hayleys Fabric PLC Group does not consider Tier 2 and beyond supplier in the scope of reporting.

Independent Assurance Report to the Board of Directors of Hayleys Fabric PLC



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INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT FY 2025/26

SCOPE

We have been engaged by Hayleys Fabric 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 Fabric PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Hayleys Fabric 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 FABRIC PLC

In preparing the Subject Matter, Hayleys Fabric PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>
- The Sustainability Accounting Standards Board (SASB) Standards, publicly available at <https://navigator.sasb.ifrs.org/> (Apparel, Accessories & Footwear Standard)

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 FABRIC PLC'S RESPONSIBILITIES

Hayleys Fabric 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 Fabric PLC on 23 March 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.

Independent Assurance Report to the Board of Directors of Hayleys Fabric PLC



Shape the future
with confidence

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 Fabric PLC for the year ended 31 March 2026, in order for it to be in accordance with the Criteria.

22nd May 2026
Colombo

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

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

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Independent Assurance Report to the Board of Directors of Hayleys Fabric PLC



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INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC ON THE INTEGRATED ANNUAL REPORT 2025/26

SCOPE

We have been engaged by Hayleys Fabric 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 Fabric PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in the Hayleys Fabric 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 FABRIC PLC

In preparing the Subject Matter, Hayleys Fabric PLC applied the Integrated Reporting Framework (<IR> Framework) initially developed by the International Integrated Reporting Council (IIRC) and currently maintained by the Integrated Reporting and Connectivity Council (IRCC) of the IFRS Foundation. (the "Criteria"),

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational

overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

HAYLEYS FABRIC PLC'S RESPONSIBILITIES

Hayleys Fabric 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 Fabric PLC on 23 March 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.

Independent Assurance Report to the Board of Directors of Hayleys Fabric PLC



Shape the future
with confidence

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:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital 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 Annual 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 contained in the Integrated Annual Report of Hayleys Fabric PLC for the year ended 31 March 2026, in order for it to be in accordance with the Criteria.

22nd May 2026
Colombo

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

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Resetting the Landscape

GOVERNANCE REPORTS

Corporate Governance

Chairman's Introduction to Corporate Governance

Dear Stakeholder,

The Board of Directors of Hayleys Fabric PLC is pleased to present the Corporate Governance Report for the year under review.

During the year, the Board maintained a high level of engagement and oversight amid an increasingly complex and challenging operating environment. Board deliberations were shaped by evolving global economic conditions, with particular focus on external headwinds affecting the apparel and textile sector, including the impact of United States tariff developments and related trade dynamics. Accordingly, significant attention was devoted to assessing the potential implications of these developments on the Hayleys Fabric Group, specifically the impact to our cost structures, market access, and competitiveness.

In addressing these challenges, the Board drew extensively on its collective depth of experience across international trade, manufacturing, finance, sustainability, and strategic management. Throughout this process, all Directors individually, and the Board collectively continued to be guided by their duty to act in good faith and in the best interests of the Group and its shareholders. The Board's governance approach emphasised transparency, accountability, and constructive challenge, ensuring that strategic responses to emerging risks were evaluated rigorously based on objective and independent oversight, while guiding the Management on appropriate mitigation strategies aimed at safeguarding margins, preserving market positions, and strengthening the Group's long-term resilience in a volatile global environment.

Board Declaration on Governance Compliance

I wish to declare that the Board is satisfied that the Hayleys Fabric PLC Board and Board Sub Committees have discharged their fiduciary duties, acted in good faith, with diligence and care, and in compliance with applicable regulatory frameworks including full compliance with the Corporate Governance Rules. In addition, I confirm that the Board of Directors, Corporate Management, and all employees of Hayleys Fabric PLC and South Asia Textiles Limited have performed their duties in accordance with the "Hayleys Way" Code of Conduct and the Group's Bribery and Anti-Corruption policy.



A.M. Pandithage
Chairman
15th May 2026

Hayleys Fabric PLC

STRUCTURE & OVERSIGHT

The Board has overall responsibility for governance across each Company and retains effective control through the respective structures and frameworks.

The members of the Board of South Asia Textiles Limited and Hayleys Fabric Solutions Limited comprise members of the Hayleys Fabric PLC Board, enabling a common standard of corporate governance across the Hayleys Fabric Group.

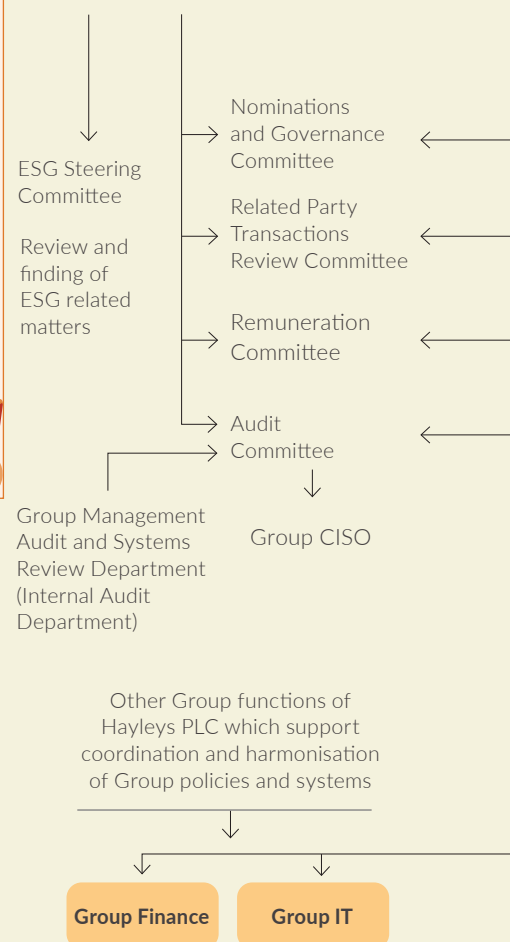


As a member of the Hayleys Group, Hayleys Fabric PLC, South Asia Textiles Limited and Hayleys Fabric Solutions Limited benefit from the mature governance systems and insights of our parent Company developed over more than a century of existence.

Governance systems are benchmarked to international best practice and rolled out effectively across the Group.

Hayleys PLC

Hayleys PLC Board of Directors



Internal Frameworks

Articles of Association
Board Charter
Board Approved Sub Committee Terms of References (TOR's)
Hayleys Way - Group Code of Conduct
Hayleys Fabric PLC's ESG Road map - "The GreenCatalyst"

Governance Structure and Framework

Hayleys Fabric PLC

58.96% owned subsidiary of Hayleys PLC

Composition

Executive Chairman of Hayleys PLC is also the Chairman of Hayleys Fabric PLC including

- 5 ▶ Executive Directors of whom
- 3 ▶ in charge of Finance, Marketing and HR, respectively.
- 3 ▶ Non-Executive Directors
- 4 ▶ Independent Non-Executive Directors of whom 1 is a Senior Independent Director (SID)

Shareholders

South Asia Textiles Limited

(100% Owned Subsidiary of Hayleys Fabric PLC)

Composition of South Asia Textiles Limited

Executive Chairman is the Chairman of Hayleys PLC, Hayleys Fabric PLC and South Asia Textiles Limited

MD/CEO of Hayleys Fabric PLC is also the MD/CEO for South Asia Textiles Limited and is an Executive Director and other 3 Executive Directors in common with Hayleys Fabric PLC including Directors in charge of Finance, Marketing and HR and also another non-executive Director from Hayleys Fabric PLC functioning as an Executive Director.

Hayleys Fabric Solutions Limited

(66.67% Owned Subsidiary of Hayleys Fabric PLC)

Composition of Hayleys Fabric Solutions Limited

Executive Chairman is the Chairman of Hayleys PLC, Hayleys Fabric PLC and Hayleys Fabric Solutions Limited.

Board of Directors

Managing Director/CEO

Hayleys Fabric PLC Group Senior Management Team

Hayleys Fabric PLC Management Team

South Asia Textiles Limited Management Team

Company Secretaries

Group HR & Legal

Group Treasury

Group ESG

Group Procurement

Strategic Business Development Unit

Regulatory Frameworks

- Companies Act No. 07 of 2007
- CSE Listing Rules
- SEC Rules & Directives
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- SLFRSs-S1 Disclosure of Sustainability related financial information.
- S2- Climate Related Disclosures
- Shop and Office Employees Act of 1954
- Factories Ordinance No. 45 of 1942.
- Wages Board Ordinance
- Social Security Act
- Women, Young Persons and Children Act
- Other applicable Regulations

Voluntary Frameworks

- Code of Best Practices for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- <IR> Framework issued by the IIRC.
- Global Reporting Initiative (GRI)
- United Nations Global Compact Highlights
- United Nations Sustainability Development Goals (SDG's)
- Sustainability Accounting Standards (SASB)-Apparel, Accessories & Footwear standards.

Corporate Governance

THE BOARD OF DIRECTORS

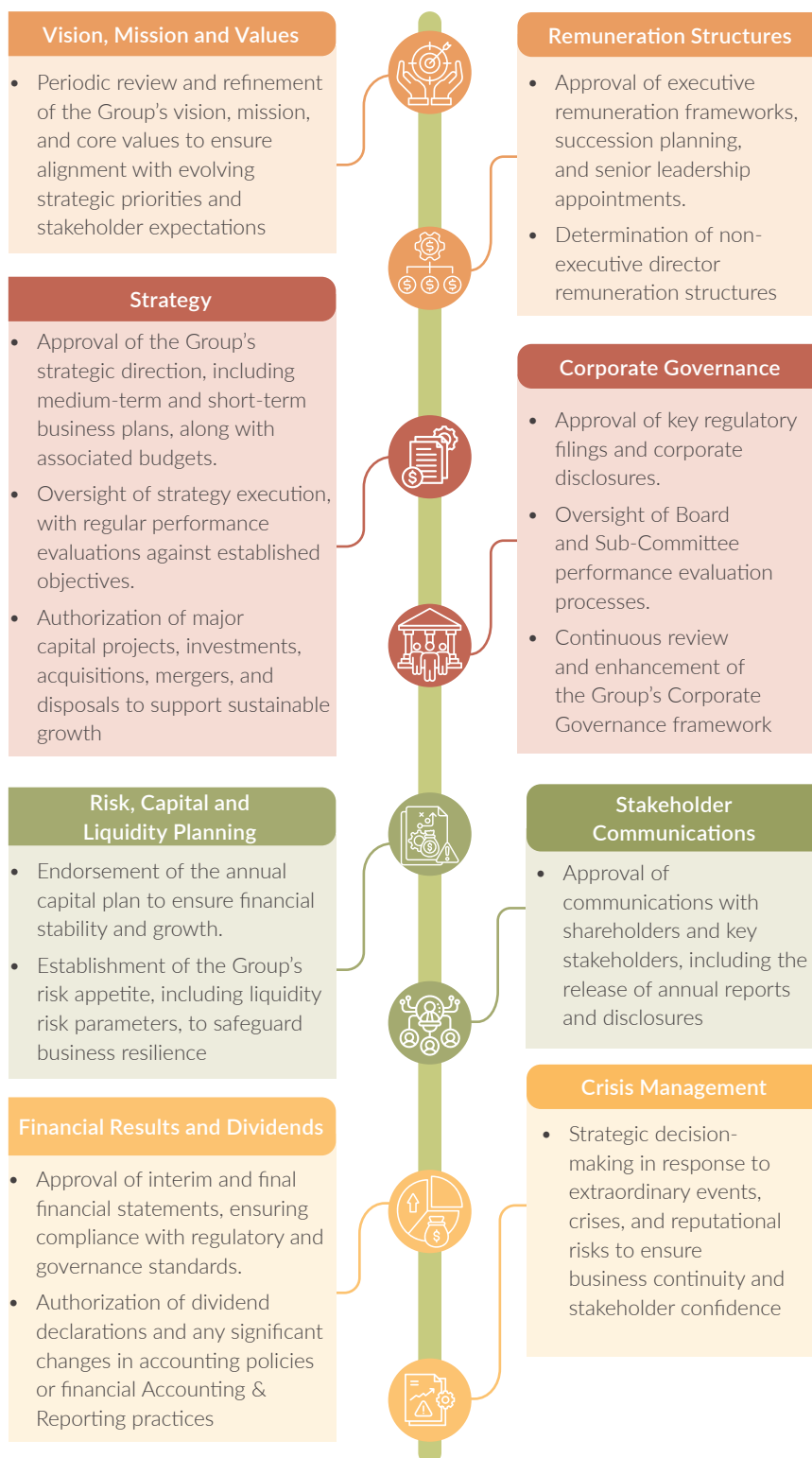
Role of The Board

The Board of Directors of Hayleys Fabric PLC serves as the highest governing authority of the Group and bears ultimate responsibility for its overall management, strategic direction, and system of corporate governance. The Board's mandate extends to providing oversight of Hayleys Fabric PLC and its wholly owned subsidiary, South Asia Textiles Limited, ensuring that both entities are governed in a manner that promotes long-term value creation, resilience, and sustainable business performance. In line with this integrated approach to governance, members of the Hayleys Fabric PLC Board also sit on the Board of South Asia Textiles Limited, enabling a cohesive oversight, risk management, and decision-making across the Group to support operational synergy, standardise governance practices, and ensure the effective execution of strategic objectives.

The Hayleys Fabric Group Board is entrusted with defining the Group's vision, mission, and core values, while ensuring that these are consistently aligned with the expectations of key stakeholders, including shareholders, employees, customers, regulators, suppliers, and the wider community. In fulfilling this role, the Board exercises leadership and independent judgement to balance strategic ambition with prudent risk management and ethical conduct.

In line with good governance practices, certain matters are reserved exclusively for the consideration and approval of the Hayleys Fabric Board. These include, inter alia, the approval of corporate strategy, annual budgets and business plans, significant capital expenditure, acquisitions and divestments, policy frameworks, risk appetite, remuneration structures and sustainability priorities, among others.

Matters Expressly Reserved for the Approval of the Hayleys Fabric PLC Board



BOARD EFFECTIVENESS
Board Composition

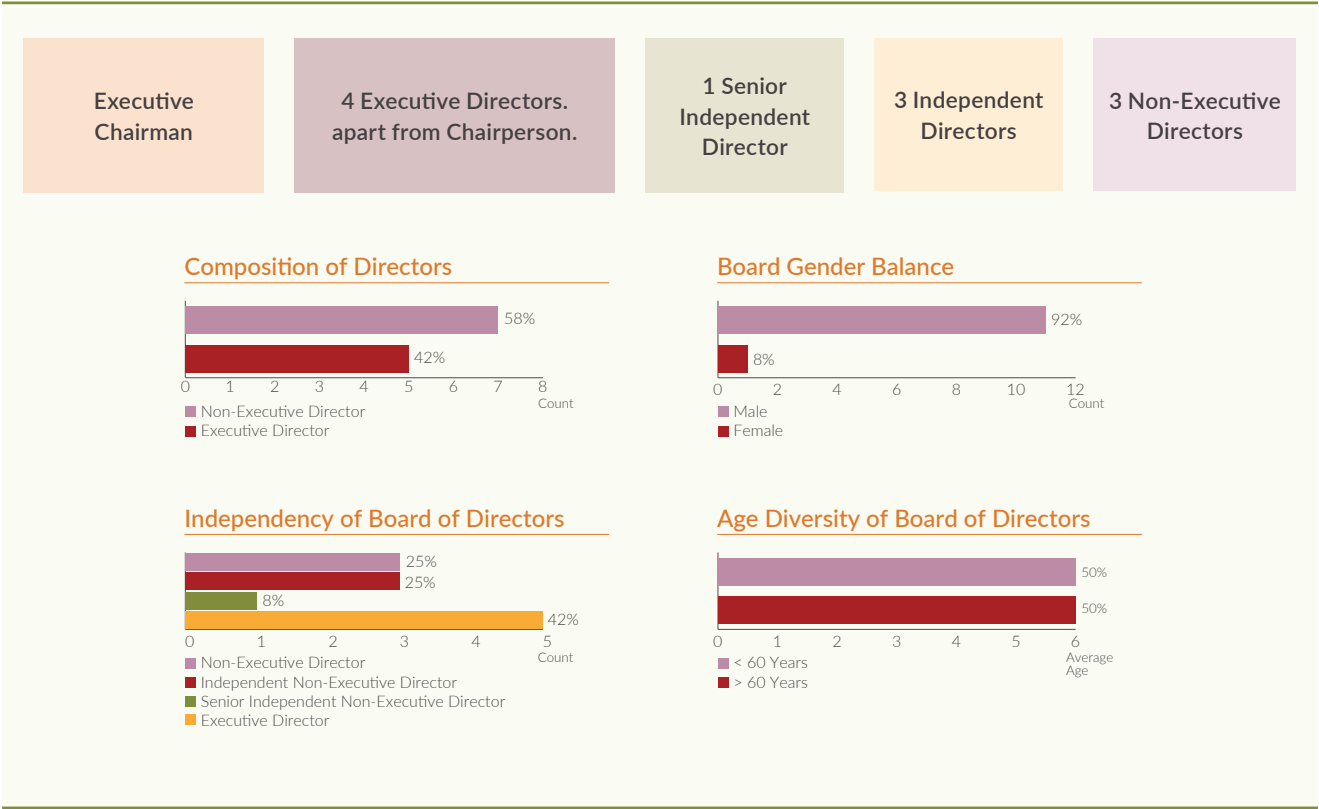
The composition, structure, and balance of the Hayleys Fabric PLC Board is guided by the Articles of Association as well as the Listing rules of the Colombo Stock Exchange, which mandates that, at least 2 Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher should be independent.

As at 31 March 2026, the Board of Hayleys Fabric PLC comprised twelve (12) Directors, including five (05)

Executive Directors and 3 non executive non-independent Directors and 4 Interdependent Non-Executive Directors including 1 Senior Independent Director. This mix of Executive and Non-Executive Directors ensures an appropriate balance of skills, experience, independence, and authority, deemed appropriate to support the strategic direction of the Hayleys Fabric PLC Group. As Hayleys Fabric PLC's Board Chairman serves in an Executive Capacity, the Group has appointed a Senior Independent Director in compliance with the CSE listing rules.

In keeping with best practices, the Articles of Association were formally

amended in the current year to specify the minimum and maximum number of Directors, establishing that the Board shall comprise no fewer than five (5) and no more than twelve (12) members. Additional amendments were also made concerning the appointment of Alternative Directors, in alignment with the Listing Rules of the Colombo Stock Exchange (CSE).



Corporate Governance

Non-Executive Directors

Non-Executive Directors (NEDs) play a vital role in strengthening the effectiveness of the Board by providing independent judgement, objective oversight, and a balanced perspective on strategic and operational matters. Free from day-to-day management responsibilities, Non-Executive Directors contribute constructively to Board deliberations by challenging assumptions, testing proposals, and ensuring that decisions are made in the best interests of the Company and its

stakeholders. Their role is particularly critical in safeguarding good governance, overseeing risk management and internal controls, upholding ethical standards, and ensuring accountability, thereby enhancing the quality of decision-making and supporting long-term sustainability and resilience.

Independent Non-Executive Directors on the Hayleys Fabric PLC Group Board are required to be free of any business or other association that could materially interfere with their ability to

act in the best interests of the Group. The independence of each Director is determined based on the key criteria outlined in the Corporate Governance Principles and Recommendations issued by the CA Sri Lanka.

The Board remains satisfied that each non-executive Director currently serving on the Hayleys Fabric PLC Board has complied with the required criteria to fulfil their role as an Independent Director.

Key Criteria for the Determination of Directors' Independence

- Has not been employed by the Company in the three years immediately preceding the appointment.
- Currently has/had no direct or indirect material business relationship with the Company and had none in the past two years.
- Does not have close family members who are Directors, the CEO, or Key Management Personnel in the Company.
- Does not hold 10% or more of the Company's voting rights.
- Has not served on the Board for more than nine years from the initial appointment.
- Neither the individual nor close family members hold positions in another company or trust materially connected to the Company through shareholding or business relationships.
- Not a Director of another company where the majority of the Company's Directors are also employed or have significant shareholding.
- Does not have a material business relationship or significant shareholding in another Company where the majority of the Company's Directors are employed or have significant shareholding.
- Less than 70 years of age.

Duties and Responsibilities of Individual Directors

All Board members are expected to devote sufficient time and attention to effectively discharge their responsibilities. This includes active and well-informed

participation in Board deliberations, drawing on their collective skills, expertise, and experience to support robust decision-making. In addition, all Directors participate in the annual self assessment process, which

forms an integral part of the Board evaluation framework and supports the continuous strengthening of governance effectiveness and strategic oversight.

Conflicts of Interest

Directors are required to act at all times in the best interests of the Group and to avoid situations where personal or external interests may conflict, or appear in conflict, with those of the Group. In this regard, Directors have a duty to promptly identify, disclose, and manage any actual, potential, or perceived conflicts of interest in a transparent and ethical manner. It is mandatory for all Directors, at the time of appointment and annually thereafter, to disclose

potential conflicts of interest in writing to the Related Party Transaction Review Committee (RPTRC). The RPTRC is responsible for reviewing and evaluating these matters in accordance with the Group's Related Party Transactions Policy and applicable regulatory requirements. The RPTRC Chair is entrusted with the responsibility of reporting these disclosures to the Board to ensure appropriate action is taken to prevent potential conflicts.

Directors with declared conflicts are also expected to abstain from deliberations and decision-making on the relevant matters, thereby safeguarding the integrity of the Board's processes and upholding high standards of corporate governance.

The total Number and Name of Directorships Held in Sri Lanka					
Name of Directors	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
Mr. A.M. Pandithage Listed Companies; Executive - 12 and Non-Executive - 01 Unlisted Companies; Executive - 133 and Non-Executive - 11 Total - 157	Chairman - Executive Director	• Hayleys Fabric PLC • Hayleys PLC • Haycarb PLC • Dipped Products PLC • Singer (Sri Lanka) PLC • Hayleys Fibre PLC • The Kingsbury PLC • Hayleys Leisure PLC • Talawakelle Tea Estates PLC • Kelani Valley Plantations PLC • Horana Plantations PLC • Alumex PLC	• Diesel & Motor Engineering PLC	Hayleys Group - 133 Companies	• Sojitz Kelanitissa (Private) Limited • Joule Power (Pvt) Ltd • Beta Power (Pvt) Ltd • Ocean Network Express Lanka (Pvt) Ltd • The Beach Resorts Limited • Delmege Forsyth and Co. (Exports) (Private) Limited • Delmege Coir (Private) Limited • Delmege Forsyth and Company (Shipping) Limited • Delmege Freight Services (Private) Limited • Lewis Shipping (Private) Limited • Lewis Brown Air Services (Private) Limited

Corporate Governance

The total Number and Name of Directorships Held in Sri Lanka					
Name of Directors	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
E. R. P. Goonetilleke Listed Companies; Executive -01 and Non-Executive -Nil Unlisted Companies; Executive -02 and Non-Executive - Nil Total - 03	Managing Director, Chief Executive Officer	• Hayleys Fabric PLC	-	• South Asia Textiles Limited • Hayleys Fabric Solutions Limited	-
Mr. S.C. Ganegoda Listed Companies; Executive - 02 and Non-Executive - 09 Unlisted Companies; Executive - Nil and Non-Executive - 57 Total - 68	Non-Executive Director	• Hayleys PLC • Alumex PLC	• Hayleys Fabric PLC • Dipped Products PLC • Haycarb PLC • Singer (Sri Lanka) PLC • Hayleys Leisure PLC • Horana Plantations PLC • Kelani Valley Plantations PLC • Hayleys Fibre PLC • The Kingsbury PLC	-	Hayleys Group - 57 companies
Ms. K.A.D.B Perera Listed Companies; Executive - Nil and Non-Executive - 11 Unlisted Companies; Executive - Nil and Non-Executive - 04 Total - 15	Non-Executive Director	-	• Hayleys Fabric PLC • Haycarb PLC • Dipped Products PLC • The Kingsbury PLC • Hayleys Leisure PLC • Singer (Sri Lanka) PLC • Lanka Tiles PLC • Royal Ceramics Lanka PLC • The Fortress Resorts PLC. • Lanka Walltiles PLC • Vallibel One PLC	-	• Delmege Limited • Otwo Biscuit (Private) Limited • The Canbury Biscuit Company Limited • Manatee Clothing Company (Pvt) Ltd

The total Number and Name of Directorships Held in Sri Lanka					
Name of Directors	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
Mr. M.N.R. Fernando Listed Companies; Executive - Nil and Non-Executive - 06 Unlisted Companies; Executive - 01 and Non-Executive - 01 Total - 08	Independent Non-Executive Director	-	• Hayleys Fabric PLC • Dipped Products PLC • Haycarb PLC • Hatton National Bank PLC • Assetline Finance PLC • R I L Property PLC	• Professional Business Consultants (Pvt) Ltd	• R-E-D Capital Asia (Pvt) Ltd
Mr. N. Ekanayake Listed Companies; Executive - Nil and Non-Executive - 03 Unlisted Companies; Executive - 03 and Non-Executive - Nil Total - 06	Senior Independent Director	-	• Hayleys Fabric PLC • Kelani Valley Plantations PLC • Talawakelle Tea Estates PLC	• Siam City Cement (Lanka) Ltd • Mahaweli Marine (Pvt) Ltd • Insee Ecocycle Lanka (Pvt) Ltd	-
Mr. T. A. B. Speldewinde Listed Companies; Executive - Nil and Non-Executive - 09 Unlisted Companies; Executive - 01 and Non-Executive - Nil Total - 10	Independent Non-Executive Director	-	• Hayleys Fabric PLC • Hayleys PLC • Haycarb PLC • Dipped Products PLC • The Kingsbury PLC • Horana Plantations PLC • Ceylon Grain Elevators PLC • Three Acre Farms PLC • WealthTrust Securities PLC	• Contemporary Ceylon (Pvt) Ltd	-

Corporate Governance

The total Number and Name of Directorships Held in Sri Lanka					
Name of Directors	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
Mr. H Somashantha Listed Companies; Executive - 02 and Non-Executive -02 Unlisted Companies; Executive - Nil and Non-Executive - 10 Total - 14	Non-Executive Director	• Lanka Tiles PLC • Lanka Walltiles PLC	• Hayleys Fabric PLC • Vallibel Power Erathna PLC	-	• Uni Dil Packaging Limited • Eco Pack Solutions Lanka Ltd • Delmege Forsyth and Co. (Exports) (Private) Limited • Lewis Shipping (Pvt) Ltd • Delmege Coir (Private) Limited • Delmege Air Services (Pvt) Ltd • Delmege Forsyth and Company (Shipping) Limited • Delmege Insurance Brokers (Pvt) Ltd • Del Air Travels (Pvt) Ltd • Nilano Garments (Private) Limited
Mr. J.A.N.R Adhihetty Listed Companies; Executive - Nil and Non-Executive -02 Unlisted Companies; Executive - 01 - and Non-Executive - 05 Total - 08	Independent Non-Executive Director	-	• Hayleys Fabric PLC • Lanka Tiles PLC	• Delmege Forsyth & Co. Ltd	• Eden Pharmaceuticals (Pvt) Ltd • Hiru Rice Products (Private) Limited • Grip Delmege (Pvt) Ltd • Grip Nordic (Pvt) Ltd • Summer Season Mirissa (Pvt) Ltd

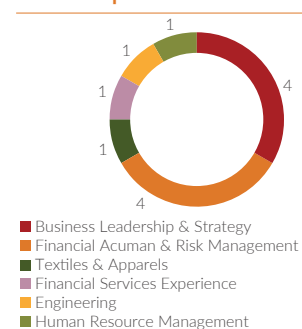
The total Number and Name of Directorships Held in Sri Lanka					
Name of Directors	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
Mr. I.B.R.R. Bandara Listed Companies; Executive - 01 and Non-Executive - Nil Unlisted Companies; Executive - 01 - and Non-Executive - Nil Total - 02	Executive Director	Hayleys Fabric PLC	-	South Asia Textiles Limited	-
Mr. M. H. Jayasinghe Listed Companies; Executive - 01 and Non-Executive - Nil Unlisted Companies; Executive 01 - and Non-Executive - Nil Total - 02	Executive Director	Hayleys Fabric PLC	-	South Asia Textiles Limited	-
Mr. K.P.C.P.K. Pathirana Listed Companies; Executive - 01 and Non-Executive - Nil Unlisted Companies; Executive 01 - and Non-Executive - Nil Total - 02	Executive Director	Hayleys Fabric PLC	-	South Asia Textiles Limited	-

Board Refreshment

For the Hayleys Fabric PLC Group, Board refreshment serves as a key mechanism for introducing new skills at a leadership level, thereby strengthening the effectiveness and balance of the Board. Refreshment typically occurs through the natural cycle of Director retirement or resignation that creates opportunities for orderly succession planning and the appointment of Directors who can support the Group's evolving strategic priorities.

Additionally, the Nominations & Governance Committee (NGC) proactively reviews the skills structure and composition of the Board against the latest regulatory requirements and global best practices in order to identify the need for further improvement.

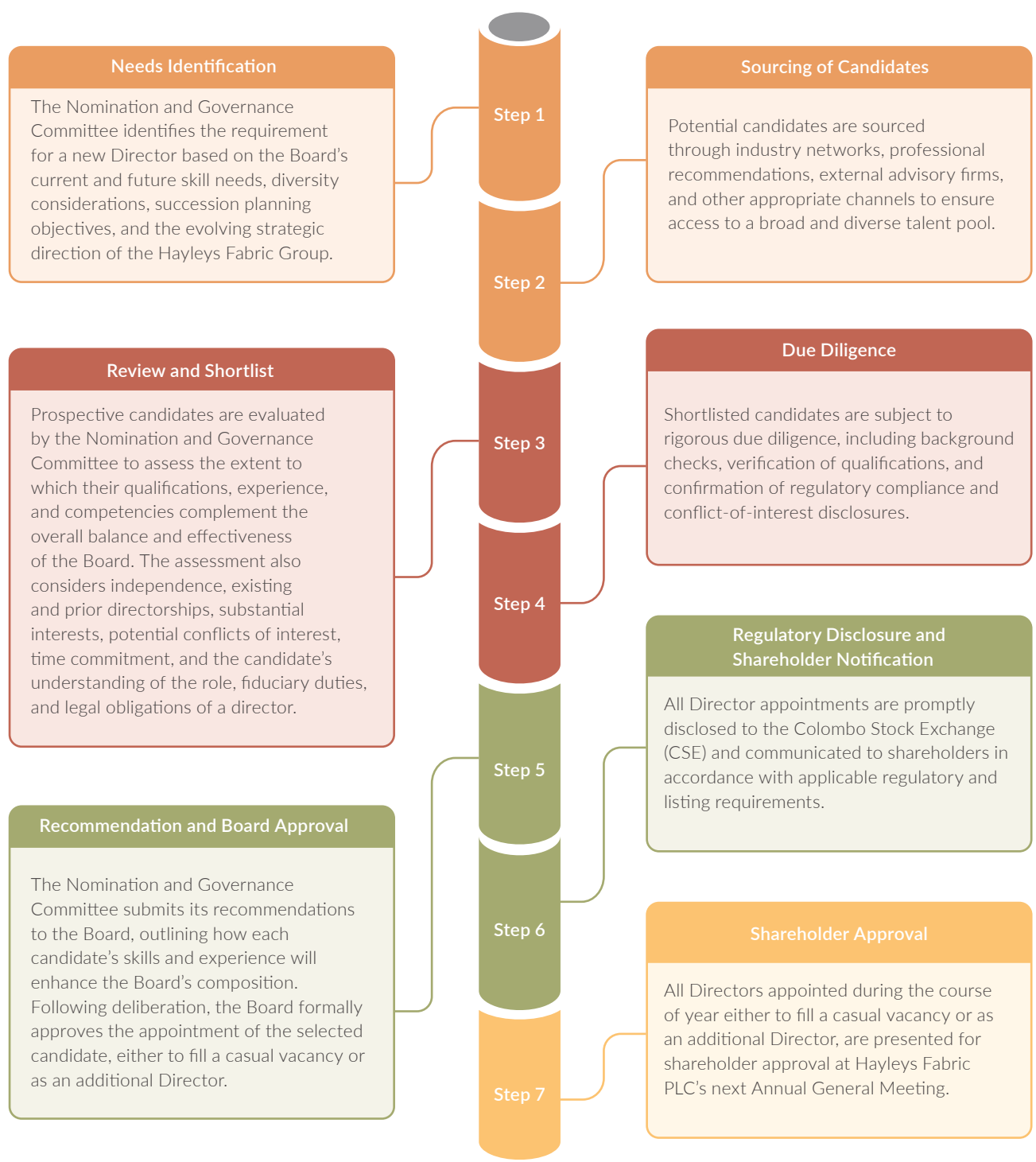
Board Expertise



Corporate Governance

Selection and Appointment of New Directors

The selection and nomination of new Directors to the Hayleys Fabric PLC's Board is a structured and transparent process overseen by the Nominations and Governance Committee (NGC). As part of its mandate, the NGC conducts an annual assessment of the Board's composition to identify the need for new appointments arising from skill or diversity gaps, succession planning considerations, strategic requirements, or casual vacancies resulting from impending retirements or resignations.



Retirement, Resignation and Re-election of Directors

As stipulated in the Company's Articles of Association, 1/3 of the Directors excluding the Managing Director must retire by rotation at each Annual General Meeting (AGM). Directors retiring by rotation are typically those who have served the longest since their last appointment or reappointment.

Directors who retire by rotation, may offer themselves for re-election by shareholders, subject to confirmation by the Nomination and Governance Committee regarding the respective Director's eligibility for re-election based on past participation, engagement and contribution to Board deliberations as well as the eligibility criteria outlined in the CSE Listing Rules.

Furthermore, any Director appointed to the Board to fill a casual vacancy must stand for re-election by shareholders at the subsequent AGM, in accordance with the Articles of Association. This process reinforces Hayleys Fabric PLC's commitment to shareholder participation in governance while upholding best practices in Board accountability and transparency.

Board Changes

In terms of Article 29 (1) of the Articles of Association of the Company, Mr. H. Somashantha, Mr. M.N. R. Fernando, Mr. N. Ekanayake and Mr. M.H. Jayasinghe retire by rotation and being eligible offer themselves for re-election.

The following Directors who are over seventy years and are required to retire in terms of Section 210 of the Companies Act No. 7 of 2007, will be reappointed to the Hayleys Fabric PLC's Board following shareholder approval at the 34th Annual General Meeting schedule to be held on 24th June 2026.

- Mr. A.M. Pandithage
- Mr. E.R.P. Goonetilleke

Board Succession Planning

Hayleys Fabric PLC maintains a structured approach to Board succession planning, overseen by the Nominations and Governance Committee in close collaboration with the Hayleys Group Management Committee. One of the key objectives of the Board succession planning process is to plan for the orderly transition of retiring Directors.

The succession planning process is also facilitated by the Nominations and Governance Committee's annual assessment of the Board's skills, experience, and diversity to identify potential gaps that could be filled by developing executive management or by recruiting Non-Executive Directors, as appropriate while maintaining optimal Board balance and composition guidelines defined by the Articles of Association.

Director's Remuneration

The determination of Remuneration of Board Directors is guided by the Hayleys Fabric Rewards & Remuneration Policy that establishes the basis for ensuring fair and consistent compensation of Executive and Non-Executive Directors, Key Management Personnel (KMP), and employees.

Remuneration for Executive Directors comprises a fixed component aligned with local market standards and a variable component linked to the achievement of performance targets. The same principles apply to Key Management Personnel, ensuring consistency and alignment across the organisation.

The Remuneration Committee (RC) conducts an annual performance evaluation of Executive Directors and KMP's. Based on this assessment, the Remuneration Committee recommends adjustments to both fixed and variable components of remuneration for Board approval. The Managing

Director/CEO participates in these discussions, particularly in relation to KMP remuneration. Executive Director contracts do not include special early termination clauses entitling additional compensation; any such payments, if deemed appropriate, are determined by the Board.

Remuneration for Non-Executive Directors is determined by the Board, with fees provided for service on the Board and its sub-committees. These fees are benchmarked against those paid to Non-Executive and independent Directors across the Hayleys Group and the broader industry.

The remuneration ratio of the Managing Director / CEO, who is the highest paid executive of the Group, is not disclosed separately for confidentiality reasons.

Induction and Training for Directors

All newly appointed Directors to the Hayleys Fabric PLC's Board undergo a structured induction programme designed to provide a thorough understanding of the Group's operations, strategy, and governance framework. As part of this process, Directors receive a comprehensive orientation pack containing key internal and external documentation. They also meet with the Board Chairman, the Managing Director/CEO, and senior management of both Hayleys Fabric PLC and South Asia Textiles Limited and are given the opportunity to participate in site visits to gain firsthand insight into the Group's operations.

Beyond the initial induction, Hayleys Fabric PLC is committed to the ongoing development of its Directors. The Board has access to a range of internal and external training programmes to enhance their knowledge, skills, and expertise, ensuring they remain equipped to provide effective governance, informed decision-making, and strategic oversight.

Corporate Governance

BOARD MEETINGS

Regular Board meetings serve as a forum for Directors to deliberate on strategic, operational, and compliance matters, and to exercise oversight of the Group's performance.

At Hayleys Fabric PLC, Board meetings are conducted in accordance with a structured annual work plan and a pre-established meeting calendar. The calendar, which schedules all meetings for the upcoming financial year, is prepared well in advance and shared with Directors. In addition to these scheduled meetings, the Board convenes special meetings as needed to address urgent issues or significant developments requiring immediate attention.

It is mandatory for all Directors to attend Board meetings, and participate fully in Board proceedings.

Access to Information

In preparation for the meeting, Directors are encouraged to engage with members of the Corporate Management team to seek any necessary information or clarifications to gain a balanced understanding of the topics to be discussed. Directors are also allowed to seek independent professional advice at the Group's expense, as needed.

Board Meeting Process

Before the Meeting

The Company Secretarial Division, in consultation with the Chairman and the MD/ CEO, are responsible for setting the agenda for Board meetings. The agenda is carefully structured to ensure adequate time is allocated to address all key matters, including strategy, financial performance, industry developments, risk management, and regulatory compliance in order to facilitate meaningful discussions and informed decision-making.

A Board-approved procedure allows any Director to formally request, in writing, the inclusion of additional matters or proposals in the agenda. Once the agenda is finalised, a comprehensive information pack containing the meeting agenda and relevant Board papers is circulated to all Directors at least seven working days before the scheduled meeting.

At the Meeting

All Board members are expected to come well prepared and actively participate in all matters outlined under the agenda. The Chairman / Chairperson of each Board committee will be called upon to provide an update on significant matters discussed at their respective Board sub-committee meetings, which are typically scheduled before the Board meeting

The MD/CEO will be invited to provide a comprehensive update on the Group's business and operations to date as well as an overview of the context in which these outcomes were achieved, while selected members of the Corporate Management are also invited to make presentations on the items set out under the agenda.

The Company Secretaries maintains minutes of every Board meeting.

After the Meeting

The Company Secretaries are required to submit the minutes of the meeting to the MD/CEO for approval prior to being circulated among the Directors and other members of Corporate Management who were present at the particular meeting. Minutes of the meetings are typically circulated within two weeks after the meeting date.

Name of the Director	Classification	Board Meeting	Audit Committee Meeting	Nominations & Governance Committee Meeting	Related Party Transactions Review Committee	Remuneration Committee
Mr. A.M. Pandithage (Chairman)	Executive Director	4/4	N/A	N/A	N/A	N/A
Mr. E.R.P. Goonetilleke (Managing Director/CEO)	Executive Director	4/4	N/A	N/A	N/A	N/A
Ms. K.A.D.B. Perera	Non-Executive Director	4/4	N/A	N/A	N/A	N/A
Mr. S.C. Ganegoda	Non-Executive Director	4/4	N/A	2/2	4/4	N/A
Mr. H. Somashantha	Non-Executive Director	3/4	3/4	N/A	N/A	1/2
Mr. N. Ekanayake	Senior Independent Director	4/4	4/4	2/2	4/4	2/2
Mr. M.N.R. Fernando	Independent Non-Executive Director	4/4	4/4	2/2	4/4	2/2
Mr. J.A.N.R. Adhihetty	Independent Non-Executive Director	4/4	N/A	N/A	N/A	N/A
Mr. T.A.B. Speldewinde	Independent Non-Executive Director	4/4	4/4	N/A	N/A	N/A
Mr. I.B.R. R. Bandara	Executive Director	4/4	N/A	N/A	N/A	N/A
Mr. M.H. Jayasinghe	Executive Director	4/4	N/A	N/A	N/A	N/A
Mr. K.P.C.P.K. Pathirana	Executive Director	4/4	N/A	N/A	N/A	N/A
Total No. of Meetings Held		04	04	02	04	02

Meeting of Non-Executive Directors

The Meeting of Non-Executive Directors provides an important forum for independent deliberation on matters affecting the Group's governance, strategy, and performance. Chaired by the Senior Independent Director, these meetings enable Non-Executive Directors to discuss any issues that may require independent consideration without the presence of Executive Directors. This practice strengthens oversight, ensures transparency, and reinforces the principles of good corporate governance.

The Senior Independent Director held one (01) meeting with Hayleys Fabric PLC's Non-Executive Directors during the current financial year. The deliberations and suggestions were shared with the Board of Directors to ensure that there is a continuous improvement in governance and performance.

Corporate Governance

DIVISION OF RESPONSIBILITIES

At Hayleys Fabric PLC, the roles of the Chairman and the Managing Director/CEO are deliberately segregated, ensuring that executive responsibilities and leadership oversight are clearly distinguished. Although the Chairman functions in an Executive capacity, there exists a clear separation of duties to ensure no single individual should hold unchecked decision-making authority. Further the presence of the Senior Independent Director creates a strong foundation for promoting greater accountability at the highest level.



Board Sub Committees

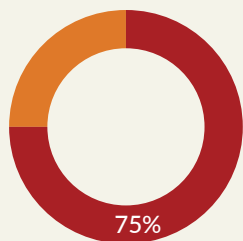
Board Sub-Committees play an important role in supporting the Board to bring more focused oversight on certain key areas of operation. Hayleys Fabric PLC has established all four mandatory Sub-Committees under its Board in line with Section 9 of the Colombo Stock Exchange (CSE) Listing Rules on Corporate Governance.

Each Sub-Committee operates under Board-approved Terms of Reference (TOR), which define their scope, responsibilities, and governance protocols.

Through regular meetings and detailed assessments, the Sub-Committees play a critical role in upholding robust governance, mitigating risks, and ensuring that Hayleys Fabric PLC's operations remain aligned with its strategic objectives, regulatory requirements, and stakeholder expectations.

Audit Committee (AC)

% of committee members independent



Membership	
Non-Executive	1
Independent Non-Executive	2
Senior Independent	1

No of meetings in 2025/26: 04

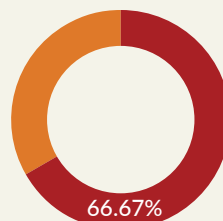
Areas of oversight

- Financial Reporting
- Internal Controls
- Internal Audit
- External Audit

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Remuneration Committee (RC)

% of committee members independent



Membership	
Non-Executive	1
Independent Non-Executive	1
Senior Independent	1

No of meetings in 2025/26: 02

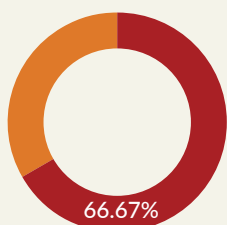
Areas of oversight

- Remuneration policy for Key Management Personnel
- Goals and targets for Key Management Personnel
- Performance evaluation

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Nominations & Governance Committee (NGC)

% of committee members independent



Membership	
Non-Executive	1
Independent Non-Executive	1
Senior Independent	1

No of meetings in 2025/26: 02

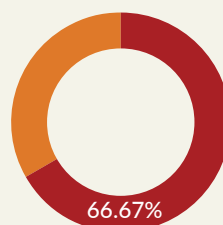
Areas of oversight

- Appointment of Key Management Personnel/ Directors
- Succession Planning
- Effectiveness of the Board and its Committees

Report on page 270

Related Party Transactions Review Committee (RPTRC)

% of committee members independent



Membership	
Non-Executive	1
Independent Non-Executive	1
Senior Independent	1

No of meetings in 2025/26: 04

Areas of oversight

- Review of related party transactions

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Corporate Governance

Company Secretaries

Hayleys Group Services (Private) Limited serves as Company Secretaries to the Hayleys Fabric Group. The Secretaries play a crucial role in ensuring sound corporate governance and regulatory compliance while supporting the efficient functioning of the Board and the sub Committees.

Board and Board Sub Committee Evaluation

The process of evaluating the performance of the Board and its Sub-Committees, stands as a vital tool in assessing the effectiveness of the Board in executing its duties and responsibilities. This evaluation process is conducted annually through a structured self-assessment programme, where each Director completes a comprehensive questionnaire that reviews key aspects of Board performance, including strategic oversight, decision-making effectiveness, risk management, compliance, stakeholder engagement, and the contribution of individual Directors.

This feedback is collated and reviewed by the Nominations and Governance Committee (NGC), which identifies strengths, areas for improvement, and development needs. Insights from the evaluation inform Board refreshment, succession planning and training to ensure that the Board continues to operate efficiently and in alignment with Hayleys Fabric PLC's strategic priorities.

Evaluating the Performance of Executive Directors including the Managing Director / CEO

Assessing the performance of Executive Directors, including the Managing Director / CEO ensures that the leadership team remains effective in driving the Group's strategic objectives, delivering operational excellence, and creating sustainable value for stakeholders. At Hayleys Fabric Group, the Board Chairman conducts an annual evaluation of all Executive Directors, including the Managing Director/CEO, to measure their performance against

predefined goals and strategic objectives set at the beginning of each financial year.

Following the evaluation, the Chairman presents key observations and insights to the full Board, facilitating a comprehensive review of each Executive Director's and the MD/CEO's effectiveness in leadership, decision-making, and value creation. Based on these findings, the Board provides recommendations to the Remuneration Committee regarding any adjustments to the remuneration of Executive Directors, ensuring that compensation remains fair, performance-driven, and closely linked to the achievement of Hayleys Fabric PLC's strategic objectives.

Management Committees

Management Committees support the Group's Executive Leadership by translating strategic priorities into actionable plans and monitoring their execution across the organisation. At Hayleys Fabric Group, one such key committee is the ESG Steering Committee, which is chaired by the Group Managing Director/CEO and includes three Executive Directors, the Deputy General Manager – Sustainability, as well as all Heads of Departments and their representatives. This committee acts as the operational backbone for overseeing the integration of the Hayleys Fabric Group's ESG Framework and the Hayleys PLC- the Parent Company's Lifecode into business operations.

The Committee's responsibilities include providing oversight and monitoring progress against ESG targets across short-, medium-, and long-term horizons and identifying ESG-related risks, opportunities, and potential impacts, and recommending the adoption of measures to address these dynamics proactively. Additionally, the committee reviews and provides guidance on ESG policies, programmes, and initiatives to ensure the Group's ESG strategy is robust, forward-looking, and aligned with both regulatory requirements and stakeholder expectations.

BOARD ACCOUNTABILITY

Compliance and Best Practices

The Board of Directors plays a central role in ensuring that Hayleys Fabric Group operates in full compliance with applicable laws, regulations, and industry standards, while upholding the highest standards of corporate governance and ethical conduct.

In line with its zero-tolerance approach to non-compliance of regulations, the Board has established a comprehensive compliance framework encompassing policies, procedures, and monitoring mechanisms to ensure 100% compliance with all regulatory requirements. In addition to regulatory compliance, the Board champions the adoption of best practices in corporate governance, risk management, and business conduct.

At the same time, the Board engages with regulators to actively monitor emerging regulations and best practices in order to promote early adoption, where possible and practical.

In compliance with Section 9 of the Listing Rules (CSE) Corporate Governance Rules, The Company has published the following policies on the Company website.

- ESG Framework – Social Environmental Policies
- Corporate Governance Policy
- Policy on Internal Code of Business conduct & Ethics-Hayleys Way
- Assets Management Policy
- Corporate Disclosure Policy
- Policy on Matters relating to the Directors
- Bribery and Corruption policy
- Policy on Relation with Shareholders and Investors
- Remuneration Policy
- Whistle-blowing Policy
- Risk Management Policy
- Policy on Board Committees

The Board affirms that Hayleys Fabric PLC remains fully compliant with all relevant statutory and regulatory obligations. Additionally, the Board is satisfied that all reasonable measures have been taken to ensure adherence to the voluntary codes the Group has committed to.

The list of compliance with the Listing Requirements Section 09 on Corporate Governance Rules for listed companies issued by the Colombo Stock Exchange (CSE) is shown in Appendix 1 and the compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023 in Appendix 11 at the end of this report.

Risk Management and Internal Control

The Hayleys Fabric PLC Board, as the higher governing within the organisation is charged with ensuring a robust and effective risk management framework that safeguards the Group's long-term sustainability. In fulfilling this role, the Board defines the Group's overall risk appetite, sets the strategic direction for risk management, and oversees the implementation of a comprehensive governance structure. This framework is underpinned by clearly defined policies, procedures, and control mechanisms designed to identify, assess, and mitigate risks across all operational and strategic areas of the Group.

To strengthen oversight and ensure rigorous monitoring, the Board has delegated responsibility for risk-related matters to the Audit Committee (AC). Acting under the Board's authority, the Audit Committee plays a key role in evaluating risk exposures, reviewing the adequacy and effectiveness of internal controls, and ensuring compliance with regulatory and governance requirements. The Audit Committee also oversees the Internal Audit function, which conducts independent assessments to verify the effectiveness of the Group's risk management and internal

control systems. Findings from these assessments, together with management responses and proposed corrective actions, are presented to the Audit Committee on a quarterly basis and subsequently escalated to the Board for review and appropriate intervention.

For more information - please refer to the Risk Management Report on page 74.

Financial Reporting and Assurance

The Board is responsible for providing a clear, balanced, and accurate assessment of the Group's performance, financial position, and future prospects. This responsibility is supported by a robust system of Board-approved financial controls that meets mandatory requirements and incorporates best practices to ensure the integrity, reliability, and transparency of financial information.

Working closely with the Board Audit Committee, the Board oversees financial performance and the preparation of financial statements, and reviews and approves annual and interim financial reports to ensure compliance with applicable accounting standards, regulatory requirements, and best industry practices.

The Group's financial statements are independently reviewed and audited by Ernst & Young in accordance with Sri Lanka Accounting Standards (LKASs/ SLFRSs), providing assurance on the accuracy and fairness of the Group's financial reporting.

Interim financials and the Annual Report are submitted to the CSE within the stipulated timeline and made available under the investor relations tab on the corporate website - www.hayleysfabric.com

For more information - please refer to the following:

- Annual Report of The Board of Directors on the Affairs of the Company (page 272)
- Responsibility Statement of Managing Director/ CEO and Director-Finance / Chief Financial Officer (page 281)
- Board of Directors' Statement on Internal Control (page 279)
- Statement of Directors' Responsibilities for Financial Statements (page 282)
- Report of the Auditors (page 287).

ETHICS AND INTEGRITY

The Hayleys Fabric PLC's Board is committed to leading with integrity by setting a clear tone from the top and ensuring that ethical conduct is embedded across all aspects of the Group's operations. As a member of the Hayleys PLC Group, the Hayleys Fabric PLC's Board has adopted the its own set of policies in line with Group policies on Code of Conduct, as the basis for embedding ethical behaviour across the organisation. Key elements of the Code include the Anti-Bribery and Corruption Policy and the Whistleblowing Policy, which together articulate the commitment to ethical business practices and responsible governance.

These policies defines the expected standards of conduct for all Directors and employees, clearly outlining acceptable and unacceptable behaviours in the conduct of business. It reinforces the Group's values and strategic objectives, ensuring that ethical principles are applied consistently, irrespective of role or seniority. Adherence to the policies is mandatory for all employees and Directors and fosters a culture of integrity, transparency, and accountability.

Corporate Governance

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

Outlines the Group's stance against bribery, kickbacks and facilitation payments. The Policy also includes clauses relating to giving and accepting gifts by employees in their normal course of work. The Anti-Bribery and Anti-Corruption Policy applies to all Group Directors and employees without exception. Regular training is conducted to reinforce these principles among employees and Directors. Similarly, business partners and third parties who act on behalf of the Group are also encouraged to follow the key principles encapsulated in the Anti-Bribery and Anti-Corruption Policy.



WHISTLEBLOWING POLICY

Creates a channel to anonymously report on possible financial irregularities, inappropriate financial reporting, internal controls, or other issues. All whistleblower complaints are reviewed by the separate HR committee appointed with the Committee taking all reasonable steps to maintain two-way communication with the whistleblower, as much as possible. Employees are made aware of the whistleblowing process through special awareness sessions conducted regularly. Full details regarding the whistleblower policy and the modalities of its operation is also made available on the intranet.

IT Governance

The Board involvement in IT governance encompasses the formulation and approval of IT policies, oversight of the IT roadmap and budget, enhancement of information and cyber security, maintenance of IT infrastructure, and the effective implementation of IT governance frameworks across the Group.

In discharging these responsibilities, the Board is supported by the Hayleys Group IT Department, which provides specialist expertise in IT policy development, strategic planning, budget management, and information security, including cyber security.

Additionally, the Hayleys Group Head of IT serves as both the Chief Information Security Officer (CISO) and the Data Protection Officer for the Hayleys Fabric Group, providing oversight of information security and data protection compliance. At the operational level, the Hayleys Fabric Group Head of IT is responsible for maintaining IT infrastructure and executing approved IT policies, ensuring that governance frameworks are effectively embedded into day-to-day operations.

Taking steps to further strengthen the Hayleys Fabric PLC Group's information security resilience, the Board appointed the KPMG to conduct Information Security Audit Covering the Areas of Governance, Risk, and Compliance (GRC) and TechCert on technical controls, for both Hayleys Fabric PLC and South Asia Textiles Limited for the FY 2025-26.

HR GOVERNANCE

The Board holds the ultimate responsibility for human resources governance. In fulfilling this role, the Board provides oversight into the development of HR policies and frameworks as well as ensuring Group-level regulatory compliance and the adoption of global best practices.

The effective implementation of HR policies and compliance requirements is centrally coordinated under the stewardship of the Executive Director – HR & Administration of the Hayleys Textile Cluster. Working closely with HR Managers across individual factories, the Director ensures adherence to applicable labour laws and regulations, while maintaining consistency with the Hayleys Group's human capital management policy framework and governance standards.

For more information - please refer to the Human Capital Report on pages 166 - 183.

ESG GOVERNANCE

The Hayleys Fabric PLC Board remains firmly committed to advancing Environmental, Social, and Governance (ESG) practices in alignment with the Hayleys Group's sustainability philosophy, as articulated through the Hayleys Fabric PLC's own ESG Framework & Road map "The GreenCatalyst". Additionally, the Board also advocates the alignment with globally recognised initiatives, including the Science Based Targets initiative (SBTi) to support the objectives of the Paris Climate Agreement.

While providing oversight for the formulation of Hayleys Fabric PLC's ESG strategy, the Board has delegated the responsibility for ESG target-setting to the ESG Steering Committee. Once established, these targets are cascaded to departmental levels and integrated into operational processes. Progress against ESG targets is tracked through internal Key Performance Indicators (KPIs) monitored by the Sustainability team, with updates presented monthly at Management Review Meetings and quarterly to the ESG Steering Committee. Entity-level performance is subsequently reviewed on a quarterly basis by the Hayleys PLC ESG Committee

and also ESG KPI dashboard is presented to the Hayleys Fabric PLC's Audit Committee.

To support transparency and demonstrate leadership in sustainability reporting, the Board has adopted internationally recognised reporting frameworks, including the Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC), the UN Sustainable Development Goals (SDGs), and the Sustainability Accounting Standards Board (SASB) Apparel, Accessories & Footwear Standard and Sri Lanka Financial Reporting Standards (SLFRS) S1 and S2 sustainability reporting standards.

To further enhance the credibility and reliability of its disclosures, the Group obtains independent assurance over its ESG reporting, particularly in alignment with GRI and SASB standards and Integrated Reporting (IR)

For more information - please refer to the following:

- United Nations Global Compact - highlights (page 218)
- United Nations Sustainable Development Goals - contribution to selected targets (page 218)
- Science Based Target Initiatives (SBTi)- Page 91
- Sustainability Accounting Standards – SLFRS S1 & S2- Disclosures Page 96
- GRI Content Index (page 219)
- Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard (page 229)
- Independent Assurance Report GRI and SASB (page 231)

Corporate Governance

Stakeholder Engagement

The Hayleys Fabric PLC Board is committed to proactive and transparent stakeholder engagement as the basis of building trust and strengthening relationships with all key stakeholders. Guided by the Hayleys Group best practices, the Hayleys Fabric PLC Board has established a structured stakeholder engagement framework that promotes meaningful dialogue, integrates stakeholder feedback into decision-making, and ensures adherence to ethical and regulatory requirements.

Further reiterating its commitment to stakeholders, the Hayleys Fabric PLC Board also oversees the timeliness and accuracy of stakeholder-related disclosures and regularly reviews engagement outcomes to refine strategies and continuously enhance stakeholder relationships.

For more information - please refer to the Stakeholder Engagement Page 50

Shareholder Relations

The Hayleys Fabric PLC Board is committed to protecting shareholder rights and fostering transparent, constructive relationships with investors by ensuring the timely, accurate, and comprehensive disclosure of information on the Group's financial performance, strategic direction, and governance practices.

To that end, the Board ensures that financial and other disclosures are made in accordance with regulatory requirements and best practices. Shareholders are also kept informed through disclosures to the Colombo Stock Exchange (CSE), the Company's corporate website, and periodic reports. The Board also undertakes to convene the Annual General Meetings (AGMs).

Annual General Meeting (AGM)

The Annual General Meeting (AGM) serves as the main platform for the Board to engage with shareholders and

investors to enable them to gain insights into the Group's performance and discuss strategic priorities for the future.

Following the conclusion of each financial year, the Board determines the date for the AGM.

In line with Colombo Stock Exchange (CSE) listing requirements, the notice of the AGM, along with the Annual Report, financial statements, and any resolutions to be tabled, is circulated to shareholders at least fifteen (15) working days prior to the meeting. The notice also outlines voting procedures, allowing shareholders sufficient time to review key information and participate meaningfully in the proceedings.

The upcoming AGM for Hayleys Fabric PLC is scheduled for 24th June 2026.

Appendix I - Compliance with the Continuing Listing Requirements Section 9 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.2.1	Policies	Compliant	The Company has established and continues to maintain the policies on Board and Board Sub Committees, Corporate Governance, Nominations, Remuneration, Internal Code of Business Conduct, Risk Management and Internal Control, Relations with Shareholders and Investors, Environment, Social Governance and Sustainability and Anti Bribery and Whistleblowing policy. (for details, please visit www.hayleysfabric.com)
9.3	Board Committees	Compliant	The Company has established Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee.
9.3.3	Chairperson of Board Committees	Compliant	Chairperson of Board Committees is not the Chairperson of the Board.
9.4.1	Meeting Procedures	Compliant	Company maintains records of all resolutions passed at General Meetings.
9.4.2	Communication and Relations with shareholders	Compliant	The Company has a Shareholder Communication and Relations policy and it is published on the corporate website. The contact person is mentioned. The policy includes a process whereby Directors are informed of major issues and concerns of shareholders.
9.5.	Policy on matters relating to the Board of Directors	Compliant	The Company maintains a Policy on matters relating to the Board of Directors.
9.6.2	Chairperson and CEO	Compliant	Chairperson and MD/CEO are not the same person and appropriate announcement has been made.
9.6.3	Senior Independent Director (SID)	Compliant	The Company has appointed a Senior Independent Director since the Chairperson is an Executive Director.
9.6.3. (b)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Independent Directors without the presence of other Directors to discuss matters and concerns relating to the Company.
9.6.3. (c)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Non-Executive Directors without the presence of the Chairperson to appraise the Chairperson's performance.
9.6.3. (e)	Senior Independent Director	Compliant	The SID has made a disclosure demonstrating the effectiveness of duties of the SID in page 267.
9.7.1	Fitness of Directors and CEO	Compliant	The Company ensures that the persons recommended by the Nominations and Governance Committee fulfill the assessment criteria set out in the Listing Rules

Corporate Governance

Appendix I - Compliance with the Continuing Listing Requirements Section 9 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.7.4	Fitness of Directors and CEO	Compliant	The Directors and the CEO have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year and as at the date of such confirmation.
9.8.1	Minimum number of Directors	Compliant	The Board consisted of 12 Directors.
9.8.2	Independent Directors (ID)	Compliant	Four Directors are independent
9.8.3	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys Fabric PLC, which is in line with the regulatory requirements.
9.8.5	Disclosure relating to Directors	Compliant	Each Independent Director signed and submitted a declaration regarding his/her independence. The Board assessed the independence declared by the Director.
9.10.2	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange, together with a brief resume of Director, capacity of directorship and if they hold any relevant interest in shares of the Listed Entity. Appointments are reviewed by the Nominations and Governance Committee and recommended to the Board. Please refer pages 18 to 20 for the brief resume of each Director.
9.10.3	Disclosure relating to Directors	Compliant	All changes to Board Committees were immediately informed to the Colombo Stock Exchange.
9.10.4	Disclosure relating to Directors	Compliant	Pages 241 to 245 of the Annual Report contains the relevant information
9.11.1-3	Nominations and Governance Committee	Compliant	Nominations and Governance Committee Report on page 270.
9.11.4	Composition of the Nominations and Governance Committee	Compliant Compliant	The Nominations and Governance Committee comprises 1 Independent Non-Executive Director, 1 Non-Executive Director and 1 Senior Independent Director. The Chairperson of the Committee is the Senior Independent Director.
9.11.5	Functions of the Nominations and Governance Committee	Compliant	Nominations and Governance Committee Report on page 270.
9.12. 1	Remuneration Committee	Compliant	Remuneration Committee Report on page 268 and Principles B1 to B3 on page 261 of this Corporate Governance Report.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.12.6	Composition of the Remuneration Committee	Compliant	The Remuneration Committee Comprises 1 Independent Non-Executive Director, 1 Non Executive Director and 1 Senior independent Director. The Chairperson of the Committee is the Senior Independent Director
9.12.7	Functions of Remuneration Committee	Compliant	The Remuneration Committee recommends the remuneration payable to the Executive Directors and the MD/CEO. The remuneration paid to Directors is given in Note 22 to the financial statements on page 329.
9.12.8	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Remuneration Committee Report on page 268
9.13.1	Audit and Risk Functions	Compliant	Audit Committee additionally overlooks the Risk Functions.
9.13.2	Audit Committees Terms of Reference	Compliant	Audit Committee adopted a written Terms of Reference which has been periodically reviewed and revised.
9.13.3	Composition of the Audit Committee	Compliant	The Audit Committee comprises the Senior Independent Director, 2 Independent Non Executive Directors and 1 Non-Executive Director from whom 3 members including the Chairperson of the Committee are the members of a recognised professional accounting body
9.13.4	Audit Committee Functions	Compliant	Refer Audit Committee Report on page 264
9.13.5	Disclosure in the Annual Report relating to Audit Committee	Compliant	Audit Committee Report on page 264
9.14.2	Composition of the Related Party Transactions Review Committee (RPTRC)	Compliant	Related Party Transactions Review Committee Report on Page 269. RPTRC of the Company comprises the Senior Independent Director, 1 Independent Non-Executive Director and 1 Non-Executive Director. Chairperson of the Committee is the Senior Independent Director.
9.12.3	Functions of RPTRC	Compliant	Report of the Related Party Transactions Review Committee in page 269.
9.12.4	RPTRC Meetings	Compliant	RPTRC met 04 times during the financial year 2025/26.
9.14.7	Immediate Disclosures	Compliant	Refer Note 26 of the Notes to the Accounts on pages 332 to 335.
9.14.8 (1) & (2)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Refer Note 26 of the Notes to the Accounts on pages 332 to 335.
9.14.8 (3)	The Report by the Related Party Transactions Review Committee	Compliant	Report of the Related Party Transactions Review Committee on page 269.
9.14.8 (4)	An affirmative declaration by the Board of Directors	Compliant	Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 272 to 278.
9.17	Additional Disclosures	Compliant	Report of the Annual Report of Board of Directors on pages 272 to 278.

Corporate Governance

Appendix II: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023

As requirements of the Code have been discussed in the Corporate Governance Report, we have provided the relevant references to the report.

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
A	Directors			
A.1	An effective Board should direct, lead and control the Company			239
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Meetings & Minutes	248
A.1.2	Role and Responsibilities of the Board	Yes	The Role of the Board	238
A.1.3	Act in accordance with laws of the Country	Yes	Compliance	256
	Independent professional advice		The Company Secretary	250
A.1.4	Access to advise and services of the Company Secretary	Yes	Company Secretary	250
A.1.5	Independent judgement	Yes	Directors' Independence	240
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Directors' Interests and Related Party Transactions	241-245
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Yes	Appointment/Re-election/Resignation of Directors	246-247
A.1.8	Board induction and Training	Yes	Induction and Training for Directors	247
A.2	Chairman and CEO	Yes	Division of Responsibilities	250
A.3	Chairman's role in preserving good corporate governance	Yes	Division of Responsibilities	250
A.4	Availability of financial acumen	Yes	Board Composition	239
A.5	Board Balance	Yes	Board Composition	239
A.5.1	NEDS should be majority of the Board as Chairman is an ED.	Yes	Board Composition	239
A.5.2	If the Board includes only 3 NEDs, they should be independent and 2/3rd of NED should be IND.	N/A		
A.5.3	Independence of Directors	Yes	NEDs and their Independence	240
A.5.4	Annual declaration of independence by Directors	Yes	NEDs and their Independence	240
A.5.5	Annual determination of independence of NEDs	Yes	NEDs and their Independence	240
A.5.6	Alternate Directors	N/A		
A.5.7 & A.5.8	Senior Independent Director	Yes	Board Composition	239
	Report from SID should be provided in the Annual Report		Senior Independent Director's Report	267

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
A.5.9	Annual meeting with NEDs	Yes	Senior Independent Director meets with Independent and Non-Executive Directors	250
A.5.10	Recording of dissent in minutes	Yes	Board meetings	248
A.6	Supply of Information	Yes	Board meeting process	248
A.7	Appointments to the Board and Re-election	Yes	Appointment/Re-election/Resignation of Directors	246-247
A.7.1	Composition of Nominations and Governance Committee	Yes	Nominations and Governance Committee Report	270
A.7.2	Annual Assessment of the Board	Yes	Board and Board sub-committee evaluation.	252
A.7.4	Disclosures on appointment of new Directors	Yes	Appointment/Re-election/Resignation of Directors	246-247
A.7.5	The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the Annual Report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	Yes	Nominations and Governance Committee Report	270
A.7.6	Terms of Reference for Nominations Committee	Yes	Nominations and Governance Committee Report	270
A.8	Directors to submit themselves for re-election	Yes	Appointment/Re-election/Resignation of Directors	246-247
A.9	Appraisal of Board and Sub-Committee Performances	Yes	Board and Board sub-committee evaluation.	252
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles Meetings & Minutes Directorships in Other Companies Membership in committees	18-20
A.11	Appraisal of the CEO	Yes	Evaluating the performance of Executive Directors including MD/CEO	252
B. Directors Remuneration				
B.1	Establish process for developing policy on executive and Director remuneration.	Yes	Directors' Remuneration	247
B.2	Level and Make Up of Remuneration	Yes	Directors' Remuneration	247
B.3	Disclosure of Remuneration	Yes	Note 22 to Financial Statements	329

Corporate Governance

Appendix II: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
C	Relations with Shareholders			
C.1.	Constructive use of the AGM & Other General Meetings	Yes	Annual General Meeting (AGM)	256
C.2.	Communication with shareholders	Yes	Shareholder Relations	256
C.3	Disclosure of major and material transactions	Yes	During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company.	
D.	Accountability & Audit			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Yes	Shareholder Relations	256
D1.1	Balanced Annual Report	Yes	Shareholder Relations	256
D.1.2	Balanced and understandable communication	Yes	Shareholder Relations	256
D.1.3	CEO/CFO declaration	Yes	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	281
D.1.4	Declarations by the Directors	Yes	Annual Report of the Board of Directors on the Affairs of the Company	272
D.1.5	Statement by the Board on their responsibilities for the preparation and presentation of financial statements, statement by the Auditors about their responsibilities and Report on Risk Management and Internal Control	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control Risk Management Auditors Report	282 279 74 287
D.1.6	Management Discussion & Analysis	Yes	Operating Environment & Capital Reports	134-216
D.1.7	Net Assets < 50%	Yes	In the unlikely event of the net assets of the Company falling below 50% of Shareholders' Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
D.1.8	Related Party Transactions	Yes	Conflicts of Interest and Note 26 to the financial statements	241 and 332
D.2.	Risk Management	Yes	Risk & Opportunities	74
	Policy for risk management. Define framework to identify, assess, monitor and manage risks with clear delegation of responsibilities. Establish risk committee or extend this responsibility to another committee		Report of the Audit Committee	264
			Directors' Statement of Internal Control	279
D.3.	Audit Committee	Yes	Audit Committee Report	264
D.5	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee Report	269
D.6	Code of Business Conduct and Ethics	Yes	Ethics and Integrity	253
			The Whistle Blowing Policy of the Company / Anti-Bribery and Anti-Corruption policy	254
D.7	Corporate Governance Disclosures	Yes	Corporate Governance Report	236
E/F	Institutional and other investors			
	Institutional and other investors,	Yes	Shareholder Relations	256
G.	Internet of Things & Cybersecurity	Yes	IT Governance	255
H.	Sustainability: ESG Risk and Opportunities	Yes	ESG Governance	255

Report of the Audit Committee

As Chairman of Hayleys Fabric PLC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st March 2026 which has been prepared by the Committee. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit by providing support and guidance to the management. I can confidently state that the Committee, supported by the members of senior management and the external auditors, has carried out its duties in the year under review, effectively while maintaining a high standard.

PURPOSE OF THE COMMITTEE

The Audit Committee was established to assist the Board in fulfilling its oversight responsibility for the Company's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of Independence and performance of External Auditors, with a view to safeguarding the interests of the shareholders and all other stakeholders.

MEETINGS & ATTENDANCE

The Audit Committee met four (4) times during the year on a quarterly basis and attendance of the Committee members at each of these meetings is given below.

Name of the Director	Classification	No. of Meetings held/ Attendance				
		01st August 2025	10th November 2025	10th February 2026	15th May 2026	Total
N Ekanayake	Senior Independent Director – Chairperson of the Committee / Chartered Accountant	✓	✓	✓	✓	4/4
H Somashantha	Non-Executive Director / Chartered Accountant	✓	✓	EX	✓	3/4
M N R Fernando	Independent Non-Executive Director	✓	✓	✓	✓	4/4
T A B Speldewinde	Independent Non-Executive Director / Chartered Accountant	✓	✓	✓	✓	4/4

Attend: ✓ Excused: EX Not Applicable: NA

The power and responsibilities of the Audit Committee of Hayleys Fabric PLC are governed by the Audit Committee Charter which is approved and adopted by the Board.

TERMS OF REFERENCE

The Audit Committee has a written term of reference, dealing with its authority and duties, which is carefully designed to discharge the Committee's purpose, duties and responsibilities of the Committee.

The terms of reference comply with the requirements of Listing Rules of the Colombo Stock Exchange (CSE).

COMMITTEE STRUCTURE

The Audit Committee of Hayleys Fabric PLC is formally constituted as a sub-committee of the Main Board. The Committee's composition met the requirements of rule 9.13.3 of the Listing Rules of the Colombo Stock Exchange. The members of the Audit Committee are as follows.

Name of the Director	Status	Remarks
N Ekanayake	Senior Independent Director- (Chairperson of the Committee)	Chartered Accountant
M N R Fernando	Independent Non-Executive Director	
Timothy Speldewinde	Independent Non-Executive Director	Chartered Accountant
H Somashantha	Non-Executive Director	Chartered Accountant

The Audit Committee comprises individuals with extensive experience in the fields of Accounting & Finance, Financial Services, Corporate Management, and Marketing & Strategic Management and the profiles of the members are given on pages 18 to 20 of this report.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE



FINANCIAL REPORTING

The Audit Committee has reviewed the quarterly and annual Financial Statements prior to its publication.

The review included.

- Appropriateness and changes in Accounting Policies
- Significant estimates and judgments made by the management.
- Compliance with relevant Accounting Standards (SLFRSs/ LKASs) and applicable regulatory requirements
- Issues arising from the Internal Audit and Independent External Audit
- The Company's ability to continue as a going concern.
- Statements and Reports to be included in the Annual Report.

INTERNAL AUDIT

The Committee monitors the effectiveness of the internal audit function and empowered them to access the information required to conduct their audits. The internal audit of the Group/Company has been carried out by Hayleys Management Audit and System Review Department (HMA and SRD) and they directly submit their findings to the Audit Committee and relevant reports are available to External Auditors.

The Audit Committee has met the Internal Auditors during the year under review and the following were reviewed.

- Adequacy of the Internal Audit annual plan & coverage
- The effectiveness of Internal Audit functions
- Follow up actions taken by the Company recommended by the Internal Audit.

RISK MANAGEMENT AND INTERNAL CONTROLS

During the year, the Committee assessed the major business and control risks and the control environment prevalent in the Group/Company and advised the Management on action to be taken in areas where weaknesses were observed. In addition, the Committee reviewed and scrutinised the effectiveness of the Company's internal control system already in place and the processes adopted for identifying, evaluating, and managing of all significant risks.

The Audit Committee has also extensively reviewed the disclosures of climate-related risks and opportunities reported in line with the SLFRS S1 & S2 and quantification of impact.

EXTERNAL AUDIT

The Committee has reviewed the independence and objectivity of the Independent External Auditors, Messrs. Ernst & Young Chartered Accountants.

The Audit Committee has met the External Auditors to review their audit plan and Observations made by them.

The Committee has received a declaration from External Auditors confirming that they do not have any relationship with or interest in the Company or its subsidiaries.

The Committee has reviewed the non-audit services provided by the external auditors to safeguard their independence and objectivity.

At the conclusion of the audit, the External Auditors met the Audit Committee to discuss any matters of concern found during the audit and also to discuss the matters mentioned in the Management Letter.

Report of the Audit Committee

Management responses for the concerns raised by the External Auditors were discussed with the Managing Director/CEO and Director-Finance of the Group/Company. There were no significant issues during the year under review.

Messrs Ernst & Young have served as the External Auditors of the Company for fourteen (14) years, and the current audit partner has served in the role for two (02) years.

The Committee has recommended to the Board that Messrs. Ernst & Young be reappointed as the independent External Auditor and that the re-appointment be included in the agenda of the Annual General Meeting.

COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

The Director Finance has submitted a report on compliance with mandatory statutory requirements to the Audit Committee. The Committee reviewed the procedures together with the Report from the MD/CEO regarding the entity's operations and finances established by Management for compliance with the requirements of regulatory bodies and ensured compliance with Corporate Governance disclosure requirements, as set out on page 257.

SUPPORT TO THE COMMITTEE

The Committee received the necessary support and information from the management of the Company during the year to enable them to carry out its duties and responsibilities effectively.

OTHER MATTERS

- The Committee reviewed the potential Cyber Risks of the Group/Company and the steps taken by the Management to address these risks.

- Carried out an in-depth review of the insurance policies of the Group/Company. Reviewed the key audit observations made in respect of audits carried out on subsidiary Company.
- Reviewed the Audit Committee Charter and the Terms of Reference.
- Evaluated the areas to be further strengthened.

CONCLUSION

The Audit Committee is satisfied that the effectiveness of the Organisational structure of the Group/Company and the implementation of the Group/Company's Accounting policies and operational controls provide reasonable assurance that the affairs of the Group/Company are managed in accordance with accepted policies and the assets are properly accounted for and adequately safeguarded.

The Committee is also satisfied that the Company is able to continue as a going concern.



N. Ekanayake
Chairman-Audit Committee

15th May 2026

Senior Independent Director's Statement

The Code of Best Practice on Corporate Governance 2023 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka and Rule number 9.6.3 of the Listing Rules of the Colombo Stock Exchange recommends that a Senior Independent Director (SID) be appointed in the event of the Chairperson and CEO is the same person or the Chairman is not an Independent Director. At Hayleys Fabric PLC, although the Chairman and CEO are not the same, the Chairman is not an Independent Director.

The presence of a Senior Independent Director (SID) provides a workable mechanism to review the role played by the Chairman. While the role of the Chairman entails providing leadership in observing best practices of Corporate Governance, my role as the Senior Independent Director calls for a review of the effectiveness of the Board. The role of the Senior Independent Director also provides emphasis to transparency on matters relating to governance.

Hayleys Fabric PLC is committed to principles of good governance and always strives to live by the Best Practices of good Corporate Governance. The conformance culture of the Company is strongly embraced by the Board of Directors. 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

As the Senior Independent Director of the Hayleys Fabric PLC, I am consulted by the Chairman on governance issues, if there are any. Further, I make myself available to any Director or any employee to have any confidential discussion on the affairs of the Company, should the need arise.

During the financial year meetings were held with the Non-Executive Directors without the presence of the Executive Directors.

At these meetings, the performance of the Chairman and the Executive Directors were appraised.

Discussions were held with the Independent Directors on matters relating to the Company and the operation of the Board. The outcome was shared with the Chairman and suggestions were implemented.



N. Ekanayake
Senior Independent Director

15th May 2026

Report of the Remuneration Committee

Hayleys Fabric PLC has an established Remuneration Committee in line with Rule 9.12 of the Listing Rules of the Colombo Stock Exchange. The Committee is chaired by the Senior Independent Non-Executive Director (SID). The members of the Committee have wide experience and knowledge of finance, business and industry. The Committee met twice during the year under review:

Name of the Director	Classification	No. of Meetings held/Attendance		
		10th February 2026	15th May 2026	Total
N Ekanayake	Senior Independent Director – Chairperson of the Committee	✓	✓	2/2
M N R Fernando	Independent Non-Executive Director	✓	✓	2/2
H Somashantha	Non-Executive Director	EX	✓	1/2

Attend: ✓ Excused: EX Not Applicable: NA

KEY OBJECTIVE

The Committee advises the Board to maintain and establish formal and transparent procedures on the policy to be followed on executive remuneration packages for individual Directors and senior management of the Company and its subsidiary.

INDEPENDENCE OF THE COMMITTEE

The members of the Remuneration Committee are completely free from any business, Operational, personal or other relationships that may interfere with the exercise of their independent, unbiased judgment.

Remuneration Policy

The Remuneration Policy is designed to reward, motivate and retain the Company's Executive Directors and the members of the senior management team to support the continued success of the business and value creation over the short, medium and long term.

The Committee makes every effort to maintain remuneration levels that are sufficient to attract and retain Executive Directors. All Non-Executive Directors except Directors who are employed by the Parent company, 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 Company/Group does not have an employee share ownership plan for members of the Board, who are considered Key Management Personnel (KMP).

DIRECTORS' EMOLUMENTS

The aggregate remuneration of both Executive and Non-Executive Directors has been disclosed in Note 22 to the financial statements.

The Committee is of the view that the Directors and Senior Management are remunerated fairly and receive performance-based compensation that promotes effective execution of Company's strategy and long-term value creation.



N. Ekanayake

Chairman - Remuneration Committee

15th May 2026

Report of the Related Party Transactions Review Committee

In terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange and the code of Best Practice issued by the CA Sri Lanka 2023, the Related Party Transactions Review Committee is appointed by and responsible to the Board.

COMPOSITION OF THE COMMITTEE & ATTENDANCE AT THE MEETINGS

The Committee comprises the following members and met 4 times, on a quarterly basis during the year under review.

Name of the Director	Classification	No. of Meetings held/ Attendance				
		01st August 2025	10th November 2025	10th February 2026	15th May 2026	Total
N Ekanayake	Senior Independent Director – Chairperson of the Committee	✓	✓	✓	✓	4/4
M N R Fernando	Independent Non-Executive Director	✓	✓	✓	✓	4/4
S C Ganegoda	Non-Executive Director	✓	✓	✓	✓	4/4

Attend: ✓ Excused: EX Not Applicable: NA

THE DUTIES OF THE COMMITTEE

- Subject to the exemptions provided in Rule 9.14.10 of Listing Rules, to review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- 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 people.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and at arm's length not prejudicial to the interests of the entity and its minority shareholders
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.

- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

TASK OF THE COMMITTEE

The Committee re-viewed the related party transactions and their compliances of Hayleys Fabric PLC and its subsidiary. The Committee ensures that the minutes of all meetings are properly documented and communicated to the Board.

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members of the management.

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors in Note 26 to the financial statements in page 332 of this Annual Report.



N. Ekanayake
Chairman - Related Party Transactions Review Committee

15th May 2026

Report of the Nominations and Governance Committee

In line with the Listing Rules on Corporate Governance, the Company has its own Nominations and Governance Committee.

COMMITTEE MEMBERS

The Committee met twice during the year under review. The members of the Committee and their attendance at the meetings are as below.

Name of the Director	Classification	Date of Appointment to the Committee	No. of Meetings held/Attendance		
			10th February 2026	15th May 2026	Total
N Ekanayake	Senior Independent Director – Chairperson of the Committee	15th May 2024	✓	✓	2/2
M N R Fernando	Independent Non-Executive Director	15th May 2024	✓	✓	2/2
S C Ganegoda	Non-Executive Director	15th May 2024	✓	✓	2/2

Attend: ✓ Excused: EX Not Applicable: NA

DUTIES OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

- The Nominations and Governance Committee evaluates and recommends the appointment of Directors to the Board and Committees considering the required skills, experience and qualifications necessary.
- Consider and recommend (or not recommend) the re-election of current Directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the discharge of the Board overall responsibilities and the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- Establish and maintain a formal and transparent procedure to evaluate, select and appoint/reappoint Directors of the Company.
- Establish and maintain a set of criteria for selection of Directors such as academic/ professional qualifications, skills, experience and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.

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

DISCLOSURE OF ACTIVITIES

The Board carried out an evaluation of the performance of the Board as a whole and the effectiveness of the Committees. The collective outcome was informed to the Board. Any major issues relating to the Company are updated to the Independent Directors by the Chairman or Managing Director. Special Board meetings are called if the need arises to discuss an important or critical matter with the Board. No such meetings were needed during the financial year under review.

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

Non-Executive Directors have submitted declarations regarding their independence / non-independence.

The fitness and propriety of the Directors were examined.

RE-APPOINTMENTS / RE-ELECTIONS

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

Accordingly, In terms of Article 29 of the Articles of Association of the Company, Mr. H Somashantha, Mr. M N R Fernando, Mr. N Ekanayake and Mr. M.H. Jayasinghe retire by rotation and being eligible offer themselves for re-election.

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

None of the Directors who are being proposed for re-election/re-appointment 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.

All Independent Non-Executive Directors of the Company meet the criteria for determining independence as per Rule 9.8.3 of the Listing Rules of the Colombo Stock Exchange (CSE).

The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in pages 258 to 259.



N. Ekanayake

Chairman

Nominations and Governance Committee

15th May 2026

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

The Board of Directors of Hayley's Fabric PLC is pleased to present its Annual Report on state of affairs of the Company to the shareholders for the financial year ended 31st March 2026, together with the audited financial statements of the Company and the Auditor's Report on those financial statements, prepared in accordance with the requirements of the Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE). The Report also includes all other relevant information required by the Companies Act No. 7 of 2007 and its amendments, the Listing Rules of the Colombo Stock Exchange (CSE), including the Corporate

Governance Rules issued by the CSE in 2023 as well as other Good Governance practices.

The financial statements, together with the Reviews and other Reports which form part of the Annual Report were approved by the Board of Directors on 15th May 2026 and the required number of copies submitted to the Colombo Stock Exchange within the statutory deadlines.

Hayleys Fabric PLC is a public limited liability Company incorporated in Sri Lanka in 1993 under the previous Companies Act No 17 of 1982 and

re-registered as required under the provisions of the Companies Act No 7 of 2007. The re-registration number of the Company is PQ 37.

The issued shares of the Company were listed on the main Board of the Colombo Stock Exchange in Sri Lanka in April 2003.

The registered office of the Company is located at 400, Deans Road, Colombo-10.

Section 168 of the Companies Act No. 07 of 2007, requires the following information to be published in the Annual Report prepared for the year under review.

MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (a)	The nature of the business of the Company	Yes	About Us	11 to 14
Section 168 (1) (b)	Financial statements for the accounting period completed and signed in accordance with section 152	Yes	The Financial Statements of the Company for the year ended 31st March 2026	290 to 339 Signed on page 290
Section 168 (1) (c)	Auditor's report on the financial statements of the Company	Yes	Independent Auditors' Report.	287
Section 168 (1) (d)	Any change in accounting policies made during the accounting period	Yes	Note 4.4 to the Financial Statements - Changes in Accounting Policies	308
Section 168 (1) (e)	Particulars of entries in the interests register made during the accounting period	Yes	Directors' Interest in Contracts with the Company	334
			Details of the Directors' shareholdings. - Investor Information	347
			Neither the shares were purchased, and nor the shares were disposed during the year by Director of Hayleys Fabric PLC.	
Section 168 (1) (f)	Remuneration and other benefits of Directors during the accounting period	Yes	Note 22 to the Financial Statements - Profit Before Tax	329
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period.	Yes	Note 22 to the Financial Statements - Profit Before Tax	329

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Yes	Board Profiles In terms of Article 29 of the Articles of Association of the Company, Mr. H Somashantha, Mr. M N R Fernando, Mr. N Ekanayake and Mr. M.H. Jayasinghe retire by rotation and being eligible offer themselves for re-election. Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution for the re-appointments of Mr. A.M. Pandithage and Mr. E.R.P. Goonetilleke notwithstanding the age limit of seventy years stipulated by Section 210 of the Companies Act.	18-20
Section 168 (1) (i)	Amounts payable by the Company to the Person or firm holding office as auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Yes	Note 22 to the Financial Statements - Profit Before Tax	329
Section 168 (1) (j)	Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries	Yes	The Company's auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. The Auditors do not have any relationship or interest with the Company other than that of an Auditor. A resolution authorizing the Directors to fix the remuneration of the Auditors who are deemed re-appointed in terms of section 158 of the Companies Act No 07 of 2007 will be proposed at the Annual General Meeting.	287 348
Section 168 (1) (k)	Signed on behalf of the Board by two Directors and the Company Secretary	Yes	Annual Report of the Board of Directors	272

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

Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) requires the following information to be published in the Annual Report prepared for the year under review.

MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
(i)	Names of persons who were Directors of the Entity	Yes	Board Profiles	18-20
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	About Us	11
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Investor Information	347
(iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes		347
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes		347
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk and Opportunities	74
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Human Capital	166
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Note 6.7 & 6.8 - Property plant and Equipment to the Financial Statements	313-314
(ix)	Number of shares representing the Entity's stated capital	Yes	Investor Information	346
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes		346
(xi)	Financial ratios and market price information	Yes	Financial Highlights	30
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 6 - Property plant & Equipment to the Financial Statements	310

Reference	Requirement	Complied	Reference (within the Report)	Page
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A		
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A		
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 the Listing Rules	Yes	Corporate Governance Report	236-263
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Note 26 - Related Party Disclosures, to the Financial Statements	332

In addition to the above, the following information is disclosed. Details are provided within notes to the Annual report, which form an integral part of the Annual Report of the Board of Directors

Requirement	Reference (within the Report)	Page
Principal Activities	About us	11
Purpose, Vision, Mission and Values	The Company is committed to upholding high standards of business conduct and ethics in the workplace at all times, paramount in retaining the trust of stakeholders. All employees abide by the Company's Code of Conduct and Ethics in achieving the purpose, vision and mission.	10
Review of business performance	Chairman's Reflections Managing Director's Insights Capitals Management Reports Measures taken to manage risks are given in the Risk and Opportunities Section	41 44 140 - 216 74
Financial Statements	The financial statements of the Company/Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007. These Statements have been duly approved by the Directors and certified by the Director-Finance	290
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	282
Auditors' Report	Independent Auditors' Report	287
Significant Accounting Policies	Notes 3 to the financial statements - Significant Accounting Policies	295
Going Concern	Note 5.1 to the financial statements – Going Concern	309
Revenue	Note 18 to the financial statements – Revenue from contracts with customers	327

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

Requirement	Reference (within the Report)	Page
Financial Results and Appropriations	Statement of Profit or Loss and other Comprehensive Income and Statement of Changes in Equity	291
Taxation	Note 23 to the financial statements - Taxation	329
Corporate Donations	Note 22 to the financial statements - Profit Before Tax	329
Stated Capital and Reserves	Statement of Changes in Equity	292-293
Property, Plant and Equipment	Notes 6 to the financial statements - Property, Plant and Equipment	310
Intangible assets	Notes 8 to the financial statements - Intangible Assets	315
Capital Expenditure	The total capital expenditure on acquisition of property, plant and equipment of the Group amounted to USD 3,881,412 and no additions were made to Intangible assets. Details are given in Note 6 and 8 to the financial statements.	310-315
	Capital expenditure approved and contracted for, and not contracted for, as at reporting date are given in Note 27 to the financial statements - Commitments and Contingencies.	335
Market Value of Freehold Properties	Note 6 to the financial statements - Property, Plant and Equipment.	310
Contingent Liabilities and Commitments	Note 27 to the financial statements - Commitments and Contingencies	335
Events after the Reporting Date	Note 29- to the financial statements - Events After the Reporting Period	335
Risk Management	Disclosure of the different types of risks the Company activities were exposed to are given in Note 30- to the financial statements.	336
	The Group's risk management process is described on pages 74 to 84, of the Annual Report. The Group's Climate related risks and opportunities & financial impact quantification have been shown in SLFRS S1 & S2 disclosures Pages 96 to 132	
Statutory Payments	The Directors, to the best of their knowledge, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.	282
Internal Control	The Board is responsible for formulating and implementing sound internal control systems to safeguard shareholder interests and the assets of the Company.	279-280
	Directors' Statement on Internal Control	
Corporate Governance	Corporate Governance Report	236
	The Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CASL) as described on pages 260 to 263.	
Environmental Protection	To the best of knowledge of the Board, the Group/Company has not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.	282
	Specific measures taken to protect the environment are found in the Natural Capital Report.	196

Requirement	Reference (within the Report)	Page
Compliance	To the best of their knowledge, the Board believes that the Group/Company has not engaged in any activity which contravenes laws and regulations. There have been no irregularities involving management or employees that could have any material financial or other effect.	282
Stated Capital	Note 13 to the financial statements – Stated Capital	319
Share Information and Shareholdings	Investor information	346-347
Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act No 7 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary.	
Board of Directors	Board Profiles	18 - 20
	Board Composition- Corporate Governance Report	239
Board Committees	Board Sub-Committees - Corporate Governance Report	251
Board and Committee meeting attendance	Meetings & Minutes- Corporate Governance Report	248
Directors' shareholdings	Investor Information	347
Directors' interest in transactions	The Directors declared in terms of the requirement of the listing rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the financial year ended 31st March 2026 did not exceed 10% of equity or 5% of the total assets of the Company.	334
	Related party transactions are disclosed in Note 26 to the financial statements	332-335
Directors' Remuneration	Notes 22 to the financial statements - Directors' fees and Emoluments.	329
Human Resources	Human Capital Report	166
Insurance and Indemnity	The Parent 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/Company.	74
		96 - 132
Material Foreseeable Risk Factors (As per Rule No. 7.6 (VI) of the Listing Rules of the Colombo Stock Exchange)	Risk Management Review	
	Climate-related risks and opportunities under SFLRS S1 & S2	
Material Issues Pertaining to Employees and Industrial. Relations Pertaining to the Company (As per Rule No. 7.6 (VII) of the Listing Rules of the Colombo Stock Exchange)	No material issues occurred during the year	
Operational Excellence	Performance Highlights	30

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

RELATED PARTY TRANSACTIONS

The Board of Directors of Hayleys Fabric PLC confirms that related party transactions have been reviewed by the Related party Transactions Review Committee of Hayleys Fabric PLC, in compliance with Section 09 of the CSE Listing Rules. Related party disclosures as required by the Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosures) are detailed in Note 26 to the Financial Statements.

None of the Directors or their close family members have any material business relationship with other Directors of the Company/ Group.

DIVIDEND

Following dividends were paid during the financial year 2025/26

1st Interim dividend - 2025/26 - Rs. 0.25 per share paid on 25/07/2025

2nd Interim dividend – 2025/26 - Rs. 0.24 per share paid on 23/10/2025

3rd Interim dividend – 2025/26 - Rs. 0.13 per share paid on 28/04/2026

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Hayleys Fabric PLC will be held at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 on Wednesday, 24th June 2026 at 4.00 p.m. The Notice of Annual General Meeting appears on page 348.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

For and on behalf of the Board of Directors.



A.M. Pandithage
Chairman



E.R.P. Goonetilleke
Managing Director/CEO



Hayleys Group Services (Private) Limited
Secretaries Colombo

15th May 2026

Board of Directors' Statement on Internal Controls

Section D1.4 of the 'Code of Best Practice on Corporate Governance 2023 (The Code)' issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Statement on Internal Controls, in the Annual Report

RESPONSIBILITY

The Board of Directors ("Board") has the overall responsibility of maintaining a sound system of internal controls and for periodically reviewing its effectiveness and integrity, in order to ensure that the Company's risks are within the acceptable risk profile. Accordingly, the Board can provide reasonable assurance against misstatement of management and financial information and records. The Board has established an organisation structure, which clearly defines lines of accountability and delegated authority significant risks faced by the Group, this process entails enhancing the internal control system as and when there are changes to the business environment and regulatory guidelines

BOARD COMMITTEES

The Board has delegated specific responsibilities to the following four subcommittees

- Audit Committee
- Nominations and Governance Committee
- Remuneration Committee
- Related Party Transactions Review Committee

These Committees are chaired by the Senior Independent Director and have the authority to examine particular issues and report back to the Board with their recommendations.

The Board is confident that the internal controls are adequate to provide reasonable assurance regarding the reliability of financial reporting which are in accordance with acceptable accounting principles and the applicable regulatory requirements

INTERNAL AUDIT

Group's Internal Audit function is performed by Hayleys Management Audit and System Review Department (HMA and SRD) which is an independent function report directly to Audit Committee that provides assurance on the efficiency and effectiveness of the Internal Control System of the Group and more details are available in Audit Committee Report on pages 264-266.

REVIEW ADEQUACY AND EFFECTIVENESS

The Board and the Audit Committee, have taken steps to ensure adequacy and effectiveness of the internal controls of both financial and operational processes, remedial steps are taken where necessary

The Board and the Audit Committee concluded that an effective system of risk management and internal controls are in place to safeguard the shareholders' investment and the Group's assets

POLICIES, PROCEDURES AND BUDGETS

Group has set policies and procedures to ensure compliance with internal controls and relevant laws and regulations are set out in operations manuals, which are updated from time to time.

The annual budget of the Company and the Group are approved by the Board, and the performance is assessed against the approved budgets and explanations are provided for significant variances periodically to the respective Boards.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company code of ethics, which includes a strong set of corporate values and conduct, is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the Company code of ethics in exercising their duties, communications, role modelling and in any other circumstances, so as to uphold the Group's image. Strict disciplinary actions are initiated for any violation of the Company code of ethics.

INSURANCE AND PHYSICAL SAFEGUARDS

Adequate insurance and physical safeguards on major assets are in place to ensure Group assets are sufficiently covered to minimize material loss against any mishap.

Board of Directors' Statement on Internal Controls

RISK MANAGEMENT

An overview of the Group's risk management framework is set out on pages 74-84.

Group's applicable Climate related risks and opportunities (CRROs)/ Sustainability Related risks and opportunities (SRROs) and quantification of financial impact of selected CRROs have been given on pages 96-132.

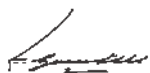
CYBER SECURITY

The Group uses fully integrated SAP/ IFS and other planning software systems for entire operations and thus increasing the Group's reliance on technology. In this era, securing and protecting the Group's information assets becomes a key priority. The Board and Hayleys Group level have taken necessary precautions to minimise the risk of a security breach. During the year under review, necessary steps have been rolled out to curtail the exposure to cyber-attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

CONFIRMATION

The Board of Directors of Hayleys Fabric PLC ('Group') confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Company and Consolidated Financial Statements for the year ended 31st March 2026 have been audited by Messrs. Ernst & Young, Chartered Accountants.

By order of the Board



E.R.P. Goonetilleke
Managing Director/CEO



N. Ekanayake
Chairman-Audit Committee



R. Rohitha Bandara
Director - Finance & ESG

15th May 2026

Responsibility Statement of Managing Director/CEO and Director Finance / Chief Financial Officer

The Section D 1.3 of the 'Code of Best Practice on Corporate Governance 2023' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board should, before it approves the financial statements for the financial year, obtain a declaration in their opinion on financial statements and system of risk management and internal control from its Chief Executive Officer and Chief Financial Officer.

We confirm that the Financial Statements of Hayleys Fabric PLC and the Group are prepared in compliance with the following requirements.

- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Companies Act No.07 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka

The accounting policies used in preparation of the Financial Statements of the Company and the Group are appropriate and applied consistently.

All applicable Sri Lanka Accounting Standards have been duly applied. The significant accounting policies and estimates involved a high degree of judgment and complexity have been informed and discussed with the Audit Committee.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of Financial Statements.

The estimates and judgments relating to the Financial Statements were made in a prudent and reasonable basis, in order to reflect true and fair picture and the form and substance of transactions and reasonably present the Company and its Subsidiaries' state of affairs

Group has established proper system of internal controls and accounting systems to safeguard assets, preventing and detecting frauds and other irregularities, which is reviewed and updated on an ongoing basis.

The Internal Auditors, Hayleys Management Audit and System Review Department (HMA and SRD) have conducted periodic audits to provide reasonable assurance that the established policies, internal controls and procedures of the Company and its Subsidiaries were consistently followed.

The Financial Statements of the Company and its Subsidiaries were audited by Messrs.' Ernst & Young-Chartered Accountants, the Independent External Auditors.

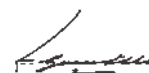
The Audit Committee of the Company meets periodically with Internal Auditors and with External Auditors when necessary to review the manner in which these Auditors are performing their responsibilities. In addition, internal control and financial reporting issues are also discussed.

In order to ensure the independence of the Internal and External Auditors, they have been given full and free access to the members of the Audit Committee to discuss any matters they think important.

CONCLUSION

We confirm that we have discharged our responsibilities on maintaining proper financial records and preparing financial statements in accordance with LKASs/ SLFRSs and complied with all applicable laws and regulations and guidelines.

To the best of our knowledge, we also confirm that the system of risk management and internal control operated effectively during the year.



E. R. P. Goonetilleke
Managing Director/CEO



R. Rohitha Bandara
Director – Finance & ESG

15th May 2026

Statement of Directors' Responsibilities for Financial Statements

Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2023' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Responsibility Statement on the preparation and presentation of Financial Statements in the Annual Report together with a statement by the Auditors about their reporting responsibilities.

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 287 to 289 as required by the Companies Act No.7 of 2007.

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 (1) & (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 and loss of the Company and the Group for the financial year.

THE FINANCIAL STATEMENTS COMPRISE OF:

- Income statement and statement of comprehensive income of the Company and the Group, which present a true and fair view of the profit and loss of the Company and the Group for the financial year.
- A statement of financial position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.
- Statement of Changes in Equity and Cash Flow for the year then ended and Accounting Policies and Notes thereto for the Company and the Group.

The Directors confirm that the Financial Statements and other statutory reports of the Company/Group for the year ended 31st March 2026 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Company/Group maintains adequate and accurate records which reflect the true financial position of Hayleys Fabric PLC (Group). The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group.

The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company/Group, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed to and its impact to the Company and its Subsidiaries.

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2027 and the bank facilities, consider that the Group has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing these Financial Statements.

The Financial Statements of the Company and the Group are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected.

The Board of Directors confirm that the Statements of Financial Position as at 31st March 2026 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2026 reflect a true and fair view.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties. The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors Report.

As required by Section 56 (2) and Section 57 of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, and have obtained a certificate from the auditors, prior to declaring all dividends.

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 Subsidiary as at the reporting date have been paid or where relevant provided for, except as specified in Note 27.2 to the Financial Statements covering contingent liabilities.

The Directors further confirm that to the best of their knowledge, the Company and its Subsidiary have not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.

By Order of the Board,



Hayleys Group Services (Pvt) Ltd
Secretaries

Colombo
15th May 2026

Environmental, Social and Governance (“ESG”) Steering Committee Report

I am pleased to present the Hayleys Fabric PLC ESG Steering Committee Report in 2025/26 Annual Report. The ESG Steering Committee was established on 25th November 2024 to support the strategic integration of ESG and strengthen the Board's oversight of environmental and social issues given the growing significance of ESG matters and it is imperative to lead the business into a sustainable future.

The ESG Steering Committee set up in South Asia Textiles Limited (A fully owned subsidiary of Hayleys Fabric PLC) serves as a Sub-Committee to the main Committee established at Hayleys Fabric PLC.

COMPOSITION OF THE COMMITTEE

The ESG Steering Committee consists of the following members

Name of the Member	Designation
E.R.P. Goonetilleke	Managing Director/CEO-Chairperson
I.B.R. Rohitha Bandara	Executive Director-Finance & ESG
M.H. Jayasinghe	Executive Director-Marketing
K.P.C.P.K. Pathirana	Executive Director- HR & Admin
Lakmal Diyawaththege	DGM-Sustainability

In addition to the above, all Heads of Departments are the members of the ESG Steering Committee.

The Committee is governed by its Terms of reference (TOR)

Attendance to the Meetings

Name of the Member	No. of meetings held	Attendance
E.R.P. Goonetilleke	2	2/2
I.B.R. Rohitha Bandara	2	2/2
M.H. Jayasinghe	2	2/2
K.P.C.P.K. Pathirana	2	2/2
Lakmal Diyawaththege	2	2/2

Authorities/Responsibilities

- Provide oversight and monitor the execution of the Fabric Group's ESG Framework-Hayleys Lifecode including progress against environmental, social and governance targets in the short, medium and long-term.
- Identify ESG related risks, opportunities and impacts and recommend the implementation of appropriate measures to effectively address these dynamics.
- Review and provide guidance on ESG related policies and programs required to drive the Fabric Group's ESG Framework and strategy.
- Review and approve the Fabric Group's stakeholder engagement strategy which allows management to identify, understand and respond to stakeholders' legitimate concerns.
- Receive updates at least quarterly or as and when required, on ESG matters including progress against targets, key KPIs and strategy implementation.

- Review, approve and make recommendations in respect of sustainability and ESG factors in the Company's corporate reporting and external communications.
- Review emerging trends and issues in the ESG areas and assess potential impact on the Fabric Group.
- Ensure synchronisation of all ESG aspirations and initiatives to the Hayleys Fabric Group Corporate Purpose.

MAIN ACTIVITIES IN 2025/26

- Review of sustainability-related risks and opportunities (SRROs) and Climate Related Risks and Opportunities (CRROs) with quantification of financial impact for applicable 2 CRROs
- Monitoring of quarterly non-financial performance metrics
- Review and approve key sustainability-related initiatives proposed by the Sustainability Team
- Further strengthen the adoption of SLFRS S1 & S2 Standards
- Present ESG Dash Board with the progress of SRROs/CRROs to the Board quarterly.

KEY ACHIEVEMENTS IN 2025/26

- Re-initiated the redemption of exported solar electricity units through the International Renewable Energy Certificate (I-REC) mechanism for the financial year 2025–2026, reinforcing the Group's commitment to renewable energy utilization and Scope 2 emission reduction.
- GHG Emissions reductions in line with the Group de-carbonization strategy & near-term target of Science Based Targets initiative (SBTi).
- Obtained the Zero Waste to Landfill certificate for South Asia Textiles Limited, verified in accordance with ISO 14065:2020.
- The biodiversity habitat assessment and carbon sequestration study were completed for the Eco Reserve, the adjacent green buffer zone of Hayleys Fabric PLC.

Environmental, Social and Governance (“ESG”) Steering Committee Report

Key ESG Awards and Recognitions obtained during the year

Award/Achievement	Description
Water Stewardship Champion Awards 2025	Winner
Management Leadership Excellence Awards 2025	Winner - Corporate Social Responsibility
Management Leadership Excellence Awards 2025	Winner - Sustainability & Circular Economy
SLTC Research and Innovation Awards 2025	Winner for Excellence in In-house R&D - Environment Sustainability Category
Questar Awards 2025	Gold - Corporate Social Responsibility Report
CMA Excellence in Integrated Reporting Awards 2025	Winner - Best Integrated Report Apparel Sector
International Business Magazine Awards 2025	Best Textile Manufacturer of the Year South Asia 2025
Green Productivity Awards	Gold
Brandon Hall Group Excellence Awards	Gold - Excellence in Action & Company Culture
Mercury Excellence Awards 25/26	Gold - Annual Reports - Sustainability Report Asia/ Pacific

Looking Ahead

2026/27 Focus Areas

- Ensure readiness for emerging local and global sustainability-related regulations.
- Execute Group's decarbonisation initiatives aligned with the long-term strategy.
- Obtain the Zero Waste to Landfill certificate for Hayleys Fabric PLC.
- Improve water recovery volumes at Hayleys Fabric PLC and South Asia Textiles Limited.
- Contribute to a net-positive impact on biodiversity.
- Further strengthen SLFRS S1 & S2 financial impact quantification and obtain independent assurance.

In addition to the above, the process is in place to update the knowledge of the Board on ESG related activities and progress of ESG related KPIs at quarterly basis.



E.R.P. Goonetilleke

Managing Director/CEO

Chairperson- ESG Steering Committee- Hayleys Fabric PLC

15th May 2026



Rising with Strength

FINANCIAL INFORMATION

Financial Calendar 2025/26

INTERIM FINANCIAL STATEMENTS- SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

Three months ended 30th June 2025	1st August 2025
Six months ended 30th September 2025	10th November 2025
Nine months ended 31st December 2025	10th February 2026
Twelve months ended 31st March 2026	15th May 2026

Authorization for issue of Audited Financial Statements for 2025/26	15th May 2026
Publication of Annual Report for the financial year 2025/26	2nd June 2026
34th Annual General Meeting to be held on	24th June 2026

DIVIDENDS

1st Interim dividend - 2025/26	25th July 2025
2nd Interim dividend - 2025/26	23rd Oct 2025
3rd Interim dividend - 2025/26	28th April 2026

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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TO THE SHAREHOLDERS OF HAYLEYS FABRIC PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hayleys Fabric 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.

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 USD 26,400,198 net of provision of USD 4,102,957 for slow moving inventory as disclosed in Notes 10, 5.5 and 3.9 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 23% of the Group's total assets as of the reporting date; and - Judgements applied by the management on identifying specific provision for slow-moving Inventories, as well as estimating the net realisable value (NRV) of inventory.	Our procedures included the following key procedures: - Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported. - Understood the process followed by the management for identifying inventories requiring write-down to net realizable value (NRV) such as second-grade items and for determining general and specific provision for slow-moving inventories. - Tested whether inventories were stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices. - Assessed the reasonableness of management judgements applied in identifying inventories requiring write-down to net realizable value (NRV) and for determining the provision for slow moving inventories. Our procedures included testing inventory ageing reports and production quality reports and assessing the reasonableness of judgments applied in relation to expectation of customer orders and usability of inventories. - We also evaluated the adequacy of the disclosures in Notes 3.9, 5.5 and 10 to the financial statements.

Independent Auditor's Report



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Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill from South Asia Textiles Limited Goodwill reported by the Group as at 31 March 2026 amounted to USD 10,440,277 and is related to the investment made by the Group in South Asia Textiles Limited which has been considered as a single cash generating unit (CGU) by the Group. Goodwill is tested annually for impairment based on its recoverable amount. Where the carrying value of a CGU exceeds the recoverable value of the specific CGU then an impairment loss is recognized. The recoverable amount is estimated using value in use (VIU) computations prepared by management based on discounted future cash-flows. Assessment of impairment of goodwill was a key audit matter due to: • The significance of the reported balance; and • The degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value-in-use calculations and estimated cash flows, long term growth rates and discount rate including the potential impact of the relevant economic conditions.	Our audit procedures included the following key procedures: • Obtained an understanding of how management has forecast its discounted future cash flows. Our procedures included understanding how management has considered the relevant impact of the economic conditions in forecasting the cash flows. • Tested the calculations of the discounted future cash flows and agreed the data used by management to relevant underlying accounting records, to evaluate their completeness and accuracy. • Based on the best available information up to the date of our report, we assessed the reasonableness of significant judgments, estimates and assumptions used by the Group, in particular those relating to the discount rate and long term growth rate of the estimated future cashflows. We assessed the adequacy of the disclosures made in notes 3.10, 5.2 and 9.1 in 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,



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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.
- 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 3755.

15 May 2026
Colombo

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

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

A member firm of Ernst & Young Global Limited

Statement of Financial Position

		GROUP		COMPANY	
As at 31 March		2026	2025	2026	2025
	Note	USD	USD	USD	USD
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	46,163,282	46,424,814	26,309,852	25,238,860
Right of use assets	7	829,709	861,080	194,194	202,201
Intangible assets	8	334,276	454,953	13,537	24,819
Investment in subsidiaries	9	-	-	18,281,412	18,281,412
Goodwill	9	10,440,277	10,440,277	-	-
		57,767,544	58,181,124	44,798,995	43,747,292
Current Assets					
Inventories	10	26,400,198	30,985,795	13,333,585	18,116,410
Trade receivables	11.1	21,263,364	16,892,397	12,254,163	10,434,105
Other receivables	11.2	371,892	302,922	405,520	438,286
Advances and prepayments	11.3	1,699,168	1,705,688	969,530	1,122,885
Income Tax recoverable	17.1	218,944	179,089	10,814	8,790
Cash and balances with banks	12.1	6,382,702	10,504,956	4,003,316	7,101,596
		56,336,268	60,570,847	30,976,928	37,222,072
Total Assets		114,103,812	118,751,971	75,775,923	80,969,364
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	13	17,561,761	17,561,761	17,561,761	17,561,761
Revaluation reserve		935,795	935,795	935,795	935,795
Retained earnings		20,517,987	19,248,746	17,255,176	14,449,272
Total equity attributable to equity holders of the company		39,015,543	37,746,302	35,752,732	32,946,828
Non-controlling interest		37	109	-	-
Total Equity		39,015,580	37,746,411	35,752,732	32,946,828
Non-Current Liabilities					
Interest bearing loans and borrowings	14	7,449,421	10,497,306	4,589,010	6,652,031
Deferred tax liabilities	23.2	8,230,016	8,513,913	6,711,007	6,474,530
Retirement benefit obligations	15	4,455,011	4,338,896	3,690,891	3,648,979
		20,134,448	23,350,115	14,990,908	16,775,540
Current Liabilities					
Trade and other payables	16	26,597,524	27,159,036	13,741,846	16,369,526
Interest bearing loans and borrowings	14	27,521,529	28,890,629	10,526,917	13,522,643
Amounts due to Parent Company		350,272	370,437	312,789	351,956
Income Tax Payable	17.2	484,459	1,235,343	450,731	1,002,871
		54,953,784	57,655,445	25,032,283	31,246,996
Total Equity and Liabilities		114,103,812	118,751,971	75,775,923	80,969,364

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

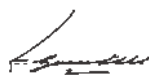


Ruwan Rohitha Bandara
Director- Finance & ESG

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



A.M.Pandithage
Chairman



E.R.P.Goonetilleke
Managing Director/CEO

Colombo
15th May 2026

The accounting policies and notes on pages 295 through 339 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

As at 31 March	Note	GROUP		COMPANY	
		2026 USD	2025 USD	2026 USD	2025 USD
Revenue from contracts with customers	18	123,815,391	146,036,437	79,955,199	96,238,891
Cost of sales		(105,373,517)	(120,146,150)	(65,103,254)	(77,395,608)
Gross Profit		18,441,874	25,890,287	14,851,945	18,843,283
Other operating income	19	716,233	916,151	602,412	1,028,431
Administrative expenses		(12,591,189)	(11,799,162)	(8,046,100)	(8,077,012)
Distribution expenses		(793,352)	(953,080)	(829,837)	(742,103)
Other expenses	20	-	(30,846)	-	(30,846)
Net financing expense	21	(2,391,381)	(3,710,318)	(1,044,606)	(2,016,108)
Profit before tax		3,382,185	10,313,032	5,533,814	9,005,645
Income tax expense	23	(1,305,217)	(3,276,821)	(1,922,989)	(3,249,964)
Profit for the year		2,076,968	7,036,211	3,610,825	5,755,681
Profit for the period attributable to:					
Owners of the parent		2,077,040	7,036,277	3,610,825	5,755,681
Non-controlling interest		(72)	(66)	-	-
Profit for the year		2,076,968	7,036,211	3,610,825	5,755,681
Other Comprehensive Income that will not be reclassified to profit or loss					
- Surplus on revaluation of land	6.8	-	601,428	-	601,428
- Tax effect on revaluation of land	23.2	-	(180,428)	-	(180,428)
- Actuarial gain on defined benefit plans	15	41,067	11,669	45,178	2,077
- Tax effect on actuarial gain on defined benefit plans	23.2	(12,320)	(3,501)	(13,553)	(623)
Total Comprehensive Income, Net of Tax		2,105,715	7,465,379	3,642,450	6,178,135
Basic / Diluted Earnings per Share - USD	24	0.005	0.017	0.009	0.014
Dividend per share - USD	25			0.002	0.006

The accounting policies and notes on pages 295 through 339 form an integral part of these financial statements.

Statement of Changes in Equity

Group	Stated capital	Revaluation reserve	Retained earnings	Shareholders funds	Non-Controlling Interest	Total Equity
For the year ended 31st March 2026	USD	USD	USD	USD	USD	USD
Balance as at 1st April 2025	17,561,761	935,795	19,248,746	37,746,302	109	37,746,411
Profit for the year	-	-	2,077,040	2,077,040	(72)	2,076,968
Other comprehensive income						
Actuarial gain on defined benefit plans	-	-	41,067	41,067	-	41,067
Tax effect on actuarial gain on defined benefit plans	-	-	(12,320)	(12,320)	-	(12,320)
Total other comprehensive income	-	-	28,747	28,747	-	28,747
Total comprehensive income	-	-	2,105,787	2,105,787	(72)	2,105,715
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	(836,546)	(836,546)	-	(836,546)
Total contributions by and distributions to owners	-	-	(836,546)	(836,546)	-	(836,546)
Balance as at 31st March 2026	17,561,761	935,795	20,517,987	39,015,543	37	39,015,580
For the year ended 31st March 2025						
Balance as at 1st April 2024	17,561,761	514,795	14,732,650	32,809,206	175	32,809,381
Profit for the year	-	-	7,036,277	7,036,277	(66)	7,036,211
Other comprehensive income						
Surplus on revaluation of land	-	601,428	-	601,428	-	601,428
Tax effect on surplus on revaluation of land	-	(180,428)	-	(180,428)	-	(180,428)
Actuarial gain on defined benefit plans	-	-	11,669	11,669	-	11,669
Tax effect on actuarial gain on defined benefit plans	-	-	(3,501)	(3,501)	-	(3,501)
Total other comprehensive income	-	421,000	8,168	429,168	-	429,168
Total comprehensive income	-	421,000	7,044,445	7,465,445	(66)	7,465,379
Transactions with owners, recorded directly in equity						
Write-back of unclaimed dividends	-	-	1,006	1,006	-	1,006
Dividends to equity holders	-	-	(2,529,355)	(2,529,355)	-	(2,529,355)
Total contributions by and distributions to owners	-	-	(2,528,349)	(2,528,349)	-	(2,528,349)
Balance as at 31st March 2025	17,561,761	935,795	19,248,746	37,746,302	109	37,746,411

The accounting policies and notes on pages 295 through 339 form an integral part of these financial statements.

Company	Stated	Revaluation	Retained	Total
	capital	reserve	earnings	
For the year ended 31st March 2026	USD	USD	USD	USD
Balance as at 1st April 2025	17,561,761	935,795	14,449,272	32,946,828
Profit for the year	-	-	3,610,825	3,610,825
Other comprehensive income				
Actuarial gain on defined benefit plans	-	-	45,178	45,178
Tax effect on actuarial gain on defined benefit plans	-	-	(13,553)	(13,553)
Total other comprehensive income	-	-	31,625	31,625
Total comprehensive income	-	-	3,642,450	3,642,450
Transactions with owners, recorded directly in equity				
Dividends to equity holders	-	-	(836,546)	(836,546)
Balance as at 31st March 2026	17,561,761	935,795	17,255,176	35,752,732
For the year ended 31st March 2025				
Balance as at 1st April 2024	17,561,761	514,795	11,220,486	29,297,042
Profit for the year	-	-	5,755,681	5,755,681
Other comprehensive income				
Surplus on revaluation of land	-	601,428	-	601,428
Tax effect on Surplus on revaluation of land	-	(180,428)	-	(180,428)
Actuarial gain on defined benefit plans	-	-	2,077	2,077
Tax effect on actuarial gain on defined benefit plans	-	-	(623)	(623)
Total other comprehensive income	-	421,000	1,454	422,454
Total comprehensive income	-	421,000	5,757,135	6,178,135
Transactions with owners, recorded directly in equity				
Write-back of unclaimed dividends	-	-	1,006	1,006
Dividends to equity holders	-	-	(2,529,355)	(2,529,355)
Balance as at 31st March 2025	17,561,761	935,795	14,449,272	32,946,828

The accounting policies and notes on pages 295 through 339 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31st March	Note	GROUP		COMPANY	
		2026 USD	2025 USD	2026 USD	2025 USD
Cash flows from / (used in) operating activities					
Profit before tax		3,382,185	10,313,032	5,533,814	9,005,645
Adjustments for					
Depreciation on property, plant and equipment	6	4,128,497	4,260,851	2,274,459	2,466,355
Depreciation on lease hold land	7	31,371	29,050	8,008	7,301
Amortization of intangible assets	8	127,902	135,437	18,507	26,042
Provision for retirement benefit obligations	15	750,799	748,938	601,209	605,740
Net unrealised (gain)/ loss on translation of foreign currency		(823,603)	352,582	(574,048)	235,952
Finance costs	21	2,426,320	2,653,078	1,085,591	1,375,337
Profit on disposal of property, plant and equipment	19	(13,642)	(18,572)	(13,599)	(18,238)
Loss on impairment of idle property, plant and equipment	20	-	30,846	-	30,846
Creditors write back	19	(223,476)	(269,753)	(223,476)	(269,753)
Impairment charge for bad and doubtful debts	11.1.3	327,334	36,447	27,802	-
Impairment charge/(reversal) for slow moving inventories	10	72,605	239,004	(473,682)	(390,640)
Operating profit before working capital changes		10,186,292	18,510,940	8,264,583	13,074,586
(Increase)/decrease in trade and other receivables		(4,807,126)	(106,122)	(1,817,117)	1,640,482
(Increase)/decrease in advances and prepayments		6,520	210,870	153,355	(161,517)
(Increase)/decrease in inventories		4,512,992	(810,781)	5,256,508	(6,944)
Decrease in trade and other payables		(179,798)	(3,558,916)	(2,235,387)	(240,678)
Cash generated from operations		9,718,880	14,245,991	9,621,942	14,305,929
Retirement benefit obligations net paid	15	(360,664)	(323,020)	(318,594)	(240,816)
Interest paid		(2,794,388)	(3,268,617)	(1,297,176)	(1,826,221)
Income tax paid		(2,352,366)	(4,047,618)	(2,220,024)	(3,806,473)
Net cash flows from operating activities		4,211,462	6,606,736	5,786,148	8,432,420
Cash flows from / (used in) investing activities					
Purchase and construction of property, plant and equipment		(3,738,280)	(6,031,642)	(3,277,638)	(2,168,867)
Proceeds from disposal of property, plant and equipment		20,865	19,600	19,882	19,600
Purchase of intangible assets	8	(7,225)	-	(7,225)	-
Interest received		387,870	631,679	220,221	459,229
Net cash flows used in investing activities		(3,336,770)	(5,380,363)	(3,044,760)	(1,690,038)
Cash flows from /(used in) financing activities					
Proceeds from new term loans	14.3	8,582,605	2,173,751	6,339,605	564,095
Repayment of term loans	14.3	(11,762,908)	(9,530,558)	(8,198,086)	(6,239,164)
Payment of lease obligations		(38,190)	(39,707)	(11,034)	(11,035)
Net movement of import & short term loans		(970,429)	7,954,658	(2,837,635)	1,328,538
Dividends paid to equity holders		(1,150,808)	(2,384,745)	(1,150,808)	(2,384,745)
Net cash flows used in financing activities		(5,339,730)	(1,826,602)	(5,857,958)	(6,742,311)
Net increase/ (decrease) in cash and cash equivalents		(4,465,039)	(600,228)	(3,116,570)	71
Cash and cash equivalents at the beginning of the year	12	8,422,418	9,022,646	7,098,820	7,098,749
Cash and cash equivalents at the end of the year	12	3,957,379	8,422,418	3,982,250	7,098,820

The accounting policies and notes on pages 295 through 339 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Hayleys Fabric 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 situated in 400, Deans Road, Colombo 10 and the principal place of business is at Narthupana Estate, Neboda.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2026 comprise "the Company" referring to Hayleys Fabric 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

Both Company and its Subsidiary's (South Asia Textiles Limited) principal activities are manufacturing and sale of Knitted fabric for the export market. The other subsidiary "Hayleys Fabric Solutions (Pvt) Ltd is currently a non-operating Company. The Hayleys Fabric PLC is the parent of the Group and Hayleys PLC is the ultimate parent.

1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys Fabric PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2026 were authorised for issue by the Directors on 15th May 2026.

1.5 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which

requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

The Consolidated 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 on initial recognition and subsequently carried at fair value.
- Financial instruments reflected as fair value through profit or loss which are measured at fair value.

Where appropriate, the specific policies are explained in the succeeding notes. No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 Functional and Presentation Currency

The Financial Statements are presented in the United State Dollars (USDs), which is the Company's and its Subsidiary's functional currency which would better reflect the economic substance of underlying events and circumstances relevant to both entities.

2.4 Materiality and Aggregation

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

2.5 Comparative information

Comparative information, including quantitative, narrative and descriptive information as relevant, is disclosed in respect of the previous period in the Financial Statements.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective

restatement, or a reclassification of items in Financial Statements.

2.6 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Consolidation

The Consolidated Financial Statements encompass the Company, its subsidiary (together referred to as the "Group").

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or 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 the 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.

Notes to the Financial Statements

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 Other Comprehensive Income are attributed to 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 derecognises the related assets (including goodwill), liabilities, and 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.

The Consolidated Financial Statements of the Group for the year ended 31 March 2026 comprise of the Company and its Subsidiaries and the details are as below;

Company name	Year of acquisition	Ownership %
South Asia Textiles Limited	2021/22	100%
Hayleys Fabric Solutions Limited	2023/24	66 2/3%

The Consolidated Financial Statements incorporating Subsidiary in the Group are using uniform accounting policies for like transactions and in similar circumstances are applied consistently.

3.2 Business Combination and Goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contributes to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions

as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

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

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

3.3 Foreign Currency

3.3.1 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities 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 rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on those monetary items are also recognised in Statement of profits or Loss.

Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items of which fair value gain or loss is recognised in OCI or Profit or Loss are also recognised in OCI or Profit or Loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary

asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

3.3.2 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

Expected to be realised or intended to be 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.
- 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.

3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated as fair value through Other Comprehensive Income (OCI), financial assets at fair value through Profit or Loss and derivatives; non-financial assets such as owner-occupied land and investment properties, at fair value 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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer 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 minimizing the use of unobservable inputs.

Notes to the Financial Statements

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

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

For assets and liabilities that are recognized in the 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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:

- Disclosures for valuation methods, significant estimates and assumptions - Note 6.8.
- Quantitative disclosures of fair value measurement hierarchy - Note 6.8.
- Property (land) under revaluation model - Note 6.8.
- Financial instruments (including those carried at amortised cost) - Note 14.

3.5 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purposes and are expected to be used for more than one year.

3.5.1 Basis of recognition

Property, plant and equipment is recognized if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

3.5.2 Basis of measurement

Items of property, plant & equipment including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value.

3.5.3 Owned assets

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

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.5.4 Subsequent costs

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

The costs of the repair and maintenance of property, plant & equipment are recognized in the Statement of Profit or Loss as incurred.

3.5.5 Derecognition

The carrying amount of an item of property, plant & equipment is de-recognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

3.5.6 Depreciation

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

Description	Period
Buildings	40- 50 years
Land Development	10 years
Computers & Equipment	3-6 2/3 Years
Plant & machinery	15 – 20 years
Factory, Bungalow, Safety & Medical Equipment	6 2/3 years
Motor vehicles	4-5 years
Furniture, Fittings & Office Equipment	05-08 years
Tools & Equipment and Electrical Installation	5 years
Wastewater, purification, and River Embankment	15 years
Solar Power Project	20 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is de-recognised. The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

3.5.7 Leases

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

3.5.7.1 Group as a lessee

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

3.5.7.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses,

and adjusted for any re-measurement 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:

Description	Period
Land	30 - 35 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 as more fully described in Note 3.10 Impairment of non-financial assets.

3.5.7.1.2 Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the

commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 14 to the Financial Statements.

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

The Group applies the short-term lease recognition exemption to its short-term leases. 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.

3.5.7.2 Group as a lessor

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

3.6 Intangible Assets

3.6.1 Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Notes to the Financial Statements

3.6.2 Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination is their fair value as 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 capitalized development costs, are not capitalised and the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

3.6.3 Useful economic lives and amortization

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 finite useful lives 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 is 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 indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.6.4 Derecognition of intangible assets

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.

3.6.5 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Profit or Loss as incurred.

3.6.6 Amortisation

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.

Description	Period
ERP Systems & Software	4-8 years

3.7 Financial instruments

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

3.7.1 Financial assets

3.7.1.1 Initial recognition and measurement

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

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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

3.7.1.1.1 Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable-rate features.
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is

treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.7.1.2 Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (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 include trade receivables, loan to an associate, non-current trade and other receivables

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to Profit or Loss.

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.

This category includes listed and non-listed equity instruments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through Profit or Loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

Notes to the Financial Statements

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through Profit or Loss. Embedded derivatives are measured at fair value with changes in fair value recognised in Profit or Loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Profit or Loss category.

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 de-recognised (i.e. removed from the Group's Consolidated 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 recognize 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.

3.7.1.4 Impairment of financial assets

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

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

3.7.1.4.1 Impairment model

The Group applies a simplified approach in calculating ECLs. Therefore, the Group

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default in payments.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market or security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of assets.

Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of

write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the Statement of Profit or Loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.7.2 Financial liabilities

3.7.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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, bank overdrafts, loans and borrowings, financial guarantee contracts, amounts due to equity accounted investees and derivative financial instruments.

3.7.2.2 Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if the criteria of SLFRS 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

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.

3.7.2.3 Derecognition

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

3.7.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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, or to realise the assets and settle the liabilities simultaneously.

3.8 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

Notes to the Financial Statements

3.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in-progress are measured at a weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

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

3.10 Impairment of Non-Financial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value

less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent 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 Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income 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 an 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 a 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.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.11 Cash and Cash Equivalents

Cash in hand and at bank 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 and short-term borrowings as they are considered an integral part of the Group's cash management.

3.12 Employee Benefits

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.

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 15.3. Any changes in these assumptions will impact on 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) and No. of month's salary for completed year of service are as follows:

Length of each service (Years)	No. of months
Up to 20	$\frac{1}{2}$
20 up to 25	$\frac{3}{4}$
25 up to 30	1
30 up to 35	$1 \frac{1}{4}$
Over 35	$1 \frac{1}{2}$

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.

3.13 Provisions

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, 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.

3.14 Contingent Liabilities Recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.15 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.16 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services 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 or services.

3.16.1 Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. 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 goods, 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).

3.16.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Notes to the Financial Statements

3.16.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient for short term advances 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. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

3.16.2 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3.16.3 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 or services 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.

3.16.4 Assets and liabilities arising from rights of return

3.16.4.1 Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount

of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

3.16.4.2 Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.17 Other Income

3.17.1 Dividends

Dividend income is recognised in Profit or Loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.17.2 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in Profit or Loss.

3.17.3 Other income

Other income is recognised on an accrual basis.

3.18 Expenses

Expenses are recognised in the Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Repairs and renewals are charged to Profit or Loss in the year in which the expenditure is incurred.

3.18.1 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.

3.19 Finance income

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

3.20 Finance Cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

3.21 Tax Expense

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 combination, or items recognized directly in Equity or in Other Comprehensive Income.

3.21.1 Current 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 tax relating to items recognized directly in Other Comprehensive Income is recognised in Other Comprehensive Income 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.

3.21.2 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, equity accounted investee and interests in joint arrangements, when the timing of the reversal of the temporary differences 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 subsidiaries, equity accounted investee and interests in joint arrangements, deferred tax assets are 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 utilized.

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Statement of 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.

3.21.3 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 recognized 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.

3.21.4 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of manufacturing, supply of services or whole/ retail sales, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5%, with effect from 1st October 2022 and subsequent amendments thereto.

Notes to the Financial Statements

4. GENERAL

4.1 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

4.2 Earnings Per Share

The 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.

4.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “indirect method”.

Interest paid is classified as financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows.

Dividend and interest income are classified as cash flows from investing activities. Dividends paid are classified as financing cash flows. Dividends received by Hayleys Fabric PLC, which is an investment Company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

4.4 Changes in Accounting Policies and Disclosures

4.4.1 New and amended standards and Interpretations

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

4.5 Standards Issued but not yet Effective

The new and amended accounting standards issued up to date and these financial statements are authorised for issue, but not yet effective for the current reporting period, are disclosed below. These standards and amendments will be adopted, if applicable, when they become effective.

4.5.1 SLFRS 18 Presentation and Disclosure in Financial Statements

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.

4.5.2 SLFRS 19 Subsidiaries without public accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles.

The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users.

SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The potential impact of SLFRS 19 is currently being identified and evaluated.

4.5.3 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.

4.5.4 Annual improvements to Sri Lanka Accounting Standards

Narrow scope amendments as part of its periodic maintenance of Sri Lanka Accounting Standards will be adopted, if applicable, when they become effective.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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 Financial Statements is included in the following notes.

5.1 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.

5.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.10. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 9.1 to the Financial Statements.

5.3 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 15 to the Financial Statements.

5.4 Revaluation of property, plant and equipment

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 engaged a valuation specialist to assess fair values as at 31 March 2026. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 6.8 to the Financial Statements.

5.5 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.

Notes to the Financial Statements

6. PROPERTY, PLANT & EQUIPMENT

6.1 Group

Cost or valuation	As at 01.04.2025 USD	Additions/ transfers USD	Disposals/ transfers USD	As at 31.03.2026 USD
At valuation				
Freehold land	2,668,368	-	-	2,668,368
At cost				
Buildings	13,707,844	402,778	-	14,110,622
Land development	409,113	-	-	409,113
Water treatment plant	4,076,005	-	-	4,076,005
Plant and machinery	58,084,193	2,453,202	(172,013)	60,365,382
Motor vehicles	220,087	286,553	-	506,640
Furniture and fittings	2,587,477	48,016	(2,216)	2,633,277
Office equipment	408,818	18,919	-	427,737
Computers	1,933,337	221,241	(1,683)	2,152,895
Factory equipment	6,694,208	271,981	(55,942)	6,910,247
Safety and medical equipment	210,795	239,457	-	450,252
Bungalow equipment	6,619	-	-	6,619
Solar power plant	2,819,166	-	-	2,819,166
Total value of depreciable assets	93,826,031	3,942,147	(231,854)	97,536,324
In the course of construction				
Work in progress	1,442,183	3,006,038	(3,073,998)	1,374,223
Total	95,268,214	6,948,185	(3,305,853)	98,910,547

Accumulated depreciation and impairment	As at 01.04.2025 USD	Charge for the year USD	Disposals/ transfers USD	As at 31.03.2026 USD
Buildings	4,381,352	385,147	-	4,766,499
Land development	189,550	29,893	-	219,443
Water treatment plant	2,928,097	135,624	-	3,063,721
Plant and machinery	31,473,661	2,548,708	(165,731)	33,856,638
Motor vehicles	220,087	3,821	-	223,908
Furniture and fittings	2,080,531	175,578	(1,276)	2,254,833
Office equipment	287,967	33,835	-	321,802
Computers	1,417,982	225,870	(1,683)	1,642,169
Factory equipment	5,146,797	419,713	(55,942)	5,510,568
Safety and medical equipment	186,651	29,350	-	216,001
Bungalow equipment	6,619	-	-	6,619
Solar power plant	524,106	140,958	-	665,064
Total depreciation	48,843,400	4,128,497	(224,632)	52,747,265

Carrying Values As at 31st March	2026 USD	2025 USD
At valuation		
Freehold land	2,668,368	2,668,368
At cost		
Buildings	9,344,122	9,326,492
Land development	189,670	219,563
Water treatment plant	1,012,284	1,147,908
Plant and machinery	26,508,743	26,610,532
Motor vehicles	282,732	-
Furniture and fittings	378,445	506,946
Office equipment	105,935	120,851
Computers	510,727	515,355
Factory equipment	1,399,680	1,547,412
Safety and medical equipment	234,251	24,144
Solar power plant	2,154,102	2,295,060
	44,789,059	44,982,631
In the course of construction		
Work in progress	1,374,223	1,442,183
Total carrying amount of property, plant and equipment	46,163,282	46,424,814

6.2 Company

Cost or valuation	As at 01.04.2025 USD	Additions/ transfers USD	Disposals/ transfers USD	As at 31.03.2026 USD
At valuation				
Freehold land	2,668,368	-	-	2,668,368
At cost				
Buildings	8,123,917	401,746	-	8,525,663
Water treatment plant	2,344,861	-	-	2,344,861
Plant and machinery	36,102,797	2,096,721	(172,013)	38,027,505
Motor Vehicles	-	286,553	-	286,553
Furniture and fittings	2,369,925	39,525	(988)	2,408,462
Office equipment	182,720	3,422	-	186,142
Computers	853,622	83,851	(1,683)	935,790
Factory equipment	5,055,891	231,960	(55,942)	5,231,909
Safety and medical equipment	210,795	239,457	-	450,252
Bungalow equipment	6,619	-	-	6,619
Solar power plant	2,819,166	-	-	2,819,166
Total value of depreciable assets	60,738,681	3,383,235	(230,626)	63,891,290
In the course of construction				
Work in progress	629,843	2,699,221	(2,730,721)	598,343
Total	61,368,524	6,082,456	(2,961,346)	64,489,633

Notes to the Financial Statements

	As at 01.04.2025 USD	Charge for the year USD	Disposals/ transfer USD	As at 31.03.2026 USD
Accumulated depreciation and impairment				
Buildings	3,719,753	215,506	-	3,935,259
Water treatment plant	1,947,940	56,631	-	2,004,571
Plant and machinery	23,238,211	1,234,025	(165,731)	24,306,505
Motor Vehicles	-	3,821	-	3,821
Furniture and fittings	1,910,066	156,891	(988)	2,065,969
Office equipment	142,861	9,638	-	152,499
Computers	527,092	98,479	(1,683)	623,888
Factory equipment	3,926,365	329,160	(55,942)	4,199,583
Safety and medical equipment	186,651	29,350	-	216,001
Bungalow equipment	6,619	-	-	6,619
Solar power plant	524,106	140,958	-	665,064
Total depreciation	36,129,664	2,274,459	(224,344)	38,179,780

Carrying Values As at 31st March	2026 USD	2025 USD
At valuation		
Freehold land	2,668,368	2,668,368
At cost		
Buildings	4,590,403	4,404,164
Water treatment plant	340,290	396,921
Plant and machinery	13,720,999	12,864,586
Motor Vehicles	282,732	-
Furniture and fittings	342,493	459,859
Office equipment	33,644	39,860
Computers	311,901	326,529
Factory equipment	1,032,326	1,129,526
Safety and medical equipment	234,251	24,144
Solar power plant	2,154,102	2,295,060
	25,711,509	24,609,017
In the course of construction		
Work in progress	598,343	629,843
Total carrying amount of property, plant and equipment	26,309,852	25,238,860

6.3 Carrying value

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
At cost	43,494,914	43,756,446	23,641,484	22,570,492
At valuation	2,668,368	2,668,368	2,668,368	2,668,368
	46,163,282	46,424,814	26,309,852	25,238,860

6.4 Group Property, plant & equipment includes buildings on lease hold land. The carrying amount of these assets are;

	Cost	Accumulated depreciation	Carrying value 2026	Carrying value 2025
As at 31st March	USD	USD	USD	USD
Buildings	6,222,814	959,881	5,262,933	5,457,271
Total	6,222,814	959,881	5,262,933	5,457,271

6.5.1 During the financial year, the Group acquired property, plant & equipment to the aggregate value of USD 3,874,187 (2025- USD 6,374,390). Cash payments amounting to USD 3,738,280 (2025- USD 6,031,642) were made during the year for the purchase of property, plant and equipment.

6.5.2 During the financial year, the Company acquired property, plant & equipment to the aggregate value of USD 3,351,735 (2025- USD 2,193,599). Cash payments amounting to USD 3,277,638 (2025- USD 2,168,867) were made during the year for the purchase of property, plant and equipment.

6.5.3 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2026. (2025 – Nil).

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

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Land development	111,440	111,440	-	-
Plant and machinery	14,785,639	14,077,186	12,268,705	11,560,252
Water treatment plant	1,795,370	1,794,696	1,224,823	1,224,823
Motor vehicles	220,087	220,087	-	-
Furniture and fittings	1,579,194	910,546	1,450,200	782,664
Office equipment	251,960	231,228	130,489	119,136
Computers hardware	1,186,952	829,081	269,863	203,031
Factory equipment	3,980,527	3,759,102	3,020,401	2,822,113
Safety and medical equipment	164,313	125,832	164,313	125,832
Bungalow equipment	6,619	6,619	6,619	6,619
	24,082,102	22,065,817	18,535,413	16,844,470

6.7 The number of permanent buildings of the Group in each location and their addresses and status are given as below.

Company Name	No. of Permanent Buildings	Address	Location Status
Hayleys Fabric PLC	31	Narthupana Estate, Neboda	Principle place of business
Hayleys Fabric PLC - Knitting Plant II	5	Wagawatta, BOI Industrial Zone- Horana	Knitting plant facility
South Asia Textiles Limited	68	No.70, Felix Dias Bandaranayake Mawatha, Pugoda	Principle place of business
South Asia Textiles Limited	2	Kumarimulla River Embankment Project-Pugoda	Place of Water intake

Notes to the Financial Statements

6.8 The Group revalued its free hold Lands once every three years and the last revaluation was performed in 2024/25.

The fair value of Land is based on valuation performed by Mr. P.B. Kalugalgedera, an accredited independent Chartered valuer on 31st March 2025.

The fair value measurement of Land has been carried out and categorized as Level 3 fair value based on the input of the valuation technique used as per SLFRS-13 "Fair Value Measurement" under recurrent basis.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Accordingly, the Company recognised a revaluation gain of USD 601,428 as of 31st March 2025 and the estimated market prices of a perch of Land are given below.

Land Extent				Value per perch- LKR	Value per perch- USD	Total market Value - LKR	Total market Value - USD
Acres	Rood	Perch	Location				
41	1	14	Anguruwatota	110,000	366	727,560,900	2,420,523
20	2	31	Anguruwatota- Rubber Land	22,500	75	74,497,500	247,845
62	0	5	Total			802,058,400	2,668,368

6.8.1 Unobservable Inputs used in Measuring Fair Value.

The table below sets out information about significant unobservable inputs used in measuring fair value of land as of 31st March 2025.

Category	District	Valuation Technique	Significant Unobservable Input	Range of Estimate (Weighted Average) for Unobservable Input-LKR	Fair Value Measurement Sensitivity to Unobservable Input
Free hold Lands	Kalutara	Open Market Basis	Land rate -per perch	80,000 to 125,000	Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.

6.8.2 If Land was measured using the cost model, the carrying amount would be USD 1,331,519 (2025- USD 1,331,519).

7 RIGHT OF USE ASSETS

7.1 Group

	As at 01.04.2025 USD	Charge for the year USD	As at 31.03.2026 USD
Gross carrying value	961,165	-	961,165
Depreciation	(100,085)	(31,371)	(131,456)
Net carrying value	861,080	(31,371)	829,709

7.2 Company

	As at 01.04.2025 USD	Charge for the year USD	As at 31.03.2026 USD
Gross carrying value	235,346	-	235,346
Depreciation	(33,145)	(8,008)	(41,153)
Net carrying value	202,201	(8,008)	194,194

8 INTANGIBLE ASSETS - SOFTWARE

8.1 Group

	As at 01.04.2025	Additions/ (Amortisation) during the year	(Disposal)/ Amortisation Reversal during the year	As at 31.03.2026
	USD	USD	USD	USD
Gross carrying value	2,318,180	7,225	-	2,325,405
Amortisation	(1,863,227)	(127,902)	-	(1,991,129)
Net carrying value	454,953	(120,677)	-	334,276

8.2 Company

	As at 01.04.2025	Additions/ (Amortisation) during the year	(Disposal)/ Amortisation Reversal during the year	As at 31.03.2026
	USD	USD	USD	USD
Gross carrying value	1,442,420	7,225	-	1,449,645
Amortisation	(1,417,601)	(18,507)	-	(1,436,108)
Net carrying value	24,819	(11,282)	-	13,537

- 8.3** The cost of fully amortised intangible assets that are still in use by both the Group and the Company as at 31 March 2026 amounted to USD 1,373,805 (2025- USD 1,365,410).

9 INVESTMENT IN SUBSIDIARIES

Unquoted Investments	Initial Date of Acquisition	% Holding	No. of Shares	Value USD
South Asia Textiles Limited	22nd April 2021	100	357,361,456	18,281,412
Hayleys Fabric Solutions Limited	01st January 2024	66.6	4	Nil

9.1 IMPAIRMENT TEST OF GOODWILL

The group performed its annual impairment test on Goodwill derived from the acquisition of South Asia Textiles Limited (CGU) as at 31st March 2026. The recoverable amount of the CGU has been determined considering its value in use (VIU). The key assumptions used in the determination of VIU are provided below;

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions. Average gross margin used for the cash flow projections is 18% (2025- 15.5%-16%).

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The pre-tax discount rate applied to cash flow projections is 10.9% (2025- 7%).

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Growth Rate

The Management has estimated on average 6.5% (2025- 5%) average annual revenue growth rate within the five-year period. Further, terminal growth rate of 2.7% (2025- 3%) in the cash flow beyond the five-year period is estimated.

No impairment was recognized consequent to the impairment test carried out.

Notes to the Financial Statements

10 INVENTORIES

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Raw materials	11,067,740	13,024,888	5,448,834	7,437,203
Less : Impairment for slow moving items	(1,629,194)	(1,967,936)	(503,324)	(1,018,405)
	9,438,546	11,056,952	4,945,510	6,418,799
Work-in-progress	8,652,357	11,383,376	4,166,607	6,935,494
Less : Impairment for slow moving items	(855,890)	(605,268)	(207,787)	(175,515)
	7,796,467	10,778,108	3,958,820	6,759,979
Finished goods (10.1)	5,071,134	5,065,807	2,142,021	2,563,818
Less : Impairment for slow moving items	(1,085,530)	(923,418)	(603,715)	(594,589)
	3,985,604	4,142,389	1,538,306	1,969,229
Stock consumables	5,711,924	5,542,078	3,374,276	3,451,731
Less : Impairment for slow moving items	(532,343)	(533,732)	(483,327)	(483,327)
	5,179,581	5,008,346	2,890,949	2,968,404
	26,400,198	30,985,795	13,333,585	18,116,410

10.1 Group - Second grade finished goods amounting to USD 387,144 (2025- USD 280,370) are carried at net realisable value.

Company - Second grade finished goods amounting to USD 48,039 (2025- USD 80,068) are carried at net realisable value.

11 TRADE AND OTHER RECEIVABLES

11.1 Trade receivables

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Receivable from Subsidiary - South Asia Textiles Ltd. (Sale of Raw Materials)	-	-	692,663	629,788
Other Trade Receivables	21,772,494	17,074,193	11,639,380	9,854,396
	21,772,494	17,074,193	12,332,043	10,484,184
Less : Impairment loss recognised (11.1.3)	(509,130)	(181,796)	(77,880)	(50,079)
	21,263,364	16,892,397	12,254,163	10,434,105

11.1.1 No trade receivables are due from other related parties as of 31st March 2026.

11.1.2 The aged analysis of trade receivables is as follows:

Group

	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
		USD	USD	USD	USD	USD	
Other Trade Receivables	15,272,271	4,095,528	1,087,713	567,360	508,784	240,838	21,772,494
Total as at 31/03/2026	15,272,271	4,095,528	1,087,713	567,360	508,784	240,838	21,772,494

Other Trade Receivables	13,403,555	1,980,116	1,368,616	94,609	91,002	136,295	17,074,193
Total as at 31/03/2025	13,403,555	1,980,116	1,368,616	94,609	91,002	136,295	17,074,193

Company

	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
		USD	USD	USD	USD	USD	
Related parties	157,234	258,369	171,689	105,371	-	-	692,663
Other Trade Receivables	9,609,074	1,410,318	352,835	189,272	27,802	50,079	11,639,380
Total as at 31/03/2026	9,766,308	1,668,687	524,524	294,643	27,802	50,079	12,332,043

Related parties	106,765	205,008	318,015	-	-	-	629,788
Other Trade Receivables	8,357,218	991,736	452,674	2,689	-	50,079	9,854,396
Total as at 31/03/2025	8,463,983	1,196,744	770,689	2,689	-	50,079	10,484,184

Refer note 30 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

11.1.3 The impairment recognised in relation to Trade Receivables of the Group has been based on a collective impairment model and is as follows:

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Balance as at the beginning of the year	181,796	148,162	50,079	52,891
Impairment charge/(reversal) during the year	327,334	36,447	27,802	-
Write off of previously recognised impairment loss	-	(2,813)	-	(2,813)
Balance as at the end of the year	509,130	181,796	77,880	50,079

11.2 Other receivable

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
VAT recoverable	-	24,172	-	-
Claim receivable	14,514	37,598	4,289	-
Staff loans & advances	154,203	160,748	105,615	107,044
Interest receivable	141,860	19,408	43,855	16,414
Deposits	61,315	60,996	60,169	59,460
Dividend & other receivable from subsidiaries (11.2.1)	-	-	191,592	255,368
	371,892	302,922	405,520	438,286

Notes to the Financial Statements

11.2.1 Dividend & other receivable from subsidiaries

Name of the Company	Relationship	Nature Of the Transactions	GROUP		COMPANY	
			2026 USD	2025 USD	2026 USD	2025 USD
South Asia Textiles Limited	Subsidiary	Dividend Receivables	-	-	191,006	255,000
Hayleys Fabric Solutions (Pvt) Limited	Subsidiary	Reimbursement of expenses	-	-	586	368
			-	-	191,592	255,368

11.2.2 Total Trade and Other receivables

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Trade receivables (11.1)	21,263,364	16,892,397	12,254,163	10,434,105
Other receivable (11.2)	371,892	302,922	405,520	438,286
Total Trade and Other receivables	21,635,256	17,195,319	12,659,683	10,872,391

11.2.3 Currency-wise Analysis of Trade and Other Receivables

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
United States Dollars	21,134,500	16,822,802	12,316,891	10,619,879
Sri Lankan Rupees	500,756	372,517	342,792	252,512
	21,635,256	17,195,319	12,659,683	10,872,391

11.3 Advances and prepayments

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Advances paid to suppliers	835,416	988,218	495,089	740,485
Prepayments	863,752	717,470	474,441	382,400
	1,699,168	1,705,688	969,530	1,122,885

12 CASH AND BALANCES WITH BANKS

12.1 Favorable Cash and Balances with Banks

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Cash and Bank Balances	1,804,085	4,266,970	969,379	2,948,315
Short term deposits	4,578,617	6,237,986	3,033,937	4,153,281
	6,382,702	10,504,956	4,003,316	7,101,596

12.2 Unfavorable Balances with Banks

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Bank Overdraft (14)	(2,425,323)	(2,082,538)	(21,066)	(2,776)
	(2,425,323)	(2,082,538)	(21,066)	(2,776)
Total cash and cash equivalent balance for the purpose of Statement of Cash Flow	3,957,379	8,422,418	3,982,250	7,098,820

13. STATED CAPITAL

	COMPANY		COMPANY	
	2026 Number	USD	2025 Number	USD
Ordinary shares (Fully Paid)	415,481,776	17,561,761	415,481,776	17,561,761

13.1 Other Capital Reserves & Retained Earnings

13.1.1 Revaluation Reserve

The Revaluation Reserve is maintained to record any surplus on revaluation of the Company's land, net of the tax effect of such revaluation.

13.1.2 Retained Earnings

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Balance as at the beginning of the year	19,248,746	14,732,650	14,449,272	11,220,486
Total comprehensive income	2,105,787	7,044,445	3,642,450	5,757,135
Net dividends to equity holders	(836,546)	(2,528,349)	(836,546)	(2,528,349)
Balance as at the end of the year	20,517,987	19,248,746	17,255,176	14,449,272

14. INTEREST BEARING LOANS AND BORROWINGS

14.1 Group

	2026			2025		
	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD
Term loans (14.3)	7,924,356	7,275,955	15,200,311	8,667,352	10,299,244	18,966,596
Lease Obligations relating to right of use assets (14.7)	22,943	173,466	196,409	21,403	198,062	219,465
Short term loans	2,550,000	-	2,550,000	4,750,000	-	4,750,000
Import loans	14,598,907	-	14,598,907	13,369,336	-	13,369,336
Bank overdraft (12.2)	2,425,323	-	2,425,323	2,082,538	-	2,082,538
	27,521,529	7,449,421	34,970,950	28,890,629	10,497,306	39,387,935

Notes to the Financial Statements

14.2 Company

	2026			2025		
	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD
Term loans (14.3)	5,127,397	4,460,425	9,587,822	5,303,893	6,520,933	11,824,826
Lease Obligations relating to right of use assets (14.7)	4,644	128,585	133,229	4,529	131,098	135,627
Short term loans	1,550,000	-	1,550,000	3,750,000	-	3,750,000
Import loans	3,823,810	-	3,823,810	4,461,445	-	4,461,445
Bank overdraft (12.2)	21,066	-	21,066	2,776	-	2,776
	10,526,917	4,589,010	15,115,927	13,522,643	6,652,031	20,174,674

14.3 Term loans

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Balance at the beginning of the year	18,966,596	26,030,536	11,824,826	17,313,412
New loans obtained	8,582,605	2,173,751	6,339,605	564,095
Effects of movement in exchange rate	(585,981)	292,867	(378,523)	186,483
Repayments	(11,762,908)	(9,530,558)	(8,198,086)	(6,239,164)
Balance at the end of the year	15,200,311	18,966,596	9,587,822	11,824,826

14.3.1 Currency wise Analysis of Long Term Borrowings

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
United States Dollars	8,645,265	4,027,485	6,280,673	2,239,389
Sri Lankan Rupees	6,555,046	14,939,111	3,307,149	9,585,437
	15,200,311	18,966,596	9,587,822	11,824,826

14.4 Maturity Analysis for Interest -bearing loans and borrowings

Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings- As at 31.03.2026	3,176,041	13,566,734	10,778,754	7,311,906	137,514	34,970,950
Total Interest bearing borrowings- As at 31.03.2025	2,279,188	13,548,265	13,063,176	10,355,176	142,130	39,387,935

Company

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings- As at 31.03.2026	21,067	6,632,608	3,873,242	4,472,222	116,787	15,115,927
Total Interest bearing borrowings- As at 31.03.2025	199,425	6,696,446	6,626,771	6,532,011	120,021	20,174,674

14.5 Long term loans - Hayleys Fabric PLC

Lender	Rate of interest (p.a.)	2026 USD	2025 USD	Repayment	Security
USD Term Loans					
Sampath Bank PLC	3 Months SOFR +4.05 % (Floor rate 8%)	-	152,950	48 monthly in equal installments of USD 54,335	Mortgage over machinery & Building
Sampath Bank PLC	3 Months SOFR +4.05 % (Floor rate 8%)	-	900,000	60 monthly in equal installments with 3 months grace period & Equal installments of USD 50,000	Mortgage over Solar Equipments
Standard Chartered Bank PLC	3 Months SOFR + 2.90%	-	211,114	48 monthly in equal installments after a grace period of 1 year & Equal installments of USD 70,371	Mortgage over machinery
Bank of Ceylon	3 Months SOFR +3.5 % (Floor rate 6%)	560,998	650,450	48 monthly in equal installments after a grace period of 3 months & Equal installments of USD 25,000	Mortgage over machinery
Nations Trust Bank	3 Month SOFR +1.65%	1,136,342	324,875	60 monthly in equal installments with 6 months grace period & Equal installments of USD 45,370	Mortgage over machinery
Bank of China	3 Month SOFR +1.35%	4,583,333	-	12 Quaterly in equal installments of USD 416,667	None
USD Term Loans Totals		6,280,673	2,239,389		
LKR Term Loans					
DFCC Bank	7.75 % Fixed rate for first 5 years & AWPLR for next 1.5 year	1,755,202	2,988,580	72 monthly in equal installments after a grace period of 6 months & Equal installments of of LKR 28,258,331	Negative pledge over all immovable asset of Hayleys Fabric PLC & over the shares of South Asia Textiles Ltd
Sampath Bank PLC	AWPLR +0.5% for first 5 years and AWPLR +1.0% for next 2 years	119,900	2,971,921	84 monthly in equal installments of LKR 19,100,000	Negative pledge over Shares of South Asia Textiles Ltd owned by Hayleys Fabric
Bank of China	AWPLR	1,432,046	3,624,936	12 Quaterly in equal installments of LKR 158,333,333	None
LKR Term Loans Total		3,307,149	9,585,437		
Grand Total		9,587,822	11,824,826		

Notes to the Financial Statements

14.6 Long term loans - South Asia Textiles Limited

Lender	Rate of interest (p.a.)	2026 USD	2025 USD	Repayment	Security
USD Term Loans					
Pan Asia Banking Corporation PLC	7% Fixed	-	545,500	35 equal monthly installments of USD 41,500 each, followed by a final installment of USD 47,500, commencing from 31/05/2023.	None
Hatton National Bank PLC	03 Month SOFR+2% (Floor rate 5.5% / Cap 7.7%)	1,833,200	187,500	35 equal monthly Installments of USD 55,600 each, followed by a final installment of USD 55,400, commencing from 19/01/2026.	None
Bank of Ceylon	6 Month SOFR+3.5% (Floor rate 7.5%)	77,317	577,321	18 equal monthly installments of USD 41,667 each, followed by a final installment of USD 35,650, commencing from 25/11/2024.	None
Commercial Bank PLC	3 Month SOFR+1.5% (Floor rate 5% /Cap rate 7.5%)	454,075	477,775	33 equal monthly installments of USD 22,225 each, followed by a final installment of USD 9,575, commencing from 20/03/2025.	None
USD Term Loans Total		2,364,592	1,788,096		
LKR Term Loans					
Seylan Bank PLC TL - 01	01 Month AWPLR+1%	345,305	750,534	The existing 10 loans were amalgamated into a single loan of LKR 261,761,425, to be repaid in 27 equal monthly installments of LKR 9,632,000 each, followed by a final installment of LKR 1,697,426, commencing from 04/12/2025.	Mortgage over the machinery financed
Seylan Bank PLC TL - 02	01 Month AWPLR+1%	2,726,023	4,332,821	The existing 15 loans were amalgamated into a single loan of LKR 1,438,830,250, to be repaid in 39 equal monthly installments of LKR 36,157,000 each, followed by a final installment of LKR 28,707,249, commencing from 04/12/2025.	Mortgage over the machinery financed
Seylan Bank PLC TL - 03	01 Month AWPLR+0.65%	176,569	270,319	43 equal monthly installments of LKR 2,083,333 each, commencing from 04/12/2025.	Mortgage over the machinery financed
LKR Term Loans Total		3,247,897	5,353,674		
Grand Total		5,612,489	7,141,770		
Total Group Term Loans		15,200,311	18,966,596		

14.7 Lease Obligations

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Balance at the beginning of the year	219,465	168,530	135,627	114,281
Lease asset remeasurement	-	86,775	-	24,036
Interest expense	19,803	16,136	8,636	8,345
Repayments	(38,191)	(52,630)	(11,035)	(11,035)
Effect of movements in exchange rates	(4,669)	654	-	-
Balance at the end of the year	196,408	219,465	133,229	135,627

Hayleys Fabric PLC- Knitting plant II-A right to operate lease agreement with Board of Investment of Sri Lanka (BOI) is for the period of 30 years commencing from 10th July 2020 for two acres BOI land at the "Wagawatta" Industrial zone.

South Asia Textiles Limited - A right to operate lease agreement with Board of Investment of Sri Lanka (BOI) is for the period of 50 years commencing from 02nd March 2004 for fifty five acres 1 rood 27.8 perches BOI land at Pugoda.

14.7.1 Currency wise analysis of lease obligations

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
United States Dollars	133,229	135,627	133,229	135,627
Sri Lankan Rupees	63,179	83,838	-	-
	196,408	219,465	133,229	135,627

14.7.2 Maturity Profile for Lease obligations on an undiscounted basis

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Within the next 12 months	37,775	39,375	11,035	11,035
Between 1 to 5 years	82,947	110,291	44,139	44,139
Between 5 to 10 years	70,831	71,769	55,174	55,174
More than 10 years	202,206	219,746	148,969	160,004
	393,759	441,181	259,316	270,352

15. RETIREMENT BENEFIT OBLIGATIONS

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Retirement Benefit Obligation - Gratuity				
At the beginning of the year	4,338,896	3,865,580	3,648,979	3,236,663
Effects of movement in exchange rate	(232,953)	59,067	(195,525)	49,469
Benefits paid by the plan	(360,664)	(328,606)	(318,594)	(246,402)
Transfer	-	5,586	-	5,586
Current service cost	319,258	294,520	238,610	223,546
Interest cost	431,541	454,418	362,599	382,194
Actuarial gain recognized directly in Other Comprehensive Income	(41,067)	(11,669)	(45,178)	(2,077)
At the end of the year	4,455,011	4,338,896	3,690,891	3,648,979

15.1 Expenses recognised in the Statement of Profit or Loss

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Current service cost	319,258	294,520	238,610	223,546
Interest cost	431,541	454,418	362,599	382,194
	750,799	748,938	601,209	605,740

15.2 Legal Liability as at 31st March

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Legal Liability as at 31st March	3,613,223	3,403,154	2,746,621	2,620,283

Notes to the Financial Statements

- 15.3** The Gratuity liability of the Company & the Group as at 31st March 2026 is based on an actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries.

The following key assumptions were made in the valuation.

	GROUP		COMPANY	
	2026	2025	2026	2025
Rate of discount	10%	11%	10%	11%
Salary increase	9%	10%	9%	10%
Retirement age	60 Years	60 Years	60 Years	60 Years
Weighted average remaining working life	6.2 - 6.4 Years	7.2 - 7.4 Years	6.2 Years	7.2 Years

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

- 15.4** A quantitative sensitivity analysis for significant assumptions as at 31st March 2026 is as follows:

Group

A one percentage point change in salary escalation rate/ discount rate	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
	USD	USD	USD	USD
As at 31st March 2026	367,230	(330,712)	(307,309)	346,495
As at 31st March 2025	389,708	(348,592)	(325,620)	369,500

Company

A one percentage point change in salary escalation rate/ discount rate	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
	USD	USD	USD	USD
As at 31st March 2026	303,050	(273,611)	(254,161)	285,813
As at 31st March 2025	326,453	(292,804)	(273,385)	309,352

- 15.5** Maturity Profile

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Within the next 12 months	346,969	255,870	266,266	187,670
Between 1 to 5 years	1,553,462	1,330,985	1,266,879	1,096,441
Between 5 to 10 years	1,418,798	1,354,602	1,254,513	1,209,493
More than 10 years	1,135,782	1,397,439	903,233	1,155,375
	4,455,011	4,338,896	3,690,891	3,648,979

16. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Trade payables				
- Related parties (16.3)	-	-	-	8,444
- Other	20,634,325	20,757,693	10,484,440	12,852,793
Other payables				
- Related parties (16.4)	386,895	294,963	191,252	102,779
- Advances received (18.4)	968,281	1,587,598	664,531	994,731
- Other payables including accrued expenses	4,608,023	4,518,782	2,401,623	2,410,779
	26,597,524	27,159,036	13,741,846	16,369,526

No advances received from related parties as at 31st March 2026.

16.1 Maturity Profile for Trade and Other Payables

Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
31.03.2026 Related party	275,512	69,221	41,142	1,020	-	386,895
Trade and Other Payables	5,857,476	15,947,894	4,010,203	371,995	23,061	26,210,629
Total	6,132,988	16,017,115	4,051,345	373,015	23,061	26,597,524
31.03.2025 Related party	54,515	223,864	16,584	-	-	294,963
Trade and Other Payables	7,587,372	16,896,087	2,144,689	211,423	24,503	26,864,073
Total	7,641,887	17,119,951	2,161,273	211,423	24,503	27,159,036

Company

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
31.03.2026 Related party	84,476	71,179	35,598	-	-	191,253
Trade and Other Payables	4,226,030	7,351,265	1,772,689	183,271	17,338	13,550,593
Total	4,310,506	7,422,444	1,808,287	183,271	17,338	13,741,846
31.03.2025 Related party	55,362	55,164	696	-	-	111,222
Trade and Other Payables	5,567,605	9,786,792	748,532	130,872	24,503	16,258,304
Total	5,622,967	9,841,956	749,228	130,872	24,503	16,369,526

16.2 Currency wise Analysis of trade & other payables

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
United States Dollars	21,831,488	23,435,133	11,354,640	14,384,129
Sri Lankan Rupees	4,638,957	3,376,713	2,344,369	1,689,819
Pounds Sterling	20,169	-	-	-
Euro	103,097	347,190	40,917	295,578
Others	3,813	-	1,920	-
	26,597,524	27,159,036	13,741,846	16,369,526

Notes to the Financial Statements

16.3 Payable to related parties - Trade

Name of the Company	Relationship	Nature of Transaction	GROUP		COMPANY	
			2026 USD	2025 USD	2026 USD	2025 USD
South Asia Textiles Ltd	Subsidiary	Purchase of Raw Materials	-	-	-	8,444
			-	-	-	8,444

16.4 Payable to other related parties

Name of the Company	Relationship	Nature of Transaction	GROUP		COMPANY	
			2026 USD	2025 USD	2026 USD	2025 USD
Puritas (Pvt) Ltd	Fellow Subsidiary	Purchase of Water Dispensers	9,243	-	1,111	-
Hayleys Agriculture Holdings Limited	Fellow Subsidiary	Dividend payable and Pest Control system	6,079	6,873	6,079	6,873
The Kingsbury Hotel PLC	Fellow Subsidiary	Entertainment facility	992	561	992	561
Hayleys Travels (Pvt) Ltd	Fellow Subsidiary	Reservations, ticketing and other travel related services	3,505	4,714	3,435	2,402
Laugfs Gas PLC	Other related party	Purchase of LPG Gas	12,461	-	12,461	-
Clarion Shipping (Pvt) Ltd	Fellow Subsidiary	Logistic service	-	2,799	-	2,799
Rocell Bathware Limited	Other related party	Purchase of Bathware Items	163	-	163	-
Hayleys Aventura (Pvt) Ltd	Fellow Subsidiary	Purchase spare parts and obtained technical support	25,890	52,205	1,141	5,410
Hayleys Advantis Ltd	Fellow Subsidiary	Dividend Payable & Staff Training	3,713	9,970	3,698	9,970
Energynet (Pvt) Ltd	Fellow Subsidiary	Purchase of Solar System and Obtained Technical Support Services	30,936	7,339	30,936	172
Fentons Smart Facilities (Pvt) Ltd	Fellow Subsidiary	Purchase of electrical equipment and related services	-	760	-	-
Logiwiz Limited	Fellow Subsidiary	Logistic service	45,162	22,389	30,736	17,979
Hayleys Engineering (Pvt) Ltd	Fellow Subsidiary	Purchase of Safety Shoes and Security Cable Ties	-	8,388	-	5,868
Expelogix (Pvt) Ltd	Fellow Subsidiary	Logistic service	442	2,607	442	2,607
Hayleys Business Solutions Int.(Pvt) Ltd	Fellow Subsidiary	Payroll Processing Services and Social Media Management Services	7,071	5,734	4,271	3,496
Mountain Hawk (Pvt) Ltd	Fellow Subsidiary	Purchase of freight services	-	492	-	-
Royal Ceramics Lanka PLC	Other related party	Purchase of Tiles & Ceramic Items	24	567	24	567
Delmege Forsyth & Co.Ltd	Other related party	Purchase of Office Equipment	162	2,668	-	2,668
Hayleys Fentons Ltd	Fellow Subsidiary	Purchase of Electrical Spares, Software Licenses Renewal and Fire System and solar system Maintenance Services	149,327	119,513	42,074	696
Advantis Express (Pvt) Ltd	Fellow Subsidiary	Logistic Services	2,443	1,199	2,221	1,199
Singer Sri Lanka PLC	Fellow Subsidiary	Purchases of electrical appliances	38,618	18,815	805	12,145
Advantis Freight (Pvt) Ltd	Fellow Subsidiary	Logistic service	50,664	27,367	50,664	27,367
IML Delivery Systems (Pvt) Ltd	Fellow Subsidiary	Logistic service	-	3	-	-
			386,895	294,963	191,252	102,779

17 INCOME TAX

17.1 Income Tax Recoverable

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
At the end of the year	218,944	179,089	10,814	8,790
	218,944	179,089	10,814	8,790

17.2 Income Tax Payable

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
At the beginning of the year of assessment	1,235,343	1,339,471	1,002,871	1,460,154
Taxation on current year profits	1,717,388	3,845,022	1,717,388	3,286,330
(Over)/under provision in respect of previous year	(115,954)	13,328	(17,322)	39,466
Tax on dividends	(9,284)	45,000	-	-
Tax credit received	(81,859)	(10,652)	(8,473)	(10,652)
Payments made during the year of assessment	(2,352,366)	(4,047,618)	(2,220,024)	(3,806,473)
Effect of movements in exchange rates	(29,373)	50,791	(23,708)	34,045
Transfer to income tax recoverable	120,565	-	-	-
Income Tax payable	484,459	1,235,343	450,731	1,002,871

18 REVENUE FROM CONTRACTS WITH CUSTOMERS

18.1 Disaggregated revenue contracts

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Sales of Fabric	123,815,391	146,036,437	79,189,153	95,703,827
Sale of Raw Materials	-	-	766,046	535,064
	123,815,391	146,036,437	79,955,199	96,238,891

18.2 Geographical Sales

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Direct exports	28,942,820	32,930,903	16,208,846	20,611,789
Indirect exports	93,665,617	111,894,728	61,887,848	74,268,728
Local sales	1,206,954	1,210,806	698,115	683,571
Intra-group sales	-	-	1,160,390	674,803
	123,815,391	146,036,437	79,955,199	96,238,891

18.2.1 The Group has determined that it operates as a single operating segment in accordance with SLFRS 8 – Operating Segments. This is based on the regularly reviewed by the Chief Operating Decision Maker (CEO) for the purpose of allocating resources and assessing performance.

The Group's operations are integrated and primarily relate to the manufacture and sale of textile and fabric products, with no distinguishable components that meet the criteria for separate segment reporting.

Accordingly, no separate segmental information is presented in these financial statements.

Notes to the Financial Statements

18.3 In relation to indirect exports and sundry sales, the performance obligation is satisfied upon delivery of the goods.

In relation to direct exports, the performance obligation is satisfied upon shipment of the goods considering the terms under which the shipment has been carried out.

18.4 The movement of Advances Received for contract liability, which are reflected in Note 16 are reconciled below.

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Opening Balance	1,587,598	1,876,689	994,731	870,698
Advances received during the year	644,588	1,058,980	534,145	811,989
Advances realized during the year	(1,263,905)	(1,348,071)	(864,345)	(687,956)
Closing Balance	968,281	1,587,598	664,531	994,731

19 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Profit on disposal of property, plant and equipment	13,642	18,572	13,599	18,238
Income from solar power generation	226,142	311,849	226,142	311,849
Creditors write back	223,476	269,753	223,476	269,753
Sundry Income	252,973	315,977	139,195	173,591
Dividend income	-	-	-	255,000
	716,233	916,151	602,412	1,028,431

20 OTHER EXPENSES

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Impairment of idle property, plant and equipment	-	30,846	-	30,846
	-	30,846	-	30,846

21 NET FINANCING COST

21.1 Finance income

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Interest income	(387,870)	(631,679)	(220,221)	(459,229)
	(387,870)	(631,679)	(220,221)	(459,229)

21.2 Finance cost

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Interest on short term borrowings	1,489,644	1,165,478	493,479	552,600
Interest on long term borrowings	1,304,744	2,103,139	803,697	1,273,621
Finance charges payable under finance Lease	19,802	16,140	8,636	8,345
(Profits)/ Loss on translation of foreign currency	(34,939)	1,057,240	(40,985)	640,771
Finance cost	2,779,251	4,341,997	1,264,827	2,475,337
Net finance cost	2,391,381	3,710,318	1,044,606	2,016,108

22 PROFIT BEFORE TAX

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

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Staff cost (22.1)	15,446,004	13,997,887	9,920,403	9,381,090
Directors' fees	23,077	24,202	23,077	24,202
Directors' emoluments	1,140,843	820,223	1,140,843	820,223
Depreciation of property, plant and equipment	4,159,860	4,289,901	2,282,467	2,473,656
Impairment of idle property, plant and equipment	-	30,846	-	30,846
Amortization of intangible assets	127,903	135,437	18,507	26,042
Legal fees	40,845	34,804	40,053	33,569
Audit fees	24,695	20,584	15,435	12,853
Non-audit professional services	13,164	16,065	11,302	13,849
Donations	5,760	7,700	4,017	2,090
Impairment charge/(reversal)for slow moving inventories	72,605	239,004	(473,682)	(390,640)
Impairment Charge for receivables	327,334	36,447	27,802	-
Research & Development	128,772	139,811	68,286	69,665

22.1 Staff cost

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Salaries and other personnel cost	13,360,812	12,067,747	8,483,665	8,014,636
Defined contribution plan cost- EPF and ETF	1,334,393	1,181,202	835,529	760,714
Defined benefit plan cost- Retiring gratuity	750,799	748,938	601,209	605,740
	15,446,004	13,997,887	9,920,403	9,381,090

23. INCOME TAX

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

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Income tax on current year profit	1,717,388	3,845,022	1,717,388	3,286,330
Under/(Over) provision in respect of previous year	(115,954)	13,328	(17,322)	39,466
Provision/ (reversal) of deferred tax (23.2)	(296,217)	(626,529)	222,923	(75,832)
Tax on dividend Income	-	45,000	-	-
Income tax expense reported in the statement of profit or loss	1,305,217	3,276,821	1,922,989	3,249,964

Notes to the Financial Statements

23.1 Reconciliation of Current Tax Expenses and product of Accounting Profit

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Profit before tax	3,382,185	10,313,032	5,533,814	9,005,645
Intra-group adjustments	18,188	273,384	-	-
Disallowable expenses	6,556,520	10,612,122	3,560,473	4,153,626
Disallowable unrealised exchange (gain)/loss	(604,940)	1,253,070	(443,067)	840,369
Exempted Income	(17,488)	(7,095)	-	-
Tax deductible expenses	(6,617,880)	(9,627,773)	(2,926,593)	(3,045,206)
Losses not eligible for offset (23.1.a)	3,008,042	-	-	-
Taxable income	5,724,626	12,816,740	5,724,626	10,954,434
Income tax @ 30%	1,717,388	3,845,022	1,717,388	3,286,330
Tax expense	1,717,388	3,845,022	1,717,388	3,286,330
(Over)/under provision in respect of previous year	(115,954)	13,328	(17,322)	39,466
Provision/(reversal) of temporary differences	(296,217)	(626,529)	222,923	(75,832)
Tax on dividend Income	-	45,000	-	-
Tax Expense	1,305,217	3,276,821	1,922,989	3,249,964
Effective tax rate	38.6%	31.8%	34.7%	36.1%

In terms of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, The Company and It's subsidiaries were liable to income tax during the year of assessment 2025/26 at the rate of 30%.

23.1.a Taxable income at the Group level is not determined on a consolidated basis, as each entity within the Group is taxed separately. Accordingly, tax losses incurred by subsidiaries are not available for offset against taxable profits of other entities within the Group. Such losses are carried forward and available for offset against future taxable profits of the respective subsidiary.

23.1.1 Reconciliation of Statutory Tax Rate to Effective Tax Rate

The effective income tax rate on the Group/ Company's profit before taxation differs from the the statutory corporate income tax rate. The reconciliation between the statutory tax rate and the effective tax rate is as follows:

Description	GROUP	COMPANY
	Percentage Adjustment	Percentage Adjustment
Statutory tax rate	30.0%	30.0%
Effect of non-deductible expenses	4.2%	-0.3%
Effect of disposals of PPE	0.1%	0.0%
Effect of Capital Allowances claimed	-10.2%	1.3%
Effect of Exempted Income	-0.2%	0.0%
Losses not eligible for offset	26.8%	0.0%
Effect of Over provision in respect of previous year	-3.4%	-0.3%
Impact on Deferred tax adjustments	-8.8%	4.0%
Effective Tax Rate (ETR)	38.6%	34.7%

23.2 Deferred Tax Assets, Liabilities are attributable to the following as at the year end

Group

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2026 USD	2025 USD	2026 USD	2025 USD
Deferred Tax Liabilities				
Capital allowances for tax purposes	9,504,104	8,987,656	516,449	150,562
Tax on re-valuation of land	401,055	401,055	-	180,429
Tax on unrealised exchange gain	2,328,879	2,161,642	167,237	(355,321)
	12,234,038	11,550,353	683,685	(24,330)
Deferred Tax Assets				
Tax effect of tax loss carried forward	902,348	-	(902,348)	-
Defined benefit plans	1,336,506	1,301,669	(34,837)	(141,995)
Impairment for slow moving inventories	1,612,428	1,590,647	(21,781)	(338,639)
Impairment for doubtful debts	152,739	144,123	(8,617)	62,364
	4,004,022	3,036,439	(967,583)	(418,270)
Net Deferred Tax Liability	8,230,016	8,513,913		
Deferred Income tax reversal to Profit or Loss			(296,217)	(626,529)
Deferred Income tax charge to Other Comprehensive Income- Land revaluation			-	180,428
Deferred Income tax charge to Other Comprehensive Income- Defined benefit plan			12,320	3,501
Reversal to Statement of Profit or Loss and Other Comprehensive Income			(283,897)	(442,600)

Company

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2026 USD	2025 USD	2026 USD	2025 USD
Deferred Tax Liabilities				
Capital allowances for tax purposes	5,388,635	5,406,272	(17,636)	(226,753)
Tax on re-valuation of land	401,055	401,055	-	180,429
Tax on unrealised exchange gain	2,446,396	2,313,475	132,920	153,115
	8,236,086	8,120,802	115,284	106,790
Deferred Tax Assets				
Defined benefit plans	1,107,267	1,094,694	(12,573)	(123,695)
Impairment for slow moving inventories	394,448	536,553	142,105	121,281
Impairment for doubtful debts	23,364	15,024	(8,341)	844
	1,525,079	1,646,271	121,191	(1,570)
Net Deferred Tax Liability	6,711,007	6,474,530		
Deferred Income tax charge/(reversal) to Profit or Loss			222,923	(75,832)
Deferred Income tax charge to Other Comprehensive Income- Land revaluation			-	180,428
Deferred Income tax charge to Other Comprehensive Income - Defined benefit plan			13,553	623
Charge to Statement of Profit or Loss and Other Comprehensive Income			236,476	105,220

Notes to the Financial Statements

24 EARNINGS PER SHARE

BASIC / DILUTED EARNINGS PER SHARE

Basic Earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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

24.1 Basic/diluted earning per share calculated as follows.

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Profit attributable to equity holders of the Parent	2,076,968	7,036,211	3,610,825	5,755,681
Weighted average number of ordinary shares of the parent	415,481,776	415,481,776	415,481,776	415,481,776
Basic/diluted earnings per share	0.005	0.017	0.009	0.014

25 DIVIDENDS

	COMPANY	
	2026 USD	2025 USD
Interim - Rs-0.62 per share in 2025/26 (Rs 1.85 per share in 2024/25)	836,546	2,529,355
	836,546	2,529,355
Dividend per share	0.002	0.006

26. RELATED PARTY DISCLOSURES

26.1 Transactions with the Parent

Hayleys PLC provides support to finance, export shipping, secretarial, data processing, personnel and administration functions.

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Name of the Company				
Hayleys PLC	2,416,449	1,458,908	1,903,518	1,265,689

26.2 Transactions with the subsidiary

Sale of fabric, raw materials & commission Dyeing & finishing

	COMPANY			
	2026 USD		2025 USD	
	Sale of fabric	Purchase of goods or service	Sale of fabric	Purchase of goods or service
South Asia Textiles Limited	1,502,202	1,400,438	1,764,120	3,136,730

26.3 Transactions with the other related parties

All the companies listed below are fellow subsidiaries of Hayleys Fabric PLC.

	GROUP				COMPANY			
	2026 USD		2025 USD		2026 USD		2025 USD	
	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service
Puritas (Pvt) Ltd	-	12,232	-	3,900	-	5,341	-	3,458
Hayleys Agriculture Holding Ltd	-	5,996	-	2,844	-	5,996	-	2,844
Hayleys Consumer Products Ltd	-	873	-	554	-	873	-	554
The Kingsbury Hotel PLC	-	23,073	-	29,680	-	23,073	-	29,680
Hayleys Travels (Pvt) Ltd	-	177,721	-	178,352	-	162,693	-	151,821
Hayleys Aventura (Pvt) Ltd	-	132,293	-	167,565	-	53,186	-	54,293
D P L Premier Gloves Limited	213	-	2,210	-	213	-	2,210	-
Advantis Freight (Pvt) Ltd	-	149,875	-	144,828	-	149,875	-	144,828
Logiwiz Limited	-	255,799	-	266,380	-	197,725	-	230,882
Hayleys Engineering (Pvt) Ltd	-	7,853	-	25,180	-	7,457	-	22,046
Expelogix (Pvt) Ltd	-	11,306	-	32,202	-	11,306	-	32,202
Hayleys Business Solutions Int. (Pvt) Ltd	-	72,239	-	65,214	-	43,043	-	38,375
Hayleys Fentons Ltd	-	438,094	-	1,009,181	-	174,658	-	334,168
Fentons Smart Facilities (Pvt) Ltd	-	-	-	760	-	-	-	-
Mountain Hawk (Pvt) Ltd	-	965	-	4,874	-	-	-	-
Energynet (Pvt) Ltd	-	64,858	-	22,809	-	60,725	-	11,525
Mabroc Teas (Pvt) Ltd	-	8,399	-	13,007	-	-	-	147
Clarion Shipping (Pvt) Ltd	-	4,244	-	46,647	-	4,244	-	46,647
Hayleys Lifesciences (Pvt) Ltd	-	1,491	-	-	-	1,491	-	-
Singer Sri Lanka PLC	-	193,476	-	187,895	-	82,250	-	78,399
Hayleys Advantis Ltd	-	91	-	-	-	78	-	-
Advantis Express (Pvt) Ltd	-	12,617	-	11,965	-	11,898	-	10,600
Kandyan Resorts (Pvt) Ltd	-	-	-	2,297	-	-	-	2,297
Culture Club Resorts (Pvt) Ltd	-	-	-	2,732	-	-	-	2,732
Haymat Limited	-	-	-	109	-	-	-	109
Alumex PLC	-	-	-	52	-	-	-	52
IML Delivery Systems (Pvt) Ltd	-	-	-	156	-	-	-	-
Kelani Valley Plantations Plc	-	882	-	631	-	882	-	631

Notes to the Financial Statements

26.4 Transactions with the other related Companies

- a) Ms. Brindhiini Perera who is a Director of the Company has a significant influence on the operations of below entities. The Group and the Company have carried out transactions in the ordinary course of business with these Companies during the year.

Name of the Company	Nature of Transaction	GROUP		COMPANY	
		2026 USD	2025 USD	2026 USD	2025 USD
Royal Ceramics Lanka PLC	Purchase of tiles & Ceramic Items	2,746	5,342	2,313	4,933
Rocell Bathware Limited	Purchase of Bathware Items & Accessories	138	-	138	-
Delmege Forsyth & Co.(Pvt) Ltd	Purchase of office furniture	9,433	4,015	7,358	3,935
Delmege Forsyth Energy (Pvt) Ltd	Purchase of Lubricants	1,346	-	1,346	-
Lanka Tiles PLC	Purchase of Tiles and Other Ceramic Items	150	-	150	-
Laugfs Corporation (Rubber) Ltd	Purchase of Industrial Tyres	1,981	-	1,981	-
Laugfs Gas PLC	Purchase of LPG Gas	457,552	-	457,552	-
Laugfs Eco Sri Limited	Vehicle Emission Testing Services	238	-	238	-
Pan Asia Banking Corporation PLC	Trade facility	-	5,000,000	-	4,000,000
	Overdraft facility	-	1,500,000	-	1,000,000
	Term Loan facility	-	1,500,000	-	-
	Trade Outstanding amount	-	578,906	-	535,488
	Overdraft Outstanding amount	-	494,261	-	-
	Term Loan Outstanding amount	-	545,500	-	-
	Interest & charges paid	16,536	162,473	1,650	63,714

- b) Amounts due from /to related parties are reflected in these Financial Statements within notes 11 &16 and directly in the Statement of Financial Position.

26.5 Transactions with Key Management Personnel

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

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

- a) Loans to Key Management Personnel
No loans have been provided to the Directors of the Group & the Company.

b) **Compensation of Key Management Personnel**

	GROUP		COMPANY	
	2026 USD	2025 USD	2026 USD	2025 USD
Short term employment benefits	1,140,843	820,223	1,140,843	820,223

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

27. COMMITMENTS AND CONTINGENCIES

27.1 The amount of capital expenditure approved by the Directors but not contracted for the Group was USD 1,383,287 and the company was USD 1,257,735. (Group in 2025- USD 2,338,880 and the Company in 2025 - USD 2,069,688)

27.2 The contingent liabilities for both the Company and the Group as of 31st March 2026 were Nil. (2025 - Nil).

28. ASSETS PLEDGED

The following assets have been pledged as security for borrowings and liabilities.

28.1 Hayleys Fabric PLC

		Carrying Amount Pledged		Included under
		2026 USD	2025 USD	
Nature of Assets	Nature of Liabilities			
Plant & Machinery, Water Treatment Plant	Primary Mortgage for Loans and Borrowings	6,740,004	9,740,921	Property, Plant & Equipment
Land & Buildings	Primary / Concurrent mortgage for Loans and Borrowings	676,937	852,690	Property, Plant & Equipment
Inventories	Primary / Concurrent mortgage for Loans and Borrowings	13,333,585	18,116,410	Inventories
Trade Receivables	Primary / Concurrent mortgage for Loans and Borrowings	12,254,163	10,434,105	Trade Receivables

28.2 South Asia Textiles Limited

		Carrying Amount Pledged		Included under
		2026 USD	2025 USD	
Nature of Assets	Nature of Liabilities			
Plant & Machinery	Primary mortgage for term loans	4,467,834	4,868,825	Property, plant & equipment

29. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the geopolitical tensions involving the United States, Israel, and Iran have increased significant volatility in global markets, resulting in upward pressure on energy prices, fluctuations in textile-related raw material costs, and disruptions to supply chains including higher freight cost.

As a textile manufacturer reliant on imported raw materials and energy-intensive processes, the Group may experience higher cost of production and operational constraints, which could impact future profitability amid several strategies have been taken to minimize the possible impact.

At the date of authorization, the financial impact cannot be reliably estimated, but the Group continues to monitor the ongoing situation and take appropriate mitigation measures.

No other material events have occurred since the reporting date that require adjustment or disclosure in the financial statements.

Notes to the Financial Statements

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by the said risks in the Group includes loans and borrowings.

The sensitivity analysis in the following sections relate to the position as at 31st March in 2026 and 2025. The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March 2026 and 2025.

Interest rate risk

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

The Group manages its interest rate risk by constantly monitoring the interest rates and negotiating them with the banks through assistance from the Parent Company's Treasury. Group's strategy is to keep the borrowing rates at AWPLR for LKR borrowings and USD borrowings at 3 Months SOFR+ 1.5 % or less.

Interest rate sensitivity

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

Hayleys Fabric PLC

2026		2025	
Increase/Decrease in basis points	Effect on profit before tax -USD	Increase/Decrease in basis points	Effect on profit before tax -USD
64	(88,985)	75	(149,771)
-64	88,985	-75	149,771

South Asia Textiles Limited

2026		2025	
Increase/Decrease in basis points	Effect on profit before tax -USD	Increase/Decrease in basis points	Effect on profit before tax -USD
67	(132,012)	73	(139,645)
-67	132,012	-73	139,645

Foreign currency risk

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

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

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

Foreign currency sensitivity

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

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

Hayleys Fabric PLC

	2026		2025	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in LKR Exchange Rate against USD	3%	188,395	3%	303,888
	-3%	(200,048)	-3%	(322,685)

	2026		2025	
	Change in EURO Rate	Effect on profit before tax -USD	Change in EURO Rate	Effect on profit before tax -USD
Change in Euro Exchange Rate against USD	3%	1,192	3%	8,609
	-3%	(1,265)	-3%	(9,141)

South Asia Textiles Limited

	2026		2025	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in LKR Exchange Rate against USD	3%	173,341	3%	229,848
	-3%	(184,063)	-3%	(244,066)

	2026		2025	
	Change in EURO Rate	Effect on profit before tax -USD	Change in EURO Rate	Effect on profit before tax -USD
Change in Euro Exchange Rate against USD	3%	1,566	3%	1,385
	-3%	(1,663)	-3%	(1,471)

Notes to the Financial Statements

Credit risk

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

Trade receivables

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

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

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

The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets reported in these financial statements.

The Company does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are well reputed; cash rich and operate in largely independent markets.

The possible delay in getting past due receivables from the customers and request for extended credit periods as a result of current economic crisis are being managed through negotiations with customers on settlements and invoicing /Letter of Credit discounting arrangements with Banks.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. However, currently the Group does not hold any cash deposits or any other financial instrument other than those disclosed and is not affected by any credit risk emanating from such balances.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that the gearing is managed to a sustainable level. Group forecasts its financial commitments and collections on a weekly basis and any gap is bridged with an alternate fund sourcing in consultation with the Parent Company Treasury and financial institutions.

Approximately 79% of the Group's debt will mature in less than one year at 31st March 2026 (2025: 73%) based on the carrying value of borrowings reflected in the financial statements. 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.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments are provided in Notes 14.1 and 16.1 to the financial statements.

Capital management

The Group's Capital is made up of both debt and equity capital which have been disclosed in Notes 14.1 and 13 respectively.

Fair value of financial instruments

Financial assets of the Group include cash and cash equivalents, trade receivables and other receivables, whilst financial liabilities include trade and other payables and interest bearing loans and borrowings.

The management assessed that cash and cash equivalents, trade receivables, other receivables and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments. The management also assessed that long term variable rate borrowings approximate their carrying amounts largely due to the market based interest rates charged.

Statement of Financial Position

Translated into LKR

As at 31st March	GROUP		COMPANY	
	2026 LKR 000'	2025 LKR 000'	2026 LKR 000'	2025 LKR 000'
Non-Current Assets				
Property, plant and equipment	14,707,622	13,954,371	8,382,320	7,586,297
Right of use assets	264,345	258,823	61,870	60,777
Intangible assets	106,500	136,750	4,312	7,460
Investment in Subsidiaries	-	-	5,824,458	5,495,027
Goodwill	3,326,272	3,138,138	-	-
	18,404,739	17,488,082	14,272,960	13,149,561
Current Assets				
Inventories	8,411,103	9,313,710	4,248,080	5,445,431
Trade receivables	6,774,508	5,077,516	3,904,176	3,136,283
Other receivables	118,484	91,052	129,199	131,740
Advances and prepayments	541,355	512,696	308,892	337,517
Income tax recoverable	69,756	53,831	3,446	2,642
Cash and cash equivalents	2,033,529	3,157,580	1,275,456	2,134,598
	17,948,735	18,206,385	9,869,249	11,188,211
Total Assets	36,353,474	35,694,467	24,142,209	24,337,772
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated capital	1,968,193	1,968,193	1,968,193	1,968,193
Revaluation reserve	298,144	281,281	298,144	281,281
Retained earnings	5,305,742	4,913,483	4,629,265	3,762,101
Exchange fluctuation reserve	4,858,272	4,182,826	4,495,218	3,891,582
Total Equity attributable to equity holders of the company	12,430,351	11,345,783	11,390,820	9,903,157
Non-controlling interest	12	33	-	-
Total Equity	12,430,363	11,345,816	11,390,820	9,903,157
Non-Current Liabilities				
Interest bearing loans and borrowings	2,373,386	3,155,280	1,462,058	1,999,468
Deferred tax liabilities	2,622,083	2,559,112	2,138,127	1,946,114
Retirement benefit obligations	1,419,366	1,304,185	1,175,918	1,096,810
	6,414,835	7,018,577	4,776,103	5,042,392
Current Liabilities				
Trade and other payables	8,473,971	8,163,463	4,378,152	4,920,352
Interest bearing loans and borrowings	8,768,359	8,683,945	3,353,876	4,064,637
Amounts due to Hayleys PLC	111,597	111,346	99,655	105,791
Income tax payable	154,349	371,320	143,603	301,443
	17,508,276	17,330,074	7,975,286	9,392,223
Total Equity and Liabilities	36,353,474	35,694,467	24,142,209	24,337,772

The financial statements prepared and presented in US Dollars reflect the economic substance of underlying events and circumstances of the enterprise. The supplementary information in SL Rupees is presented for convenience purposes only. The statements presented in Sri Lankan Rupees (LKR) are not a full set of financial statements and are not purported to comply with Sri Lanka Accounting Standards. They represent selected information taken from the US Dollar financial statements, translated into LKR generally using the principles set out in Sri Lanka Accounting Standard (LKAS) 21 for the translation of financial statements to a presentation currency from a measurement currency. Revenue and costs are converted using the average exchange rate for the period. Assets and liabilities are converted using the exchange rate at the end of the year. The revenue reserves incorporates the profit for the period reflected in the income statements.

In accordance with advice received from the Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka, Stated Capital is represented at it's original LKR value.

Followings exchange rates were used to convert the financials into LKR

	31.03.2026 USD	31.03.2025 USD
Statement of Profit or Loss and Other Comprehensive Income	309.05	302.18
Statement of Financial Position	318.60	300.58

Statement of Profit or Loss and other Comprehensive Income Translated into LKR

For the year ended 31st March	GROUP		COMPANY	
	2026 LKR 000'	2025 LKR 000'	2026 LKR 000'	2025 LKR 000'
Revenue from contracts with customers	38,265,146	44,129,291	24,710,154	29,081,468
Cost of sales	(32,565,685)	(36,305,764)	(20,120,160)	(23,387,405)
Gross Profit	5,699,461	7,823,527	4,589,994	5,694,063
Other operating income	221,352	276,843	186,176	310,772
Administrative expenses	(3,891,307)	(3,565,471)	(2,486,647)	(2,440,712)
Distribution expenses	(245,185)	(288,002)	(256,461)	(224,249)
Other expenses	-	(9,321)	-	(9,321)
Net financing expense	(739,056)	(1,121,184)	(322,835)	(609,228)
Profit before tax	1,045,264	3,116,392	1,710,225	2,721,325
Income tax expense	(403,377)	(990,190)	(594,300)	(982,074)
Profit for the year	641,887	2,126,202	1,115,925	1,739,251
Profit for the period attributable to:				
Owners of the parent	641,909	2,126,222	1,115,925	1,739,251
Non-controlling interest	(22)	(20)	-	-
Profit for the year	641,887	2,126,202	1,115,925	1,739,251
Other Comprehensive Income that will not be reclassified to profit or loss				
- Surplus on revaluation of land	-	181,740	-	181,740
- Income tax effect on revaluation of land	-	(54,522)	-	(54,522)
- Actuarial Gain on defined benefit plans	12,692	3,526	13,962	628
- Income tax effect on Actuarial Gain on defined benefit plans	(3,807)	(1,058)	(4,189)	(188)
Total Comprehensive Income, Net of Tax	650,772	2,255,888	1,125,698	1,866,908
Basic / Diluted Earnings per Share	1.54	5.12	2.69	4.19

Ten Year Summary

	10-year compound growth	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Results											
Net turnover	9%	123,815,391	146,036,437	155,326,820	166,631,461	150,218,687	77,280,698	67,115,723	69,940,639	57,686,803	55,537,401
Profit after tax	17%	2,076,968	7,036,211	7,864,535	1,133,052	12,777,497	3,852,439	1,270,611	1,058,335	(679,516)	490,267
Funds Employed											
Stated capital	-	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761
Reserves	113%	21,453,819	20,184,650	15,247,620	10,736,918	12,895,167	3,364,121	844,285	297,464	(524,791)	23,706
Shareholders' fund	9%	39,015,580	37,746,411	32,809,381	28,298,679	30,456,928	20,925,882	18,406,046	17,859,225	17,036,970	17,585,467
Borrowings (both short & long term)	7%	34,970,950	39,387,935	38,384,183	42,958,647	43,145,665	16,568,472	16,771,624	15,184,841	16,706,671	19,686,731
		73,986,530	77,134,346	71,193,564	71,257,326	73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198
Assets Employed											
Non current assets	10%	57,767,544	58,181,123	56,322,666	56,640,758	55,894,734	28,981,604	25,527,027	24,883,748	25,167,948	24,833,016
Current assets	11%	56,336,268	60,570,847	59,944,726	62,308,752	66,147,887	28,963,558	23,410,426	22,725,793	20,921,177	21,942,322
Current liabilities net of borrowings	18%	(27,432,255)	(28,764,815)	(32,251,735)	(35,133,818)	(41,293,693)	(15,351,068)	(8,854,818)	(10,263,029)	(8,952,285)	(6,112,839)
Provisions	16%	(12,685,027)	(12,852,809)	(12,822,093)	(12,558,365)	(7,146,335)	(5,099,740)	(4,904,965)	(4,302,446)	(3,393,199)	(3,390,301)
Capital Employed	8%	73,986,530	77,134,346	71,193,564	71,257,326	73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198
Cash Flow											
Net cash inflow from operating activities		4,211,462	6,606,736	18,991,043	1,335,906	7,199,560	9,166,017	2,205,200	2,927,550	4,235,513	1,916,117
Net cash outflow from investing activities		(3,336,770)	(5,380,363)	(3,152,678)	(4,915,232)	(26,771,810)	(4,907,261)	(2,863,628)	(1,466,816)	(2,375,774)	(4,521,131)
Net cash inflow/(outflow) from financing activities		(5,339,731)	(1,826,601)	(8,049,766)	(3,553,803)	24,740,288	(693,664)	847,907	(1,767,129)	(2,572,428)	2,939,367
Increase / (decrease) in cash & cash equivalents		(4,465,039)	(600,228)	7,788,599	(7,133,129)	5,168,038	3,565,092	189,479	(306,395)	(712,690)	334,353
Key Indicators											
Earnings/(Loss) per share (basic) USD		0.005	0.017	0.019	0.003	0.031	0.009	0.003	0.005	(0.003)	0.002
Net assets per share USD		0.094	0.091	0.079	0.068	0.073	0.050	0.089	0.086	0.082	0.085
Dividend per share Rs.		0.62	1.85	2.60	2.50	1.20	0.60	0.30	-	-	-
Gearing %		47	51	54	60	59	44	48	46	50	53
Turnover to capital employed (times)		1.67	1.89	2.18	2.34	2.04	2.06	1.91	2.12	1.71	1.49

Glossary of Financial Terminology

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ACTUARIAL GAIN/LOSS ON DEFINED BENEFIT PLAN

Gain or loss arising from the difference between estimates and actual experience in an entity's defined benefit plan.

AMORTIZED COST

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

ASSETS TURNOVER

Revenue divided by average total assets.

BORROWINGS

Bank loans and overdrafts.

CAPITAL EMPLOYED

Shareholders' funds plus debt.

CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

CONTINGENT LIABILITIES

Conditions or situations at the date of Statement of Financial Position, the financial effect of which are to be determined by future events which may or may not occur.

CURRENT RATIO

Current Assets divided by Current Liabilities.

DEBT/EQUITY RATIO

Debt as a percentage of Shareholders' funds.

DEFERRED TAXATION

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

DIRECT EMPLOYMENT

The workers employed by the Company.

DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

DILUTED EARNINGS PER SHARE

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

EARNINGS PER SHARE (EPS)

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period.

EBIT

Earnings before interest and tax (Includes other operating income).

EBITDA

Earnings before interest, tax, depreciation and amortization.

EFFECTIVE RATE OF TAXATION

Income tax including Deferred tax over Profit before tax.

ENERGY INTENSITY

Total energy consumed by the Company divided by in GJ divided by the Production in MT.

EQUITY

Shareholders' funds

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to both a financial assets in one entity and a financial liability or equity instrument in another entity.

INTEREST COVER

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

MARKET CAPITALIZATION

Number of Shares in issue at the end of the period multiplied by the share price at the end of the period.

MARKET VALUE ADDED

Market capitalization minus shareholders' funds.

NET ASSETS

Total assets minus long term and current liabilities.

NET ASSETS PER SHARE

Net assets at the year- end divided by the number of Ordinary shares in issue.

NET PROFIT RATIO

Profit after tax attributable to equity holders of the Company divided by total revenue.

NET WORKING CAPITAL

Current assets minus current liabilities.

ORGANIC WASTAGE

Bio-degradable waste.

PRICE EARNINGS RATIO

Market price of share as at the year- end divided by Earnings Per Share.

Glossary of Financial Terminology

PUBLIC HOLDING

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK ASSET RATIO

Current Assets other than inventory divided by Current liabilities.

RETURN ON ASSETS (ROA)

Profit after tax divided by average total assets.

RETURN ON CAPITAL EMPLOYED (ROCE)

Earnings before interest and tax as a percentage of average shareholders' funds plus total debt.

RETURN ON EQUITY (ROE)

Profit after tax as a percentage of Average shareholders' funds.

RECYCLE

The process of converting waste into reusable materials.

RISK MANAGEMENT

The identification, analysis, assessment, control and avoidance , minimization or elimination of unacceptable risk.

SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital and both capital and Revenue Reserves.

STEWARDSHIP

The role of supervising or taking care of the organization.

TOTAL ASSETS

Non- current assets plus current assets.

TOTAL DEBT

Long term loans plus short term loans and overdrafts.

Quarterly Analysis

	Quarter 1 30.06.2025 USD '000	Quarter 2 30.09.2025 USD '000	Quarter 3 31.12.2025 USD '000	Quarter 4 31.03.2026 USD '000
Revenue	34,462	31,140	27,045	31,168
Profit before tax	1,955	726	111	590
Tax expense	(660)	(276)	(87)	(282)
Profit after tax	1,295	450	24	308
Non current assets	57,692	58,683	57,983	57,767
Current assets	60,633	54,911	54,680	56,336
Non current Liabilities	21,539	20,353	21,557	20,134
Current Liabilities	58,087	54,417	52,258	54,954

	Quarter 1 30.06.2025	Quarter 2 30.09.2025	Quarter 3 31.12.2025	Quarter 4 31.03.2026
Market value of share				
Basic/diluted earnings per share (LKR)	0.95	0.33	0.03	0.24
Last traded price (LKR)	46.50	44.10	40.80	30.50
Highest price recorded for the three months ending (LKR)	48.00	49.50	45.30	44.90
Lowest price recorded for the three months ending (LKR)	36.80	42.60	37.50	30.10
Float-Adjusted Market capitalisation (LKR Mn.)	7,110	6,758	6,223	4,663
Share trading information				
Number of transactions	11,536	12,911	7,139	7,349
Number of shares traded	39,402,172	44,887,504	14,351,571	15,845,205
Value of shares traded (LKR)	1,679,145,355	2,052,455,601	607,490,897	589,170,953

Investor Information

No. of shareholders as at 31st March 2026 - 7,871 (as at 31st March 2025 - 5,937)

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	4,607	1,317,338	0.317	10	3,324	0.001	4,617	1,320,662	0.318
1,001- 10,000	2,316	8,976,472	2.160	10	45,486	0.011	2,326	9,021,958	2.171
10,001- 100,000	764	22,588,835	5.437	8	232,174	0.056	772	22,821,009	5.493
100,001 - 1,000,000	126	39,300,555	9.459	5	2,200,335	0.530	131	41,500,890	9.989
Over 1,000,000	23	326,838,148	78.665	2	13,979,109	3.364	25	340,817,257	82.029
	7,836	399,021,348	96.038	35	16,460,428	3.962	7,871	415,481,776	100.000

Categories of shareholders	Residents			Non-Residents			Total		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Individuals	7,527	74,980,590	18.046	31	1,809,712	0.436	7,558	76,790,302	18.482
Institutions	309	324,040,758	77.992	4	14,650,716	3.526	313	338,691,474	81.518
	7,836	399,021,348	96.038	35	16,460,428	3.962	7,871	415,481,776	100.000

Market Value

The market value of an ordinary share of Hayleys Fabric PLC from 01st April to 31st March

	2026 (LKR)		2025 (LKR)	
Highest	49.50	(on 1st Aug. 2025)	57.50	(on 3rd Jan. 2025)
Lowest	30.10	(on 30th Mar. 2026)	40.00	(on 15th Apr. 2024)
Closing price	30.50	(on 31st Mar. 2026)	45.00	(on 28th March 2025)

Share Trading from 01st April to 31st March

	2026	2025
No. of transactions	38,935	29,366
No. of shares traded	114,486,452	127,000,720
Value of shares traded (LKR)	4,928,262,806	6,160,919,958

NON-VOTING SHARES

There were no non-voting shares as at 31st March 2026

LISTED DEBENTURES

There were no listed debentures as at 31st March 2026

HAYLEYS FABRIC PLC

FIRST TWENTY SHAREHOLDERS

	No. of Shares as at 31.03.2026	%	No. of Shares as at 31.03.2025	%
1 Hayleys PLC No 3 Share Investment Account	244,974,046	58.96	244,974,046	58.96
2 Employees Provident Fund	11,081,454	2.67	11,081,454	2.67
3 Hayleys Advantis Limited	10,073,700	2.42	10,073,700	2.42
4 Citibank Newyork S/A Norges Bank Account 2	9,838,222	2.37	11,914,861	2.87
5 Hayleys Agriculture Holdings Limited	6,944,514	1.67	6,944,514	1.67
6 Mr. Kulappuarachchige Don Harindra Perera	6,522,365	1.57	6,522,365	1.57
7 Union Assurance PLC- Universal Life Fund	5,569,921	1.34	4,810,509	1.16
8 Mrs. Thusharie Tilottama Anjalee De Silva Weerasooria	4,885,697	1.18	1,500,000	0.36
9 Mr. Ruwanpura Chanaka Dharmajith De Silva	4,684,961	1.13	1,080,506	0.26
10 EMFI Capital Limited	4,140,887	1.00	-	-
11 Mr. Rajinda Priyanjith Weerasooriya	4,082,623	0.98	900,000	0.22
12 Finco Holdings (Private) Limited	3,766,509	0.91	-	-
13 Hatton National Bank PLC A/c No.4 (HNB Retirement Pension Fund)	2,651,634	0.64	1,696,934	0.41
14 Invenco Capital Private Limited	2,633,587	0.63	3,542,042	0.85
15 Hatton National Bank PLC-Capital Alliance Quantitative Equity Fund	2,627,568	0.63	-	-
16 CT CLSA Asset Management/ Hanif Yusooif	2,626,219	0.63	1,081,219	0.26
17 Employees Trust Fund Board	2,196,224	0.53	2,196,224	0.53
18 Jafferjee Brothers Exports (Private) Limited	1,718,187	0.41	1,718,187	0.41
19 Seylan Bank PLC / J N Lanka Holdings Company (Pvt) Ltd	1,701,032	0.41	3,016,782	0.73
20 Mr. Murtazaali Abidhussen Hassanaly Esufally & Mrs. A.M.Esufally	1,649,890	0.40	1,094,278	0.26
Total	334,369,240	80.48	314,147,621	75.61

DIRECTORS' SHAREHOLDING

Name of the Director	No. of Shares as at 31.03.2026	No. of Shares as at 31.03.2025
Mr. A.M. Pandithage	-	-
Mr. S.C. Ganegoda	525,000	525,000
Mr. H. Somashantha	40,000	40,000
Mr. E.R.P. Goonetilleke	-	-
Mr. I.B.R.R. Bandara	20,000	20,000
Mr. M.H. Jayasinghe	-	-
Mr. K.P.C.P.K. Pathirana	2,000	2,000
Ms. K.A.D.B. Perera	-	-
Mr. N. Ekanayake	-	-
Mr. M.N.R. Fernando	-	-
Mr. J.A.N.R. Adhihetty	-	-
Mr. T.A.B. Speldewinde	-	-

Stated Capital

Stated Capital Rs. 1,968,192,915/- comprising 415,481,776 ordinary shares.

	As at 31.03.2026	As at 31.03.2025
The issued number of shares of the Company	415,481,776	415,481,776
Registered shareholders	7,871	5,937
The percentage of shares held by public	36.80%	36.80%
No. of shareholders representing Public Holding	7,863	5,929
Float adjusted Market Capitalisation	4,663,277,248	6,880,245,120

As at 31.03.2026, the Company complies with option 4 of the Listing Rules 7.13.1 (i) (a) which requires a minimum Public Holding of 10%.

Notice of Annual General Meeting

HAYLEYS FABRIC PLC
(Company Registration No. PQ 37)

NOTICE IS HEREBY GIVEN THAT THE THIRTY FOURTH ANNUAL GENERAL MEETING OF HAYLEYS FABRIC PLC will be held on **Wednesday, 24th June 2026 at 4.00 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. H. Somashantha, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
3. To re-elect as a Director Mr. N. Ekanayake, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. M.N.R. Fernando, 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. M.H. Jayasinghe, 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 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 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'.

7. To propose the following resolution for the re-appointment of Mr. E.R.P. Goonetilleke in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

'That Mr. Eranga Rohan Peiris Goonetilleke, who is over 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 51 (1) in the Articles of Association of the Company;

Special Resolution (1)

IT IS HEREBY RESOLVED THAT Article 51 (1) of the Articles of Association of the Company be amended by the inclusion of the following paragraph at the end of Article 51 (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 FABRIC PLC



HAYLEYS GROUP SERVICES (PRIVATE) LIMITED
Secretaries

Colombo.
01st 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.hayleysfabric.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 : Vajira Perera
Contact Number : +94 11 2627652
Email Address : vajira.perera@secretarial.hayleys.com
Mailing Address : Hayleys Group Services (Private) Limited,
Secretaries for Hayleys Fabric PLC,
No. 400, Deans Road,
Colombo 10.

Notes

Form of Proxy

HAYLEYS FABRIC PLC - Company Number: PQ 37

I/We.....
(full name of Shareholder) NIC No./Reg. No. of Shareholder.....
of.....
being Shareholder/Shareholders of Hayleys Fabric PLC hereby appoint:
(1)
(full name of Proxyholder) NIC No. of Proxyholder.....
of
or, failing him/them

(2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our Proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Thirty Fourth Annual General Meeting of the Company to be held on **Wednesday, 24th June 2026 at 4.00 p.m.** 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 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. H. Somashantha, as set out in the Notice	☐	☐
3. To re-elect as a Director Mr. N. Ekanayake, as set out in the Notice	☐	☐
4. To re-elect as a Director Mr. M. N. R. Fernando, as set out in the Notice.	☐	☐
5. To re-elect as a Director Mr. M.H. Jayasinghe as set out in the Notice.	☐	☐
6. To re-appoint Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.	☐	☐
7. To re-appoint Mr. E.R.P. Goonetilleke, in terms of Section 211 of the Companies Act No. 07 of 2007.	☐	☐
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 pass the Special Resolution to amend Article 51(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)

Form of Proxy

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

NAME OF COMPANY

Hayleys Fabric PLC

LEGAL FORM

A Quoted Public Company with Limited Liability
(Incorporated in Sri Lanka in 1993)

COMPANY REGISTRATION NUMBER

PQ 37

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on Main Board of Colombo Stock Exchange of Sri Lanka

ACCOUNTING YEAR END

31st March

PRINCIPAL ACTIVITY

Manufacturing of knitted fabric

DIRECTORS

Mr. A.M. Pandithage (Chairman)
Mr. E.R.P. Goonetilleke (Managing Director)
Mr. S.C. Ganegoda
Mr. H. Somashantha
Ms. K.A.D.B. Perera
Mr. N. Ekanayake
Mr. M.N.R. Fernando
Mr. I.B.R.R. Bandara
Mr. M.H. Jayasinghe
Mr. K.P.C.P.K. Pathirana
Mr. J.A.N.R. Adhihetty
Mr. T.A.B. Speldewinde

AUDIT COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. H. Somashantha
Mr. T.A.B. Speldewinde

NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. S.C. Ganegoda

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. S.C. Ganegoda

REMUNERATION COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. H. Somashantha

SUBSIDIARIES

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Hayleys Fabric Solutions Limited

SECRETARIES

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Telephone: +94 11 2627650

REGISTERED OFFICE

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MAIN OFFICE & FACTORY

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BANKERS

Standard Chartered Bank PLC
Hongkong and Shanghai Banking Corporation
Hatton National Bank PLC
Bank of Ceylon
National Development Bank PLC
Sampath Bank PLC
Citibank, N.A.
Seylan Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
DFCC Bank PLC
Union Bank of Colombo PLC
Nations Trust Bank PLC
Bank of China
Commercial Bank of Ceylon PLC

AUDITORS

Ernst & Young
Chartered Accountants,
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