

HAYLEYS LIMITED

Annual Report 2001-2002



Wheels

*Founded in 1878, Hayleys is a
quoted public company
with a broad-based shareholding.
It is a highly diversified conglomerate with
businesses in Coir, Rubber,
Environment, Agriculture, Plantations,
Transportation, Inland Marketing,
Textiles and Tourism.*

*Hayleys accounts for 1.7% of
Sri Lanka's export income,
1.3% of GDP, 2.3% of domestic value addition
and 7% of market capitalisation on
the Colombo Stock Exchange.*

SLAA+ by Fitch Rating

*Holding fast to our 124-year heritage,
we celebrate this year,
the Golden Jubilee of the Incorporation of Hayleys Limited*

"Little did I know what a wonderful seed I was planting on that far away day"

George Hayley

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				Board of Directors	inner back cover

HAYLEYS LIMITED

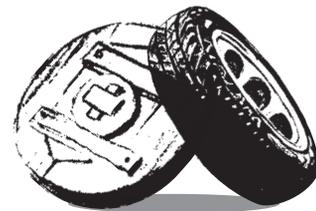
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The wheel... probably invented 5000 years ago. Reinvented through the ages. Tree trunks used as rollers under heavy objects, evolved into sleds being placed above them. Grooving the rollers due to wear, saw these being transformed into separate axle and wheels.



Wear and tear of the rims of the wheel resulted in them being capped with steel. Wear on the hub of the wheel, gave rise to 'bushes' and later ball bearings. To reduce the weight of the wheels the Egyptians introduced spokes. The Greeks and Romans no doubt developed these further. Larger diameter wheels meant greater distance travelled with less effort, and also more comfort over ruts! Narrower wheels required less energy to put in motion, but broader wheels lent stability. Road maintenance costs and discovery of new materials would have heralded the substitution of solid rubber tyres for the steel rim. Pneumatic tyres took the place of solid rubber. The propensity for damage of spokes saw the advent of solid metal wheels of lighter and stronger materials.

*The 'wheel' has come a long way
Man continues to reinvent the wheel...
To suit the needs of the times
But its circular shape remains*



*Hayleys has come a long way since 1878
It has been continually re-engineered...
Its culture remains unchanged*

The **gO**als we strive towards...

- *Be among the world's top five in all our products for the international market*
- *Be among Sri Lanka's top three in all our domestic businesses*

... through sharing the following **va**lues

- *Observe the highest ethical and professional standards*
- *Grow steadily*
- *Provide quality products and services*
- *Develop new products and add value to existing ones...continuously*
- *Spread risks and ride business cycles through strategic diversification*
- *Anticipate and respond to change...fast*
- *A friend of the society and environment*
- *Promote civic improvements in the communities we operate in*
- *Productivity, creativity, initiative and comradeship*

	2002 Rs. mn.	2001 Rs. mn.	Change %	2000 Rs. mn.
Group turnover	10,896	10,834	1	9,000
Group turnover including associates	16,538	16,920	(2)	13,566
Group profit before tax	1,029	1,283	(20)	854
Group profit after tax	775	1,010	(23)	644
Profit attributable to ordinary shareholders	437	606	(28)	397
Gross dividends	140	126	11	99
Shareholders' funds	4,978	4,653	7	4,142
Group market capitalisation	8,785	6,054	45	6,145
Group investment *	746	544	37	535
Revenue to the Government (including associates)	790	695	14	648
Group value addition	4,075	3,976	2	3,293
Group employment (persons)	18,655	18,662	-	18,751
Per share (year end)				
Earnings (basic) ** (Rs.)	11.00	15.5	(29)	10.10
Market value (Rs.)	121.00	78.00	55	93.75
Net assets ** (Rs.)	125.30	118.80	5	105.80
Dividend (Rs.)	3.50	3.50		3.00
Price earnings (times)	11	4.6		7.8
Ratios				
Interest cover (times)	3.8	5.6		4.0
Dividend yield (%)	2.9	4.49		3.20
Debt/equity ratio (%)	119	124		116
Borrowings/total assets(%)	26	25		23

* Investment in property, plant & equipment and companies other than subsidiaries.

** Adjusted for rights issue.

Financial objectives and achievements

	Objective	Achievement		
		2002	2001	2000
Return on average capital employed (R.O.C.E.) (%)	Over 20	14	17	14
Value added per employee (Rs. '000)	300	218	213	176
Gearing (%)	20-30	32	32	30
Current ratio (times)	Over 1.5	1.6	1.7	1.7
Annual growth of total assets (%)	Over 15	5.5	16	2
Return on average shareholders' funds (%)	Over 20	9	14	10
Dividend rate (%)	Over 30	35	35	30

C H A I R M A N & C H I E F E X E C U T I V E ' S R E V I E W

We are pleased to present to you the Annual Report and audited accounts of the Company and its subsidiaries for the year ended 31st March 2002. They have been in your hands for the period required, and therefore will be taken as read at the Annual General Meeting.

Directorate and Group Management ● Mr S Krishnananthan, Deputy Chairman, retired from the Group's services on 30th September 2001, after 35 years of service. I wish to recognise the significant contribution Mr Krishnananthan made to the progress and performance of the Group over this period. On behalf of shareholders, I wish to convey to Mr Krishnananthan our very best wishes for good health and happiness in the future.

Following Mr Krishnananthan's retirement, the Board elected Mr Rajan Yatawara as Deputy Chairman effective 1st October 2001. I am certain shareholders will join me in wishing Mr Yatawara well in his new role.

Mr Chrishan Mendis, Managing Director of Rileys Ltd, was appointed to the Group Management Committee on 1st October 2001. He assumes greater responsibility with that appointment, and I am confident he will contribute much to the Group's progress in the future. I am sure shareholders will join in wishing him well.

Annual Report and Accounts ● The activities we engage in are described later in this Report, and are dealt with in fair detail in the Review of Operations. My Review therefore confines itself to only the most significant aspects of the Group's performance, plans and prospects.

This Report continues to be the primary channel through which we communicate financial information. We continue to strive for lucidity in its presentation, without sacrificing comprehensiveness or accuracy in its content. Our efforts have again been recognised, with last year's Report winning in its category, and being adjudged Overall Winner, in the competition conducted annually by the Institute of Chartered Accountants of Sri Lanka.

We still have concern, however, about the pace of change, and the growing complexity, of Accounting Standards. The recent collapse of Enron Corporation in the US is being put forward by some as a justification for what is being done, but we are not convinced this is

**“In a very
difficult year,
we were able
to record a
Group profit
before tax of
Rs. 1.02 bn....”**

“The re-structuring of our Inland Marketing sector will sharpen our market-focus and allow like activities to be managed together...”

appropriate. While standards are important, the emphasis being placed on them should not distract attention and resources from other priorities.

The Sri Lanka economy and business conditions

● Sri Lanka's economy contracted by 1.4% in 2001, for the first time in decades. The sharp decline in economic performance was the result of a combination of external and internal factors, the most traumatic of which were the July 2001 attack on the Colombo airport and the events of September 11th in New York.

Drought caused a decline in the output of all key crops and aggravated the power crisis in Sri Lanka. Serious power shortages were experienced, which significantly impacted on the economy.

Export earnings declined by 12.8% and imports contracted by 18.4% during the year. The drop in exports was largely the result of the slowdown in global activity. The fall in imports mirrored the substantial decline in domestic economic activity.

Agriculture contracted by 3.0% due to the drought. Key export crops also declined, with Tea production contracting by 3.5%, Rubber production by 1.8%, and Coconut production by 9.7%.

The Manufacturing sector declined, with real output decreasing by 4.0% due to the global slowdown. Earnings from Textiles and Apparel declined by 14.7% in US Dollar terms.

Services contracted by 0.5% during the year. Tourism was adversely affected by the attack on the Colombo airport and its direct consequences. Tourist arrivals and foreign exchange earnings from tourism both declined by over 15%. Port activity declined due to Colombo's "war risk" status after the attack on the airport, and was exacerbated by the slowdown in global and domestic economic activity. Inward remittances from Sri Lankan expatriate workers during the year amounted to US Dollars 1,125 mn., continuing their vital support to the Sri Lankan economy.

The Central Bank began to let market forces determine the exchange rate for the Rupee, early in 2001. Although there was a sharp depreciation in the immediate aftermath of the free float, the Rupee soon stabilised. Cumulative Rupee depreciation in 2001 was 11.3%.

“...we are encouraged by several of the changes announced in the Government Budget for 2002.”

Inflation as measured by the Colombo Consumers' Price Index more than doubled, from 6.2% in 2000 to 14.2% in 2001, the highest rate recorded since 1996. This was the result of Rupee depreciation and the sharp increase in administered fuel and electricity prices in the first half of 2001, followed by a rise in food prices in the second half of the year.

Interest rates, at 21% and over, were high during the first half of the year, as the high fiscal deficit and the drop in privatisation proceeds necessitated a sharp increase in Government's domestic borrowings. The Central Bank took steps to gradually ease monetary policy, and this began to have the desired impact in the second half of the year when interest rates declined sharply, to 14%.

The escalation of the military conflict continued to be a serious constraint in 2001.

The fiscal deficit rose to its highest ever level in 2001, reaching 10.9% of GDP.

Current peace initiatives have heightened business optimism, and an economic upturn is anticipated, though yet only beginning, at the time of writing.

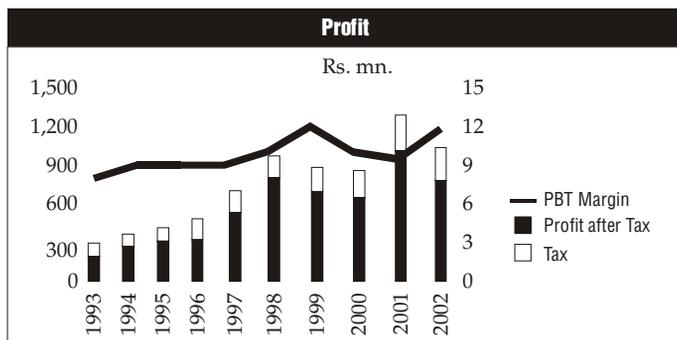
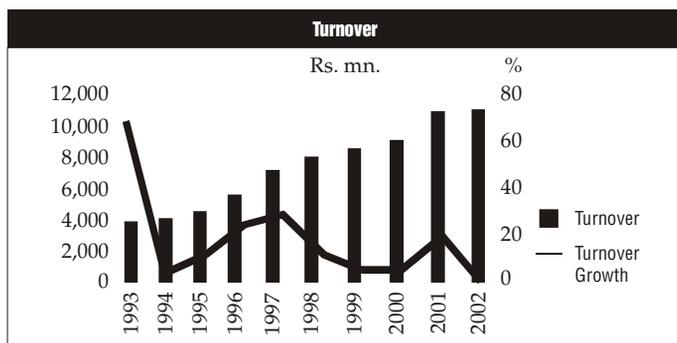
The cost of electricity continues to be of great concern, but there is hope that the inability of the national grid to cope with the demand for electricity will now be resolutely addressed and corrected.

The Budget presented by Government in early 2002 adds to the general optimism that is felt. Among its proposals were the welcome removal of the surcharge on Corporate Income Tax effective 1st April 2002

and an equally appreciated reduction of the surcharge on Customs Duty, from 40% to 20% in mid-April 2002, with a complete abolition expected on 1st January 2003.

Corporate Results ● In a very difficult year, Group profit before tax was Rs. 1,029 mn., which was 20% below the level reached in the previous year. Profit after tax was Rs. 775 mn., 23% less than last year. Profit attributable to the Company was Rs. 437.1 mn., 28% lower than the level in 2000/01.

The Group's Coir businesses contributed most to the Group's result, supplemented by substantial contributions from Haycarb Group, Dipped Products Group (DPL) and Maritime Holdings Group. The performance of the Coir businesses was especially noteworthy, with substantial contributions from Rileys, Volanka Exports, Hayleys Exports Group, Ravi



“We continue to fiercely defend our patents and designs, even at substantial cost to ourselves, and look forward to the introduction of stricter laws dealing with patent violations in Sri Lanka...”

Industries and Toyo Cushion. Haycarb Group's performance was adversely affected by the substantial losses of Haycarb's subsidiary Kinetics, which is receiving close attention. DPL's performance reflected a more modest contribution from its Plantations business than in the previous year, due to adverse weather conditions and lower prices. Maritime Holdings Group performed well under very challenging conditions.

Some other companies made worthwhile, though more modest contributions to Group profit during the year. Hayleys Plantation Services/Talawakelle Plantations, did well despite less favourable conditions for tea. Hayleys MGT Knitting Mills/Hayleys ADC Textiles improved slightly on their performance of the previous year. Hayleys Electronics Lighting produced a creditable result, helped by substantial income from their floodlighting project in the Maldives. Quality Seed Company performed extremely well, and Haychem/Hayleys Agrocare did likewise. HJS Condiments also produced a welcome return. Dimo did not do as well as in the previous year, but still made a reasonable contribution to profit.

Some companies engaged in Inland Marketing fared very poorly. Chief among these were Hayleys Electronics' Consumer Electronics businesses and Hayleys Photoprint Group. The former registered a large loss, with losses being contained in the second half of the year. The latter also recorded a large loss, due largely to the bad performance of Printers' Requisites and Hayleys Docsolutions. Both areas are included in the programme of re-structuring referred to in greater detail below. The operations of Hayleys Docsolutions have been discontinued as of 31st March 2002.

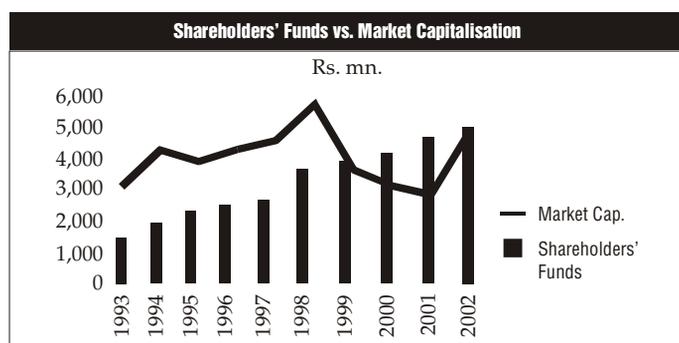
In general, the substantial compensation costs connected with staff reduction in the process of re-structuring dented the profitability of Inland Marketing considerably, but we are confident these costs will be justified by the benefits that are expected.

Re-structuring of Inland Marketing ● This was conceived and began to be implemented in September 2001, when with the assistance of an external consultant, we reviewed existing activity, carried on by 15 separate companies, in terms of what it had achieved in the past and what it was likely to achieve in the future. The outcome was a decision to discontinue some of this activity and to rationalise and consolidate the activities that were to continue within three market-focussed groupings: Agro, Consumer and Industrial Solutions. Three new companies, Hayleys Agro Products, Hayleys Consumer Products and Hayleys Industrial Solutions have been formed and we will progressively transfer the activities that are now managed within each grouping, into these three companies. As a part of the process, the two listed companies in this group - Hayleys Photoprint and Haytech Marketing - are now in the process of being de-listed.

The re-structuring will sharpen our market-focus and allow like activities to be managed together, giving us the opportunity to reap the benefits that can flow therefrom, and allowing each company to become a significant force in the marketplace. It centralises accounting, marketing, logistics and information support systems for each of the three groupings, whereas previously these activities were far more de-centralised. The re-structuring allows distribution strengths to be pooled and shared within the Agro and Consumer groupings, and we have begun to see the benefits emerging, in terms of market coverage and business volumes. It also reduces the number of management layers in the organisation, and makes for more

“hands-on” management. Staff numbers were reduced by about 160 - over 20% - under a Voluntary Retirement Scheme that was in place up to 31st March 2002, which proved successful.

The re-structuring has given high-potential managers greater responsibility than they previously carried and we expect that they will rise to the challenge and enable Inland Marketing to establish itself as a substantial contributor to the Group's profits in the near future.



Taxation and Government policy ● Group accounts provide for income tax of Rs. 255 mn., 25% of its pre-tax profit. The rate is lower than it would have been due to tax holidays and concessions enjoyed by some of our export businesses.

The Group (excluding associates) contributed a further Rs. 416 mn. to Government revenue in the year, through payment of other taxes and tariffs.

As already stated, we are encouraged by several of the changes announced in the Government Budget for 2002. These include removal of the 20% surcharge on Corporate Income Tax from the current year, and reduction to 20% of the surcharge on Customs Duty from mid-April, with the prospect of abolition from 1st January 2003. We are heartened by initial moves to bring taxable profit more into line with accounting profit (with overseas travel costs becoming more completely tax-deductible), and hope further steps will be taken in the near future (for instance, with attention being given to vehicle and travelling costs as well).

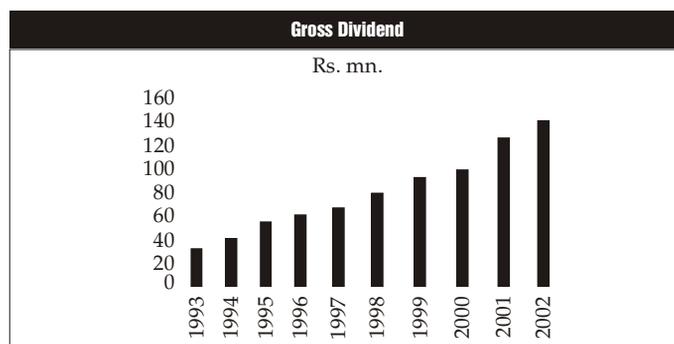
We welcome the announcement of Income Tax rate reductions (eventually to 20%) in the years 2003/04 and 2004/05. We note that the inequity of the tax add-back on a portion of the National Security Levy, against which we have consistently protested, will now cease to trouble tax-payers, with the abolition of this tax early in the current year. Our tax system demands transparency and simplicity, and we hope these principles will be kept in mind in the future.

I wish to echo our concerns on labour laws, which have been expressed in several previous Reviews. Our concerns are greatest on the provisions governing permanent employment, termination of employment and holiday/leave entitlements. At the risk of repetition, I must again say that these greatly discourage employment and compromise Sri Lanka's competitiveness. The least-cost producer has the greatest advantage in today's economy; sub-contracting and out-sourcing are important in achieving this competitiveness, and Sri Lankan businesses very much need the flexibility these will give. Employers must be responsible in how they treat any flexibility given to them and must be taken to task if they unfairly exploit it; however, the fear of abuse is really a poor argument for not making this flexibility available.

We continue to fiercely defend our patents and designs, even at substantial cost to ourselves, and look forward to the introduction of stricter laws dealing with patent violations in Sri Lanka to more effectively safeguard our rights.

Dividend ● Your Board declared a 17.5% interim dividend in April 2002, which was not subject to tax as it was paid from dividends received. Following the Rights Issue of one share for every nine shares held at Rs. 15/- per share, the dividend was paid on the higher capital in place.

We now recommend the payment of a final dividend of 17.5%. The total dividend for the year should thus be Rs. 140 mn., against Rs. 126 mn. last year.



Human Resources ● The Group employs 33,688 persons directly, in many locations spread through Sri Lanka. 30,808 persons of this number work outside the Colombo Metropolitan area.

Investment in human resource development continues, emphasising the importance the Group places on this asset, through which its plans are implemented and aspirations realised. The Group continues to believe in giving employees opportunities to fulfil their potential. Rewards will continue to be increasingly performance-based.

Strategy and prospects ● Our focus on consolidating activity will continue, along with emphasis on improving productivity and cutting costs. We remain strongly committed to sub-contracting and out-sourcing activity, to contain cost increases. We have over the past several years moved out of loss-making activity, and will continue to do so where the activity cannot be revived.

We have paid close attention to adding value in our export businesses, and will continue to do this.

**“Fitch
Ratings gave
us a SLAA+
credit rating.”**

Even though our focus in recent times has been on consolidating activity, we remain open to opportunities for diversification.

Investment in our core businesses continues. This includes continuing investment in Plantations and in Hayleys MGT/Hayleys ADC. Our commitment to the Plantations sector was underlined by our associate company Hayleys Plantation Services' decision to purchase the 19% residual stake held in Talawakelle Plantations by the Government when it became available, taking its shareholding to 70% of that Company's equity.

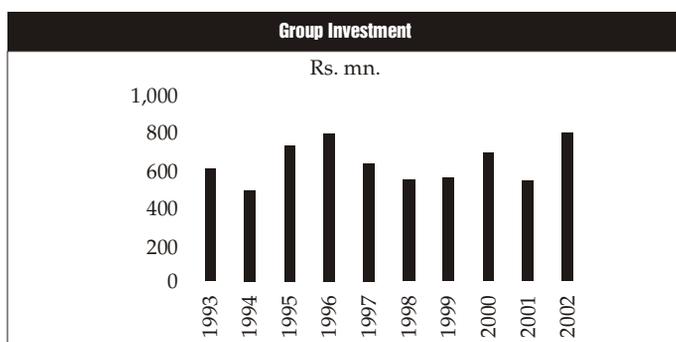
Maritime Holdings is investing further in developing its capabilities in supply chain management. Haycarb is currently implementing the first phase of an investment in producing charcoal from coconut shell, with substantial electricity generation in the process. New agricultural crops will be grown for use by HJS Condiments in its retail-packed production, which will include relishes and salads.

We seek innovation and high standards in all we do. Talawakelle Plantations' Great Western Estate became the first tea factory in Sri Lanka to obtain HACCP certification, the international food safety standard. Maritime Holdings' container repair facility received a Sri Lanka National Quality Award in 2001. Hayleys Ltd itself obtained a SLAA+ credit rating from Fitch Ratings during the year.

We continue to heed environmental concerns, and strive to be a responsible corporate citizen in all we do. We are proud of the contributions we have made as a pioneer in many of our fields of endeavour and as a creator of rural employment on a sizeable scale. We remain fully mindful of our responsibilities to the communities we work in.

Overall, Group Budgets for the current year project performances we can regard as satisfactory.

Investment ● The Group invested Rs. 746 mn. on capital assets and long-term investments, in Companies other than Subsidiaries during the year, taking the total investment over the last five years to Rs. 3,226 mn. This shows our commitment to enhancing our capacity for the future.



Haycarb's joint venture Kinetics continued to perform very poorly during the year, and with Haycarb buying out the minority interest in this company, it now seeks a value-adding partner who it expects will help to turn this venture around.

Hayleys AIG Insurance is now active in both general and life insurance, and we remain optimistic of the returns we can expect from this investment.

AES Kelanitissa will come on-stream shortly, in the first phase of its project to generate and sell electricity to the Government, and we look forward to the returns that will accrue from this investment. We continue to seek other opportunities in infrastructure development in the power sector, and in other areas.

WorldCall Telecommunications Lanka, in which we have a 30% stake, continues to implement its payphone project. Progress has been much slower than was expected thus far, but there are now signs of the project proceeding more speedily. We expect that this project will yield good returns, and provide other opportunities for investment in related activity.

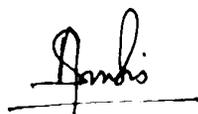
A new company, Infocraft, has been established, for the provision of IT-based communications solutions and software products and services.

DPL has established Dipped Products (Thailand) recently; the application made to Government at end-2000 for permission to make this investment was approved only in early 2002, and in view of the long delay DPL is currently reviewing the feasibility of this venture.

The Group is also implementing a project for the production of felt from textile waste.

Conclusion ● I thank my colleagues on the Board of Hayleys Ltd and on the Boards of subsidiaries and associates for their continuing support. I also thank the Group's personnel at all levels for their commitment and effort in what has been a difficult year.

We place great value on the relationships we enjoy with our customers, suppliers, principals, agents and distributors, and thank them for their support. We deeply appreciate the courtesy of Government officials who have been generally receptive and responsive to the matters we have taken up with them.

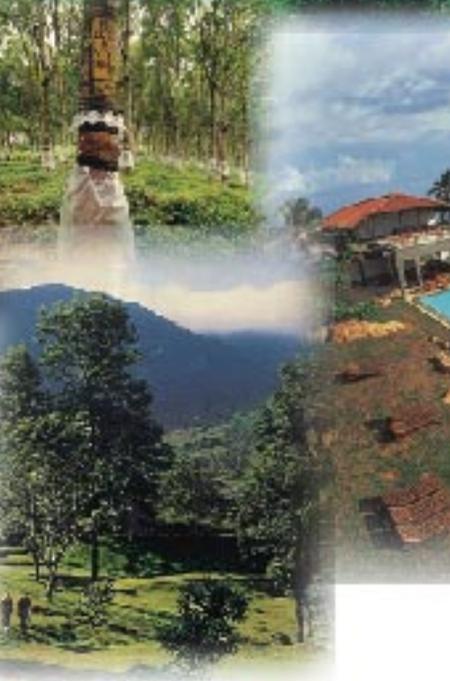
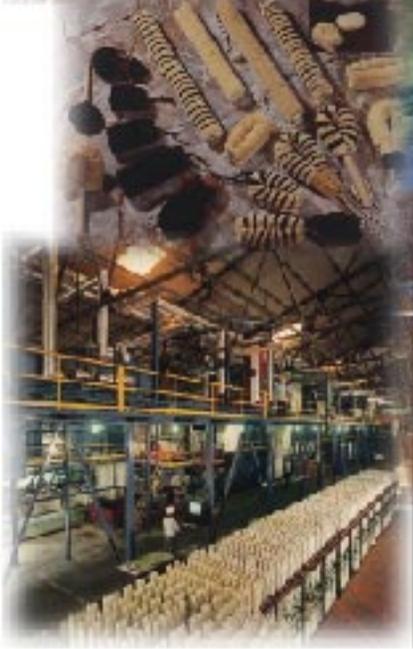


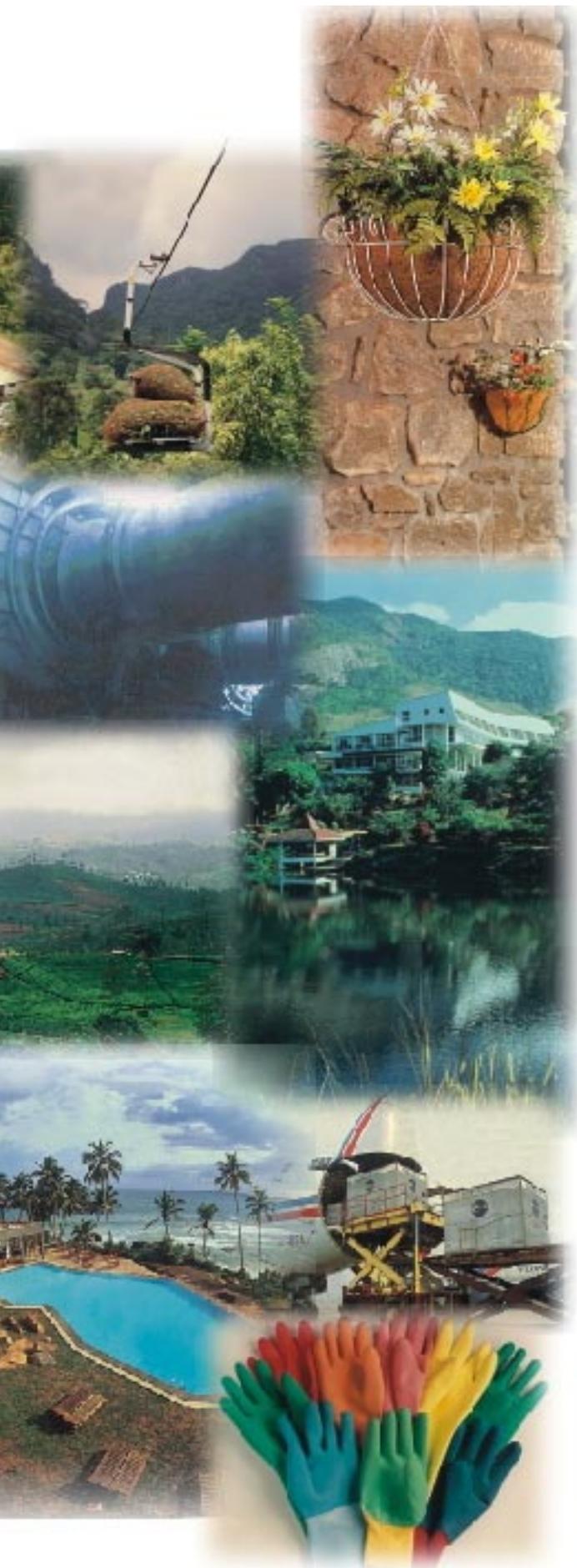
Sunil Mendis

Chairman & Chief Executive

17th May, 2002.

GROUP PROFILE





Hayleys is a Sri Lankan multinational with operations in seven countries in Australia, Asia, Europe and the US. 12 international investment partners are involved in Sri Lankan projects. The vast network spans through 340 locations in Sri Lanka. The international distribution and client network is spread over 30 countries.

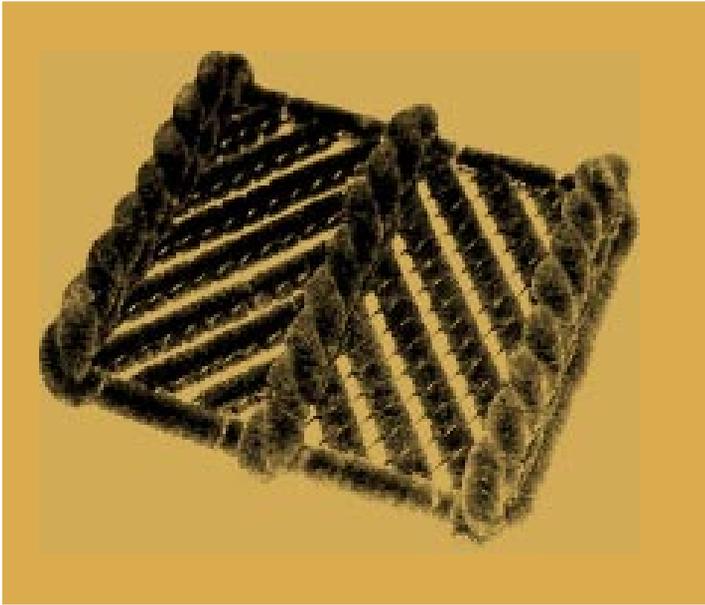
COIR - Hayleys is Sri Lanka's largest exporter of coir fibre products and among the largest brush producers in South Asia making over 150 types of industrial and household brushes. Owns 345 patented products. **RUBBER** - Pioneered glove manufacturing in Sri Lanka in 1976 and is now among the five largest industrial and general purpose glove manufacturers in the world. **ENVIRONMENT** - Pioneer Activated Carbon manufacturer in a developing country. Largest producer of activated coconut shell carbon in the world - accounting for 14% of world's production. 18,000 tons of activated carbon produced per annum. Among the world's five largest producers of compressed coir fibre pith. **AGRICULTURE** - Exporter of exotic vegetables and Sri Lanka's only exporter of hybrid flower seeds. One of Asia's largest exporters of gherkins.

INLAND MARKETING - Industrial Solutions, Consumer Products and Agro Products for the Sri Lankan market.

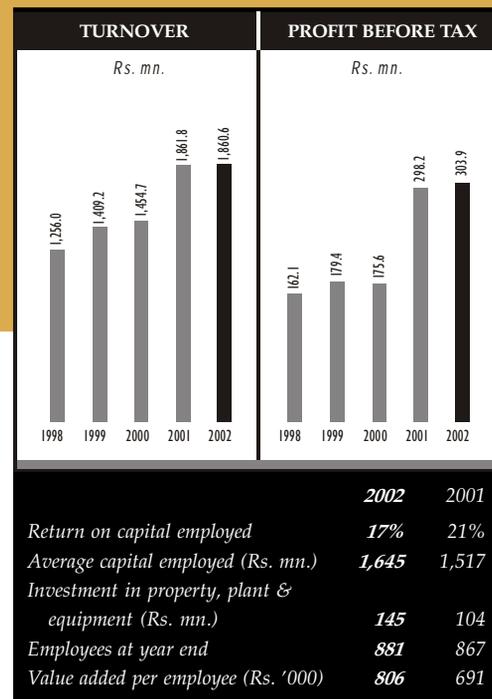
PLANTATIONS - 20,000 hectares of tea and rubber plantations spread over three agro-climatic zones. Accounts for over 5% of Sri Lanka's tea production and over 4.5% of her rubber production.

TRANSPORTATION - The largest shipping agency organisation in the country and provides the most diversified range of freight forwarding and logistics management. **TEXTILES** - Knitting and dyeing fabric. One of the largest suppliers of fabric to the Sri Lankan apparel industry. Produces and supplies a host of raw materials for the apparel industry.

TOURISM - Operators of 15 resort hotels.



COIR



The Coir industry provides employment to approximately 40,000 people. Almost all the output is exported. The Group has been pre-eminent in exports of coir and coir products.

Industrial fibres ● This sector spans exports of coir fibre in various forms, including rubberised, needled, stitched pads, curled fibre and twine, used in industry, horticulture and erosion control. The sector recorded increased profits.

Mattress fibre sales to traditional markets decreased, but this was offset by sales to new markets in Asia.

Coir twine exports to the US decreased sharply, as farmers reduced acreage in response to depressed hop prices. Increased demand from Asia and Australia helped. A marketing campaign to popularise twine in new markets in Europe and China, is underway.

The insolvency of a major buyer in the US depressed sales of rubberised coir. Aggressive marketing has already recouped the lost sales and can improve results in the current year.

A plant was established to manufacture felt, using garment industry waste. Commercial production will commence in the first half of the current year.

Profits through innovative

Floor Coverings ● This sector recorded a marginal increase in profits in a difficult year.

Exports of power loom mats reached the highest level recorded in quantity, productivity and profitability. A loom fabricated locally at low cost, was commissioned during the year. Two more units will be added this year.

Traditional scraper mats faced rigorous price competition, while patented products were threatened by counterfeiters, against whom legal action was successfully taken.

The demand for flocked mats surged and further expansion is planned in this area.

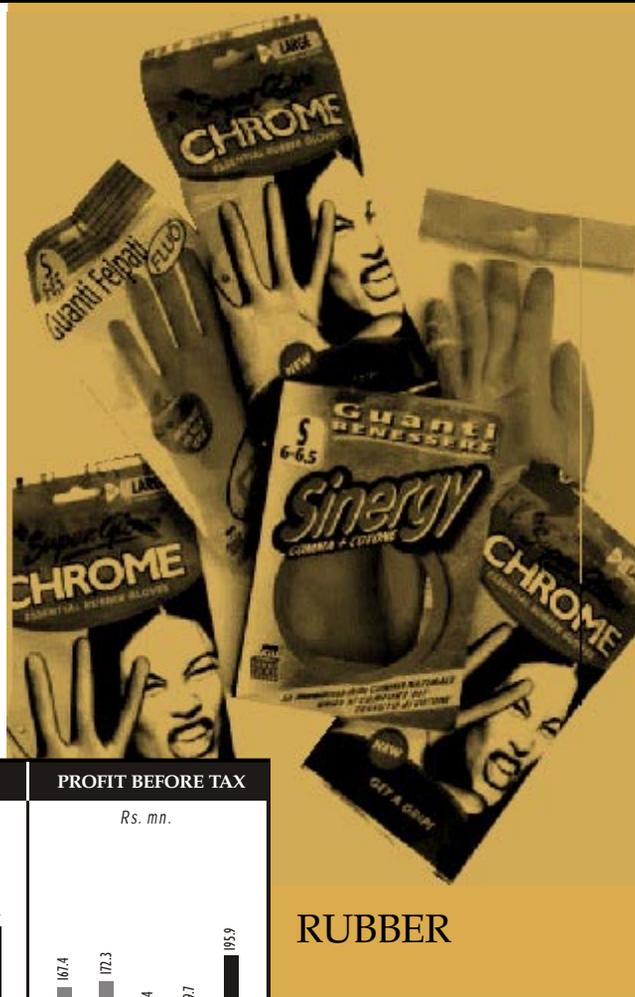
Innovatively designed products, pushed by aggressive marketing, will fuel profit growth in the current year.

Brushware ● It was a disappointing year for this sector. Export volumes expanded, but margins were lower. Reductions in sales to a major European customer, a depressed Euro and the loss of output in the last quarter due to an industrial dispute, were the major causes.

Significant penetration into the US market was achieved in the year. Increased demands from US and other customers are forecast for the current year and a substantial growth in profitability is expected.

Adverse weather has affected coconut crops and will result in increased prices for husks and thus coir. While Industrial Fibres forecast lower profits for the current year, the Floor coverings and Brushware sectors forecast improvements in profitability. The budget for the current year forecasts growth in turnover and profits overall.

**products, new markets and aggressive
marketing**



RUBBER

TURNOVER		PROFIT BEFORE TAX	
Rs. mn.		Rs. mn.	
1998	1,208	1998	167.4
1999	1,174.5	1999	172.3
2000	1,257.4	2000	135.4
2001	1,557.1	2001	139.7
2002	1,782.8	2002	195.9

	2002	2001
Return on capital employed	24%	22%
Average capital employed (Rs. mn.)	1,128	1,025
Investment in property, plant & equipment (Rs. mn.)	44	64
Employees at year end	592	631
Value added per employee (Rs. '000)	1,121	861

This segment covers the rubber glove manufacturing operations of **DPL** comprising **Dipped Products** and its subsidiaries, **Grossart**, **Venigros** and **Neoprex**.

Each company manufactures the standard products marketed by the Group whilst also producing specialty products more suited to the

Profitability sustained amidst

equipment installed at the respective facilities. Functions such as marketing, technical, product development, procurement, finance and human resources development are provided centrally. The Group is amongst the leading producers of non-medical gloves worldwide.

Glove turnover and earnings improved by 14% and 18% respectively despite marginal growth in export volume and continued price pressure from regional competitors and manufacturers in China. The slump in the global economy predominantly in the US, where a higher share of the Group's production is exported, further aggravated the situation. The events of September 11 sparked a major slow down in sales to North America. However, improved sales to Asian, South American, African

and Middle Eastern markets compensated for this volume loss. New retail accounts secured in the United Kingdom resulted in increased export quantities to this market. The nitrile gloves produced by Neoprex made further gains in market share and contributed significantly to raise earnings.

Whilst double digit inflation impacted overheads, processing cost increased due to escalation in fuel and energy prices. However, the depreciation of the Rupee during the year under review compensated for the adverse impact on costs. The relatively static latex price that prevailed for most part of the year also prevented erosion of margins.

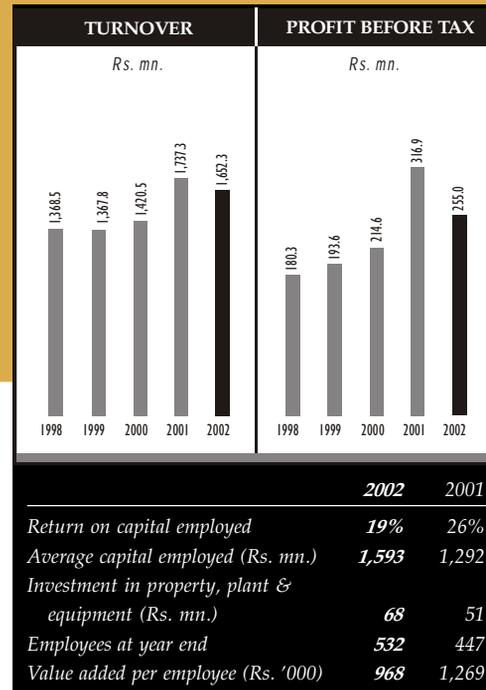
Intense efforts were directed towards cost saving measures in manufacture and logistics support during the year. Teams set up for this purpose initiated numerous proposals and implemented programmes to bring about cost reductions. Continued attention was focused to rationalise operations and restructure deployment of manpower.

Texnil was incorporated during the year to produce a range of fabric-lined nitrile and other synthetic gloves at the factory premises of **Palma**. The application made in November 2000 to invest Rs. 550 mn. in Thailand to manufacture medical examination gloves with "Promotional Status" granted by the Office of the Board of Investment of Thailand, received approval from the Government of Sri Lanka in January 2002. **Dipped Products (Thailand) Ltd.** was incorporated in early 2002 to embark on this venture.

hostile market conditions, through intensive efforts at cost cutting and marketing



ENVIRONMENT



Activated Carbon ● Total exports from Sri Lanka were 16,000 tons, of which **Haycarb's** share was 60%, with factories operating at 70% capacity. The emergence of more competitors in the region, all with lower charcoal prices, saw Carbon prices down by 11% in Dollar terms, offset only marginally by the depreciation of the Rupee by 14% because charcoal costs rose 10%.

Benefits from waste energy recovery processes, both for steam production and electricity generation, were clearly visible, and will be even more evident in the current year, with the recent increases in electricity tariffs and oil prices.

The Thai factory operated at full capacity, with 50% of sales to the expanding domestic market. Regeneration facilities are being set up to cater to an increasing clientele who are requesting these services, as is common in most marketplaces for Carbon. Low charcoal prices contributed to a healthy bottom line.

Global demand, except in the Gold Mining sector, did not let up due to the perceived recession in the West and Japan, or expand in response to fears of chemical attacks. Crop shortages are likely to push up charcoal prices this year.

Proactive productivity

Coir Fibre Pith ● The performance of this segment was abysmal, with export volumes dropping 25%, although Sri Lanka's exports remained unchanged at the 75,000 tons per year level. **Lignocell** can guarantee supplies that are free of weed seeds and have a salt content of only 30% of that usually found in Coir Fibre Pith from Sri Lanka. The factories need to operate at 9,000 tons or 35% capacity to break even, and our distributors' inability to secure this volume, demand some radical changes in marketing strategies.

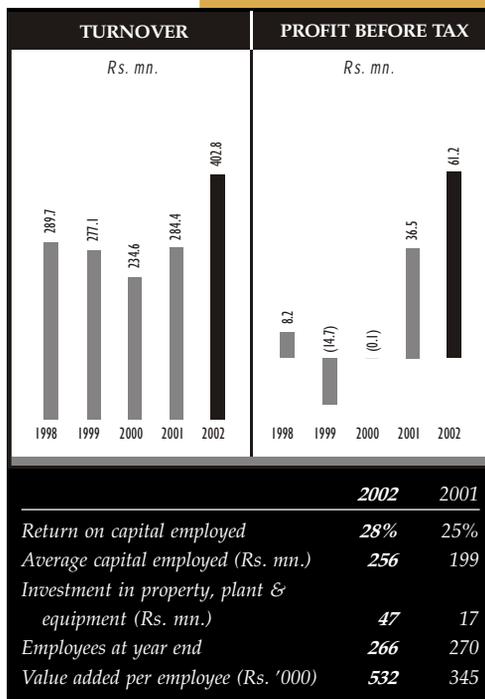
Purification Engineering ● Seven projects were undertaken last year as against five the previous year, but their contribution was inadequate to cover fixed costs. Over 40 projects have been tendered for, each requiring considerable research and engineering development. Some are large Government Projects, which unfortunately tend to favour foreign bidders. **Puritas** is working towards obtaining ISO status.

Investments ● The sector's investment in a non-core area of manufacturing rubber floor tiles for export, proved a judgmental error, as marketing failed. With the buy out of the partner in the 3rd quarter of the year, and a proactive dynamic effort on selling, a recovery may be expected this year.

**measures and timely internationalisation of
production helps keep Activated Carbon
profitable**



AGRICULTURE



HJS Condiments which exports bottled and pouched products, achieved satisfactory results.

There was a sharp downturn in sale of sliced products during the last quarter. Discovery of two cases of mad cow disease depressed sales of beef-based products in Japan, the major market.

Continued depreciation of the Japanese Yen resulted in sharp downward pressure on export prices. Cost reduction programmes encompassing purchase prices, yields and productivity are pursued vigorously.

There was wide penetration of Asian markets during the year. Increased sales from these markets are expected in the current year.

The Company will commence manufacture of Relish, beginning with the second quarter of the current year and sales thus generated should mitigate the downturn in sliced products.

Growth in profitability and turnover is forecast for the current year.

Diversity of range and

Sunfrost, which exports gherkins in bulk, registered an increase in profits. Improved productivity and superior horticultural practices helped.

Investments were made in upgrading post harvest processing, resulting in superior quality and yields. The products of the Company are now well accepted in the new markets of Korea and New Zealand, where increased sales are expected this year.

The reduced off-take forecast by HJS Condiments, the main outlet, will depress profits for the current year.

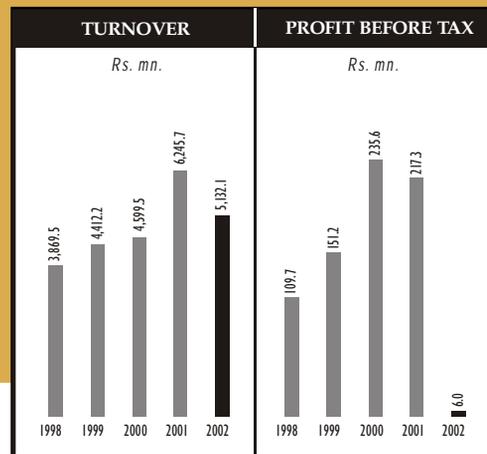
Quality Seed Company enjoyed an outstanding year with profitability and production reaching record levels. Flower seed output was enhanced due to continuous improvement in growing practices and infrastructure development. Consequent to further investments in state-of-the-art seed processing equipment, germination levels too showed an upward trend in keeping with exacting customer requirements in the global flower seed market.

Impatiens, Pelargonium and Petunia were the main varieties shipped during the year while newer varieties such as Antirrhinum and Begonia also fared well. Gerbera continued to be a problem crop but trials are underway to help improve yields. Excellent technical support was received from the collaborators Syngenta Seeds BV and together with the strong seed production team at the facilities at Boralanda, the Company expects to further improve on its reputation as a reliable supplier of high quality flower seeds.

**alacrity in finding alternate markets pays with
sustained profits**



INLAND MARKETING



Metamorphosis

The reviews under the heads Agro, Consumer and Industrial Solutions below, cover activity under the groupings established during the re-structuring of Inland Marketing activity. This encompassed 15 companies: Haychem, Hayleys Agrocare, Haytech Marketing, the Agro Technica Group, the Hayleys Electronics Group, Usha

Industries, Hayleys Photoprint, Haycolour, Hayleys Textile Services, Coates Lanka and Hayleys Engineering. The activities of these companies, other than Coates Lanka which will continue as now, will progressively move into three new companies: **Hayleys Agro Products**, **Hayleys Consumer Products** and **Hayleys Industrial Solutions**.

We believe the changes undertaken lay a sound foundation for growth and enhanced profitability in the current year and beyond. They provide a potentially beneficial, synergistic effect that was more difficult to achieve in the previous setting.

Agro ● **Haychem's Crop Protection** activity continued its dominance of the market aided by new product introductions and revamped distribution under the new National Sales Management function. Exceptional results were also achieved by the **Crop Production Division** consequent to the successful introduction of high yielding seed and planting materials. As a result, Haychem recorded the highest profit ever.

	2002	2001
Return on capital employed	13%	20%
Average capital employed (Rs. mn.)	2,298	2,207
Investment in property, plant & equipment (Rs. mn.)	105	98
Employees at year end	1,112	1,434
Value added per employee (Rs. '000)	1,069	820

Animal Health operations were consolidated in the Hayleys Agro grouping as a distinct business unit. Strong turnover and profit growth was recorded during the year. Customer focus has been further strengthened and several new products were added to the portfolio.

Agro Technica's performance in the financial year was below expectations. The first half year's performance was affected by unfavourable weather and weak demand for key products. However the second half-year showed improvement, aided by the integration of business activities into the Hayleys Agro grouping.

The commodity agrochemical business of **Hayleys Agrocare** performed at a satisfactory level. The division's ability to respond quickly to demand patterns and its flexible structure helped to gain significant competitive advantage over competitors in this segment of the crop protection market.

Consumer ● **Consumer Durables** consists of **Hayleys Electronics** and **Hayleys Electronics Retailing** activities revamped into a strongly focused business unit. Though the year saw a steep decline in profitability, the business has shown significant improvements in the last quarter.

Despite a sharp drop in turnover due to the power crisis, **Consumer Lighting's** profitability was maintained at last year's high level. A low-priced Philips CFL lamp will be introduced shortly to cater to the lower and middle segment of the energy-saver lamp market.

Homecare launched the flagship Baygon Mosquito Coil with a new Bayer active ingredient which will give it a strong competitive advantage. Coupled with the synergies of common distribution under the National Sales Management function, the activity is expected to perform strongly in the coming year.

Fujifilm continued to dominate the digital photo imaging market in Sri Lanka, and the turnover of **Photo Imaging** grew considerably despite a reduced market for films. The division expects to further strengthen the Fujifilm brand through the expanded range now handled.

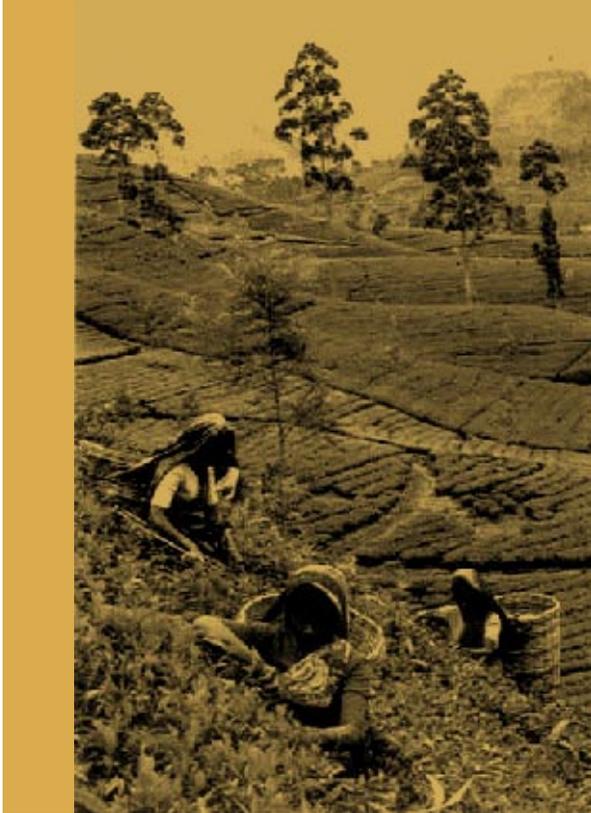
In **Healthcare**, new product development is being actively pursued. Bayer pharmaceuticals recorded a 25% increase while sales of Blue Cross were maintained at previous year's levels.

Industrial Solutions ● This sub-division of Inland Marketing covers **Pigments, Print Needs** and **Industrial Raw Materials**, and **Industrial Lighting & Projects, Power Generation** and **Infrastructure Development**.

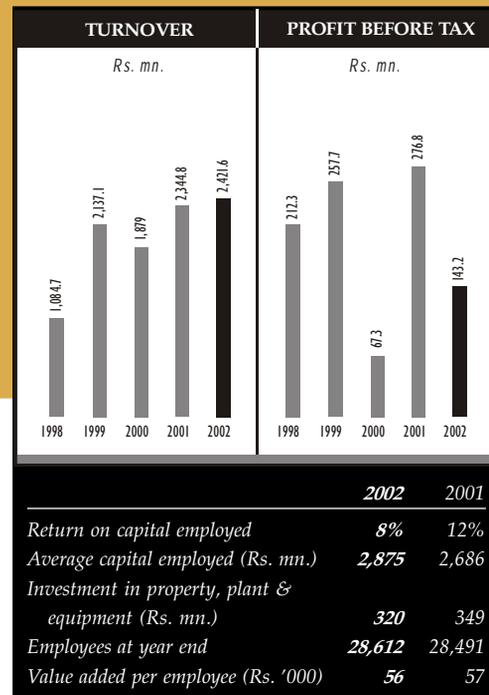
The year was bedevilled by a serious power crisis, and otherwise difficult trading conditions. Credit control continued to pose problems. **Pigments** performed modestly, while **Print Needs** saw strong performance in the last part of the year. **Industrial Raw Materials** went through strain in the re-structuring, but will emerge stronger. While **Industrial Lighting** performed well, **Projects** and most other parts of Engineering fared poorly; **Power Generation** performed acceptably due to sales/service volumes growing.

A Business Development Unit is being established for Hayleys Industrial Solutions' engineering businesses, and we are bullish on the value this can provide.

Automobiles ● The **Dimo Group** was profitable, but at a much lower level than in the previous year. This was due largely to lower activity levels and increased finance and staff costs. **Mercedes Benz passenger vehicles** performed best for Dimo, and both **Auto Components** and **Medical Engineering** fared satisfactorily. MRF truck and car tyres are the latest additions to Dimo's range, and this area is expected to perform well in the future.



PLANTATIONS



The Group's Plantations business is carried on through DPL Plantations and Hayleys Plantation Services, which own majority stakes in, and manage, Kelani Valley Plantations and Talawakelle Plantations, respectively.

Kelani Valley Plantations (KVPL) and DPL Plantations constitute the plantations business of DPL.

KVPL's profit fell by more than half compared to the previous year, though turnover improved marginally.

Rubber production increased by 5% largely on account of bought latex. Latex crepe, a substantial portion of KVPL's output, suffered a further 8% price reduction in a depressed market. The drop was partly mitigated by supplies of field and centrifuged latex to DPL.

Unyielding focus on quality

Estate tea crops declined due to a three-week worker go-slow and strike, followed by unfavourable weather in Nuwara Eliya. This was offset by substantial improvement in bought leaf volumes. Tea prices fell by 8-10% in Dollar terms though Rupee returns improved due to currency depreciation.

Earnings were affected by the rise in prices of fuel and electricity and by increases in wages and salaries.

Urgent strategies are being implemented to improve the viability of rubber plantations. This includes new tapping techniques and mechanisation of uprooting and other field development. The capacity of the centrifuged latex facility has been increased by a third, which should enhance output this year.

KVPL is continuing its policy of expanding forestry reserves. Following relaxation of controls, a harvesting programme has been developed which will contribute to this year's earnings.

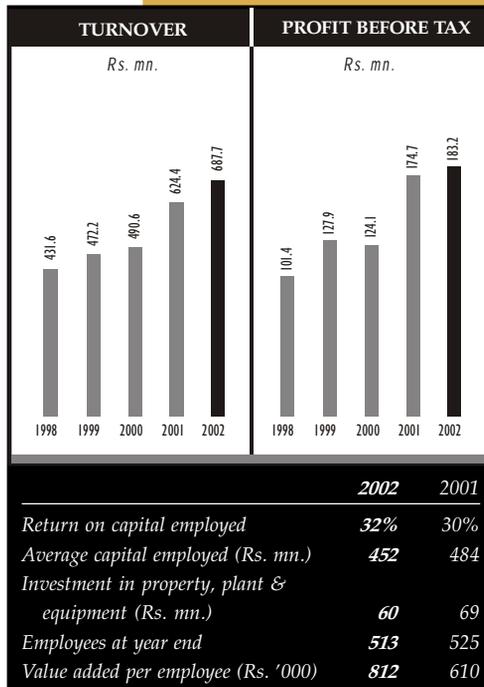
Talawakelle Plantations (TPL) performed satisfactorily, against the background of a difficult year for the tea industry. Higher costs affected performance, but were to a degree offset by the emphasis on quality and cost control. TPL was ranked second amongst Plantations Companies on Gross Sales Averages. 11 of its 16 marks achieved GSA's higher than the comparable elevational averages.

Great Western Estate obtained HACCP certification during the year, becoming the first tea factory in Sri Lanka to achieve this international food safety standard. Holyrood Estate was runner-up for safest workplace in the Central Province, at the National Safety Awards.

The outcome of wage negotiations in June 2002 will have a significant influence on the current year's profitability. Cost push inflation and interrupted power supplies are already affecting the industry. The importation of orthodox teas for blending, which is under discussion, will if allowed have a further, significant adverse effect in the future.

TPL will continue to focus on manufacturing quality teas and improving productivity. Commercial harvesting of forestry resources, human resource development, reductions of energy costs and environmental conservation will also be key areas of focus during the year.

and productivity amidst plummeting profits



TRANSPORTATION

A combination of domestic and international environmental circumstances resulted in the Maritime Holdings Group having to face one of their most challenging years. That the Group was able to post a net result marginally above that of the preceding year was largely due to key people in

most business units rallying positively to the calls for revenue consolidation and cost reduction since July last year.

Shipping agency and ocean container repair businesses continued to post reasonable results though the pressure on margins was great. This was due to a significant downturn in international shipping and extremely low freight rates applying to many destinations serviced by the shipping agencies; matters were compounded by the war risk surcharge put in place after the July 2001 attack on the Colombo Airport, which caused many vessels to avoid Colombo.

People rally with comradeship

The international freight and logistics management sector posted only modest results albeit in line with expectations. New strategies for the development of this sector are now being implemented but results from these efforts will take a few years to bear fruit.

Not surprisingly the airline and travel related businesses were the most affected by the attacks on the Colombo Airport and the World Trade Centre in New York. All carriers represented by this sector now operate off-line. This resulted in potential being seriously hampered as large payouts had to be made out of gross revenues to airlines taking passengers out of Colombo on the first leg.

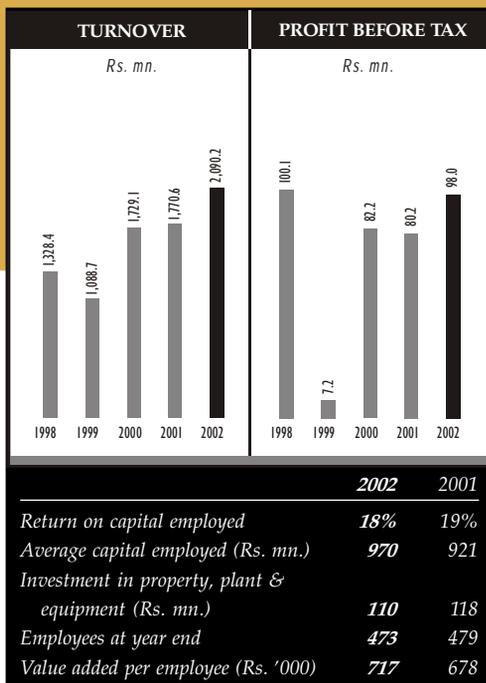
Last year, mentioned was made of the need for this segment to branch out to activities that are less reliant on third-party products and services. In order to achieve its growth aspirations this segment will therefore develop and grow its traditional agency businesses and simultaneously seek investment opportunities where greater value can be delivered to customers both locally and in regional markets.

In pursuing this strategy, people will continue to be the key source of competitiveness alongside information technology to continually improve quality, productivity and financial results. Focussed investment will therefore continue to be made in the development of people and processes.

This strategy has seen the segment recording noteworthy achievements over the years with three national level milestones in 2001. The ocean container repair facility was adjudged the winner of the Sri Lanka National Quality Award (small scale services sector) in 2001. In addition two of the segment's General Managers received national awards in recognition of their professional contribution to marketing and quality in 2001.

**and adroitness to combat the most challenging
year and deliver positive results**

TEXTILES



Hayleys MGT Knitting Mills/ Hayleys ADC Textiles recorded a satisfactory performance in a year in which there were major upheavals both globally and locally.

The development of new qualities of fabric, and the reduction of supply lead times were given emphasis during the year. These will attract customers demanding added value from their suppliers, and will help position the segment to meet the challenges of the next few years, in

which the Sri Lankan apparel industry will face the abolition of US quotas. To meet these challenges, the industry will have to become increasingly responsive in terms of lead-times and cost, and fabric manufacturers in Sri Lanka will have a very prominent role to play in supporting their competitiveness.

Investments were made, and continue to be made, in enhancing the segment's capability. A substantial investment is currently being made in sophisticated dyeing equipment and in the automation of dyeing. These investments will enhance quality and enable increased production.

Continuous re-positioning to

Towards year-end, an important step was taken in the supply of printed fabric, using the services of a recently established commission printing facility. This link enhances the segment's customer responsiveness.

Productivity enhancement received close attention during the year, and will continue to do so. Special efforts towards motivating employees in the knitting mill brought very satisfactory results, which should endure.

Close attention also continues to be given to managing energy costs, these being one of the most significant components of manufacturing cost.

Both companies have now obtained ISO 9002 accreditation and it is expected that ISO 14001 certification will be achieved in the first half of the current year. The application of safety practices and 5S principles is also being given emphasis.

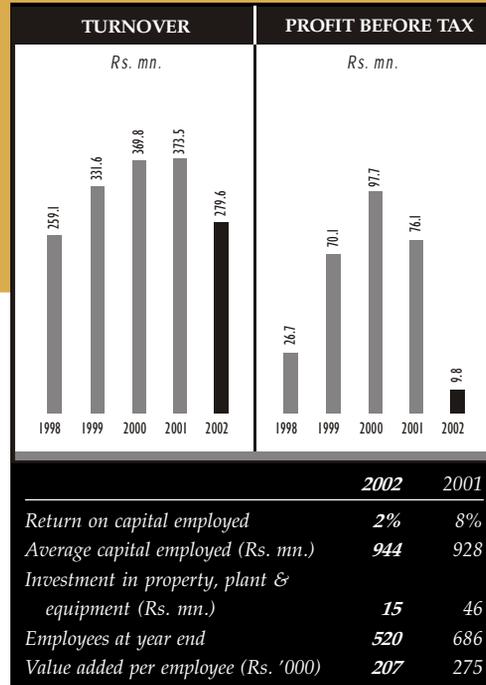
The segment is strengthening its procurement practices and capabilities, and is seeking opportunities for regular, direct export of its fabric.

Results projected for the current year are encouraging.

**keep in step with changing markets... stretching
productivity and blazing quality**



TOURISM



The worst year ever for the industry

The year just completed will be remembered as one of the worst for Sri Lanka and the world as a whole. Prior to the terrorist attack on the Colombo Airport in July, the industry was showing remarkable improvement in tourist arrivals, and forward bookings for the winter season. The events that followed including those of September 11th, globalised fears and increased costs of travel, with disastrous consequences for the Sri Lankan Hotel Sector.

The Industry was forced to curtail capital expenditure, reduce recently mobilised employees, and adopt other austerity measures.

All sectors of the Industry, the Tourist Board, Sri Lankan Airlines and the Travel and Hotel trade, launched a combined campaign to refocus on "Sri Lanka - a land like no other" offering, inter alia, a "stay one night get one night free" promotion on a selective basis. The effects of this campaign will be apparent only by mid 2002.

On this canvas, of particular significance is the welcome performance of **Lighthouse Hotel**, a listed Company, which made a profit before tax of Rs. 25 mn. This resort is a member of the "Small Luxury Hotels of the World". **Hunas Falls Hotel**, the other listed hotel in our portfolio, registered a marginal loss. This Hotel is now being re-positioned as a 'lead project' in EcoTourism. Favourable results should be forthcoming in the future.

A review of Air Seat Capacity from some tourist origins in need of Carrier Support has also been undertaken by Aviation and Tourism authorities. As bookings are made much in advance at then prevailing Room tariff levels, no benefit from price increases can be forecast for the financial year ending in March 2003. The current year will pose major challenges to management, with the significant increase in costs, especially of electricity on the one hand, and the possible developments on the East Coast if the peace talks are successful.

FINANCIAL REVIEW

Shareholder Value ● Hayleys strives to enhance shareholder value by investing in businesses generating strong cash flows and superior long term returns. The Company's objective of providing a total return to shareholder in excess of the market was apparent during the year with the Company making a rights issue of one share for every nine held at a heavily discounted price of Rs. 15/- per share while maintaining a cash dividend rate of 35% on the increased share capital.

The enviable record of scrip issues made by Hayleys Ltd. is listed on page 46.

The gain to a shareholder is well illustrated by the fact that an investment of Rs. 1,000/- made in Hayleys shares in 1982 would be worth more than Rs. 140,000/- today. It represents an average annual growth in value of 28%. This does not take into account the cash dividends paid over the years.

In spite of the rights issue during the year, the price of a Hayleys share increased to Rs. 121/- at 31st March 2002, compared with the previous year-end price of Rs. 78/-. In line with market sentiment, share prices reached a high of Rs. 140/- and dipped to a low of Rs. 53/-, during the year. The year end market capitalisation of Hayleys Ltd. was Rs. 4.8 bn. This accounted for 3.88% of total market capitalisation on the Colombo Stock Exchange while listed Group companies together accounted for 7.05%.

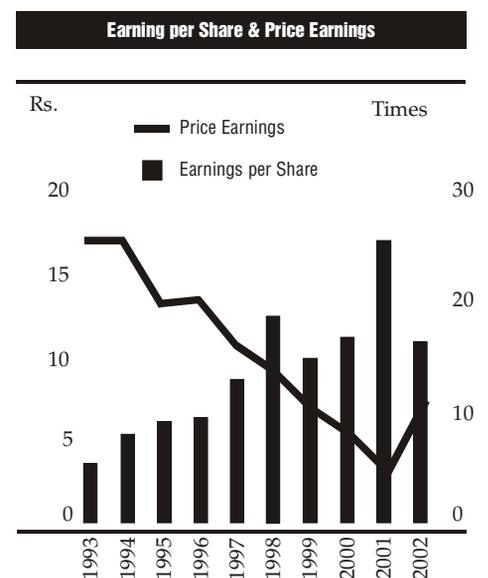
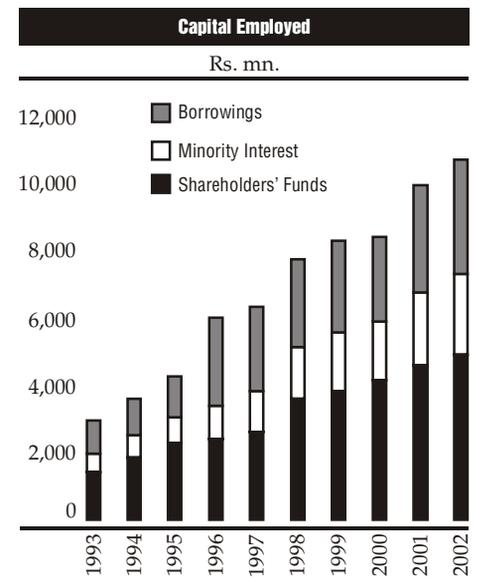
Operating Results ● The Group's consolidated turnover reflects only a marginal increase over the previous year. Exports grew in value terms while local turnover declined. Growth in volume terms, in the export sector, was seen mainly on selected items in the Coir & Agriculture segments. The turnover increase

came mainly from the Rubber, Agriculture & Coir segments while the Inland Marketing segment showed a significant decrease. Turnover, including associates, recorded a decline of 2%.

The Rubber segment improved on the previous year's operating profit, while Transportation and Agriculture segments maintained their's in line with the previous year. This performance, in the face of depressed economic conditions experienced during

the year, helped to restrict the decline in operating profits to 9%, as reductions were seen in the Environment, Plantation & Inland Marketing segments. The cost of Rs. 94.7 mn. incurred on voluntary retirement schemes offered by Group Companies in organisational re-structuring exercises also had a material effect on operating profits, with Inland Marketing being the most affected.

The main contributors to operating profit in absolute terms, were the Coir, Environment & Rubber segments.



Return on Capital Employed (ROCE) declined to 14.1%. The financial objective of over 20% continues to be elusive due to factors such as land being valued at market prices, performances in certain segments being poorer and investments made in the recent past yet

having to make a return in line with their potential.

Finance costs increased substantially by 31%, partly due to the high interest rates that prevailed during the first part of the financial year. Gains from foreign exchange due to rupee depreciation were inadequate to compensate for high finance costs.

Reductions in domestic economic activity contributed to these higher finance costs through increased periods of stock holding and credit which caused longer cash operating cycles.

Interest cover was 3.8 times against 5.6 times last year. The increase of Rs. 305 mn in short-term debt was used for working capital requirements.

The share of profits contributed by associate companies reflected a significant reduction of 39%. This was due mainly to the decline in the performances of Dimo group and the Tourism sector. Quality Seed Company showed an impressive growth of 185%. The main contributors to the associate companies' profits were the Textile and Plantation sectors.

Pre-tax profits reduced by 20% from the record profits achieved last year. However, the profit of Rs. 1,029 mn. achieved, remains substantially higher than profits achieved in earlier years.

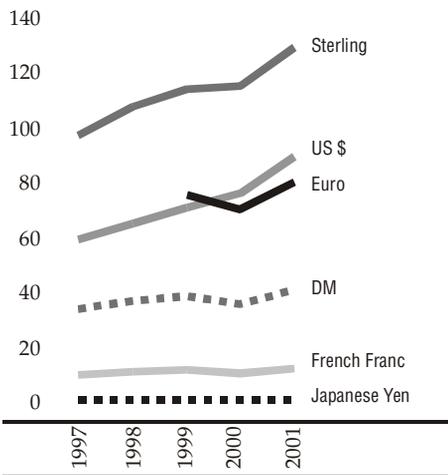
The return on average shareholders' funds declined to 9% due to the reduction in profits. Relatively high gearing levels in certain companies also hindered the achievement of the required rate of return of over 20%.

Taxation ● Though the Group's Income tax expense reduced by 7%, mainly due to lower profits, the increase in the effective tax rate to 25% from 21% in the previous year, depleted profits further. The main reason for the increase in the effective tax rate was the 20% surcharge on income tax imposed by the authorities. If not for the additional charge, the effective tax rate would have declined vis-à-vis last year's rate due mainly to increased contributions from export oriented companies, which attract lower tax rates and, in some instances tax holidays as well. The rebate of 5% given to quoted companies and the continued utilisation of tax losses in plantation companies also helped reduce the effective tax charge.

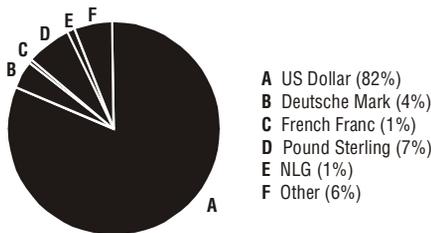
Companies operating in the domestic market have a higher effective tax rate as they are subject to the add-back of a substantial portion of the National Security Levy. This situation is expected to be corrected in the forthcoming year according to the Government budget proposals announced in March 2002.

Exchange Rate

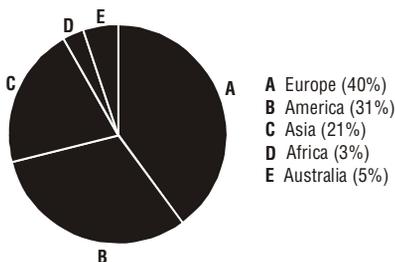
Rs.



Group Exports by Currency



Group Exports by Region



Minority Interest ● Minority share of profit after tax reduced by Rs. 67 mn., reflecting a 16% decline, which is less than the overall reduction in profits. The largest contribution to Minority Interest was from the Rubber segment.

Exchange Rates ● Exchange rate fluctuations affect the Group through trade transactions and translation of overseas earnings and the net assets of overseas companies.

The Group's main export trading currency, accounting for more than 82% of transactions, is the USD.

The rupee depreciation against the US Dollar was 11.3% during the calendar year 2001. The depreciation during the financial year 2001/02 was even lower, at approximately 9.9%. In comparison, inflation based on CCPI, for 2001, was 14.2%. This reflects a situation undoubtedly affecting value-added exporters such as the Group. Local marketing companies could not harness benefit from the low depreciation of the rupee due to reduced economic activity in the country.

Investments ● The Group continued to invest in its core activities by expanding production capacity. The Group's total investments during the year amounted to Rs. 746 mn. against Rs. 544 mn. in the previous year. Of this Rs. 514 mn. was in property, plant & equipment. The sum invested in plant, machinery & buildings was Rs. 329 mn.

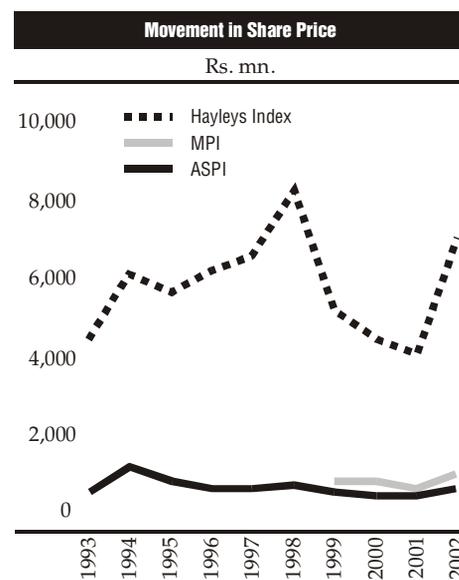
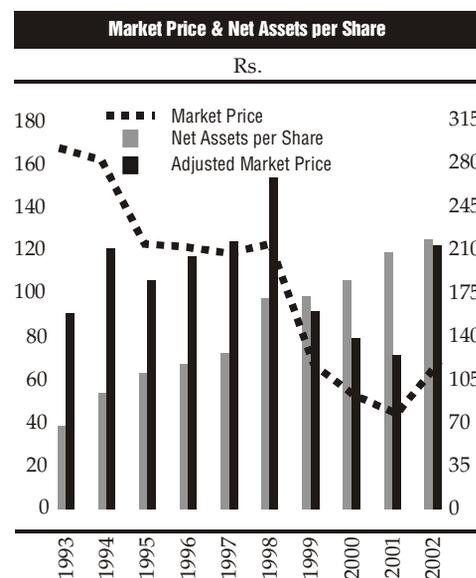
The major investments were in the Coir (Rs. 145 mn.), Plantations (Rs. 121 mn.), Environment (Rs. 68 mn.) and Transportation (Rs. 60 mn.) segments with the main investors being Rileys Ltd., Dipped Products Group, Haycarb Group and Maritime Group.

Hayleys Ltd. invested Rs. 195 mn. in a power generation project in collaboration with the AES Corporation. The total Group investment made during the year in this project amounts to Rs. 216.5 mn. The Company also made a further investment of Rs. 6.7 mn. in WorldCall Telecommunications Ltd.

Investments are financed by a mixture of retained earnings and medium to long-term borrowings, whilst maintaining cost of capital and gearing at desired levels.

Discontinued Operations ●

Hayleys Docsolutions Ltd., which was engaged in marketing office equipment and included under the Inland Marketing segment ceased commercial operations due to non viability and will be liquidated in due course. This is a fully-owned subsidiary of Hayleys Photoprint Ltd. and the loss on operations is separately disclosed in the financial statements.



Results at a glance - 2001/2002

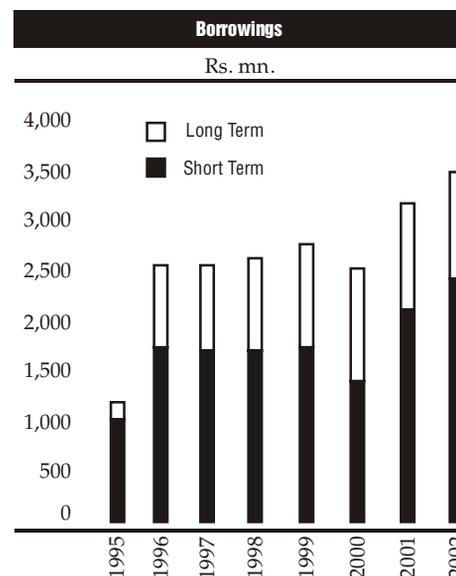
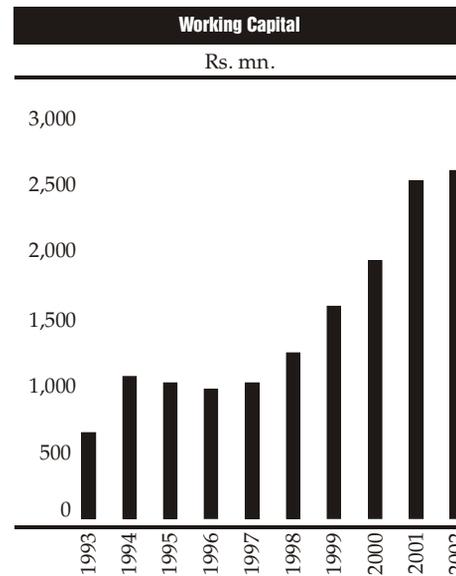
	1st quarter Rs. mn.	2nd quarter Rs. mn.	3rd quarter Rs. mn.	4th quarter Rs. mn.
Turnover	2,603	5,292	8,170	10,895
Operating profit	322	706	1,023	1,345
Profit before tax	275	534	777	1,029
Profit after tax	210	417	598	775
Profit attributable to Hayleys	115	233	339	437
Total assets	12,557	13,090	13,635	13,418
Shareholders' funds	4,763	4,981	5,095	4,978

Dividend ● The total dividend is Rs. 14 mn. higher than last year, due to a 35% dividend rate being maintained on the share capital as increased after the rights issue. The dividend cover was 3.1 times compared to 4.8 times in the previous year.

Cash Flow ● Cash generation was strong across the Group, with Rs. 1.8 bn. generated from operations. This is an improvement on the previous year, and is mainly due to working capital being maintained at the same level.

The Group has at its disposal bank facilities including rupee overdrafts, foreign currency borrowings and export bill discounting facilities exceeding Rs. 4 bn. It is expected that these credit facilities and cash flows from operations will provide sufficient liquidity to service debt and meet future working capital, capital expenditure and dividend payment requirements. The Group has maintained a healthy current ratio 1.6 times.

Financial Reporting ● Hayleys is committed to adopting the best practices in financial reporting in its relationship with investors and other users of financial statements. Hence, it is gratifying that the Annual Report for the year 2001 was again adjudged overall winner in the competition conducted by the Institute of Chartered Accountants of Sri Lanka.



Being a Group with diverse business activities in both international and domestic spheres, Hayleys is exposed to a wide variety of risks. In line with the corporate responsibility to deal adequately with risk, the Group endeavours to identify as early and as fully as possible the potential risks associated with its activities, assess possible consequences of their materialisation and take suitable measures to mitigate them. The identification and assessment of these risks are crucial to the Group's commercial success.

Risk management is an integral part of the business processes and decision making in the Group. The management structure, planning system and the reporting and information systems in particular, form the basis for the organisational integration of risk management into business processes. Effective risk management is an important part of ensuring that the businesses of the Group create and protect value for shareholders.

Reporting is a key element in monitoring and verifying economic risks. The business performance of individual Group companies is compared with relevant budgets and key economic and performance indicators on a routine basis, ensuring risks resulting from changes in businesses, their structure or external factors are identified in advance. Reports forwarded by internal as well as external auditors on the Group's operational and financial systems, are reviewed and appropriate action is taken to control identified risks.

The Group's system of internal control encompasses policies and procedures which taken together, enable it to manage significant strategic and operational risks. The system of internal control includes the system of financial controls in operation throughout the Group, information and communication processes and systems for monitoring and reporting upon the continuing effectiveness of the system of internal controls.

Systems and procedures are established to ensure that due consideration is given to health, safety and environmental issues and best practices are followed to prevent litigation and loss of reputation.

The Group, wherever possible, has entered into insurance agreements to cover against adverse financial consequences arising from a multitude of business uncertainties and risks. These contracts are continuously re-examined and adjusted when necessary.

The business activities involve the following primary risks :

Products ● Risks associated with quality are addressed by each operating company having a well-defined Quality Assurance system for the products and services offered. These include certifying operations to international standards and continuous upgrading of plants and services.

Product innovation is actively practised in order to be competitive in a changing marketplace. Patent rights are obtained where necessary to counter some of the risks that could arise from competition.

Investments ● Business risks include those arising from acquisitions, capital expenditure and research and development. These activities which are necessary for the continued existence as well as the future growth of the Group carry inherent risks due to related uncertainties. These operating risks are controlled and reduced by due diligence exercises prior to commencement of such activities, and constant review of progress. This helps to determine whether the stated budgets and forecasts can be met and whether additional financial or technological risks are likely to emerge.

Diversification into new areas of activity enables the Group to spread its risks so that dependence upon a few areas of the economy is minimised.

Credit ● Being aware of the potential risks, the Group's credit exposure is continuously monitored. Credit given is reviewed through defined approval procedures and is granted within set levels.

Market ● As a Group catering to diverse markets, internationally as well as locally, its businesses are exposed to risks and uncertainties of different market conditions and sentiments. The presence of group companies overseas and a valued network of agents, both foreign and local, help to identify and take pro-active steps to mitigate such risks.

Procurement ● Companies in the Group which are engaged in manufacturing activities are subject to the risk that raw materials and utilities needed in production may not be available or that their quantity and quality may be insufficient. Similarly, the trading companies in the Group need to ensure the availability, quality and value of products marketed. These risks have been addressed by developing relationships with suppliers to a level of value-added partnerships, entering into contractual agreements and reducing the dependency on a single or few suppliers, where feasible.

Interest Rate ● The objective of the Group's interest rate risk management policy is to protect the earnings, cash flow and economic value of the Group from the impact of interest rate fluctuations, at acceptable cost. The Group seeks to relate the structure of borrowings to the trading cash flows that service them. Hayleys' continuing financial strength gives the Group the capacity to obtain funds when necessary.

In order to manage its interest rate risk the Group maintains both floating rate and fixed rate debt. This reduces the impact of an upward change in interest rates while enabling benefits to be enjoyed should interest rates fall.

Liquidity ● The Group seeks to achieve a balance between certainty of funding and a flexible, cost effective borrowing structure. All projected net borrowing needs are covered by committed facilities. Also, the maturity profile of debt is managed to ensure that it is not beyond the Group's means to repay and refinance.

Currency ● The Group attempts to avoid the impact of adverse currency movements by matching outflows with inflows of the same currency. Trading exposures are hedged, if advantageous, by the use of forward exchange contracts.

OUR PEOPLE

We recognize that a key source of our success is the energy, ideas and commitment of our people. Our human resource policy is committed to training and developing of our 33,000+ workforce and the belief that harnessing the Group's potential goes hand in hand with developing our employees' potential.

Equal opportunity has always been the guiding principle in our recruitment and in the advancement of our employees. The Group believes in a policy of promotion and development from within whenever possible.

The Group's Human Resource Development Department (HRDD) is the central point which identifies specific training needs of companies and initiates training and development on a continuous basis. It nurtures an environment that values continuous learning across the Group and strives to position our employees in the forefront of a knowledge-based society. This year's programmes focused on developing participatory management opportunities. A more inclusive, participatory approach to decision making and implementation helped to foster industrial harmony and, through improved communication and understanding between employees had a considerable impact on employee motivation. For example, Volanka Exports conducted a communication exercise in which participation was extended to external partners such as sub-contractors and suppliers. Of the total in-house programmes conducted this year, 32 were new programmes. Among these was a Total Improvement Management (TIM) project at Haychem in which improvement management concepts were communicated using mini-dramas produced, directed and acted out by employees. The project teams were able to identify 21 business issues to address through TIM.

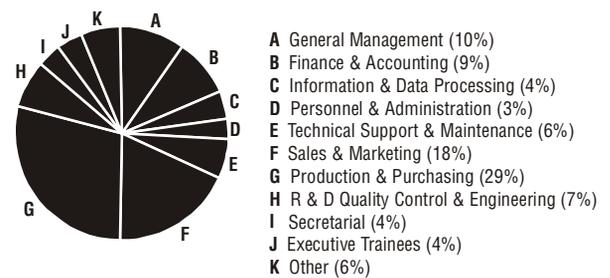
- HRDD facilitated 112 in-house training programmes
- Over 3,138 participated in these programmes
- Rs. 18 mn. was invested in training and development
- 97 employees received overseas training

Other topics ranged from Management Development, Personal and Career Development, Organisational Development and Communication, Quality, Productivity, Customer Care, Managerial Economics, Finance, and Marketing, to Information Technology and briefings on current issues of relevance. The resource people for the training programmes consisted of directors and managers of

Group companies as well as local and foreign trainers and consultants. The services of specialists and an up-to-date management library has helped add diversity and depth to training programmes.

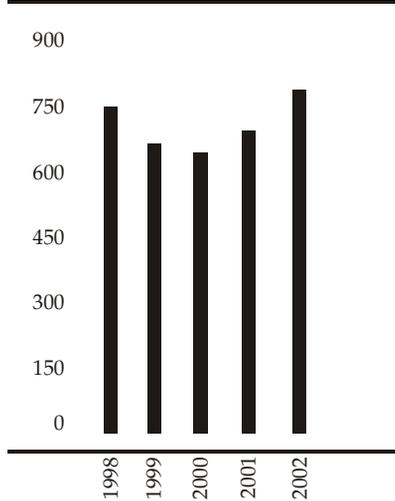
In addition to the programmes conducted centrally, the past year also saw an increase in the number of programmes conducted at outstation locations customised to suit a particular area of improvement required by a company. Follow-up sessions were also conducted to review implementation.

A mini-drama. Written, directed, produced and performed by employees. An innovative approach to training. In this case the objective was to communicate improvement management concepts.

Functional Analysis of Executives


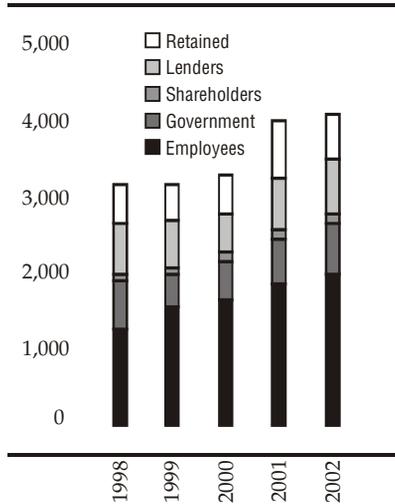
Revenue to Government

Rs. mn.



Distribution of Value Added

Rs. mn.



Apart from in-house training programmes, employees also participate in carefully selected external programmes and are encouraged to pursue further professional qualifications. Across the Group, a number of employees also received overseas training in their specific areas of work.

The year also saw a re-engineering of the Inland Marketing companies of the Group. The re-organisation, while widely recognised to be in the best interests of the Group, brought with it the personal uncertainty that accompanies change. Voluntary Retirement Schemes were offered and these were opted for by around 160 employees.

To foster alignment of employee interests with shareholder interests the Group encourages Employee Share Ownership Schemes (ESOS's). In addition these provide the sense that employees' efforts contribute to the success of a company which they, in part, own. The following companies in the Group have introduced ESOS's: Haycarb, Dipped Products, Toyo Cushion, Haychem, Ravi Industries, Maritime, Volanka Exports, Talawakelle Plantations and Kelani Valley Plantations.

The Group encourages employee involvement and participation at all levels through both formal and informal processes. The Hayleys Group Recreation Club (HGRC) offers fora for fellowship, self-expression and improved communication through sports, and social and recreational activities such as games days, get-togethers, variety fairs, Christmas Carols and Vesak Bhakthi Gee for employees. HGRC's activities this year included the establishing of a VCD library for staff where each member is permitted to borrow 2 VCD's at a time free of charge; distribution of Christmas gifts among children of members and participation in a Net Ball tournament in which the children of members took part and became runners-up in an open tournament of the Mercantile Sector. In addition, Group companies organise annual excursions and get-togethers for employees and their families.

We have increased our emphasis on internal communication and the use of the electronic medium to communicate within the Group thereby simplifying and

improving administration. We recognise that knowledge is a key source of competitive advantage today and made efforts to increase the use of the Internet for information sharing and for accelerated learning. The Hayleys Group E-learning community – the informal executive E-learning medium, expanded into its second year of operation and Executive Updates on various management concepts and practices in an easy to read format provide a valuable source of learning. This E-group moderated by the HRDD also facilitated discussion of some important issues for the Group.

Team building and unleashing creativity in a fun way, "Nirmana" is an on-going series of competitions where teams vie for prizes recognizing the best innovations in machinery or processes to achieve given objectives.



OUR PEOPLE

Our HR development activities during the year actively encouraged team-building. A number of schemes were implemented, particularly at factory level. For example, Hayleys-ADC Textiles and Hayleys MGT-Knitting Mills formed self-managed work teams such as the 5S team, Safety & Health teams, Green teams and Social Activity teams. Haycarb's "Nirmana" programme an ongoing project, not only nurtures a team culture but helps employees at all levels to develop and reach their creative potential. This programme consists of competitions which reward the team with the best innovation of machinery or processes to achieve a stipulated objective.

Expertise	
Accountancy	113
Agriculture	146
Business Management	77
Engineering	174
Information Technology	57
Law	9
Marketing	126
Master in Business Administration	21
Shipping	18
Other Graduates	203
Production Management	106
Textile Technology	1
Insurance	5

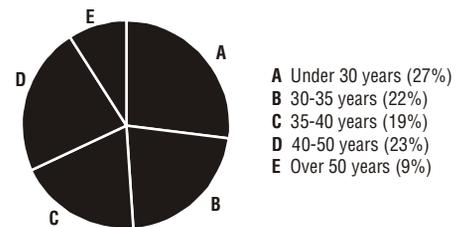
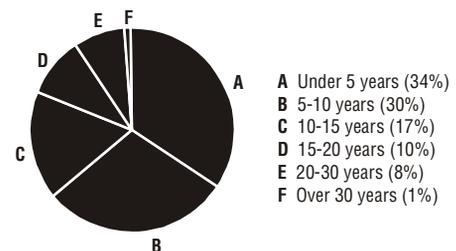
Over the years Hayleys has maintained harmonious industrial relations and strives to improve on these.

Collective Agreements between companies and staff have been an effective tool for aligning employer-employee interests. There are a number of such agreements signed by Group companies. The Group's Human Resources Management Department has regular meetings with branch unions and with factory employees. Dialogue and negotiations are increasingly carried out at local level.

The Group's procedure of handling internal grievances and disciplinary issues has proved to be effective and satisfactory to employees. The Human Resource Management Department takes an independent role in resolving issues for the Group's companies, facilitating inquiries that are impartial for the employee and the Company involved.

Conditions in the workplace are an essential part of our employee well-being. Safety in our working conditions is given top priority with Group companies conforming to the most rigorous safety standards. One of the Group's estates - Holyrood of Talawakelle Plantations, was Central Province runner-up in the National Safety Awards organised by the Department of Labour and Employees' Trust Fund.

Services of medical officers are available, added to which a number of medical and insurance schemes are in place to ensure relief and compensation in case of injury.

Age Analysis of Executives

Service Analysis of Executives


We believe that business should ultimately have a positive effect on society. Thus our daily energies and efforts are directed to ensure that all our stakeholders-shareholders, employees, and the community at large, are in a mutually beneficial partnership.

We aim to meet the aspirations of our consumers and customers by responding creatively and competitively, with quality products. The quality of our products has been the key to our success in reaching global markets, thus equipping us to actively contribute towards making Sri Lanka a truly global competitor. The Group generates 50% of its revenue from its export products. Haycarb is the world's

largest coconut shell activated carbon manufacturer and Dipped Products is amongst the top five non-medical rubber glove manufacturers in the world. We are also agents of world-class manufacturers and their products which we sell to local markets, are quality assured.



Maritime wins a coveted National Quality Award.

Programmes on quality and customer service provide an opportunity for the involvement of all employees in this vital area. Amongst these are Quality Audit Teams, company-wide Quality Assurance Schemes, highly effective Quality Circle Schemes, the practice of Japanese 5S methods, Kaizen Suggestion Schemes and special workshops on Total Quality Management (TQM) and Continuous Improvement (CI). The CI fora held this year helped generate a flow of new ideas and thereby contributed to product improvement, increases in efficiency and reductions in waste.

The Group carries out research and development relating to the introduction and improvement of products and manufacturing processes. Special attention is given to constantly improving productivity and to becoming the least cost producer in all of the Group's businesses.

We continue to enjoy public acknowledgement of our commitment to quality measures. The Great Western tea factory of Talawakelle Plantations became the first tea factory to be awarded the internationally recognised Hazards Analysis & Critical Control Points (HACCP) certification in Sri Lanka. The HACCP is based on FAO/WHO Codex standards in the management of food safety and concentrates on the prevention of microbiological, chemical and physical hazards in the food processing chain. One of the Maritime Group companies, Logistics International Ltd., was the winner in the Small scale Service category at the annual National Quality Awards - presented by the Sri Lanka Standards Institution for performance excellence in accordance with Malcolm Baldrige criteria. In addition, two of Maritime Group's General Managers received national awards in recognition of their professional contribution to marketing and quality this year.

Evidence of the Group's drive to maintain and increase quality can also be found in the ISO certifications obtained by several companies in the Group.

The ISO certified companies in the Group:

Haycarb Ltd.	Hayleys Exports Ltd.	Volanka Exports Ltd.
Lignocell Ltd.	Haymat Ltd.	HJS Condiments Ltd.
Dipped Products Ltd.	Toyo Cushion Lanka Ltd.	Bonterra Lanka Ltd.
Venigros Ltd.	Haychem Ltd.	Eco Fibres Ltd.
Grossart Ltd.	Coates Lanka Ltd.	Chas P. Hayley & Co. Ltd.
Ravi Industries Ltd.	Hayleys-ADC Textiles Ltd.	Lanka Orient Express Lines Ltd.
Rileys Ltd.	Hayleys-MGT Knitting Mills Ltd.	Logistics International Ltd.

SOCIAL & ENVIRONMENTAL RESPONSIBILITY

The Community ● Hayleys has made an important contribution towards improving the living standards of urban and non-urban communities by creating employment opportunities directly for 33,000 and indirectly, for many more. Among the projects which support rural communities are the hybrid flower seed project in Boralanda and the out-grower system for Gherkin cultivation in areas such as Alawwa, Giritale and Mahiyangana.

Over 60 companies and 340 production centres are located in various parts of the country. Apart from the creation of value in the economy these companies have become an integral part of the communities in which they operate. They pursue “Good Neighbour Policies” in areas where they operate by playing an active role in the community. Highlights this year included, the donation of a three-wheeler to the Ranaviru Seva Fund, provision of computers and IT training to school children in Deniyaya, donation of essential items to drought victims in Hambantota and Wellawaya and a donation to the Cancer hospital.

Other activities which underscore our commitment to local communities include:

- Donation of books to schools, hospitals and village societies.
- Continuation of the familiarisation programme, - “An Introduction to Industry” by training 15 students from Chilaw.
- Refurbishment of a laboratory at Madampe Central College.
- A scholarship scheme for children of employees’ who excel at the GCE O/L and A/L examinations.
- Sponsorship of sports events and New Year celebrations in rural communities.
- Establishment of a Scholarship award for students of households on the Great Western Estate.
- Renovation and maintenance of wards in several Government hospitals.
- Participation in environment improvement projects.
- Sponsorship of a nature photography exhibition.
- Sponsorship of environment protection programmes.
- Maintenance of homes for destitute children and for the aged.
- Maintenance of stretches of public roads in Colombo.
- Construction and maintenance of bus shelters.
- Contributions to religious institutions.

The annual blood donation campaign was continued by the Group and was once again a great success, fostering a spirit of caring and responsibility towards the community. This was in addition to several blood donation campaigns organised by individual companies.

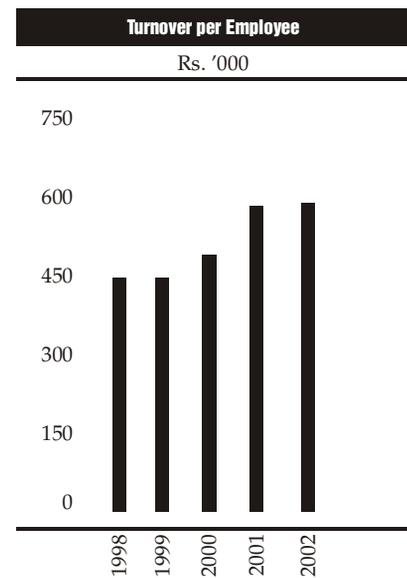
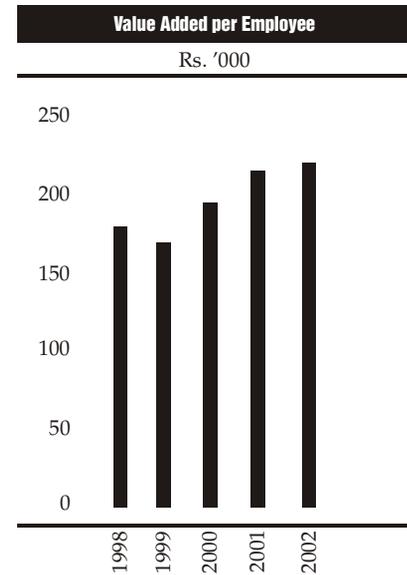
In addition to these a number of the Group’s senior management contribute to the larger community by serving on a number of public boards and committees.

The Group is committed to playing an important role in Sri Lanka’s economic progress. It contributes to the nation 1.8% of the country’s gross export earnings, and 1.3% of GDP, adding value to indigenous raw materials through manufacture, contributing Rs.631 mn. to government revenues through taxes and other levies, and accounting for over 7% of the total market capitalisation on the Colombo Stock Exchange.



A group of school children who participated in one of our free computer training programmes.

Creating Value		
	2002	2001
	Rs. '000	Rs. '000
Turnover	10,895,507	10,834,243
Cost of materials and services bought in	(6,820,277)	(6,857,851)
Value created	<u>4,075,230</u>	<u>3,976,392</u>
Shared with		
Employees	1,963,321	1,846,838
Government of Sri Lanka & Overseas	631,379	559,574
	39,119	34,334
Shareholders	140,000	126,000
Lenders of capital	364,920	278,091
Minority shareholders, and retained for the future as	337,660	404,290
Depreciation and Profit	339,040	307,261
	259,791	420,004
	<u>4,075,230</u>	<u>3,976,392</u>



Environment ● Our most important contribution to the environment has been to innovate and manufacture products and solutions that directly help to sustain and enhance it. These include erosion control blankets for various applications and turnkey engineering solutions for purification of gases, air and liquids. The turnkey technology engineered by Puritas Ltd., - (a company registered with the Central Environment Authority and the Ceylon Chamber of Commerce as consultants and specialists in environment pollution control) spans adsorption/absorption as well as mechanical and chemical engineering. Among the projects accomplished by Puritas this year was a packaging effluent treatment plant, a food effluent treatment plant and a sewage treatment plant, the last mentioned being at Hunas Falls Hotel.

Amongst this year's active initiatives was the Eco Tourism programme by Jetwing Hotels. The programme was further enhanced in focus and also widened within the framework of Agenda 21 for the Tourism Industry. The programme involves initiatives such as bird trails, treks and safaris at locations close to Hunas Falls Hotel and Yala Safari Game Lodge, and the services of a naturalist to benefit participants. Jetwing also continued with its programme of fostering an orphaned baby elephant until such time it is mature enough to survive in the wilderness.

Two of the Group's newest ventures begun in the year, are also environment-friendly projects. One of them Super Felt Ltd., uses fabric waste generated from the garment industry to manufacture felt pads for export. The other, Recogen Ltd. is a project in backward integration which will on completion meet almost the total charcoal requirements of Haycarb in addition to generating 7 MWs. of electricity to add to the national grid. We also produce many environment-friendly bio-degradable products such as coir based products.

SOCIAL & ENVIRONMENTAL RESPONSIBILITY

Our strategy is also focussed on alleviating any adverse impact of our processes on the environment. The Group companies invested over Rs. 63 mn. in the past year on environmental programmes and processes. These included attention to air emissions, water, energy & materials conservation, waste-water treatment, solid waste & packaging management, noise control, and soil & ground-water protection. With manufacturing facilities located in many parts of Sri Lanka and a factory in Thailand, we have been focussing on minimising the negative impact of the manufacturing processes by implementing environmental "Best Practices". One of our companies has begun the process of re-cycling treated waste water to achieve "zero discharge" in the near future. Among the other initiatives this year were installation of a dust collector on timber sanding and coir cleaning machines by Chas P. Hayley, a CTC recovery system at one of Haycarb factories to prevent the release of CTC into the environment, and waste and energy minimisation measures at Toyo Cushion.



Effluent treatment plant at the Katugastota Market.

Two of our companies - Ravi Industries and Chas P. Hayley are among a handful in Sri Lanka to use timber certified by the Forest Stewardship Council (FSC) – an assurance that every tree that is felled for use is replaced.

Adoption of stringent soil conservation standards ensures the preservation and protection of land on the plantations of our Group. Moreover, KVPL rubber plantations have been certified by the FSC as "a well managed forest".

One of the Group's companies – Rileys Ltd. involved in producing cleaning devices, received ISO 14000 certification, becoming one of the few companies in Sri Lanka to have been so accredited. Two other companies await ISO 14,000 certification.

Initiatives to ensure the efficient use of energy include a minimum fuel efficiency requirement for all vehicles used.

Our Environmental Policy

- Ensures that our operations more than comply with existing legislation, and deals with environmental issues either at their source or as close to it as practicable.
- Strives to design and develop products which have minimal environmental impact during their manufacture, use and subsequent disposal.
- Optimises energy usage and re-cycles materials wherever possible.
- Trains and educates our employees in best environmental practice.
- Works closely with industry bodies, government agencies, business associates and others concerned, to promote environmental care, and update standards and legislation.
- Remains alert and responsive to emerging issues, new knowledge and public concerns.

We believe in a mutually complementary relationship between the environment and our activities and that environment sustainability goes hand in hand with long term sustainability of our businesses.

The Group accounts for 1.7% of Sri Lanka's Exports

Total Exports of Sri Lanka - Rs. 430.3 bn. (f.o.b)

Total Exports of Hayleys Group - Rs. 7.0 bn. (f.o.b)

OVERSEAS PRESENCE



OVERSEAS INVESTMENT PARTNERS

- B.V. Borstelfabriek Vero, Roosendaal, Holland 14% equity in Ravi Industries Ltd.
- Inter-Continental Trading Company, B.V. Rotterdam, Holland 46% equity in Haymat Ltd.
- Benson Corporation, Taiwan 7% equity in Agro Technica Ltd.
- Norvartis Seeds B.V., Holland 49% equity in Quality Seed Co. Ltd.
- Dainippon Ink & Chemicals, Singapore 25% equity in Coates (Lanka) Ltd.
- D.G. Dellmore and N.E. Dupuis 51% stock in Haymark Inc.
- Toyo Cushion Co. Ltd., Japan 35% and Context Management B.V., Holland 10% equity in Toyo Cushion Lanka (Pvt.) Ltd.
- Urbun Investment S.A., Belgium 16% and Sanyo Food Products Co., Japan 22% equity in HJS Condiments Ltd.
- Delta Plus Group, France 18.5% and Promar Overseas S.A., Panama 21% equity in Venigros Ltd.
- Bonterra Weiland GmbH, Germany 50% equity in Bonterra Lanka Ltd.
- American International Group, U.S.A. 80% equity in AIG Hayleys Investment Holdings (Pvt.) Ltd.
- WorldCall Payphones Ltd., Pakistan 70% equity in WorldCall Telecommunications Lanka (Pvt.) Ltd.
- AES Corporation, U.S.A. 90% equity in AES Kelanitissa (Pvt.) Ltd.

1. Stock exchange

The Audited Company and Consolidated Income Statements for the year ended 31st March, 2002 and the Audited Balance Sheets of the Company and of the Group as at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

2. Ordinary shareholders as at 31st March, 2002

Number of shareholders 2,906 (as at 31.03.01 - 2,726)

No of shares held	Residents			Non-residents			Total		
	No. of share-holders	No. of shares	%	No. of share-holders	No. of shares	%	No. of share-holders	No. of shares	%
1 - 1,000	2,021	457,203	1.1430	19	4,042	0.0101	2,040	461,245	1.1531
1,001 - 5,000	456	1,016,827	2.5421	19	50,745	0.1268	475	1,067,572	2.6689
5,001 - 10,000	108	775,205	1.9380	15	100,993	0.2525	123	876,198	2.1905
10,001 - 50,000	146	3,213,582	8.0340	23	436,827	1.0920	169	3,650,409	9.1260
50,001 - 100,000	38	2,579,319	6.4483	05	377,519	0.9438	43	2,956,838	7.3921
100,001 - 500,000	36	8,081,105	20.2028	06	1,405,433	3.5136	42	9,486,538	23.7164
500,001 - 1,000,000	04	3,294,563	8.2364	-	-	-	04	3,294,563	8.2364
1,000,001 & over	10	18,206,637	45.5166	-	-	-	10	18,206,637	45.5166
	2,819	37,624,441	94.0612	87	-	5.9388	2,906	40,000,000	100

Of the issued ordinary share capital 94% is held by residents of Sri Lanka.

Categories of shareholders	31.03.2002			31.03.2001		
	No. of shares	No. of shareholders	%	No. of shares	No. of shareholders	%
Individuals	23,184,913	2,604	57.96	21,341,754	2,421	59.28
Institutions	16,815,087	302	42.04	14,658,246	305	40.72
	40,000,000	2,906	100.00	36,000,000	2,726	100.00

3. Market value

The market value of Hayleys Ltd. ordinary shares:

	2002 Rs.		2001 Rs.		2000 Rs.
Highest	140.00 (on 10th Dec., '01)		110.25 (on 03rd July, '00)		125.00 (on 23rd July, '99)
Lowest	53.00 (on 24th Aug., & 4th Oct., '01)		70.00 (on 27th Nov., '00)		90.00 (on 31st March, '00)
Year End	121.00		78.00		93.75

4. Dividends payments

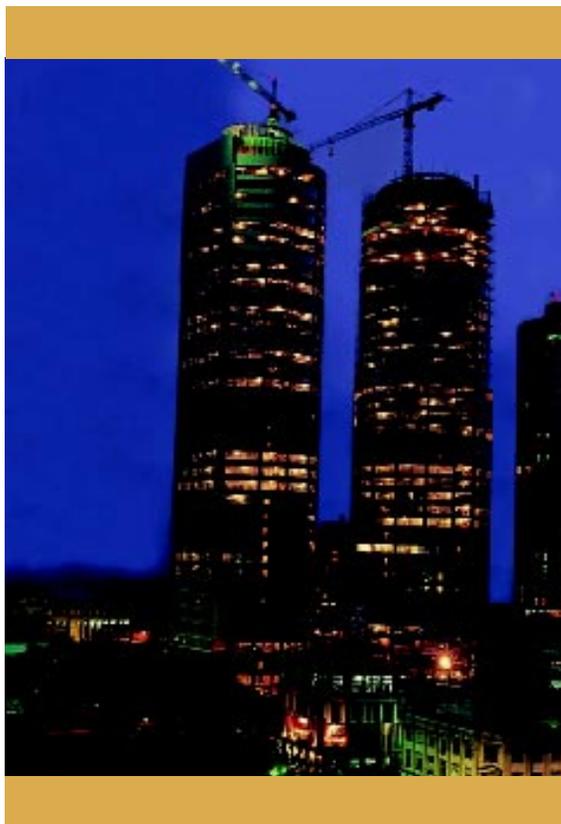
Interim dividend - 17.5% (not liable to 10% tax deduction, according to the government fiscal proposals for 2002) paid on 10th May, 2002 (00/01 - 15%, 14.7% tax free). Proposed final dividend - 17.5% to be declared on 27th June, 2002 and payable on 28th June, 2002 (00/01 - 20%).

5. Share trading

	2002	2001	2000
No. of transactions	1,757	1,279	1,343
No. of shares traded	3,991,200	2,231,800	3,038,700
Value of shares traded (Rs.)	369,626,200	196,051,075	323,144,925

HISTORY OF DIVIDEND AND SCRIP ISSUES

Year ended 31st March	Issue	Basis	No. of shares '000	Share capital Rs. '000	Dividend (%)	Dividend paid Rs. '000
1952	Initial capital		20	200		
1953	First dividend			200	80	160
1954	Rights (at Rs. 10)	1:2	10	300	55	165
1955				300	50	150
1956	Bonus	5:6	25	550	32.5	179
1957	Bonus	3:11	15	700	37.5	330
1958	Bonus	3:7	30	1,000	20	200
1959				1,000	10	100
1960				1,000	18	180
1961	Bonus	1:2	50	1,500	17.5	262
1962	Bonus	1:3	50	2,000	15	300
1963				2,000	15	300
1964	Bonus	1:4	50	2,500	15	375
1965				2,500	20	500
1966				2,500	18	450
1967				2,500	15	375
1968				2,500	12.5	312.5
1969				2,500	15	375
1970				2,500	15	375
1971				2,500	15	375
1972				2,500	11	275
1973				2,500	11	275
1974	Bonus	1:1	250	5,000	11	275
1975				5,000	18	450
1976				5,000	10	442
1977				5,000	11	460
1978				5,000	15	584
1979	Bonus	1:2	250	7,500	15	852
1980				7,500	16	958
1981	Bonus	1:3	250	10,000	20	1,863
1982	Bonus	1:4	250	12,500	21	2,385
1983	Bonus	1:5	250	15,000	25	3,451
1984				15,000	27	3,774
1985				15,000	27.5	3,525
1986	Bonus	1:3	500	20,000	33	6,600
1987	Bonus	1:2	1,000	30,000	33	9,900
1988	Bonus	1:3	1,000	40,000	33	13,200
1989	Bonus	1:4	1,000	50,000	33	16,500
1990	Bonus	1:5	1,000	60,000	33	19,800
1991	Bonus	1:4	1,500	75,000	33	24,750
1992	Bonus	1:5	1,500	90,000	33	29,700
1993	Bonus	1:6	1,500	105,000	30	31,500
1994	Bonus	4:21	2,000			
	Rights (at Rs. 160)	1:5	2,500	150,000	30	40,500
1995	Bonus	1:5	3,000	180,000	30	54,000
1996	Bonus	1:9	2,000	200,000	30	60,000
1997	Bonus	1:10	2,000	220,000	30	66,000
1998	Bonus	1:11	2,000	240,000		
	Share Trust (at Rs. 210)		2,400	264,000	30	79,200
1999	Bonus	1:6	4,400	308,000	30	92,400
2000	Bonus	1:14	2,200	330,000	30	99,000
2001	Rights (at Rs. 10)	1:11	3,000	360,000	35	126,000
2002	Rights (at Rs. 15)	1:9	4,000	400,000	35	140,000
	Total		<u>40,000</u>			<u>934,083</u>



Sri Lanka is an island nation located in the Indian ocean, with a rich cultural heritage that dates back over 2500 years. For centuries Sri Lanka's strategic location in the Indian ocean made her a meeting point for traders and a target of early invaders. Today, it is a meeting point for Eastern and Western cultures and its strategic location makes it the ideal springboard for businesses to launch themselves into South Asia.

- Land area : 65,610 sq. km.
- Commercial Capital : Colombo
- Climate : Tropical (10° C – 32° C)
- Population : 18.7 mn.
- Population growth rate : 1.2%
- Literacy rate : 92.1%
- Per Capita Income : (US\$) 837
- Currency : Sri Lankan Rupee
- Corporate tax rate : 35%
- Human Development Index : 0.716
- Ethnic Groups : Sinhalese 74%, Tamils 18%, Moors 7%, Others 1%
- Religion : Buddhists 69%, Hindu 15%, Muslim 8%, Christian 8%
- Ports : Colombo, Galle and Trincomalee
- Languages : Sinhala, Tamil and English

Sri Lanka liberalised its economy in the late 1970's ahead of other developing countries and is today South Asia's most open economy, with a relatively well-developed capital market infrastructure. For over two decades, successive governments have worked towards furthering free enterprise with emphasis on private sector investment.

Sri Lanka was one of the first developing countries to understand the importance of investing in human resources and promoting gender equality. As a result, Sri Lanka has achieved human development outcomes more consistent with those of high income countries. It has also been one of the most successful in controlling population growth and population is expected to stabilise at 23 mn. by 2025.

Socio-economic update ● Sri Lanka experienced a sharp decline in economic performance in 2001, due to several internal and external shocks and the year was one of the worst in recent times, with the economy contracting by 1.4%. The deceleration of the global economy-one of the fastest since the oil shock of 1974, resulted in a sharp decline in Sri Lanka's exports. In addition, drought conditions which affected the agriculture sector and the escalation of the war posed internal constraints.

Key Economic Indicators			Sector performance	% of GNP		Growth %
	2001	2000		2001	2000	
Per capita GNP (US\$)	823	881	Agriculture, Forestry			
GDP Growth Rate %	(1.4)	6	& Fishing	19.4	19.4	(3.0)
Average Exchange Rate SL. Rs. : US \$	89.36	75.78	Manufacturing	15.8	16.8	(4.0)
GNP Deflator	13.0	6.7	Services	54.1	53.3	(0.5)
Prime Interest Rate %	14.3	21.5	Construction	7.5	7.3	2.5
Current Account Deficit (GDP %)	4.9	3.4	Mining & Quarrying	1.9	1.9	0.7
Budget Deficit (GDP %)	10.9	9.9	Transport, Storage &			
Total Workforce (mn.)	6.7	6.8	Communication	12.3	11.7	5.2

Source: Central Bank of Sri Lanka, Annual Report 2001

The present prospects for peace with the cessation of hostilities between government and the LTTE has contributed to a sense of optimism and has raised the likelihood of economic resurgence in 2002. This is being reflected in increased economic activity and investor confidence and an upward revision of growth forecasts for 2002. The Economist Intelligence Unit has revised its growth forecast for 2002 to 3.2%.

The IMF on April 15th completed the first and second review of Sri Lanka's economic performance under a 14-month stand-by arrangement and approved the release of a further SDR 48.3 mn. (about US\$ 60 mn.).

The economy is to be liberalised further with state-owned activities being de-regulated and opened to private sector investment and competition. The Petroleum sector is to be liberalised by the second half of 2002 with private companies being permitted to import and distribute petroleum products.

The privatisation programme has been resumed with the divestiture of one of the sugar companies at the beginning of 2002. Amongst the actions planned are:

- Sale of Government shareholdings in four plantation companies,
- Privatisation of a state-owned sugar company,
- Privatisation of Lanka Marine Services-the bunkering and aviation fuel subsidiary of the CPC,
- Sale of Government's remaining equity in Sri Lanka Telecom.

The government's maiden budget presented on March 22nd is aimed at facilitating private sector led development and should boost investor confidence. The long term development and investor-friendly measures included in this year's budget are:

- Further Liberalisation of foreign investment to permit foreign investment in restricted sectors Eg. Construction of residential buildings, supply of water, mass transportation, roads, telecommunication, production and distribution of power, professional services, banking finance, insurance, etc
- Setting up of Economic Zones in the 25 administrative districts with BOI-led investment programs.
- The setting up of new tourism development zones, where currency and other restrictions will not apply.
- The releasing of state-owned land for property and other development purposes.
- Several schemes to develop the rural economy.

TRADE	2001	2000
Imports (SL. Rs. mn.)	532,964	554,290
● Investment Goods (%)	18	24
● Intermediate Goods (%)	56	52
● Consumer Goods (%)	21	19
Exports (SL. Rs. mn.)	430,372	420,114
As % of total Exports:		
● Industrial	77	78
Textiles & Garments	53	69
Rubber Products	3.6	5
● Agriculture	19	18
Tea	14	12.6
Rubber	0.5	0.5
Coconut	1.7	2.2
Minor Agricultural Products	2.8	2.8
● Other (including Mineral)	3.6	4.0
Main Export Markets (%)		
America	40	40
U.K.	12	13
Germany	4	4
Middle East	9	8
Australasia	9	10
Japan	4	4

Source: Central Bank of Sri Lanka, Annual Report 2001

The country has much potential to promote and diversify into niche areas such as eco tourism and cultural tourism. The significant variation in Sri Lanka's natural environment within a small land mass, makes her an ideal candidate for ecotourism. Sports and adventure tourism, with activity such as white water rafting, surfing and trekking is another area which has made Sri Lanka a popular destination during the last few years.

The Indo-Lanka Free Trade Agreement (FTA) has been in effect since March 2000. Complementing the opportunities created by the South Asian preferential Trade Agreement (SAPTA), it offers potential for Sri Lankan industries and foreign investors who look to the vast Indian market and the benefits from resulting economies of scale. A free trade arrangement with Pakistan scheduled to be signed in September would also offer much potential for Sri Lanka's exports.

The port of Colombo remains one of the key regional hub ports and the Government prioritised a venture to make Colombo Asia's newest global logistics hub by integrating air/sea services.

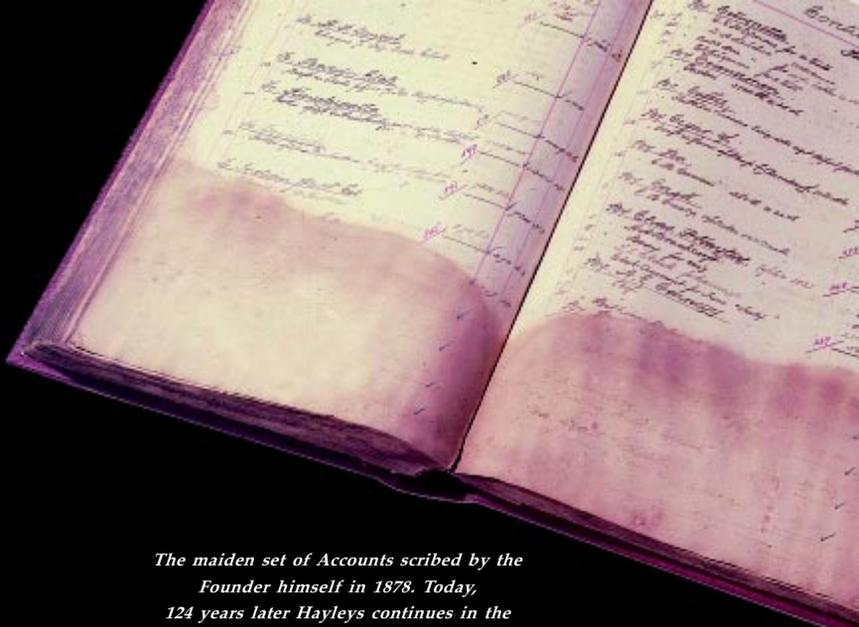
Sri Lanka's tourism industry was dampened by the escalation of the war in 2001 but has begun to revive since the beginning of 2002, as prospects for political and economic stability brighten.



ayleys, has grown from a small proprietorship in Sri Lanka's southern port city Galle into one of the largest, diversified public companies. The 124 year Hayley chronicle traverses the tapestry of time, changing with it and taking shape from it ...

- 1878 Charles Pickering Hayley forms Chas P. Hayley & Co. in Galle.
- 1909 Hayley & Kenny, a partnership formed between W W Kenny and Chas P. Hayley, opened in Colombo.
- 1911 Charles Pickering Hayley retires following death of his wife and the next generation takes over.
- 1913 Hayley & Kenny purchases Thurburn stores – 400, Deans Road premises.
- 1936 Hayley & Kenny converted to a private limited liability company.
- 1944 Chas P. Hayley & Co. converted to a private limited liability company and becomes a fully owned subsidiary of Hayley & Kenny Ltd.
- 1951 George G. Hayley, the grandson of the founder, buys Hayley & Kenny Ltd., which was held by heirs of late W W Kenny and Chas P. Hayley.
- 1952 Hayleys Ltd. formed, assuming the assets and liabilities of Hayley & Kenny Ltd., by George G. Hayley and executive employees of the two former companies with a paid up capital of Rs. 200,000/-.
- 1954 Hayleys Ltd., converted to a public company.
Import and export activities extended to cover a wide range of manufactured goods and most of local produce.
- 1958 Shipping agency department formed, later reconstituted as Maritime Agencies.
- 1964 Industries department formed to manufacture agricultural machinery and spraying equipment.
- 1968 Haychem Ltd., a collaboration with Bayer of Germany formed for formulation of agrochemicals.
- 1973 Haycarb Ltd., formed to pioneer manufacture and export activated carbon from coconut shell charcoal.
- 1975 Acquired Ravi Industries Ltd., a company engaged in the manufacture of brushes.
- 1976 Incorporation of Dipped Products Ltd., a joint venture with Richard Pieris & Co. Ltd., to pioneer manufacture of Rubber Gloves.
- 1980 Hayleys moves into outsourcing coir and agricultural produce for export.
Haycolour Ltd., enters import substitution industry making colour pigments for textiles.
- 1983 The first overseas venture, Sorbtech Inc. (now Haymark Inc.) formed in USA.
- 1985 Overseas marketing companies formed in Holland, UK, Japan and Australia.
- 1991 Hayleys ventures into Hoteliering through its subsidiary Carbotels Ltd.
Introduction of employee share ownership schemes within the Group.
Hayleys steps into the business of plantations.
- 1992 Formation of an Audit Committee consisting of non-executive Directors.
- 1994 The first overseas factory Carbokarn Co. Ltd., opened in Thailand.
- 1998 Hayleys Head Office expands from 23,800 sq.ft. to 60,100 sq.ft.
- 2000 Hayleys moves into the insurance sector in collaboration with the American International Group.
- 2001 Hayleys steps into power generation in collaboration with AES Corporation of USA.

The golden thread that binds these 124 years in harmony is the unique Hayley culture. A culture steeped in a hundred and twenty three year tradition of integrity and ethical standards in business. Making profit without loss of honour; being valiant when buffeted by storm; being defiant in the face of challenge and persistent in times of adversity — virtues hard to abandon.



FINANCIAL REPORTS

*The maiden set of Accounts scribed by the
Founder himself in 1878. Today,
124 years later Hayleys continues in the
tradition of timely and accurate reporting.*

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Financial Calendar 2001/2002

Rights Issue	1st August, 2001
1st Quarter Report	20th August, 2001
2nd Quarter Report	22nd November, 2001
3rd Quarter Report	22nd February, 2002
Interim Dividend	
2001/2002 paid	10th May, 2002
Annual Report 2001/2002	31st May, 2002
51st Annual General Meeting	27th June, 2002
Final Dividend proposed	27th June, 2002
Final Dividend payable	28th June, 2002

The Directors of Hayleys Ltd. present their Report and Consolidated Financial Statements for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is engaged in several diverse operations. The principal activities of the Group are described under the Review of Operations on pages 14 to 30 of this Report. A review of the Group's performance during the year, with comments on the financial results and future developments, is contained in the Chairman & Chief Executive's Review, Review of Operations, Financial Review and the sections on Social & Environmental Responsibility, Our People and Our Quest for Quality.

A new subsidiary, Infocraft Ltd., established for the provision of IT-based solutions was consolidated for the first time during the year.

GROUP TURNOVER / INTERNATIONAL TRADE

The turnover of the Group excluding associates was Rs. 10.9 bn (Rs. 10.8 bn), an analysis of which is given in Note 1 to the Financial Statements. Group turnover including associates was Rs. 16.5 bn (Rs. 16.9 bn). Further information on Group turnover is detailed on pages 68 and 69 Group exports inclusive of associates was Rs. 8.4 bn. (Rs. 7.9 bn.). Trade between Group companies is conducted at fair market prices.

RESULTS AND DIVIDENDS

The Group profit excluding share of profits of associates amounted to Rs. 980 mn (Rs. 1,202 mn). The Group profit before taxation

amounted to Rs. 1,029 mn. (Rs. 1,283 mn.). After deducting Rs. 255 mn. (Rs. 273 mn.) for taxation, Rs. 338 mn. (Rs. 404 mn.) minority interest and Rs. 140 mn. (Rs. 126 mn.) for dividends, Rs. 30 mn. (Rs. 15 mn.) has been transferred to reserves. The Consolidated Income Statement for the year is given on page 58 The Directors recommend a final dividend of 17.5% (20%) payable on 28th June, 2002 to the holders of the issued ordinary shares of the Company as at the close of business on 17th June, 2002. This dividend together with the interim dividend of 17.5% (15%) results in a total dividend of 35% (35%). The Dividends represent redistribution of dividends received by the Company and based on Government's Fiscal proposals for 2002, will not be subject to the 10% tax deduction.

GROUP INVESTMENT

Group expenditure on property, plant & equipment and investments other than investments in subsidiaries during the year amounts to Rs. 746 mn. (Rs. 543 mn.).

PROPERTY, PLANT & EQUIPMENT

Information relating to movement in property, plant & equipment is given in Note 13 to the Financial Statements.

VALUE OF PROPERTIES

The market value of land owned by the Group is included in the accounts at Rs. 1.5 bn. (Rs. 1.5 bn.) based on valuations undertaken by qualified Valuers. Small extents of freehold land are reflected at book values as their appreciation is insignificant. In any event their book values are not in excess of their current market values. The details are provided in Note 13 to the Financial Statements and on page 97

SHARE CAPITAL

During the year the Company made a rights issue of one share for every nine held at Rs. 15 per share thereby increasing the issued and paid up share capital from Rs. 360 mn. to Rs. 400 mn.

RESERVES

The total Group reserves as at 31st March, 2002 amounts to Rs. 4.6 bn. (Rs. 4.2 bn.) comprising capital reserves of Rs. 2.2 bn. (Rs. 2.1 bn.) and revenue reserves of Rs. 2.4 bn. (Rs. 2.1 bn.). The movement is shown in the Statement of Changes in Equity in the Financial Statements.

CORPORATE DONATIONS

Donations to charitable organisations amounted to Rs. 1.7 mn. (Rs. 2.4 mn.) which includes Rs. 79,500 to Government approved charities. No donations were made for political purposes.

TAXATION

It is the Group's policy to provide for deferred taxation on all known timing differences on the liability method. The standard tax rate is 35%. With effect from 1st April, 1995 the rate of tax on export profits of companies was reduced to 15% for a period of 20 years. Some export companies are exempt from tax as shown in Note 10 to the Financial Statements. A 20% surcharge on Corporate income tax was imposed for a period of one year commencing 1st April, 2001. In computing the Group's tax liability, the maximum relief available to investors within the provisions of the Inland Revenue Act has been claimed. Further, quoted companies in the Group have taken credit for the 5% bonus rate reduction.

SHARE INFORMATION

Information relating to earnings, dividend, net assets per share and share trading is given on pages 3 and 45 respectively.

FUTURE DEVELOPMENTS

The Group intends to grow both organically as well as by acquisition when suitable opportunities arise. Where appropriate, further information is provided in the Chairman & Chief Executive's Review.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustment other than those disclosed in Note 31 to the Financial Statements.

EMPLOYMENT POLICIES

Group employment policies respect the individual and offer equal career opportunities regardless of sex, race or religion. There are several schemes by which employees are encouraged to become involved in their respective companies and in their financial performance, the most important being schemes in which they are invited to acquire shares. Occupational health and safety standards receive substantial management attention. The number of persons employed by the Company and its subsidiaries at the year end was 18,655 (18,662). The number of people employed by associate companies at the year end was 15,033 (15,365).

EMPLOYEE SHARE OWNERSHIP SCHEME

The Group has introduced broad based share purchase schemes for employees. Consequently many of the

Group's employees have some equity interest in the Group's business, and it is intended that these schemes be extended as opportunities arise.

SHAREHOLDERS

We have, as always, made all endeavours to ensure equitable treatment to our shareholders.

CUSTOMERS

We strive to consistently satisfy current and emerging customer needs through continuous quality and service improvement exceeding customer expectation.

SUPPLIERS

The goodwill of our suppliers of products and services is essential to our business. It is our policy to pay them promptly in accordance with mutually agreed procedures.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the employees and the government have been made up to date.

ENVIRONMENTAL PROTECTION

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to keep adverse effects on the environment to a minimum and to promote co-operation and compliance with the relevant authorities and regulations. Furthermore, the Group seeks to conserve scarce and non-renewable resources, such as energy, in all its operations. Many of the Group's products and technologies are connected with environmental improvement.

RESEARCH AND DEVELOPMENT

Improvement in materials and process technology are regarded as an integral part of the Group's development and customer assurance programme.

CORPORATE GOVERNANCE/ INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group's system of internal control. The system can provide only reasonable and not absolute assurance regarding the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information generated and that material errors and irregularities are either prevented or detected within a reasonable time period. Further details of internal controls in operation and main Corporate Governance practices of the Group are given on page 55

The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing of the Financial Statements.

GOING CONCERN

As described in the Statement of Directors' Responsibilities, the Directors have adopted the going concern basis in preparing Financial Statements.

DIRECTORATE

The names of the Directors appear on the inner back cover. The non-executive Directors are Mr. M.T.L. Fernando, Desamanya Dr. W.M. Tilakaratna, Mr. S.S. Jayawickrama and Mr. L.K.B. Godamunne. All the Directors except Mr. S. Krishnananthan held office throughout the year.

Mr. S. Krishnananthan, who served as the Deputy Chairman, retired from the Board on 30th September, 2001.

Mr. R. Yatawara was appointed Deputy Chairman from 1st October, 2001.

Messrs. N.G. Wickremeratne, R.A. Ebell and S.S. Jayawickrama retire by rotation and being eligible offer themselves for re-election.

DIRECTORS' SHAREHOLDINGS

The Directors' and their spouses' holdings of ordinary shares in the listed companies as at 31st March, 2002:

Hayleys Ltd.: S. Mendis - 149,637 (133,711), M.T.L. Fernando - 66,407 (59,351), R. Yatawara - 728 (656), N.G. Wickremeratne - 9,155 (8,181), R.A. Ebell - 6,755 (6,043), S.S. Jayawickrama - 374 (337), Dr. W.M. Tilakaratna - 203 (183), L.K.B. Godamunne - 841,847 (766,845), A.M. Pandithage - 182 (163) and P.S.P.S. Perera - 5,482 (4,900). The increase in shareholdings is mainly due to the rights issue made by the Company during the year.

Hayleys Exports Ltd.: S. Mendis - 170,950 (153,855), M.T.L. Fernando - 36,310 (32,679), L.K.B. Godamunne - 750 (675) and A.M. Pandithage - 200 (180).

Hayleys Photoprint Ltd.: R.A. Ebell - 39,111 (39,111).

Dipped Products Ltd.: S. Mendis - 769 (769), N.G. Wickremeratne - 203,433 (188,469), and R.A. Ebell - 11,374 (11,374).

Haycarb Ltd.: S. Mendis - 42,603 (37,870), M.T.L. Fernando - 36,503 (32,448), R. Yatawara - 181,857 (161,652), N.G. Wickremeratne - 1,350 (1,200), R. A. Ebell - 9,637 (8,568), Dr. W.M. Tilakaratna - 771 (686), L.K.B. Godamunne - 11,331 (10,073) and A.M. Pandithage - 2,379 (2,115).

Haytech Marketing Ltd.:

Dr. W.M. Tilakaratna - 500 (500).

Hunas Falls Hotels Ltd.: R. Yatawara - 225 (225).

The Lighthouse Hotel Ltd.:

S. Mendis - 100,000 (100,000), R. Yatawara - 10,000 (10,000), R.A. Ebell - 1,000 (1,000).

DIRECTORS' INTERESTS

Directors' interests in contracts of the Company are disclosed in Note 34 to the Financial Statements, and have been declared at meetings of the Directors. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

MAJOR SHAREHOLDINGS

The twenty major shareholders and the percentages held by each as at 31st March, 2002: Trustees of the D.S. Jayasundera Trust - 4,787,943 (11.96%), Trustees of the Hayleys Ltd. - Employees' Share Trust - 3,626,475 (9.06%), Employees' Provident Fund - 1,899,224 (4.74%), Dipped Products Ltd. - 1,311,776 (3.27%), Dean Foster (Pvt) Ltd. - 1,221,503 (3.05%), M.S. Jayasundera - 1,110,074 (2.77%), The Ceylon Guardian Investment Trust Ltd. - 1,091,143 (2.72%), Employees' Trust Fund Board - 1,086,718 (2.71%), The Ceylon Investment Company Ltd. - 1,086,666 (2.71%), Volanka Ltd. - 1,065,902 (2.66%), Mrs. V. Jayasundera - 941,514 (2.35%), Rubber Investment Trust Ltd. - 917,679 (2.29%), Mrs. P.M. Godamunne - 788,502 (1.97%), Bank of Ceylon A/C Ceybank Unit Trust - 646,868 (1.61%), Mrs. M.L. Johnpulle (decd.) - 483,824 (1.20%), Hongkong & Shanghai Banking Corporation Ltd. - National Equity Fund - 400,113 (1.00%), Ceylon Dessicated Coconut & Oil Company Ltd. - 381,235 (0.95%), Hayleys Group

Services Ltd. 360,387 (0.90%), G.N. Wickramanayake - 355,979 (0.88%), National Development Bank of Sri Lanka A/C No. 3 - 352,753 (0.88%). As at

31st March, 2002 there were 2,906 (2,726) registered shareholders. The percentage of shares held by the public as at 31st March, 2002 was 87.28%.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Committee Room B, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, on 27th June, 2002. The notice of Annual General Meeting can be found on page 103.

AUDITORS

In accordance with the Companies Act No. 17 of 1982, a resolution proposing the re-appointment of Messrs. KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting.

By Order of the Board

HAYLEYS GROUP SERVICES LIMITED

Secretaries

400, Deans Road, Colombo 10

17th May, 2002

Comparative figures are shown in brackets.

BOARD OF DIRECTORS

The names and brief profiles of the members of the Board of Directors are given on the inner back cover.

The Board as a whole decides on the appointment of Directors.

The Company's Articles of Association provide that at every Annual General Meeting of the Company one-third of the Directors shall retire from office. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. The Director who is the Chief Executive Officer does not retire by rotation. A retiring Director is eligible for re-appointment. Any Director appointed by the Board shall hold office only until the next following Annual General Meeting.

The Board consists of the Chairman (who is also the Chief Executive), five Executive Directors and four Non-Executive Directors who are well experienced in business and administrative matters.

Hayleys Ltd. firmly believes in good corporate governance and has had Non-Executive Directors on its Board from 1952.

The Board is responsible for the formulation of overall business policy and strategy, agreeing priorities and setting standards for the management and conduct of the business. In line with its responsibility, the Board has drawn up and adopted a set of corporate guidelines for the governance of Group businesses.

The Board holds quarterly meetings and meets more frequently if circumstances warrant. Its functions include adoption of annual and interim results before they are published, review of exposure to key business risks, strategic direction of operational units, agreeing annual budgets, monitoring progress towards achieving those budgets and sanctioning major capital expenditures, acquisitions and disposals.

Board members are given appropriate documentation in advance of each meeting. Further, minutes of monthly performance review meetings are sent to all Board members.

In addition to formal Board meetings, the Chairman and Chief Executive Officer maintains regular contact with all Directors and holds informal discussions with the Non-Executive Directors on issues affecting the Company.

The Board ensures that all Executive Directors receive appropriate training.

The Board being deeply conscious of the need for businesses to achieve environmental efficiency places high emphasis on complying with relevant regulations.

All the Non-Executive Directors are independent of management and have no relationships which could materially interfere with the exercise of their independent judgement.

BOARD COMMITTEES

The Board formally constituted an Audit Committee in November 1992. It consists of four Non-Executive Directors with the Group Internal Audit Manager functioning as Secretary. The Chairman & Chief Executive is invited to attend meetings and other Directors also attend as required. The External Auditors attend meetings when their presence is necessary.

The Committee is empowered to examine any matter relating to the financial affairs of the Group and its internal and external audits. Its duties include detailed reviews of the financial statements, internal control procedures, accounting policies, compliance with accounting standards and emerging accounting issues, and such other related functions as the Board may require. It also recommends the appointment and fees of the external auditors.

The four Non-Executive Directors and the Chairman form the Remuneration Committee which reviews the performance of the Chief Executive Officer and other Executive Directors and determines their emoluments.

MANAGEMENT STRUCTURE

The Board has delegated the primary authority to implement policy and achieve the strategic objectives, which it has laid down, to the Group Management Committee of twelve, comprising of the Chairman & Chief Executive, five Executive Directors and six Senior Directors of subsidiaries. Their names appear on the inner back cover.

The Group Management Committee exercises its authority within the policy framework established by the Board and the ethical framework and business practice inherent to the Group, which demands that best practices are followed in dealing with employees, customers, suppliers and the community at large. These are further discussed at appropriate places in this report.

The Group Management Committee meets monthly.

The Group is effectively divided into sub groups each under the purview of a Member of the Group Management Committee. The managements of the operational units report to the Member of the Group Management Committee in charge. The performance of the operational units is reviewed monthly at the meetings of the Import Co-ordinating & Consultative Committee and the Export Co-ordinating & Consultative Committee. These committees facilitate consultation amongst similar operational units and co-ordinate their activities. Executive Directors of Hayleys Ltd. chair these meetings.

INTERNAL CONTROLS

The Directors are responsible for the Group's system of internal controls. The system in place is designed to safeguard the assets against

unauthorised use or disposal and to ensure that proper records are maintained and reliable financial information is generated. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time frame.

The key procedures in place to discharge this responsibility are as follows:

- The management of each company is responsible for the establishment and monitoring of financial controls appropriate for that operation within overall Group policy.
- The Board reviews the strategies of Group companies.
- Annual budgeting and regular forecasting processes are in place and the Group Management Committee reviews monthly reports on performance.

- The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanisms.
- Group companies are subject to regular internal audit and systems review.
- The Audit Committee reviews the plans and activities of the internal audit department and the management letters of external auditors.
- The Group carefully selects and trains employees and provides appropriate communication channels to foster a control conscious environment.

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors' Responsibility for the financial statements is described on page 56.

DISCLOSURE OF INFORMATION

The Board places great emphasis on complete disclosure of both financial and non-financial information within the bounds of commercial reality, and on the early adoption of sound reporting practices. The Chairman's review and the Operational and Financial reviews present a balanced assessment of the Group's performance and prospects. The Chairman and Executive Directors meet with institutional investors and analysts to discuss the Company's performance. The Board is always willing to answer questions raised by the shareholders at the general meetings of shareholders and maintains an appropriate dialogue with them.

SHAREHOLDER VALUE & RETURN

The Board constantly strives to enhance shareholder value and provide a total return in excess of the market. The Financial Review discusses this in greater detail.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors in relation to the financial statements of the Company and the Group differ from the responsibilities of the Auditors which are set out in their report appearing on page 57.

The Companies Act No. 17 of 1982 requires the Directors 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 end of the financial year and of the Profit or Loss of the Company and the Group for the financial year. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgements

and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the companies within the Group keep sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and the Group and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 17 of 1982. They are also responsible for taking reasonable measures to safeguard the assets of the Group, and in that context to have proper regard to the

establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing Accounts. The Directors, after making enquiries and following a review of the Group's budget for 2002/03, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation.

By Order of the Board
HAYLEYS GROUP SERVICES LIMITED
Secretaries
400, Deans Road, Colombo 10

17th May, 2002

TO THE MEMBERS OF HAYLEYS LIMITED

We have audited the Balance Sheet of Hayleys Limited as at 31st March, 2002, the Consolidated Balance Sheet of the Company and its Subsidiaries as at that date, and the related Statements of Income, Changes in Equity and Cash Flow for the year then ended, together with the Accounting Policies and Notes as set out on pages 58 to 96 of the Annual Report.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant

estimates made by the Directors, evaluating the overall presentation of the financial statements and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st March, 2002 and to the best of our information and according to explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity and Cash Flow and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March, 2002 and of its profit and cash flows for the year then ended.

In our opinion, the Consolidated Balance Sheet and related Statements of Income, Changes in Equity and Cash Flow and the Accounting Policies and Notes thereto have been properly prepared and presented in accordance with the Companies Act No. 17 of 1982 and the Sri Lanka Accounting Standards, and give a true and fair view of the state of affairs as at 31st March, 2002, and of its profit and cash flows for the year then ended of the Company and its Subsidiaries dealt with thereby, so far as concerns the members of the Company.

Directors' Interests in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March, 2002 except as stated in Note 34 to these financial statements.

**KPMG FORD, RHODES, THORNTON & CO.***Chartered Accountants*

Colombo

17th May, 2002

<i>For the year ended 31st March</i>	Notes	Consolidated		Company	
		2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Gross turnover	1	10,895,507	10,834,243	337,634	282,126
Turnover tax		(23,106)	(27,703)	-	-
National security levy		(88,059)	(77,044)	-	-
Net turnover		10,784,342	10,729,496	337,634	282,126
Cost of sales		(7,354,695)	(7,451,238)	(50,455)	(49,497)
Gross profit		3,429,647	3,278,258	287,179	232,629
Loss on discontinued operation	2	(9,604)	(392)	-	-
Other operating income	3	61,594	70,553	20,954	4,542
Distribution costs		(398,530)	(384,136)	-	-
Administrative expenses		(1,638,310)	(1,470,945)	(34,693)	(46,298)
Other operating expenses	4	(4,773)	(13,065)	4,520	(862)
Voluntary retirement expenses	5	(94,692)	-	(7,822)	-
Profit from operations	6	1,345,332	1,480,273	270,138	190,011
Financing cost	7	(364,920)	(278,091)	(60,966)	(44,429)
Profit from operations after financing cost	8	980,412	1,202,182	209,172	145,582
Share of associate companies' profits/(losses) before tax	9	49,054	81,031	-	-
Profit before tax		1,029,466	1,283,213	209,172	145,582
Income tax expense	10	(254,727)	(273,048)	-	-
Profit after tax		774,739	1,010,165	209,172	145,582
Minority interest		(337,660)	(404,290)	-	-
Profit for the year		437,079	605,875	209,172	145,582
Basic earnings per ordinary share (in Rs.)	11	11.00	15.47	5.26	3.72
Dividend per ordinary share (in Rs.)	12	3.50	3.50	3.50	3.50

Figures in brackets indicate deductions.

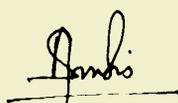
The Accounting Policies and Notes from pages 63 to 96 form an integral part of these Financial Statements.

BALANCE SHEETS

HAYLEYS
 LIMITED
 ANNUAL REPORT
 2001-2002

As at 31st March	Notes	Consolidated		Company	
		2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
ASSETS					
Non-current assets					
Property, plant & equipment	13	4,712,339	4,395,793	683,388	684,869
Intangible assets	14	23,046	10,072	-	-
Investments in subsidiaries	15	-	-	751,066	716,355
Investments in associates	15	983,065	1,042,458	213,659	206,946
Other long term investments	15	582,058	365,743	209,238	14,409
Employees' share trust loan	16	502,552	503,104	502,552	503,104
		6,803,060	6,317,170	2,359,903	2,125,683
Current assets					
Inventories	17	2,127,893	2,028,196	292	359
Amounts due from subsidiaries		-	-	96,808	52,096
Amounts due from associates		7,304	26,300	5,767	2,373
Trade and other receivables	18	2,872,766	3,019,806	5,562	4,868
Short term investments	19	9,280	42,888	7,536	41,209
Short term deposits		227,676	296,580	90,000	95,200
Bank and cash balances		1,369,572	990,000	1,896	15,112
		6,614,491	6,403,770	207,861	211,217
Total assets		13,417,551	12,720,940	2,567,764	2,336,900
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	400,000	360,000	400,000	360,000
Capital reserves		2,174,674	2,148,218	1,411,249	1,391,249
Revenue reserves		2,402,942	2,144,840	122,194	53,022
Shareholders' funds		4,977,616	4,653,058	1,933,443	1,804,271
Minority interest					
		2,366,528	2,147,942	-	-
		7,344,144	6,801,000	1,933,443	1,804,271
Non-current liabilities					
Interest-bearing loans and borrowings	22	1,064,923	1,069,437	200,000	200,000
Deferred income	23	145,857	153,800	-	-
Deferred taxation	24	139,010	143,217	3,100	3,100
Retirement benefit obligations	25	709,802	672,953	121,876	117,784
		2,059,592	2,039,407	324,976	320,884
Current liabilities					
Long term loans repayable within one year	22	112,549	102,562	-	-
Debentures repayable within one year	22	10,000	10,000	-	-
Bank borrowings (secured)	26	2,304,589	1,999,390	127,511	12,989
Trade and other payables	27	1,406,470	1,549,864	46,026	38,601
Amounts due to subsidiaries		-	-	6,076	44,423
Amounts due to associates		10,495	4,119	-	-
Current taxation		29,712	88,598	(10,268)	(10,268)
Dividends	12	140,000	126,000	140,000	126,000
		4,013,815	3,880,533	309,345	211,745
Total equity and liabilities		13,417,551	12,720,940	2,567,764	2,336,900

Approved and signed for and on behalf of the Board



Sunil Mendis
 Chairman & Chief Executive
 17th May 2002



R. Yatawara
 Deputy Chairman

Figures in brackets indicate deductions.

The Accounting Policies and Notes from pages 63 to 96 form an integral part of these Financial Statements.

For the year ended 31st March 2002

GROUP

	Share capital	Share premium	Reserve on scrip Issue	Revaluation reserve	Other capital reserves(i)	Exchange fluctuation reserve	General reserve	Retained earnings	Total
Balance as at 1st April 2000	330,000	959,446	232,052	828,843	67,738	60,115	855,924	807,799	4,141,917
Issue of shares	30,000	-	-	-	-	-	-	-	30,000
Adjustment due to									
changes in holding	-	1,354	78	163	22	-	965	(1,581)	1,001
Scrip issues by subsidiaries	-	(3,348)	61,380	-	-	-	(45,447)	(12,585)	-
Appropriations by subsidiaries	-	-	-	-	-	-	-	(9,910)	(9,910)
Transfer on disposal of revalued assets	-	-	-	(1,885)	-	-	-	1,885	-
Translation of foreign entities	-	-	-	-	-	10,175	-	-	10,175
Net profit for the year	-	-	-	-	-	-	-	605,875	605,875
Reserved during the year	-	-	-	-	2,375	-	141,616	(143,991)	-
Dividends	-	-	-	-	-	-	-	(126,000)	(126,000)
Balance as at 31st March 2001	360,000	957,452	293,510	827,121	70,135	70,290	953,058	1,121,492	4,653,058
Issue of shares	40,000	20,000	-	-	-	-	-	-	60,000
Adjustment due to									
changes in holding	-	(15,485)	219	(3,749)	(872)	-	(7,001)	(655)	(27,543)
Scrip issues by subsidiaries (ii)	-	-	25,591	-	-	-	(22,341)	(3,250)	-
Appropriations by subsidiaries	-	-	-	-	-	-	-	(26,742)	(26,742)
Transfer on disposal of revalued assets	-	-	-	-	-	-	-	-	-
Translation of foreign entities	-	-	-	-	-	21,764	-	-	21,764
Net profit for the year	-	-	-	-	-	-	-	437,079	437,079
Reserved during the year	-	-	-	-	752	-	148,514	(149,266)	-
Dividends	-	-	-	-	-	-	-	(140,000)	(140,000)
Balance as at 31st March 2002	400,000	961,967	319,320	823,372	70,015	92,054	1,072,230	1,238,658	4,977,616

COMPANY

	Share capital	Share premium	Revaluation reserve	Other capital reserves(i)	General reserve	Retained earnings	Total
Balance as at 1st April 2000	330,000	855,000	523,023	13,226	17,087	16,353	1,754,689
Issue of shares	30,000	-	-	-	-	-	30,000
Net profit for the year	-	-	-	-	-	145,582	145,582
Transfer to general reserve	-	-	-	-	15,000	(15,000)	-
Dividends	-	-	-	-	-	(126,000)	(126,000)
Balance as at 31st March 2001	360,000	855,000	523,023	13,226	32,087	20,935	1,804,271
Issue of shares	40,000	20,000	-	-	-	-	60,000
Net profit for the year	-	-	-	-	-	209,172	209,172
Transfer to general reserve	-	-	-	-	30,000	(30,000)	-
Dividends	-	-	-	-	-	(140,000)	(140,000)
Balance as at 31st March 2002	400,000	875,000	523,023	13,226	62,087	60,107	1,933,443

(i) Details of 'Other Capital Reserves' are given in Note 21 (A) to the Financial Statements.

(ii) Scrip issues were made during the year by Haycarb Ltd. and Hayleys Exports Ltd.

CASH FLOW STATEMENTS

HAYLEYS
LIMITED
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For the year ended 31st March	Consolidated		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Cash flows from operating activities				
Cash generated from operations (Note A)	1,762,139	1,224,601	211,210	301,642
Gratuity paid	(94,990)	(58,343)	(26,677)	(13,483)
Interest paid (including interest capitalised)	(546,714)	(450,166)	(65,797)	(45,563)
Income taxes paid	(306,050)	(197,142)	-	(4)
Net cash inflow/(outflow) from operating activities	814,385	518,950	118,736	242,592
Cash flows from investing activities				
Purchase and construction of property, plant & equipment	(499,937)	(474,554)	(12,196)	(12,430)
Development expenditure incurred	(6,719)	(6,601)	-	-
Government grants received - capital	19,160	24,566	-	-
Proceeds from sale of property, plant & equipment	33,041	41,957	529	468
Proceeds from the sale of investments	-	-	-	100
Short term investments (net)	57,319	3,902	56,863	3,341
Long term investments in group companies and others	(259,233)	(58,979)	(236,253)	(79,152)
Net cash paid on investment in Kinetics (Pvt.) Ltd. (Note 33)	(40,913)	-	-	-
Interest received	52,962	51,985	4,831	1,133
Dividends received from associate companies	42,655	45,109	-	-
Dividends received from outside companies	1,903	3,703	-	-
Repayment of employee share trust loan	552	503	552	503
Net payments to minority shareholders	(115,665)	(104,127)	-	-
Net cash used in investing activities	(714,875)	(472,536)	(185,674)	(86,037)
Net cash inflow/(outflow) before financing	99,510	46,414	(66,938)	156,555
Cash flows from financing activities				
Proceeds from issue of shares	40,000	30,000	40,000	30,000
Share premium	20,000	-	20,000	-
Capital payment on finance lease	(8,114)	(2,909)	-	-
Issue of debentures	-	50,000	-	-
Redemption of debentures	(10,000)	-	-	-
Proceeds from long term loans	398,883	325,808	250,000	200,000
Repayment of long term loans	(420,739)	(399,328)	(250,000)	(200,000)
Dividends paid	(126,000)	(99,000)	(126,000)	(99,000)
Net cash inflow/(outflow) from financing activities	(105,970)	(95,429)	(66,000)	(69,000)
Net increase/(decrease) in cash and cash equivalents	(6,460)	(49,015)	(132,938)	87,555
Cash and cash equivalents at beginning of the year	(700,881)	(663,795)	97,323	9,768
Cash and cash equivalents at end of the year (Note B)	(707,341)	(712,810)	(35,615)	97,323

	Consolidated		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
<i>For the year ended 31st March</i>				
A. Cash generated from operations				
Profit from operations	1,345,332	1,480,273	270,138	190,011
Depreciation on property, plant & equipment	339,040	307,261	13,643	14,316
(Profit)/loss on the sale of property, plant & equipment	(2,339)	(22,871)	(495)	(435)
(Profit)/loss on discontinued operation	-	392	-	-
(Profit)/loss on the sale of investments	(18,670)	(1,014)	(18,670)	(902)
Amortisation of surplus on acquisitions	(35,958)	(41,523)	-	-
Amortisation of intangible assets	8,007	6,219	-	-
Dividend income	(1,903)	(3,703)	-	-
Net foreign exchange gains/(losses)	117,156	109,922	-	-
Differences of exchange on translation of foreign entities	(2,936)	939	-	-
Provision for bad and doubtful debts	34,926	991	-	-
Provision for unrealised profit and write -down of inventories	7,901	18,990	-	-
Gratuity provision	131,839	124,282	30,769	29,471
Government grants amortised	(2,724)	(1,442)	-	-
Provision for fall in value of investments	(4,980)	372	(4,520)	862
	1,914,691	1,979,088	290,865	233,323
(Increase)/decrease in trade and other receivables	138,649	(521,447)	(48,800)	41,981
(Increase)/decrease in inventories	(73,845)	(396,478)	67	(60)
Increase/(decrease) in trade and other payables	(217,356)	163,438	(30,922)	26,398
	1,762,139	1,224,601	211,210	301,642

B. Analysis of cash and cash equivalents				
Bank and cash balances	1,369,572	990,000	1,896	15,112
Short term deposits	227,676	296,580	90,000	95,200
	1,597,248	1,286,580	91,896	110,312
Bank borrowings	(2,304,589)	(1,999,390)	(127,511)	(12,989)
Cash and cash equivalents previously reported	(707,341)	(712,810)	(35,615)	97,323
Effects of exchange rate changes	-	11,929	-	-
Cash and cash equivalents as restated	(707,341)	(700,881)	(35,615)	97,323

C. During the year, the Group acquired property, plant & equipment with an aggregate cost of Rs. 514,555,000 of which Rs. 2,942,000 was acquired by means of finance leases. Additions shown in Note 13 to property, plant & equipment include Rs. 11,675,811 of borrowing costs capitalised during the year.

1. GENERAL

Hayleys Ltd. is a company incorporated and domiciled in Sri Lanka. The Corporate information is given on page 104.

The consolidated financial statements of the Company for the year ended 31st March, 2002 comprise the Company and its Subsidiaries (together referred to as the "Group") and the Group's interest in associates. The financial statements were authorised for issue by the Directors on 17th May 2002.

Hayleys Ltd. does not have an identifiable parent of its own.

Statement of compliance

The financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLAS), adopted by the Institute of Chartered Accountants of Sri Lanka.

Basis of preparation

The financial statements of the Group are presented in Sri Lankan Rupees and prepared on the historical cost basis except that certain land and short-term investments are stated at fair value as explained in Notes 13 and 19 to the financial statements. The Accounting Policies are consistent with those used in the previous year.

Basis of consolidation

a) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain

benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The total subsidiary company results for the year are included in the Consolidated Income Statement. The total classified as "Minority Interest" in the Consolidated Income Statement represents the portion of the consolidated profit after taxation of the subsidiary companies applicable to the non-group shareholders.

The assets and liabilities of the subsidiary companies as at the Balance Sheet date are included in the Group Balance Sheet. The proportionate interest of the non-group shareholders in the consolidated net assets of such subsidiaries is disclosed as "Minority Interest" in the Consolidated Balance Sheet.

The financial statements of all the companies in the Group other than those mentioned in Note 32 to the accounts are prepared to a common financial year which ends on 31st March.

b) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total

recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

c) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates are eliminated against the investment in the associate, to the extent of the Group's interest in the enterprise.

Goodwill

Goodwill arising on an acquisition represents the excess of the purchase price over the fair value of the net identifiable assets acquired.

Negative Goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill is recognised in the consolidated financial statements as deferred income and stated at cost less accumulated amortisation and is amortised on a straight-line basis over a period of five years from the date of initial recognition.

Discontinued operations

A business is classified as a discontinued operation if it is clearly distinguishable, has a

material effect on the nature and focus of the Group's activities, represents a material reduction in the Group's operating facilities and either its sale is completed or, if a termination, its former activities have ceased permanently prior to the approval of these financial statements.

The results of companies in which operations are discontinued are consolidated up to the date of discontinuation.

Full provision has been made for the carrying value of investments and advances made to such companies to recognise the permanent diminution in their values.

Segment reporting

The activities of the segments are described on pages 14 to 30 in the Review of Operations. Segmental information is based on two segment formats. The primary format represents industry segments reflecting the Group's management structure. The secondary format represents the Group's geographical spread of operations. Segmentation has been determined based on the activities of the companies or sector into which the products or services are sold (eg: activated carbon is segmentalised as environment).

The Group transfers products from one geographic region for re-sale to another. The geographical analysis of turnover is by location of customer and profits by location of the office in which the business is recorded.

Inter-segment transfers are based on fair market prices.

The Group's manufacturing facilities are located mainly in Sri Lanka. The overseas companies are principally

involved in marketing and distribution. Consequently, assets and liabilities by geographical region is considered not material to be disclosed. The turnover and profit of Haylex BV Group is re-classified under the respective segments based on products sold by them.

Foreign Currency

a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

b) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, revenue and expenses of foreign operations are translated into rupees at average exchange rates and assets and liabilities are translated at the exchange rates ruling at the Balance Sheet date.

Foreign exchange differences arising on translation are recognised directly in equity.

those which are expected to be realised in cash during the normal operating cycle or within one year from the Balance Sheet date, whichever is shorter.

Property, plant & equipment

a) Owned assets

The property, plant & equipment are stated at cost or valuation less accumulated depreciation. A revaluation of property, plant & equipment is done when there is a substantial distinction between the fair value (market value) and the book value of the asset and is undertaken by professionally qualified valuers.

The cost of property, plant & equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

b) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception less

2. ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets on the Balance Sheet are cash and bank balances and

accumulated depreciation and the resulting lease obligation is included in creditors net of finance charges. Lease payments are treated as consisting of capital and interest elements and the interest is recognised in the Income Statement.

Assets held under finance leases are amortised over the estimated useful lives unless ownership is not transferred at the end of the lease period. In such case the assets are amortised over the shorter of lease term or their useful lives.

Rentals on operating leases are recognised in the Income Statement in the year to which they relate.

Depreciation

Freehold land is not depreciated. Depreciation is charged on all other property, plant & equipment on the straight-line basis to write off the cost/valuation over the estimated useful lives as follows:

	years
Leasehold properties	- over the lease periods
Buildings	- 20 - 40
Machinery	- 05 - 20
Stores equipment	- 05 - 10
Motor vehicles	- 04 - 05
Furniture, fittings & office equipment	- 03 - 13

A full year's depreciation is provided on property, plant & equipment purchased during the first half of the year and in the year of disposal while no depreciation is charged on purchases made during the second half of the year.

Intangible Assets

a) Research and development

Expenditure on development activities is capitalised if the product or process developed is technically and commercially feasible and the Group has sufficient resources to complete development. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised in the Income Statement on a systematic basis over 5 years to reflect the pattern in which the related economic benefits are recognised. Research and all other development expenditure is recognised in the Income Statement in the year it is incurred.

b) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation. Amortisation is charged to the Income Statement on a systematic basis over the estimated useful lives of the intangible assets. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits.

Investments

a) Short term investments

Short term investments are stated at lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognised in the Income Statement.

b) Long term investments

Where the Group's interest in equity capital is less than 20% or where the Group does not exercise significant influence or control over the financial and operating policies, investments are stated at cost.

Quoted and unquoted investments in shares held on long term basis are stated at cost.

In the parent company's financial statements, investments in subsidiaries and associates are carried at cost under parent company accounting policy for long-term investments.

Provision for diminution in value is made when in the opinion of the Directors there has been a decline other than temporary in the value of the investment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expense. The general basis on which cost is determined is as follows:

- a) All inventory items, except manufactured inventories and work-in-progress at weighted average directly attributable cost;
- b) Manufactured inventories and work-in-progress at weighted average factory cost which include all direct expenditure and production overhead based on normal operating capacity.

Cash and cash equivalents

Comprises of cash in hand, demand deposits and bank borrowings.

Trade and other receivables

Trade and other receivables are stated at their estimated realisable amounts.

3. LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date. Non-current liabilities are those balances that fall due for payment after one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing the financial statements. Provisions and liabilities are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provision for taxation

Income tax on profit or loss for the year comprises current and deferred tax and is recognised in the Income Statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the Balance Sheet date and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet liability method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Trade and other payables

Trade and other payables are stated at their cost.

Provisions

A provision is recognised in the Balance Sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Events occurring after the Balance Sheet date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosure have been made in the respective Notes to the financial statements.

Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Notes to the financial statements.

Retiring benefits**a) Defined benefit plans**

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with SLAS 16. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded nor is it actuarially valued.

This liability is computed on the following basis:

Length of service (years)	No. of months salary for each completed year
up to 20	½
20 up to 25	¾
25 up to 30	1
30 up to 35	1¼
over 35	1½

b) Defined contribution plans

Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an expense in the Income Statement as incurred.

4. PROFITS AND LOSSES**Turnover**

Hayleys Ltd's gross turnover comprises of dividends received from Group companies, commission and rent income.

The net Group turnover excludes turnover taxes, national security levies and trade discounts. The gross turnover represents the invoiced value of goods and services to customers outside the Group.

Revenue and expenses

Revenue from the sale of goods is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the Income Statement on completion of the service.

Rental income is recognised in the Income Statement as it accrues.

Dividends received from companies outside the Group are accounted for on a cash basis.

Interest income is recognised in the Income Statement as it accrues.

Profit on the sale of investments held by the Group has been accounted for in the Income Statement.

Gains or losses of a revenue nature on the disposal of property, plant & equipment have been accounted for in the Income Statement.

Preliminary and pre-operational expenditure is recognised in the Income Statement.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

Financing cost comprises interest payable on borrowings, net foreign exchange gains and losses, net of interest receivable on funds invested.

5. PLANTATIONS

No adjustments have been made in respect of the undernoted Accounting Policies of Kelani Valley Plantations Ltd. (acquired in December 1995) which differ from that of the Group since the nature of operations of this Company is significantly different from that of the rest of the Group.

Where material, the impact of the different Accounting Policies have been quantified.

Property, plant & equipment

The land development cost incurred in the form of "infilling" has been capitalised only where the number of plants per hectare has exceeded 3,000 plants, thus resulting in a significant increase in yield of mature plantations.

Depreciation

Depreciation is provided for on a straight-line basis over the estimated useful lives of property, plant & equipment as follows:

	Years
Mature plantations - tea	33
- rubber	20
Buildings	40
Equipment	08
Furniture & fittings	10
Sanitation, water & electricity supply	20
Plant & machinery	13
Motor vehicles	05

Property, plant & equipment are not depreciated in the year of purchase but depreciated in full in the year of disposal.

Leased assets

Leasehold rights are being amortised in equal annual amounts over the following periods:

	Years
Bareland	53
Mature plantations	30
Buildings	25
Machinery	15

Borrowing costs

Costs incurred in respect of funds specifically obtained for utilisation on immature plantations have been capitalised. The amounts so capitalised are disclosed in Note 13 to the financial statements.

Inventories

Produce stocks have been valued at since realised prices.

Government grants

A Government grant is recognised in the Balance Sheet initially as deferred income when there is a reasonable assurance that it will be received and the conditions attached to it are complied with.

Grants that compensate the Group for expenses incurred are recognised as revenue in the Income Statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the Income Statement as revenue on a systematic basis over the useful life of the related asset as follows:

Buildings	-	40 years
Sanitation & water supply	-	20 years
Plant & equipment	-	13 years

6. CASH FLOW

The Cash Flow Statement has been prepared using the "indirect method".

Government 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 received by Hayleys Ltd., which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

7. COMPARATIVE FIGURES

Where necessary comparative figures have been reclassified to conform with the current year's presentation.

Haycolour Ltd. and Hayleys Textile Services Ltd., which were earlier reported under the Textiles segment are now reported under the Inland Marketing segment subsequent to the re-alignment of business focus and management structure within Inland Marketing companies of the Group. The comparative figures have been reclassified accordingly. This reclassification does not impact the Income Statement.

1. TURNOVER**A. Gross Turnover**

Segment	Company	Group	
		2002 Rs. '000	2001 Rs. '000
Coir	Hayleys Exports Group	334,036	273,612
	Chas P. Hayley & Co. Ltd.	117,388	134,294
	Volanka Ltd.	84,615	53,483
	Volanka Exports Ltd.	406,025	364,274
	Toyo Cushion Lanka (Pvt.) Ltd.	146,681	207,890
	Ravi Industries Ltd.	339,090	304,613
	Rileys Ltd.	490,122	521,073
	HDV Plastics Ltd.	7,986	13,945
	Haymat Ltd.	99,357	84,505
	Creative Polymats Ltd.	11,813	-
Rubber	Dipped Products Group	1,849,310	1,627,469
Environment	Haycarb Group	1,652,325	1,698,197
Agriculture	Sunfrost Ltd.	117,879	82,728
	HJS Condiments Ltd.	237,681	172,595
	Dutch Foliage Farm (Pvt.) Ltd.	-	557
Plantations	Dipped Products Group	1,311,700	1,307,709
Transportation	Maritime Holdings Group	687,713	624,422
Inland Marketing	Haytech Marketing Ltd.	337,691	319,155
	Haychem Group	772,496	610,824
	Hayleys Agrocure Ltd.	132,755	111,517
	Hayleys Photoprint Group	394,851	486,030
	Coates (Lanka) Ltd.	220,286	214,622
	Oleo Essences and Perfumes Ltd.	28,563	2,530
	Hayleys Electronics Group	1,303,386	1,725,207
	Hayleys Engineering Ltd.	176,870	229,111
	Agro Technica Group	144,219	131,936
	Usha Industries Ltd.	-	(102)
	Haycolour Ltd.	60,903	45,998
Hayleys Textile Services Ltd.	28,177	31,063	
Tourism	Carbotels Group	11,210	12,923
Management Services	Hayleys Ltd.	337,633	282,126
	Volanka Insurance Services (Pvt.) Ltd.	9,445	8,752
	Dean Foster (Pvt.) Ltd.	9,904	6,700
	Haylex BV Group	1,189,078	1,106,977
	Inforcraft Ltd.	378	-
		13,051,566	12,796,735
	Intra-group sales	(2,156,059)	(1,962,492)
		10,895,507	10,834,243

B. Industry Segment Turnover

	External		Intra-group		Group	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2002	2001
Coir	1,860,612	895,414	2,756,026			2,689,262
Rubber	1,782,826	370,742	2,153,568			1,845,874
Environment	1,652,325	28,398	1,680,723			1,727,258
Agriculture	306,838	77,120	383,958			272,487
Plantations	1,171,117	140,583	1,311,700			1,307,708
Transportation	687,713	-	687,713			624,422
Inland Marketing	3,288,431	311,766	3,600,197			3,907,891
Tourism	-	11,210	11,210			12,923
Management Services	145,645	320,826	466,471			408,910
	10,895,507	2,156,059	13,051,566			12,796,735
Intra-group sales			(2,156,059)			(1,962,492)
			10,895,507			10,834,243

C. Geographical Segment Turnover

	Group	
	2002	2001
	Rs. '000	Rs. '000
Asia (excluding Sri Lanka)	1,408,371	1,082,166
Australia	459,127	425,913
Europe	2,180,305	1,999,269
America	1,697,588	1,737,222
Africa	178,991	200,653
Sri Lanka	4,971,125	5,389,020
	10,895,507	10,834,243

2. DISCONTINUED OPERATION

The operations of Hayleys Docsolutions (Pvt) Ltd. have been discontinued as of 31st March 2002, due to non-viability. It was engaged in marketing office equipment. Its results which have been consolidated up to the date of discontinuance are reported under the Inland Marketing segment and are as follows:

	2002	2001
	Rs. '000	Rs. '000
Turnover	34,361	43,592
Loss from operations before tax	(9,604)	(412)

Provision has been made in the Financial Statements to recognise the permanent diminution in value of this investment.

A sum of Rs. 392,000 was shown in the Financial Statements for 2000/01 on account of discontinuation of Dutch Foliage Farm (Pvt.) Ltd.

3. OTHER OPERATING INCOME

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Government grants amortised	2,724	1,442	-	-
Net Income from investments - quoted - short term	1,900	3,284	1,789	3,205
- unquoted - long term	3	419	-	-
Profit from sale of property, plant & equipment	2,339	22,871	495	435
Profit from sale of investments - short term	18,670	1,014	18,670	902
Amortisation of surplus on acquisitions	35,958	41,523	-	-
	61,594	70,553	20,954	4,542

4. OTHER OPERATING EXPENSES

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Provision for fall in value of investments - short term	(4,980)	(148)	(4,520)	(329)
- long term	-	520	-	1,191
Intangible assets amortised	8,007	3,471	-	-
Pre-operational and deferred expenditure amortised	-	2,748	-	-
Pre-operational expenditure incurred	1,746	6,474	-	-
	4,773	13,065	(4,520)	862

5. VOLUNTARY RETIREMENT EXPENSES

During the year, several companies in the Group, including Hayleys Ltd., incurred expenditure amounting to Rs. 94.7 mn. under voluntary retirement schemes on staff reduction programmes in order to re-align and refocus certain selected business activities.

6. PROFIT FROM OPERATIONS**A. Industry Segment Profit from Operations**

	Group	
	2002 Rs. '000	2001 Rs. '000
Coir	337,836	350,637
Rubber	244,643	190,188
Environment	281,615	333,045
Agriculture	43,472	40,587
Plantations	59,373	140,637
Transportation	146,722	145,699
Inland Marketing	163,760	261,790
Tourism	(194)	(797)
Management Services	32,147	(23,036)
	1,309,374	1,438,750
Amortisation of surplus on acquisitions (Note 23)	35,958	41,523
	1,345,332	1,480,273

B. Geographical Segment Profit from Operations

	Group	
	2002 Rs. '000	2001 Rs. '000
Sri Lanka	1,186,723	1,324,370
Australia	10,965	3,142
Thailand	82,524	69,203
Bangladesh	(1,069)	489
Japan	2,751	4,388
Continental Europe	15,822	22,832
United Kingdom	11,658	14,326
	1,309,374	1,438,750
Amortisation of surplus on acquisitions (Note 23)	35,958	41,523
	1,345,332	1,480,273

C. Profit from Operations is stated after charging

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Directors' fees	1,186	1,335	23	24
Directors' emoluments	117,248	102,122	44,688	40,623
Auditors' fees and expenses (includes overseas subsidiaries)	6,847	6,023	175	120
Depreciation on property, plant & equipment	339,040	307,261	13,643	14,316
Retiring gratuity	131,839	124,282	30,769	29,471
Donations	1,767	2,432	103	70
Provision for bad and doubtful debts	34,926	991	-	-
Staff costs (Including retiring gratuity)	1,899,194	1,846,838	114,324	127,726
Legal fees	9,636	6,931	185	132

7. FINANCING COST

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Interest income	(52,962)	(51,985)	(4,831)	(1,133)
Interest on long term loans	117,335	109,201	41,195	30,957
Interest on short term loans	399,838	302,609	24,602	14,605
Interest on finance leases	17,865	28,188	-	-
Net foreign exchange losses/(gains)	(117,156)	(109,922)	-	-
Total financial expenses	417,882	330,076	65,797	45,562
	364,920	278,091	60,966	44,429

8. PROFIT FROM OPERATIONS AFTER FINANCING COST

Segment	Company	Group	
		2002 Rs. '000	2001 Rs. '000
Cair	Hayleys Exports Group	37,724	26,345
	Chas P. Hayley & Co. Ltd.	4,043	5,239
	Volanka Ltd.	51,328	16,072
	Volanka Exports Ltd.	75,570	52,565
	Toyo Cushion Lanka (Pvt.) Ltd.	27,833	39,695
	Ravi Industries Ltd.	34,252	48,710
	Rileys Ltd.	120,888	120,466
	Creative Polymats Ltd.	369	-
	HDV Plastics Ltd.	(321)	2,656
	Super Felt Ltd.	(1980)	-
	Haymat Ltd.	12,447	9,177
Rubber	Dipped Products Group	182,434	151,853
Environment	Haycarb Group	271,008	346,379
Agriculture	Sunfrost Ltd.	6,240	1,269
	CPH Agro Products Ltd.	(416)	(249)
	HJS Condiments Ltd.	22,138	15,526
	Dutch Foliage Farm (Pvt.) Ltd.	-	8,225
Plantations	Dipped Products Group	21,841	99,643
Transportation	Maritime Holdings Group	182,730	174,652
Inland Marketing	Haytech Marketing Ltd.	(9,110)	11,979
	Haychem Group	26,975	21,971
	Hayleys Agrocare Ltd.	8,049	8,040
	Hayleys Photoprint Group	(28,946)	14,994
	Coates (Lanka) Ltd.	10,419	8,808
	Oleo Essences and Perfumes Ltd.	253	(94)
	Hayleys Electronics Group	(27,511)	10,718
	Hayleys Engineering Ltd.	(3,085)	16,180
	Agro Technica Group	(11,026)	2,681
	Usha Industries Ltd.	(1,657)	(1,100)
	Haycolour Ltd.	3,091	850
Hayleys Textile Services Ltd.	(493)	2,308	
Tourism	Carbotels Group	(194)	(797)
Management Services	Hayleys Ltd.	209,172	145,582
	Volanka Insurance Services (Pvt.) Ltd.	416	1,407
	Dean Foster (Pvt.) Ltd.	10,252	6,989
	Haylex BV Group	21,445	29,260
	Infocraft Ltd.	(583)	-
		1,255,595	1,397,999
	Intra-group eliminations	(275,183)	(195,817)
		980,412	1,202,182

9. SHARE OF ASSOCIATE COMPANIES' PROFITS/(LOSSES) BEFORE TAX

Segment	Company	Group	
		2002 Rs. '000	2001 Rs. '000
Environment	Haycarb Group's Associates	(17,360)	(24,166)
Agriculture	Quality Seed Co. Ltd.	15,468	5,417
Plantations	Hayleys Plantation Services Ltd.	20,877	27,148
Transportation	New Wave and Kusuvara Colombo (Pvt.) Ltd.	489	-
Inland marketing	Diesel & Motor Engineering Group	10,812	33,477
Textiles	Hayleys-ADC Textiles Ltd.	5,986	12,341
	Hayleys-MGT Knitting Mills Ltd.	22,312	12,075
Tourism	Carbotel's Associates	(1,621)	23,853
Management	AIG Hayleys Investments Holdings (Pvt.) Ltd.	(4,906)	(4,351)
	WorldCall Telecommunications Lanka (Pvt.) Ltd.	(3,003)	(4,763)
		49,054	81,031

10. TAXATION
A. Income Tax Expense

	Group	
	2002 Rs. '000	2001 Rs. '000
Taxation on current year profits		
Hayleys Ltd.	-	-
Subsidiaries	245,802	246,533
Associates	11,766	21,160
	257,568	267,693
(Over)/ under provision in respect of previous years	1,366	1,215
	258,934	268,908
Deferred tax charge/(credit)	(4,207)	4,140
	254,727	273,048

The deferred tax liability of Hayleys Ltd. as at 31st March, 2002 amounts to Rs. 22.2 mn., of which Rs. 3.1 mn. has been provided for in the previous years. Additional provision has not been made during the year since the tax loss carried forward of Rs. 300 mn. is greater than the cumulative timing difference. Group companies provide for deferred tax at the effective income tax rates applicable to them.

B. Reconciliation of the Accounting Profit to Income Tax Expense

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Profit before tax	1,029,466	1,283,213	209,172	145,582
Intra-group eliminations	275,183	195,817	-	-
	1,304,649	1,479,030	209,172	145,582
Disallowable expenses	486,427	438,229	50,325	57,161
Tax deductible expenses	(438,322)	(437,553)	(43,350)	(24,957)
Tax exempt income	(547,276)	(424,508)	(263,346)	(219,471)
Tax loss brought forward	(650,861)	(585,514)	(252,745)	(211,060)
Tax loss carried forward	795,409	650,861	299,944	252,745
Taxable income	950,025	1,120,545	-	-
Income tax @ 35%	110,653	170,913	-	-
Income tax @ 15%	77,819	87,471	-	-
Income tax at other tax rates	42,554	26,456	-	-
Tax credit of 5%	(11,511)	(17,147)	-	-
Surcharge @ 20%	38,053	-	-	-
Charge to the Income Statement	257,568	267,693	-	-
(Over)/under provision in respect of previous years	1,366	1,215	-	-
	258,934	268,908	-	-
Deferred tax charge/(credit)	(4,207)	4,140	-	-
Income tax expense	254,727	273,048	-	-

- C.** Hayleys Ltd. and other local companies within the Group, excluding those which are enjoying a tax holiday or concessionary rate of taxation as referred to below are liable to income tax at 35% and a surcharge of 20% thereon.

In terms of Section 45/47, 49 and 40 of the Inland Revenue Act, profits from qualifying exports, qualifying indirect exports and plantation management respectively enjoy a concessionary rate of tax of 15% and a surcharge of 20% thereon.

The overseas companies, namely, Haychem (Bangladesh) Ltd., Eurocarb Products Ltd., Haycarb Holding Australia Group, Haymark Inc., Carbokarn Ltd. and Haylex BV are liable to corporate tax at 35%, 33%, 33%, 34%, 30% and 40% respectively.

In computing the liability to income tax, the quoted companies in the Group including Hayleys Ltd. have taken cognisance of the 5% credit on tax payable in relation to statutory income from business.

D. Companies Enjoying Tax Holidays

HJS Condiments Ltd.	-	10 year tax holiday ending March 2004
Neoprex Ltd.	-	10 year tax holiday ending March 2008
Dipped Products Ltd.	-	10 year tax holiday ending March 2009
Venigros Ltd.	-	10 year tax holiday ending March 2009
Kinetics (Pvt.) Ltd.	-	10 year tax holiday ending March 2009
Grossart Ltd.	-	10 year tax holiday ending March 2010
Hayleys-MGT Knitting Mills Ltd.	-	15 year tax holiday ending March 2011
Hayleys-ADC Textiles Ltd.	-	15 year tax holiday ending March 2012

E. Investment Tax Allowance

The Group has taken credit for the investment tax allowance available on investments in "New" plant, machinery & equipment.

In the event any of the above assets are disposed of within three years, the investor shall be liable to an additional assessment of income tax on the relevant amount for the year of assessment 1999/2000 as set out below:

- A. Investment tax allowance claimed.
 B. Tax Liability in the event asset is disposed within 3 years.

Company	1999/2000	
	A Rs. '000	B Rs. '000
Haycarb Ltd.	12,197	4,269
Coates (Lanka) Ltd.	995	348
Hayleys Photoprint Ltd.	2,688	806
Hayleys Electronics Ltd.	1,772	620
Ravi Industries Ltd.	15,781	2,367
Agro Technica Ltd.	2,647	926
Eco Fibres Ltd.	1,271	191
Haychem Ltd.	3,099	1,085
Hayleys Electronics (Manufacturing) Ltd.	397	139
Haytech Marketing Ltd.	527	158
Toyo Cushion Lanka (Pvt.) Ltd.	7,695	1,154
Hayleys Electronics Lighting Ltd.	356	125
	<u>49,425</u>	<u>12,188</u>

11. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year. The previous year's figure has been accordingly adjusted for the rights issue made during the year.

	Group		Company	
	2002	2001	2002	2001
Profit attributable to ordinary shareholders (Rs. '000)	437,079	605,875	209,172	145,582
Weighted average number of ordinary shares (i)	39,749,260	39,168,000	39,749,260	39,168,000
Basic earnings per ordinary share (Rs.)	11.00	15.47	5.26	3.72
(i) Qualifying ordinary shares at beginning of the year			36,000,000	33,000,000
Effect of shares issued during the previous year			-	3,000,000
Effect of shares issued during the current year			3,749,260	3,168,000
Weighted average number of ordinary shares at the end of the year			39,749,260	39,168,000

- (ii) There were no potentially dilutive ordinary shares outstanding at any time during the year.

12. DIVIDENDS

	Company	
	2002 Rs. '000	2001 Rs. '000
Interim payable 17.5% (2000/01 - 15%)	70,000	54,000
Final proposed 17.5% (2000/01 - 20%)	70,000	72,000
	140,000	126,000
Dividend per ordinary share (in Rs.)	3.50	3.50

The dividends represent re-distribution of dividends received by the Company and based on Government's fiscal proposals for 2002, will not be subject to the 10% tax deduction.

13. PROPERTY, PLANT & EQUIPMENT**A. Group**

	Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	2002 Total	2001 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation:								
Gross book value								
At 1st April	1,494,519	998,505	991,930	1,726,097	181,800	554,022	5,946,873	5,527,029
Acquisition of subsidiary (i)	4,485	-	46,163	135,505	-	5,185	191,338	-
Effects of movement in foreign exchange	2,396	-	4,467	12,040	1,434	595	20,932	913
Additions	9,477	84,293	85,441	243,709	29,631	69,434	521,985	476,905
Disposals	(212)	-	(3,291)	(23,782)	(15,225)	(27,002)	(69,512)	(57,974)
At 31st March	<u>1,510,665</u>	<u>1,082,798</u>	<u>1,124,710</u>	<u>2,093,569</u>	<u>197,640</u>	<u>602,234</u>	<u>6,611,616</u>	<u>5,946,873</u>
Depreciation:								
At 1st April	53,514	106,493	200,397	855,315	111,288	330,400	1,657,407	1,388,156
Acquisition of subsidiary (i)	-	-	1,867	29,495	-	1,014	32,376	-
Effects of movement in foreign exchange	-	-	995	7,385	(870)	651	8,161	878
Charge	7,335	25,281	34,863	163,498	29,024	79,039	339,040	307,261
On disposals	-	-	-	(8,361)	(9,964)	(20,485)	(38,810)	(38,888)
At 31st March	<u>60,849</u>	<u>131,774</u>	<u>238,122</u>	<u>1,047,332</u>	<u>129,478</u>	<u>390,619</u>	<u>1,998,174</u>	<u>1,657,407</u>
Net book value at 31st March	<u>1,449,816</u>	<u>951,024</u>	<u>886,588</u>	<u>1,046,237</u>	<u>68,162</u>	<u>211,615</u>	<u>4,613,442</u>	<u>4,289,466</u>
Capital work-in-progress							98,897	106,327
Carrying value							<u>4,712,339</u>	<u>4,395,793</u>

(i) Acquisition of Kinetics (Pvt.) Ltd.

B. Company

	Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	2002 Total	2001 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation:							
Gross book value							
At 1st April	530,000	128,052	26,815	9,546	100,264	794,677	789,485
Additions	-	-	4,369	211	10,626	15,206	6,508
Disposals	-	-	-	(618)	(84)	(702)	(1,316)
At 31st March	<u>530,000</u>	<u>128,052</u>	<u>31,184</u>	<u>9,139</u>	<u>110,806</u>	809,181	794,677
Depreciation:							
At 1st April	-	19,324	20,175	5,484	70,748	115,731	102,698
Charge	-	3,249	1,307	908	8,179	13,643	14,316
On disposals	-	-	-	(618)	(50)	(668)	(1,283)
At 31st March	<u>-</u>	<u>22,573</u>	<u>21,482</u>	<u>5,774</u>	<u>78,877</u>	128,706	115,731
Net book value at 31st March	<u>530,000</u>	<u>105,479</u>	<u>9,702</u>	<u>3,365</u>	<u>31,929</u>	680,475	678,946
Capital work-in-progress						2,913	5,923
Carrying value						683,388	684,869

(i) Borrowing cost of Rs. 11,675,811 has been capitalised during the year under immature plantations. Total interest cost capitalised to date amounts to Rs. 107,457,959.

(ii) Group property, plant & equipment include capitalised finance leases. The carrying value of these assets are:

	Cost	Accumulated depreciation	Carrying value 2002	Group Carrying value 2001
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land	385,526	61,016	324,510	326,193
Mature/immature plantations	391,686	90,312	301,374	314,431
Buildings	91,830	36,960	54,870	56,881
Machinery & stores equipment	47,160	23,736	23,424	13,017
Motor vehicles	20,120	8,963	11,157	9,718
Total	<u>936,322</u>	<u>220,987</u>	715,335	720,240

(iii) Unexpired lease periods of land:

Kelani Valley Plantations Ltd.	44 years
Coates (Lanka) Ltd.	89 years
HJS Condiments Ltd.	91 years
Kinetics (Pvt.) Ltd.	96 years

- (iv) The value of land which has been revalued by independent qualified valuers is indicated below together with the last date of revaluation:

Company	Location	Written up by	
		2002 Rs. '000	2001 Rs. '000
Hayleys Ltd.	Deans Road and Foster Lane, Colombo 10 (31.3.1998)	523,023	523,023
Chas P. Hayley & Co. Ltd.	Galle (31.3.1993)	17,487	17,487
Ravi Industries Ltd.	Welisara (31.3.1995)	17,158	17,158
	Ekala (31.3.1995)	9,650	9,650
Haycolour Ltd.	Kalutara (31.3.1993)	1,006	1,006
Volanka Ltd.	Ekala (31.3.1995)	33,849	33,849
	Grandpass (31.3.1998)	252,970	252,970
Haycarb Ltd.	Wewelduwa (31.3.1992)	4,310	4,310
	Madampe Factory (31.3.1992)	543	543
Haychem Ltd.	Kottawa (31.3.1993)	3,914	3,914
Hayleys Exports Ltd.	Ekala (31.3.1995)	8,628	8,628
Palma Ltd.	Gonawala (31.3.1993)	425	425
Dipped Products Ltd.	Kottawa (31.3.1993)	4,380	4,380
		877,343	877,343
Revaluation reserve attributable to minority shareholders		(104,833)	(104,888)
Share of revaluation reserves of associate companies		50,862	54,666
		823,372	827,121

- (v) Land owned by the Group other than those mentioned above have been stated at cost as the appreciation in value is insignificant. Further information is provided on page 97. There are no tax implications or tax liabilities pertaining to revaluation of land.
- (vi) There has been no permanent fall in the value of property, plant & equipment which require a provision.
- (vii) Property, plant & equipment with a carrying value of Rs. 542,414,000 has been pledged as security for term loans obtained. The details are shown in Note 22.
- (viii) The carrying value of revalued land given above, had the said land been included at cost would amount to Rs. 27,745,000.

C. Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2002 were:
Capital expenditure contracted for which no provision is made in the financial statements. - **Rs. 16,186,000**
(Rs. 14,947,000). Capital expenditure approved by the Directors but not contracted for - **Rs. 789,078,000**
(Rs. 423,213,000).

14. INTANGIBLE ASSETS

	Group		
	Development Costs Rs. '000	Technology Transfer Rs. '000	Total Rs. '000
Cost			
At beginning of the year	17,014	-	17,014
On acquisition of subsidiary	-	14,262	14,262
Other acquisitions/internally developed	6,719	-	6,719
At end of the year	<u>23,733</u>	<u>14,262</u>	<u>37,995</u>
Amortisation			
At beginning of the year	6,942	-	6,942
Amortisation charge for the year	5,970	2,037	8,007
At the end of the year	<u>12,912</u>	<u>2,037</u>	<u>14,949</u>
Carrying Amount			
31st March 2002	<u>10,821</u>	<u>12,225</u>	<u>23,046</u>
31st March 2001	<u>10,072</u>	<u>-</u>	<u>10,072</u>

Technology transfer represents the value of technical expertise transferred by the foreign collaborators at the time of commissioning Kinetics (Pvt) Limited. The amount is being amortised over a period of five years.

15. INVESTMENTS

- A.** The following associate companies are consolidated as subsidiaries as control is exercised over their financial and operating policies in accordance with SLAS 26: Dipped Products Group, Coates (Lanka) Ltd., Volanka Ltd., Toyo Cushion Lanka (Pvt.) Ltd., HJS Condiments Ltd., Carbokarn Ltd. and Dean Foster (Pvt.) Ltd.

B. Company Investment in Subsidiaries

Investee	% Holding		2002	Movement	No. of Shares		Value Rs. '000	
	2002	2001			2001	2002	Movement	2001
Quoted investments								
Haycarb (Rs. 781 mn.)	68	68	20,029,484	2,245,497	17,783,987	43,436	741	42,695
Hayleys Exports (Rs. 161 mn.)	65	65	3,250,000	325,000	2,925,000	3,575	-	3,575
Hayleys Photoprint (Rs. 41 mn.)	73	69	2,914,910	161,400	2,753,510	22,508	2,261	20,247
Haytech Marketing (Rs. 34 mn.)	76	65	1,906,273	280,873	1,625,400	14,015	4,260	9,755
Dipped Products (Rs. 387 mn.)	35	35	6,445,612	-	6,445,612	83,919	-	83,919
Unquoted investments								
Haylex BV (DFL 1,000)	100	100	1,000	-	1,000	25,733	-	25,733
Hayleys Textile Services	100	100	300,000	-	300,000	3,000	-	3,000
Chas P. Hayley & Co.	100	100	999,790	-	999,790	673	-	673
Haychem	97	96	4,279,589	39,069	4,240,520	38,443	696	37,747
Ravi Industries	84	84	7,032,083	2,071	7,030,012	9,145	54	9,091
Agro Technica	93	93	2,329,900	-	2,329,900	15,549	-	15,549
Haycolour (Rs. 100 each)	60	60	36,000	-	36,000	3,600	-	3,600
Hayleys Agrocare	100	100	300,000	-	300,000	3,000	-	3,000
Hayleys Group Services	100	100	10,000	-	10,000	100	-	100
Hayleys Electronics (Rs. 100 each)	98	98	951,850	-	951,850	95,687	-	95,687
Dean Foster	49	49	5,882,353	-	5,882,353	9,904	-	9,904
Maritime Holdings Group	91	90	2,990,778	9,901	2,980,877	11,472	207	11,265
Balance carried forward						<u>383,759</u>	8,219	375,540

Investee	% Holding		No. of Shares			Value Rs. '000		
	2002	2001	2002	Movement	2001	2002	Movement	2001
Balance brought forward						383,759	8,219	375,540
Volanka Exports	1	-	43,603	43,603	-	203	203	-
Sunfrost	7	7	423,300	-	423,300	4,233	-	4,233
Rileys	11	11	480,000	-	480,000	2,000	-	2,000
Hayleys Nayer Interlinings	32	32	585,040	-	585,040	5,851	-	5,851
Usha Industries	99	81	2,662,601	2,500,000	162,601	53,818	25,000	28,818
Coates (Lanka)	43	43	537,500	-	537,500	3,225	-	3,225
Volanka (Rs. 1,000 each)	46	46	6,440	-	6,440	23,107	-	23,107
Dutch Foliage Farm (Rs. 100 each)	36	36	30,102	-	30,102	5,014	-	5,014
Toyo Cushion Lanka	15	14	1,004,649	18,901	985,748	7,771	278	7,493
Haytex	39	39	1,435,000	-	1,435,000	14,350	-	14,350
Haytex (Preference shares)	100	100	500,000	-	500,000	5,000	-	5,000
Hayleys Engineering	100	100	1,400,000	-	1,400,000	14,000	-	14,000
Hayleys Produce Marketing	100	100	250,000	-	250,000	2,532	-	2,532
Carbotels	65	65	22,790,520	-	22,790,520	247,905	-	247,905
HJS Condiments	6	6	455,359	91,072	364,286	4,590	911	3,679
Infocraft	100	-	10,000	10,000	-	100	100	-
Company investment in subsidiaries (at cost)						777,458	34,711	742,747
Provision for fall in value of investment made by the Company								
Dutch Foliage Farm (i)						(1,191)		(1,191)
Haytex Ltd. (ii)						(19,350)		(19,350)
Hayleys Nayer Interlinings Ltd. (ii)						(5,851)		(5,851)
Company investment in subsidiaries						751,066		716,355

(i) Operation was discontinued in March 2001.

(ii) Operations were discontinued in October 1996.

(iii) Country of incorporation of overseas subsidiaries are given on page 44.

Class of shares refer to ordinary shares of Rs. 10 each unless otherwise stated.

Amounts stated within brackets correspond to market value as at 31st March, 2002.

C. Company/Group Investment in Associates

Investor	Investee	% Holding		No. of shares			Value Rs. '000		
		2002	2001	2002	Movement	2001	2002	Movement	2001
Quoted investments									
Hayleys	Diesel & Motor Engineering Co. (Rs. 50 mn.)	28	28	1,662,426	-	1,662,426	32,515	-	32,515
Unquoted investments									
Hayleys	AIG Hayleys Investment Holdings	20	20	1,930,137	-	1,930,137	19,371	-	19,371
	Quality Seed Co. ('A' Class)	24	24	588,000	-	588,000	1,960	-	1,960
	Hayleys-ADC Textiles	-	19	-	(3,196,408)	3,196,408	-	(40,037)	40,037
	Hayleys-MGT Knitting Mills	23	27	5,687,768	2,299,180	3,388,588	80,099	40,037	40,063
	Hayleys Shangkalpam Apparels (i)	12	12	220,543	-	220,543	-	-	-
	Hayleys Plantation Services	33	33	6,700,000	-	6,700,000	67,000	-	67,000
	WorldCall Telecommunications	18	20	1,271,374	671,374	600,000	12,714	6,714	6,000
Company investment in associates (at cost) (Balance carried forward)							213,659	6,714	206,946

Investor	Investee	% Holding		No. of shares			Value Rs. '000		
		2002	2001	2002	Movement	2001	2002	Movement	2001
	Balance brought forward						213,659	6,714	206,946
Haycarb	Quality Seed Co. ('A' Class)	6	6	147,000	-	147,000	490	-	490
	Haymark Inc.	49	49	stock	-	stock	2,409	-	2,409
	Kinetics ('A' Class) (Rs. 50 each)	-	45	-	(1,613,582)	1,613,582	-	(88,292)	88,292
Carbotels	Hunas Falls Hotels (Rs. 23 mn.)	47	47	2,637,624	-	2,637,624	42,345	-	42,345
	Seashells Hotels (Rs. 100 each)	49	49	24,500	-	24,500	20,365	-	20,365
	Jetwing Hotels	40	40	20,000	-	20,000	21,217	-	21,217
	Tropical Villas	40	40	4,137,720	-	4,137,720	41,805	-	41,805
	Royal Heritage Hotel	50	50	905,000	-	905,000	9,500	-	9,500
	Eastern Hotels (Rs. 100 each)	42	27	55,433	43,206	12,227	13,113	4,448	8,665
	Lighthouse Hotel (Rs. 101 mn.)	24	23	10,938,099	459,999	10,478,100	88,130	3,025	85,105
	Negombo Hotels (Rs. 100 each)	30	30	60,000	-	60,000	127,794	-	127,794
Dean Foster	Diesel & Motor Engineering Co. (Rs. 0.7 mn.)	1	1	22,341	-	22,341	656	-	656
Haychem	Hayleys- ADC Textiles	-	4	-	(590,000)	590,000	-	(5,900)	5,900
	Hayleys Shangkalpam Apparels (i)	5	5	100,000	-	100,000	-	-	-
	Quality Seed ('A' Class)	20	20	500,000	-	500,000	5,000	-	5,000
	Hayleys - MGT Knitting Mills	2	-	424,387	424,387	-	5,900	5,900	-
Hayleys Photoprint	WorldCall Telecommunications	4	10	300,000	-	300,000	3,000	-	3,000
Maritime Holdings	Hayleys- ADC Textiles	-	5	-	(760,000)	760,000	-	(7,600)	7,600
	Hayleys- MGT Knitting Mills	4	4	1,016,668	546,668	470,000	12,300	7,600	4,700
	New Wave & Kusuhara, Colombo	30	30	195,000	-	195,000	1,950	1,950	-
Haytech Mktg.	Hayleys Shangkalpam Apparels (i)	16	16	300,000	-	300,000	-	-	-
	Hayleys- ADC Textiles	-	5	-	(860,000)	860,000	-	(8,600)	8,600
	Hayleys - MGT Knitting Mills	3	-	618,594	618,594	-	8,600	8,600	-
Hayleys Textile Services	Hayleys Shangkalpam Apparels (i)	8	8	150,000	-	150,000	-	-	-
Volanka Insurance Services	Hayleys Shangkalpam Apparels (i)	2	2	30,000	-	30,000	-	-	-
Group investment in associates (at cost)							618,233	(72,156)	690,389
Group share of associate companies retained assets									
Hayleys Plantation Services							101,970		94,823
Hayleys-ADC Textiles Ltd.							-		18,764
Hayleys-MGT Knitting Mills Ltd.							48,255		36,826
Diesel & Motor Engineering Group							148,997		144,470
Haycarb Group's Associates							15,894		(17,184)
Quality Seed Co. Ltd.							25,638		21,558
Carbotels Associates							37,551		61,926
AIG Hayleys Investment Holdings (Pvt.) Ltd.							(9,257)		(4,351)
WorldCall Telecommunications Lanka (Pvt.) Ltd.							(6,789)		(4,763)
New Wave and Kusuhara Colombo (Pvt.) Ltd.							2,573		-
Group investments in associates (equity basis)							983,065		1,042,458

(i) Operation was discontinued in October 1996. Full provision has been made for losses.

(ii) During the year, Hayleys-MGT Knitting Mills Ltd., acquired the entire issued ordinary share capital of Hayleys-ADC Textiles Ltd., by allotting its own shares in exchange for the shares held by the shareholders of Hayleys-ADC Textiles Ltd.

Amounts stated within brackets correspond to market values as at 31st March, 2002.

D. Other Long term Investments

Investor	Investment	Group	
		2002 Rs. '000	2001 Rs. '000
Hayleys Ltd.	Unquoted investments		
	Prudentia Investment Corporation Ltd.		
	4,215,000 shares	42,150	42,150
	Provision for fall in value of investment in Prudentia Investment Corporation Ltd.	(42,150)	(42,150)
	HTS Travels (Colombo) Ltd. - 12,900 shares	-	61
	AES Kelanitissa (Pvt) Ltd. - 8,710,301 shares	87,103	14,348
	AES Kelanitissa (Pvt) Ltd. - Share application made (i)	122,135	-
	Company total	209,238	14,409
	Quoted investments		
Dipped Products Ltd.	1,311,776 shares-Hayleys Ltd. (31.3.01 - 1,172,147) (Rs. 159 mn.)	73,376	71,281
	95,202 shares-Richard Pieris & Co. Ltd. (31.3.01 - 95,202) (Rs. 8.6 mn.)	5,197	5,197
Volanka Ltd.	1,065,902 shares-Hayleys Ltd. (31.3.01 - 952,446) (Rs. 129 mn.)	113,685	111,993
Dean Foster (Pvt.) Ltd.	1,221,503 shares-Hayleys Ltd. (31.3.01 - 1,091,158) (Rs. 148 mn.)	142,936	140,962
Toyo Cushion Lanka	122,656 shares - Hayleys Ltd. (31.3.01 - 109,601) (Rs. 15 mn.)	10,410	10,214
	Unquoted investments		
Dean Foster (Pvt.) Ltd.	Mega Transport	400	-
Hayleys Photoprint Ltd.	416,000 shares-CDIC Fund (2)	-	4,576
Maritime Holdings Group	Unit Trust (Rs. 2.4 mn.)	6,000	6,000
	Provision for fall in value of Unit Trust	(3,554)	(3,554)
	195,000 shares-New Wave & Kusuhara, Colombo (Pvt.) Ltd.	-	1,950
	25,000 shares-SLAFFA Cargo Services Ltd.	250	250
Carbotels Group	Ruhunu Hotels & Travels Ltd. - 140,000 shares of Rs. 10 each	707	707
Haycarb Group	1,000 shares in Placer Pacific (Pty.) Ltd. - A\$ 5 each	72	72
	2,000 shares in Ariadne Australia Ltd. - A\$ 0.5 each	3	3
	- Bonds	89	89
Hayleys Engineering	AES Kelanitissa (Pvt) Ltd. - 967,812 shares	9,678	1,594
	AES Kelanitissa (Pvt) Ltd. - Share application made (i)	13,571	-
		582,058	365,743

(i) Under the 'Equity Support Agreement' (ESA) entered into with AES Kelanitissa (Pvt) Ltd., the Company has together with Hayleys Engineering Ltd., contributed towards the 'Base Equity Commitment', an amount Rs. 135.7 mn by way of a share application permitted under such agreement. If the final project costs are less than the budgeted project costs, AES Kelanitissa (Pvt) Ltd., will repay the difference in an amount equal to such cost saving in accordance with the ESA.

In the opinion of the Directors the net realisable value of unquoted investments other than those investments for which provisions have been made are higher than their cost.

Class of shares refers to ordinary shares of Rs. 10 each unless otherwise stated.

Amounts stated within brackets correspond to market value as at 31st March, 2002, of quoted investments. In the opinion of the Directors any reduction in market value below the cost is considered to be of a temporary nature.

E. Inter-Company Shareholdings

Investor	Investee	% Holding		No. of Shares as at	
		2002	2001	2002	2001
Quality Seed Co.	Hayleys-ADC Textiles	-	1	-	60,000
	Hayleys - MGT Knitting Mills	-	-	43,158	-
Maritime Holdings Group	Hayleys Nayyer Interlinings	3	3	60,000	60,000
Haycolour	Hayleys Nayyer Interlinings	26	26	470,000	470,000
Volanka Insurance Services	Hayleys Nayyer Interlinings	1	1	6,202	6,202
Ravi Industries	Rileys	54	54	2,352,000	2,352,000
Dean Foster	Dipped Products	-	-	31,027	31,027
Haycarb	Dipped Products	8	8	1,487,268	1,487,268
Volanka	Dipped Products	-	-	39,145	39,145
Ravi Industries	Dipped Products	1	-	175,000	-
Dipped Products	Palma	100	100	4,000,000	4,000,000
	Grossart	100	100	4,200,000	4,200,000
	Venigros	61	61	4,840,000	4,840,000
	DPL Plantations	100	100	10,100,000	10,100,000
	Neoprex	100	100	4,000,000	4,000,000
	Dipped Products (Thailand) Ltd.	100	-	1,349,993	-
DPL Plantations	Kelani Valley Plantations	71	71	24,200,000	24,200,000
Volanka	Sunfrost	81	81	4,845,000	4,845,000
Agro Technica	Sunfrost	1	1	75,000	75,000
Hayleys Photoprint	Sunfrost	1	1	75,000	75,000
Maritime Holdings Group	Sunfrost	1	1	50,000	50,000
Hayleys Exports	Sunfrost	9	9	500,000	500,000
	Eco Fibres	100	100	1,500,000	1,500,000
	Toyo Cushion Lanka	15	15	1,015,602	1,015,602
	Bonterra Lanka	50	50	803,400	803,400
	Rileys	34	34	1,488,000	1,488,000
	HJS Condiments	13	13	946,429	757,143
	Toyo Cushion Lanka	3	3	169,267	169,267
	Toyo Cushion Lanka	21	21	1,455,832	1,455,832
	Agro Technica Marketing	100	100	100,000	100,000
	Hayleys Photoprint	3	3	129,859	129,859
	Volanka	28	28	3,920	3,920
Haycarb	Dutch Foliage Farm	21	21	17,815	17,815
Volanka	Dutch Foliage Farm	43	43	36,343	36,343
Dean Foster	Maritime Holdings Group	2	2	69,767	69,767
Dean Foster	Chas P. Hayley & Co.	1	1	80	80
	Haytech Marketing	1	1	21,800	21,800
Volanka	HJS Condiments	43	40	3,110,709	2,303,567
Toyo Cushion	Dean Foster	2	2	235,294	235,294
Quality Seed Co.	Hayleys Shangkalpam Apparels	8	8	150,000	150,000
Dean Foster	Haycarb	-	-	95,619	104,995
Rileys	Haymat	54	-	216,000	-
Chas P. Hayley & Co.	Haymat	-	54	-	216,000
	Hayleys Electronics	2	2	14,975	14,975
	CPH Agro Products	3	3	30,000	30,000
Volanka	CPH Agro Products	97	97	990,000	990,000
	Dean Foster	49	49	5,882,353	5,882,353
Rileys	Carbotels	5	5	1,880,357	1,880,357
	Dipped Products	1	-	184,500	9,500
Hayleys Photoprint	Hayleys Docsolutions	100	100	1,000,000	1,000,000
Hayleys Textile Services	Haycolour	40	-	24,000	-
Haylex B.V.	HJS Condiments	3	-	187,500	-
Hayleys - MGT Knitting Mills	Hayleys - ADC Textiles	100	-	16,727,273	-

(continued on page 84)

E. Inter-Company Shareholdings (continued from page 83)

Investor	Investee	% Holding		No. of Shares as at		
		2002	2001	2002	2001	
Haycarb	Eurocarb Products (£ 1- each)	100	100	100,000	100,000	
	Haycarb Holdings Australia (A\$ 1 - each)	100	100	150,000	150,000	
	Lignocell	100	100	8,100,000	8,100,000	
	Pelacco	100	100	3,400,000	3,400,000	
	Carbotels	30	30	10,440,000	10,440,000	
	Carbokarn Co. (100 Bhat, 72% paid-up)	50	50	250,000	250,000	
	Puritas	100	100	450,000	450,000	
	Recogen	100	-	400,000	-	
	Kinetics	91	45	3,729,793	1,613,582	
	Hayleys Electronics	Hayleys Electronics Manufacturing	100	100	500,000	500,000
		Hayleys Electronics Retailing	100	67	2,100,000	1,400,000
		Hayleys Electronics Lighting	100	100	600,000	600,000
		Usha	-	3	5,898	5,898
	Volanka Insurance Services	Haytex	1	1	16,202	16,202
Maritime Holdings Group	Haytex	6	6	230,000	230,000	
Haytech Marketing	Haytex	8	8	300,000	300,000	
Hayleys Textile Services	Haytex	12	12	440,000	440,000	
Haychem	Haytex	9	9	350,000	350,000	
Haycolour	Haytex	7	7	250,000	250,000	
Ravi Industries	Ravi Marketing	100	100	10,000	10,000	
	HDV Plastics	68	68	1,335,000	1,335,000	
Rileys	HDV Plastics	32	32	635,000	635,000	
Volanka	Volanka Exports	95	95	2,900,000	2,900,000	
	Volanka Insurance Services	100	100	50,000	50,000	
	Haychem Bangladesh (100 Taka)	100	100	10,000	10,000	
Volanka Exports	Oleo Essence & Perfumes	100	100	10,000	10,000	
Toyo Cushion	Super Felt	16	-	380,000	-	
Volanka Exports	Super Felt	16	-	380,000	-	
Hayleys Exports	Super Felt	16	-	380,000	-	
Ravi Industries	Super Felt	16	-	380,000	-	
Rileys	Super Felt	16	-	380,000	-	
Haycarb	Super Felt	16	-	380,000	-	
Rileys	Creative Polymats	100	-	2,500,000	-	

16. EMPLOYEES' SHARE TRUST LOAN

The Hayleys Ltd. Employees' Share Trust (administered by the Senior Partner of Messrs. Julius & Creasy, Attorneys-at-Law, the Senior Partner of Messrs. Ernst & Young, Chartered Accountants and a Non-Executive Director of Hayleys Ltd.) was set up by a special resolution adopted by the shareholders at an Extraordinary General Meeting of the Company. The Trust was allotted 2,400,000 ordinary shares of Rs. 10 each on February 9, 1998 at the market price of Rs. 210 per share, the payment for the shares being made by the Trustees from the proceeds of an interest free loan of Rs. 504 mn. granted by the Company. This loan is repayable by the Trustees utilising part of the net income of the Trust.

	Company	
	2002 Rs. '000	2001 Rs. '000
At beginning of the year	503,104	503,607
Repayments during the year	(552)	(503)
At end of the year	502,552	503,104

17. INVENTORIES

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Raw materials & consumables	1,101,943	829,289	292	359
Produce stocks	180,831	198,493	-	-
Nurseries	7,948	7,480	-	-
Work-in-progress	106,228	110,678	-	-
Finished goods	748,657	868,466	-	-
Goods-in-transit	35,037	58,640	-	-
	2,180,644	2,073,046	292	359
Provision for unrealised profit and write-down of inventories	(52,751)	(44,850)	-	-
	2,127,893	2,028,196	292	359

- (i) Cost of inventories recognised as expenses during the year amounted to Rs. 7,335,785,000.
- (ii) Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs. 336,607,000.
- (iii) Carrying amount of inventories carried at net realisable value amounted to Rs. 6,211,000.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Trade receivables	1,719,386	1,444,955	-	-
Provision for bad and doubtful debts	(78,710)	(43,784)	-	-
	1,640,676	1,401,171	-	-
Bills receivable	772,658	1,239,855	-	-
Advances made under employee share ownership schemes	14,205	23,106	-	-
Debtors, payments in advance, deposits and employee loans (i)	445,227	355,674	5,562	4,868
	2,872,766	3,019,806	5,562	4,868

- (i) Loans to employees (Over Rs. 20,000 included above)

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
At beginning of the year	11,664	3,396	597	790
Loans granted during the year	26,735	22,313	320	73
	38,399	25,709	917	863
Repaid during the year	(16,512)	(14,045)	(338)	(266)
At end of the year	21,887	11,664	579	597

Loans over Rs. 20,000 were granted to 187 employees within the Group.

- (ii) No loans have been given to the Directors of the Company.

19. SHORT TERM INVESTMENTS

Investor	Investee	No. of Shares	Market Value		Cost
			2002 Rs. '000	2002 Rs. '000	2001 Rs. '000
Hayleys Ltd.	Asia Capital Ltd.	81,400	570	2,106	2,106
	Aitken Spence Hotel Holdings Ltd.	5,016	102	294	294
	ACL Cables Ltd.	20,825	666	2,088	2,088
	Asiri Hopitals Ltd.	8,285	174	92	92
	Bairaha Farms Ltd.	8,000	70	190	190
	Blue Diamond Jewellery Worldwide Ltd.	33,260	100	990	990
	Central Industries Ltd.	3,000	91	321	321
	Ceylinco Insurance Co. Ltd.	33,264	865	1,024	1,024
	Ceylinco Securities & Financial Services Ltd.	11,700	79	260	260
	Ceylon Cold Stores Ltd.	84	5	2	1,242
	Ceylon Holiday Resorts Ltd.	1,200	31	88	88
	Eagle Insurance Co. Ltd.	4,533	209	250	250
	DFCC Bank Ltd.	7,371	826	1,943	1,943
	Distilleries Co. of Sri Lanka Ltd.	59,100	458	547	547
	Colombo Fort Land & Building Co. Ltd.	25,200	76	771	771
	Kelani Tyres Ltd.	8,600	52	214	214
	Lanka Ceramic Ltd.	1,800	30	118	118
	Lanka Orix Leasing Co. Ltd.	2,376	121	257	257
	Lanka Tiles Ltd.	7,920	309	286	286
	Mercantile Leasing Co. Ltd.	8,400	109	499	499
	Merchant Bank of Sri Lanka Ltd.	19,400	112	1,284	1,284
	National Development Bank Ltd.	9,660	469	1,718	1,691
	People's Merchant Bank Ltd.	1,300	12	26	26
	Richard Pieris & Co. Ltd.	-	-	-	36,980
	Royal Ceramics Ltd.	27,000	459	1,357	1,357
	Seylan Bank Ltd.	13,090	280	407	407
	Three Acre Farms Ltd.	18,100	158	841	841
	Union Assurance Ltd.	22,500	956	824	824
	Vanik Incorporation Ltd. - voting	31,500	95	1,218	1,218
	Riverina Hotels Ltd. - debentures	320	-	3	3
Eagle Insurance Co. Ltd. - debentures	4,984	52	50	50	
Company Total			7,536	20,068	58,261
Provision for fall in value of investments				(12,532)	(17,052)
Company Total (Balance carried forward)			7,536	7,536	41,209

(continued on page 87)

19. SHORT TERM INVESTMENTS (continued from page 86)

Investor	Investee	No. of Shares	Market Value		Cost
			2002 Rs. '000	2002 Rs. '000	2001 Rs. '000
Balance brought forward			7,536	7,536	41,209
Dean Foster (Pvt.) Ltd.					
	ACL Cables Ltd.	2,275	75	82	82
	Aitken Spence Hotel Holdings Ltd.	583	12	18	18
	Asia Capital Ltd.	1,650	12	15	15
	Asiri Hospital Ltd.	855	18	9	9
	Bairaha Farms Ltd.	900	8	18	18
	Blue Diamond Jewellery Worldwide Ltd.	3,813	10	60	60
	Central Industries Ltd.	300	9	24	24
	Ceylinco Insurance Co. Ltd.	3,762	100	61	61
	Ceylinco Securities & Financial Services Ltd.	1,300	9	12	12
	Ceylon Cold Stores Ltd.	7,320	414	220	220
	Ceylon Holiday Resorts Ltd.	200	5	6	6
	Colombo Fort Land & Building Co. Ltd.	2,800	8	27	27
	Eagle Insurance Co. Ltd.	533	25	27	27
	DFCC Bank Ltd.	840	94	211	211
	Distilleries Co. of Sri Lanka Ltd.	5,500	45	36	36
	Kelani Tyres Ltd.	1,000	6	11	11
	Lanka Ceramic Ltd.	200	3	10	10
	Lanka Orix Leasing Co. Ltd.	264	13	16	16
	Lanka Tiles Ltd.	864	36	26	26
	Mega Transport Services Ltd.	-	-	-	400
	Mercantile Leasing Co. Ltd.	900	12	27	27
	Merchant Bank of Sri Lanka Ltd.	2,100	12	44	44
	National Development Bank Ltd.	1,050	55	128	123
	People's Merchant Bank Ltd.	8,800	85	176	176
	Royal Ceramics Ltd.	2,700	48	79	79
	Seylan Bank Ltd.	1,300	28	40	40
	Shaw Wallace & Hedges Ltd.	8,800	300	523	523
	Three Acre Farms Ltd.	2,000	18	91	91
	Union Assurance Ltd.	2,550	110	86	86
	Vanik Incorporation Ltd. - voting	7,500	22	124	124
	- debentures	4,000	132	400	400
	- non-voting	5,000	13	50	50
	- debenture warrants	4,000	-	-	-
	Riverina Hotels Ltd. - debentures	80	-	1	1
	Eagle Insurance Co. Ltd. - debentures	345	7	6	6
			9,280	10,200	44,268
	Provision for fall in value of investments			(920)	(1,380)
			9,280	9,280	42,888

20. SHARE CAPITAL

	Company	
	2002 Rs. '000	2001 Rs. '000
Authorised		
50,000,000 (31.03.2001 - 50,000,000) ordinary shares of Rs. 10 each	500,000	500,000
Issued & fully paid - ordinary shares of Rs. 10 each		
At beginning of the year - 36,000,000 (1.4.2000 - 33,000,000)	360,000	330,000
Rights issue - 4,000,000 (2000/01 - 3,000,000)	40,000	30,000
At end of the year - 40,000,000 (31.3.2001 - 36,000,000)	400,000	360,000

A rights issue of one share for every nine shares (2000/01 - one share for every eleven shares) held was made during the year.

21. OTHER CAPITAL RESERVES & RETAINED EARNINGS

A. Other Capital Reserves

Group

	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Capital redemption reserve fund	Debenture redemption reserve fund	Reserve on amalgamation	Legal reserve	Total
Balance as at 1st April 2000	109	11,750	47,613	1,970	1,047	5,249	-	67,738
Changes in equity holdings	-	-	22	-	-	-	-	22
Transfers	-	-	-	-	-	-	2,375	2,375
Balance as at 31st March 2001	109	11,750	47,625	1,970	1,047	5,249	2,375	70,135
Changes in equity holdings	-	(172)	(752)	-	-	-	52	(872)
Transfers	-	-	-	-	-	-	752	752
Balance as at 31st March 2002	109	11,578	46,883	1,970	1,047	5,249	3,179	70,015

Company

Balance as at 1st April 2000	109	11,750	320	-	1,047	-	-	13,226
Transfers	-	-	-	-	-	-	-	-
Balance as at 31st March 2001	109	11,750	320	-	1,047	-	-	13,226
Transfers	-	-	-	-	-	-	-	-
Balance as at 31st March 2002	109	11,750	320	-	1,047	-	-	13,226

B. Retained Earnings

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Holding Company	60,107	20,935	60,107	20,935
Subsidiaries	1,062,308	1,021,841	-	-
Associates	116,243	78,716	-	-
	1,238,658	1,121,492	60,107	20,935

22. INTEREST BEARING LOANS AND BORROWINGS

	Group	
	2002 Rs. '000	2001 Rs. '000
A. Finance Lease Obligations		
At beginning of the year	887,865	917,164
New leases obtained	3,624	1,798
	891,489	918,962
Repayments	(25,979)	(31,097)
At end of the year	865,510	887,865
Finance charges unamortised	(454,637)	(471,820)
Net lease obligations (i)	410,873	416,045
Transferred to current liabilities (payable within one year - Note 27)	(10,138)	(9,339)
	400,735	406,706

- (i) Rs. 401,015,000 relates to Kelani Valley Plantations Ltd's net liability, (at a discount rate of 4%) to the Government of Sri Lanka (Lessor) in respect of estate leases. The annual lease rental of Rs. 19,598,000 (before adjusting the GDP deflator) would continue until year 2045.
- (ii) GDP deflator element of Rs. 10,623,544/- in the lease rent (which is treated as a contingent rental) has been charged to the Income Statement.

	Group	
	2002 Rs. '000	2001 Rs. '000
B. Debentures		
At beginning of the year	50,000	-
Debentures issued during the year (ii)	-	50,000
Repayments during the year	(10,000)	-
At end of the year	40,000	50,000
Transferred to current liabilities (repayable within one year)	(10,000)	(10,000)
	30,000	40,000

- (ii) 500,000 unquoted debentures, secured on property was issued to DFCC Bank Ltd. by Haycarb Ltd. to finance its working capital requirements at 0.5% above AWPR. These are redeemable semi annually in equal instalments over 5 years from April 2001.

	Group	
	2002 Rs. '000	2001 Rs. '000
C. Long Term Loans repayable after one year (Note D)		
At beginning of the year	725,293	798,813
On acquisition of subsidiary	43,300	-
New loans obtained (iii)	398,883	325,808
	1,167,476	1,124,621
Repayments	(420,739)	(399,328)
At end of the year	746,737	725,293
Transferred to current liabilities (repayable within one year)	(112,549)	(102,562)
	634,188	622,731
Total non-current interest bearing borrowings	1,064,923	1,069,437

- (iii) Hayleys Ltd., Ravi Industries Ltd., Volanka Ltd., Rileys Ltd., HJS Condiments Ltd., Hayleys Electronics Group, Sunfrost Ltd., Toyo Cushion Ltd., and Super Felt Ltd. have obtained loans during the year amounting to Rs. 250 mn., 17.883 mn., 32.5 mn., 15 mn., 8.5 mn., 40 mn., 4 mn., 15 mn., and 16 mn. respectively.

D. Long Term Loans repayable after one year

<u>Company</u>	<u>Lender/rate of interest (p.a.)</u>	<u>2002 Rs. '000</u>	<u>2001 Rs. '000</u>	<u>Repayment</u>	<u>Security</u>
Hayleys Ltd.	DFCC Bank (DFCC) 0.5% above AWPR	-	200,000	April 2002	Promissory note
	DFCC 15.25%	100,000	-	8 equal semi - annual installments, from July 2003	Primary mortgage of 5 mn Haycarb shares
	DFCC 13.5%	100,000	-	April 2003	None
Hayleys Electronics Ltd.	Commercial Bank Prime lending rate + 1/2%	24,135	-	Equal monthly instalments over 4 years, from September 2001	Mortgage over land and buildings
HJS Condiments Ltd.	DFCC 17%	2,100	3,900	Equal monthly instalments over 4 1/2 years, from June 1999	Mortgage over land and building
	Sanyo Food 3.2% (Japanese Yen 26 mn.)	8,284	15,073	Equal semi - annual instalments over 3 years, from April 2001	Promissory note
	NDB 8.5%	5,817	-	Equal monthly instalments over 3 years, from October 2001	Mortgage over machinery
Carbokarn Co. Ltd.	Thai Farmers' Bank Thailand 9.25% - 11.75% (Thai Baht 7.6 mn.)	278	10,737	Monthly instalments over 5 years from October 1999	Mortgage over property
Ravi Industries Ltd.	DFCC 15.5%	1,500	4,500	Equal monthly instalments over 5 years, from September 1998	Mortgage over plant & machinery.
	NDB 8.5%	11,135	-	Monthly instalments over 4 years, from June 2001	Same as above
Haycarb Holding Australia (Pty.) Ltd.	ANZ Grindlays 9.17% (AUD 179,280)	8,504	8,227	Equal monthly instalments payable over 15 years	Mortgage over machinery
Toyo Cushion Lanka (Pvt) Ltd.	NDB TB rate +3%	-	670	Equal monthly instalments over 5 years, from September 1997	Mortgage over machinery
	NDB TB rate +3%	4,368	6,864	Equal monthly instalments over 4 years, from January 2001	same as above
	NDB 8.5%	10,275	-	Equal monthly instalments over 4½ years, from November 2001	Primary mortgage over land and premises
Balance carried forward		276,396	249,971		

(continued on page 91)

D. Long Term Loans repayable after one year (continued from page 90)

Company	Lender/rate of interest (p.a.)	2002 Rs. '000	2001 Rs. '000	Repayment	Security
Balance brought forward		276,396	249,971		
DPL Plantations Ltd.	NDB 16%	14,437	34,750	26 quarterly instalments, from September 1997	Corporate guarantee given by Dipped Products Ltd.
Kelani Valley Plantations Ltd.	NDB 16%	82,141	91,440	Equal monthly instalments over 10 years, from November 2001	Primary mortgage over leasehold rights of plantations
	NDB 11.7%	124,358	134,777	Equal monthly instalments over 10 years, from September 2003	Same as above
	Seylan Bank 13.27%	48,350	48,350	Equal monthly instalments over 10 years, from October 2005	Same as above
Venigros Ltd.	DFCC 16.5%	-	555	Equal monthly instalments over 9 years, from July 1993	Primary mortgage over land, building and machinery
Rileys Ltd.	DFCC 15%	-	4,000	Equal monthly instalments over 5 years, from April 1998	Mortgage over land and building
	NDB 8%	11,250	-	Equal monthly instalments over 5 years, from January 2002	Mortgage over building and Machinery
Super Felt Ltd.	NDB 8.5%	16,000	-	Equal monthly instalments, over 7 years, from April 2003	Mortgage over machinery and a corporate guarantee given by Toyo Cushion Lanka (Pvt) Ltd.
Volanka Ltd.	NDB 22.75%	-	50,000	Full payment on 19.07.2002	None
	DFCC 16.5%	1,667	8,888	Equal monthly instalments over 3 years, from June 2000	None
	HNB 15%	22,500	-	Half yearly instalments over 3 years, from March 2002	None
Kinetics (Pvt) Ltd.	DFCC 18%	30,023	-	Monthly instalments on the reducing balance over 5 years, from April 2003	Mortgage over land, plant & machinery.
	DFCC 19%	4,000	-	Monthly instalments on the reducing balance over 5 years, from April 2003	Same as above
Sunfrost Ltd.	NDB 8.5%	3,066	-	Equal monthly instalments over 5 years, from January 2002	Mortgage over property and a corporate guarantee from Volanka Ltd.
		634,188	622,731		

E. Analysis of Long Term Loans by year of repayment

	2002 Rs. '000	2001 Rs. '000
Long term loans repayable between 1 and 2 years	217,111	326,369
Long term loans repayable between 2 and 5 years	258,800	113,551
Long term loans repayable after 5 years	158,277	182,811
	634,188	622,731

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
B. Retirement Benefits to Employees	3,607	3,607	342	342
	709,802	672,953	121,876	117,784

26. BANK BORROWINGS

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Rupees	2,295,178	1,995,260	127,511	12,989
Australian Dollars	3,853	4,130	-	-
Bangladesh Taka	5,558	-	-	-
	2,304,589	1,999,390	127,511	12,989

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2002 Rs. '000	2001 Rs. '000	2002 Rs. '000	2001 Rs. '000
Trade payables	528,935	726,232	-	-
Bills payable	273,558	263,529	-	-
Other payables including accrued expenses	570,649	537,931	36,409	30,271
Unclaimed dividends	23,190	12,833	9,617	8,330
	1,396,332	1,540,525	46,026	38,601
Finance lease obligations (Note 22 A)	10,138	9,339	-	-
	1,406,470	1,549,864	46,026	38,601

28. CONTINGENT LIABILITIES AND COMMITMENTS**A. Contingent Liabilities**

Contingent liabilities as at 31st March, 2002 on account of bills discounted amounted to **Rs. 56,780,181** (31st March, 2001 - Rs. 72,669,152) as follows:

Dipped Products Group	Rs. 46,718,181
Volanka Exports Ltd.	Rs. 10,062,000
	Rs. 56,780,181

The contingent liability as at 31st March, 2002 on guarantees given by Hayleys Ltd. to third parties amounted to **Rs. 355,920,000**. Of this sum **Rs. 348,170,000** and **Rs. 7,750,000** relate to facilities obtained by subsidiaries and associates, respectively.

B. Commitments

In terms of the 'Equity Support Agreement' entered into in respect of the AES Power Project, Hayleys Limited has undertaken the following:-

- Guarantee the Standby Letter of Credit of US\$ 700,000 for the contingent equity in the AES Power Project.
- Guarantee the Standby Letter of Credit of US\$ 100,000 for the guarantee fees payable by AES Kelanitissa (Pvt.) Ltd., under the agreement with Asian Development Bank.

29. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		Year end	
	2002	2001	2002	2001
U.S. Dollar	90.28	77.10	93.17	82.78
Australian Dollar	46.20	44.34	47.57	45.89
Pound Sterling	130.05	119.11	135.10	124.11
Dutch Guilder	36.67	32.07	37.50	34.90
Thai Baht	2.04	1.92	2.11	1.91
Bangladesh Taka	1.60	1.39	1.78	1.41

30. INDUSTRY SEGMENT INFORMATION

A.

	Total assets		Investments in associates		Non-interest bearing Liabilities					
					Deferred taxation		Retirement benefit obligations		Trade and other payables	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Coir	1,919,404	1,758,861	-	-	24,216	31,135	94,039	76,315	108,693	114,849
Rubber	1,883,473	1,534,530	-	-	25,474	25,474	53,748	45,339	115,991	91,086
Environment	1,957,439	1,737,524	18,303	73,517	22,288	20,375	28,949	21,256	179,016	109,297
Agriculture	256,972	190,346	33,088	29,008	-	-	4,254	3,432	24,484	19,458
Plantations	1,889,611	1,809,538	168,970	161,823	41,282	41,282	285,859	284,896	110,486	125,886
Transportation	866,714	882,862	4,523	-	3,349	6,154	51,151	40,540	331,067	397,341
Inland marketing	1,676,684	1,835,609	182,168	177,641	19,301	15,697	66,803	79,893	407,635	418,774
Textiles	-	-	155,154	162,490	-	-	-	-	-	-
Tourism	16,710	11,224	401,820	418,722	-	-	-	-	123	608
Management services	1,967,479	1,917,988	19,039	19,257	3,100	3,100	124,999	121,282	118,837	263,226
	12,434,486	11,678,482								
Investments in associates	983,065	1,042,458								
Total	13,417,551	12,720,940	983,065	1,042,458	139,010	143,217	709,802	672,953	1,396,332	1,540,525

B.

	Capital expenditure		Depreciation		Amortisation of preliminary, pre-operational and deferred expenditure	
	2002	2001	2002	2001	2002	2001
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Coir	144,945	103,695	49,066	42,240	-	253
Rubber	44,263	64,091	66,692	65,549	-	1,446
Environment	68,123	50,590	63,976	50,246	-	-
Agriculture	38,415	11,468	10,747	8,763	-	-
Plantations	121,282	129,914	63,838	59,162	-	-
Transportation	59,817	69,303	28,652	27,361	-	1,049
Inland marketing	23,797	43,003	40,502	38,693	-	-
Tourism	-	-	-	-	-	-
Management services	13,913	13,653	15,567	15,247	-	-
Total	514,555	485,717	339,040	307,261	-	2,748

C.

	Cash Flows					
	2002			2001		
	Operating	Investing	Financing	Operating	Investing	Financing
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Coir	313,638	(97,869)	(109,709)	206,857	(72,934)	(120,929)
Rubber	162,875	(62,964)	(67,744)	159,058	(99,991)	(51,040)
Environment	250,094	(102,711)	(113,294)	130,419	(32,275)	(91,811)
Agriculture	(3,709)	(34,824)	11,152	(34,377)	6,104	14,175
Plantations	86,070	(78,955)	(26,575)	47,534	(88,495)	35,080
Transportation	57,861	(64,016)	(11,550)	133,803	(41,888)	(65,020)
Inland marketing	112,830	(32,997)	(6,671)	(16,511)	(32,931)	1,349
Tourism	(7,295)	5,782	-	(797)	(2,246)	6,316
Management services	172,574	(184,613)	(66,000)	130,948	(93,313)	(76,100)
	1,144,938	(653,167)	(390,391)	756,934	(457,969)	(347,980)
Intra-segment cash flows	(330,553)	(61,708)	284,421	(237,984)	(14,567)	252,551
	814,385	(714,875)	(105,970)	518,950	(472,536)	(95,429)

The above information in respect of geographical segments was considered not material to be disclosed as explained in the respective Accounting Policy.

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

An approval for de-listing of Hayleys Photoprint Ltd., shares from the official list of the Colombo Stock Exchange was obtained in May 2002. In compliance with the applicable de-listing rules, Hayleys Ltd., has offered to purchase shares of Hayleys Photoprint Ltd., from shareholders who wish to sell, at a price of Rs. 16/- per share.

An application has been made to the Securities Exchange Commission of Sri Lanka seeking approval for de-listing of Haytech Marketing Ltd., shares from the official list of the Colombo Stock Exchange. Upon approval being granted, Hayleys Ltd. has offered to purchase shares of Haytech Marketing Ltd., from shareholders who wish to sell, at a price of Rs. 18/- per share.

32. COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The financial statements of AIG Hayleys Investment Holdings Pvt Ltd., Haylex BV, Holland, Volanka Insurance Services (Pvt) Ltd., Talawakelle Plantations Ltd., Haychem Bangladesh Ltd., Kelani Valley Plantations Ltd., and Carbokarn Co. Ltd. Thailand, which have been drawn up to 31st December as per their reporting requirements have been consolidated.

The financial years of WorldCall Telecommunications Lanka (Pvt) Ltd., Haycarb Holdings Australia Group, Australia and Haymark Inc., U.S.A., end in June as per their requirements. These Companies have been consolidated based on the financial statements drawn up to 31st December in compliance with SLAS 26.

33. ACQUISITION OF SUBSIDIARY

On 1st October 2001, the Group acquired a controlling interest in Kinetics (Pvt) Ltd. and included in the consolidated Financial Statements from that date. The acquisition was accounted using the purchase method of consolidation.

	Group
	2002
	Rs. '000
Property, plant & equipment	158,967
Technology transfer	14,262
Inventories	33,753
Trade and other receivables	7,539
Bank borrowings	(8,905)
Trade and other payables	(79,539)
Long term borrowings	(43,300)
	82,777
Minority shareholders' interest	(7,450)
Share of net assets equity accounted	(37,859)
Negative goodwill acquired	(5,460)
Total	32,008
Satisfied by:	
Cash consideration	32,008
Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiary	
Cash consideration	(32,008)
Cash at bank and in hand acquired	(8,905)
Net cash outflow on acquisition	(40,913)

34. DIRECTORS' INTERESTS IN CONTRACTS

- A.** Companies within the Group engage in trading transactions under normal commercial terms. The names of Directors of Hayleys Ltd., who also hold directorates in subsidiary and associate companies are stated on pages 100 and 101. Hayleys Ltd., provides office space to its subsidiary and associate companies. Rent charged to subsidiaries and associate companies during the year amounts to Rs. 66,920,195 and Rs. 5,955,723 respectively. Hayleys Ltd. incurs common expenses such as export shipping, secretarial, data processing, personnel and administration. Such costs are allocated to subsidiaries and associates companies. In this regard an amount of Rs. 122,019,132 and Rs. 16,838,600 has been allocated to subsidiary and associate companies respectively during the year.
- B.** During the year, payments amounting to Rs. 482,273, Rs. 4,523,485, Rs. 49,577 and Rs. 17,000 were made to Hayleys Photoprint Ltd., Hayleys Engineering Ltd., Hayleys Electronics Ltd. and Hayleys Electronics (Retailing) Ltd., respectively, for the supply of goods and services.
- C.** The undermentioned Directors of Hayleys Ltd. have entered into contracts for leasing of the following residential premises to the following companies in the Group:

Lessor	Premises	Lessee	Monthly Rental Rs.
S. Mendis	32, Shady Grove Avenue, Castle Street, Colombo 8.	Hayleys Ltd.	1,300
R. Yatawara	39, Kaviratne Place, Colombo 6.	Haycarb Ltd.	2,500
N.G. Wickremeratne	26 E-3, Pasal Mawatha, Battaramulla.	Dipped Products Ltd.	2,500
R.A. Ebell	15/8, Nuwarawatte Place, Nawala.	Haytech Marketing Ltd.	1,025
A.M. Pandithage	11/3, Sri Sunandharama Road, Kalubowila, Dehiwela.	Maritime Holdings Ltd.	2,500
P.S.P.S. Perera	351, Hokandara Road, Akuregoda, Thalangama South, Battaramulla.	Ravi Industries Ltd.	1,376

- D.** The companies within the Group have obtained banking facilities from Bank of Ceylon in the ordinary course of business.

Mr. S. Mendis, Chairman of the Hayleys Group of Companies is a Director of Bank of Ceylon. Hayleys Group Companies have obtained facilities from Bank of Ceylon amounting to Rs. 91 mn. with Rs. 10.3 mn. outstanding as at year end. Rs. 1.9 mn. has been paid to Bank of Ceylon during the year as interest and other charges.

Hayleys Ltd., does not enjoy banking facilities with Bank of Ceylon.

- E.** Total insurance premium paid to Hayleys AIG Insurance Co. Ltd., which is a subsidiary of AIG Hayleys Investment Holdings (Pvt) Ltd., by Hayleys Group Companies, during the calendar year, amounted to Rs. 55 mn.

- F.** Purchases amounting to Rs. 1 mn. have been made from Diesel and Motor Engineering Co. Ltd., by Hayleys Ltd., in respect of part sales and services of vehicles during the year.

Directors have no direct or indirect interest in any other contract with the Company. The above interests in contracts have been declared at Board Meetings by the Directors concerned.

35. RELATED PARTY DISCLOSURES

Hayleys Ltd., has a related party relationship with the associate companies shown in Note 15.

There are no other related parties or related party transactions other than those disclosed in Note 34 to the financial statements.

VALUE OF REAL ESTATE
As at 31st March 2002

Ownership	Location	Extent (in acres)	Market Value Rs. '000
Hayleys Ltd.	Colombo	6.11	531,070
Subsidiaries			
Haycarb Ltd.	Madampe	25.85	9,025
	Wewelduwa	2.45	35,300
	Badalgama	24.13	11,500
Lignocell Ltd.	Nuwara Eliya	1.31	14,700
	Madampe	6.16	2,500
Kinetics (Pvt) Ltd. (99-year lease)	Kuliyapitiya	4.00	1,600
	Biyagama	3.00	4,417
Carbotels Ltd.	Kandy	43.14	2,157
Hayleys Exports Ltd.	Ekala	6.56	15,522
	Kuliyapitiya	3.00	1,950
Ravi Industries Ltd.	Mahabage	3.00	19,000
	Ekala	6.08	8,000
Rileys Ltd.	Mahabage	0.78	7,452
	Galle	1.00	19,200
Chas P. Hayley & Co. Ltd.	Galle	5.04	80,000
Volanka Ltd.	Ekala	14.94	23,500
	Colombo	4.90	254,000
Volanka Exports Ltd.	Nattandiya	7.2	2,300
Dipped Products Ltd.	Kottawa	8.40	6,793
	Weliveriya	8.19	3,982
Palma Ltd.	Gonawela	1.82	3,925
Venigros Ltd.	Weliveriya	7.09	3,661
Kelani Valley Plantations Ltd. (53-year lease)	Nuwara Eliya	4,723.18	75,247
	Dickoya	6,939.02	92,906
	Yatiantota/Bulathkohupitiya	20,764.65	170,685
Haychem Ltd.	Kottawa	5.00	5,000
Coates (Lanka) Ltd. (99-year lease)	Homagama	1.06	8,500
H J S Condiments Ltd. (99-year lease)	Biyagama	3.82	21,392
Toyo Cushion Lanka (Pvt) Ltd.	Katana	3.50	25,400
Hayleys Electronics (Manufacturing) Ltd.	Malabe	0.59	5,000
Agro Technica Ltd.	Ekala	0.60	1,811
Hayleys Electronics Ltd.	Malabe	2.27	18,000
Haycolour Ltd.	Kalutara	4.43	1,417
Maritime Holding Group	Welisara	9.25	98,262
		<u>32,651.52</u>	<u>1,585,174</u>
Associates			
Diesel & Motor Engineering Co. Ltd.	Colombo	2.18	182,243
	Colombo	0.22	23,000
	Siyambalape	8.00	13,549
Talawakelle Plantations Ltd. (53-year lease)	Nanu Oya/Talawakelle	11,881.00	1,782,150
	Deniyaya	3,657.00	731,400
	Galle	1,653.00	330,600
Quality Seed Co. Ltd. (30-year lease)	Boralanda	45.00	3,600
Hayleys-ADC Textiles Ltd./Hayleys-MGT Knitting Mills Ltd.	Horana	18.07	31,620
Hunas Falls Hotels Ltd.	Kandy	91.29	2,938
Eastern Hotels Ltd.	Trincomalee	23.47	506
Royal Heritage Hotel (Pvt) Ltd.	Kandy/Sigiriya	31.92	19,185
Negombo Hotels Ltd.	Negombo	2.00	2,647
Seashells Hotel Ltd.	Negombo	1.86	11,880
The Lighthouse Hotel Ltd.	Galle	7.96	67,323
Tropical Villas (Pvt) Ltd.	Beruwela	2.50	24,088
		<u>17,425.47</u>	<u>3,226,729</u>
Total		<u>50,076.99</u>	<u>4,811,903</u>

<i>Year ended 31st March</i>	10-year compound growth (%)	2002 Rs. '000	2001 Rs. '000	2000 Rs. '000 Restated
Results				
Group turnover	13	10,895,507	10,834,243	9,000,302
Profit before taxation	15	1,029,466	1,283,213	853,887
Taxation		(254,727)	(273,048)	(209,644)
Profit after tax	17	774,739	1,010,165	644,243
Minority interest		(337,660)	(404,290)	(247,102)
Profit attributable to Hayleys Ltd.	15	437,079	605,875	397,141
Funds Employed				
Share capital	16	+++ 400,000	+++ 360,000	*330,000
Capital reserves	15	2,174,674	2,148,218	2,088,079
Revenue reserves	15	2,402,942	2,144,840	1,723,838
Shareholders' funds		4,977,616	4,653,058	4,141,917
Preliminary, pre-operational and deferred expenditure		-	-	(2,748)
Minority interest		2,366,528	2,147,942	1,827,318
Borrowings (both short and long term)	14	3,492,061	3,181,389	2,535,794
		10,836,205	9,982,389	8,502,281
Assets Employed				
Non-current assets	18	6,803,060	6,317,170	6,078,911
Current assets	13	6,614,491	6,403,770	4,870,896
Current liabilities net of borrowings	9	(1,586,677)	(1,768,581)	(1,529,236)
Provisions		(848,812)	(816,170)	(746,091)
Deferred income		(145,857)	(153,800)	(172,199)
Capital Employed	17	10,836,205	9,982,389	8,502,281
Cash Flow				
Net cash inflow/(outflow) from operating activities		814,385	518,950	814,546
Net cash inflow/(outflow) investing activities		(714,875)	(472,536)	(445,528)
Net cash inflow/(outflow) financing activities		(105,970)	(95,429)	22,431
Increase/(decrease) in cash and cash equivalents		(6,460)	(49,015)	391,449
Key Indicators				
Earnings per share (basic) (Rs.)		11.00	15.47	10.14
Net assets per share (Rs.)		125.23	118.80	105.75
Market price per share (Rs.)		121.00	78.00	93.75
% change in market price (after adjusting for scrip issues)		69.8	(9.6)	(14.1)
% change in All Share Price Index		45.7	(14.1)	(7.4)
Return on average shareholders funds (%)		9	14	10
Return on average capital employed (%)		14	17	14
Price earnings ratio (times)		11.0	4.6	7.8
Interest cover (times covered)		3.82	5.6	4.0
Dividend cover (times covered)		3.12	4.8	4.0
Dividend rate (%)		35	35	30
Current ratio (times)		1.6	1.7	1.7
Turnover to capital employed (times)		1.01	1.1	1.1
Property, plant & equipment to shareholders' funds (%)		95	95	102
Borrowings to equity ratio (%)		70	68	61
Equity to total assets ratio (%)		37.10	36.58	37.85

* Increase through scrip issues.

+ Increase due to a scrip issue followed by rights issue.

** Increase due to a scrip issue followed by an issue of shares to the Employees' Share Trust.

+++ Increase due to a rights issue.

TEN YEAR SUMMARY

1999 Rs. '000	1998 Rs. '000	1997 Rs. '000	1996 Rs. '000	1995 Rs. '000 Restated	1994 Rs. '000	1993 Rs. '000 Restated
8,471,060	7,975,079	7,113,006	5,508,063	4,397,008	3,926,407	3,755,050
884,338	967,705	695,438	486,862	415,460	363,550	289,290
(195,588)	(163,586)	(165,425)	(165,427)	(109,174)	(96,128)	(101,667)
688,750	804,119	530,013	321,435	306,286	267,422	187,623
(334,162)	(385,267)	(246,862)	(107,691)	(99,681)	(91,851)	(66,779)
354,588	418,852	283,151	212,021	196,779	166,081	120,844
*308,000	**264,000	*220,000	*200,000	*180,000	+150,000	*105,000
2,070,980	2,060,181	1,412,204	1,413,844	1,303,262	995,252	640,572
1,485,082	1,272,967	1,002,872	850,630	813,557	743,258	691,412
3,864,062	3,597,148	2,635,076	2,464,474	2,296,819	1,888,510	1,436,984
(10,623)	(15,750)	(15,794)	(14,047)	(18,496)	(19,351)	(20,951)
1,710,742	1,551,972	1,195,639	983,852	751,390	632,324	509,453
2,762,765	2,626,195	2,564,449	2,569,074	1,202,920	1,093,244	1,038,990
8,326,946	7,759,565	6,379,370	6,003,353	4,232,633	3,594,727	2,964,476
5,850,186	5,428,872	4,230,491	3,781,913	2,376,709	1,697,161	1,531,863
4,865,260	4,155,700	3,837,029	3,870,741	2,875,686	2,786,713	2,273,936
(1,530,990)	(1,223,601)	(1,135,263)	(1,161,885)	(853,044)	(765,763)	(729,966)
(664,706)	(550,503)	(503,774)	(432,918)	(166,718)	(123,384)	(111,357)
(192,804)	(50,903)	(49,113)	(54,498)	-	-	-
8,326,946	7,759,565	6,379,370	6,003,353	4,232,633	3,594,727	2,964,476
663,758	814,800	622,392	(105,817)	136,392	62,591	(174,544)
(545,705)	(731,308)	(722,618)	(572,287)	(541,610)	(112,961)	(197,346)
(35,568)	40,091	(20,686)	40,708	67,532	464,423	61,341
82,485	123,583	(120,912)	(637,396)	(337,686)	414,053	(310,549)
9.05	11.32	7.75	5.80	5.38	4.72	3.28
98.65	97.24	72.08	67.41	62.83	53.72	39.03
117.00	215.00	207.00	213.50	215.00	283.00	293.00
(40.4)	23.0	6.7	10.3	(12.7)	32.3	(24.9)
(25.0)	11.9	(5.9)	(18.9)	(29.9)	107.8	(26.7)
10	13	11	9	9	10	9
15	18	16	14	14	17	19
10.2	13.6	16.1	20.1	19.7	25.6	25.5
4.0	4.5	3.6	3.4	4.3	3.0	2.7
3.8	5.3	4.3	3.5	3.6	4.1	3.8
30	30	30	30	30	30	30
1.5	1.4	1.4	1.3	1.5	1.6	1.4
1.0	1.03	1.12	0.92	1.04	1.09	1.27
106	107	129	125	83	77	93
71	73	98	105	53	58	73
36.06	37.53	32.66	32.53	43.72	42.11	37.75

COIR

- **Chas P. Hayley & Co. Ltd.** • *Coir and treated rubber timber products*
Directors: S. Mendis (Chairman), R. Yatawara, N.G. Wickremeratne, P.S.P.S. Perera, J.C.A. Dahanayake (General Manager), G.F. de Silva, H.C.S. Mendis, I. Piyasena.
- **Volanka Ltd.** • *Investment*
Directors: S. Mendis (Chairman), S.F.D. de Silva, P.S.P.S. Perera, R. Yatawara, M.N. Fernando, G.F. de Silva, A.C. Wikramanayake, I. Piyasena, H.C.S. Mendis.
- **Volanka Exports Ltd.** • *Coir based products and essential oils*
Directors: S. Mendis (Chairman), R. Yatawara, P.S.P.S. Perera, M.N. Fernando, I. Piyasena (Managing), A.T.A. Kuruppu.
- **Ravi Industries Group** • *Industrial & household brushware*
Directors: S. Mendis (Chairman), P.S.P.S. Perera, J.W.T. Vermunt, Dr. P.C. Vermunt, R.A. Ebell, R. Yatawara, N.G. Wickremeratne, R.R.I. Fonseka (Managing), H.C.S. Mendis, A.W.W. Dharmawardhana.
- **Haymat Ltd.** • *Coir fibre mats*
Directors: S. Mendis (Chairman), P.S.P.S. Perera, H.A. David, A. Venugopal.
- **Hayleys Exports Ltd.** • *Value added coir based products*
Directors: S. Mendis (Chairman), R. Yatawara, N.G. Wickremeratne, L.K.B. Godamunne, M.N. Fernando, P.S.P.S. Perera, G.F. de Silva (Managing), I. Piyasena, F.R. Alles, H.C.S. Mendis.
- **Rileys Ltd.** • *Cleaning devices*
Directors: S. Mendis (Chairman), H.C.S. Mendis (Managing), P.S.P.S. Perera, R. Yatawara, A.W.W. Dharmawardhana, H.P.L. Fernando, R.R.I. Fonseka.
- **Creative Polymats Ltd.** • *Moulded rubber products*
Directors: S. Mendis (Chairman), R. Yatawara, P.S.P.S. Perera, H.C.S. Mendis.
- **Toyo Cushion Lanka (Pvt.) Ltd.** • *Needled and rubberised coir products*
Directors: S. Mendis (Chairman), J.P. Ratnayake (Managing), R. Yatawara, N.G. Wickremeratne, P.S.P.S. Perera, M.N. Fernando, D.H. Walpola, Mrs. M. Hirai, Mrs. M. Shiraiishi, H. Achiha, J. Schoemaker.
- **Super Felt Ltd.** • *Needled and thermo bonded felt pads*
Directors: S. Mendis (Chairman), R. Yatawara, P.S.P.S. Perera, M.N. Fernando, J.P. Ratnayake.
- **HDV Plastics Ltd.** • *Brushes, brush components*
Directors: S. Mendis (Chairman), P.S.P.S. Perera (Managing), R. Yatawara, R.R.I. Fonseka, H.C.S. Mendis.
- **Eco-Fibres Ltd.** • *Value added coir based products*
Directors: S. Mendis (Chairman), R. Yatawara, P.S.P.S. Perera, G.F. de Silva (Managing), M.N. Fernando, I. Piyasena, H.C.S. Mendis.
- **Bonterra Lanka Ltd.** • *Value added coir based products*
Directors: S. Mendis (Chairman), P.S.P.S. Perera, G.F. de Silva, Ms. I. Weiland, D. Weiland, C. Weiland.

RUBBER

- **Dipped Products Ltd.** • *General purpose and speciality rubber gloves*
Directors: S. Mendis (Chairman), N.G. Wickremeratne (Managing), H.A. Pieris, P.I. Pieris, R. Yatawara, R.W. Soysa, J.A.G. Anandarajah, Dr. W.S.E. Fernando, G.K. Seneviratne.
- **Palma Ltd.** • *Latex thread*
Directors: S. Mendis (Chairman), N.G. Wickremeratne, H.A. Pieris, P.I. Pieris, R.W. Soysa, J.A.G. Anandarajah, Dr. W.S.E. Fernando, L.G.S. Gunawardena.
- **Grossart Ltd.** • *General purpose and speciality rubber gloves*
Directors: S. Mendis (Chairman), N.G. Wickremeratne, H.A. Pieris, P.I. Pieris, R.W. Soysa, J.A.G. Anandarajah, Dr. W.S.E. Fernando, W.P.M. Padmalal, N.Y. Fernando.
- **Venigros Ltd.** • *General purpose and speciality rubber gloves*
Directors: S. Mendis (Chairman), N.G. Wickremeratne, P.I. Pieris, J. Benoit, M. Orlando, R.W. Soysa, J.A.G. Anandarajah, Dr. W.S.E. Fernando, J.P. Coudert, G. Isetti.
- **Neoprex Ltd.** • *General purpose and speciality rubber gloves*
Directors: S. Mendis (Chairman), N.G. Wickremeratne, R.W. Soysa, J.A.G. Anandarajah, Dr. W.S.E. Fernando, P.I. Pieris, H.A. Pieris, R.K. Witanachchi.
- **Texnil Ltd.** • *General purpose and speciality rubber gloves*
Directors: S. Mendis (Chairman), N.G. Wickremeratne, H.A. Pieris, P.I. Pieris, R.W. Soysa, J.A.G. Anandarajah, Dr. W.S.E. Fernando.
- **Dipped Products (Thailand) Ltd.** • *Examination gloves*
Director: N.G. Wickremeratne.

ENVIRONMENT

- **Haycarb Ltd.** • *Activated carbon*
Directors: S. Mendis (Chairman), R. Yatawara (Managing), M.T.L. Fernando, N.G. Wickremeratne, A. Hettiarachchy, Dr. W.M. Tilakaratna, S.S. Jayawickrama, L.P. Jayasinghe, R.P. Peris.
- **Haymark Inc. (Texas, USA)** • *Coir fibre pith*
Directors: D.G. Dellmore (President), S. Mendis, R. Yatawara, T. Dupuis.
- **Eurocarb Products Ltd.** • *Activated carbon*
Directors: M.E. Corlett (Chairman), D.V. Tyreman (Managing), S. Mendis, R. Yatawara, M.E. Edwards, A. Hettiarachchy.
- **Haycarb Holdings Australia (Pty.) Ltd.** • *Activated carbon*
Directors: S. Mendis (Chairman), R. Yatawara, J.T.D. Ratnatunga, D.J. Perera.
- **Magic Soils (Pty.) Ltd.** • *Coir fibre pith*
Directors: S. Mendis (Chairman), R. Yatawara, D.J. Perera, J.T.D. Ratnatunga, P. Patternot.
- **Lignocell Ltd.** • *Coir fibre pith*
Directors: S. Mendis (Chairman), R. Yatawara (Managing), A. Hettiarachchy, L.P. Jayasinghe.
- **Pelacco Ltd.** • *Activated carbon*
Directors: S. Mendis (Chairman), R. Yatawara (Managing), A. Hettiarachchy, L.P. Jayasinghe.

- **Carbokarn Co. Ltd.** • *Activated carbon*
Directors: S. Mendis (Chairman), P. Karnchanabatr (Managing), R. Yatawara, Mrs. C. Karnchanabatr, A. Hettiarachchy, B. Karnchanabatr.
- **Puritas Ltd.** • *Environmental engineering*
Directors: S. Mendis (Chairman), R. Yatawara (Managing), A. Hettiarachchy, L.P. Jayasinghe.
- **Kinetics (Pvt.) Ltd.** • *Rubber flooring*
Directors: S. Mendis (Chairman), R. Yatawara, S.M. Korathota, J.T.D. Ratnatunga.
- **Recogen Ltd.** • *Charcoal and power generation*
Directors: S. Mendis (Chairman), R. Yatawara (Managing), A. Hettiarachchy, L.P. Jayasinghe.

AGRICULTURE

- **Quality Seed Co. Ltd.** • *Hybrid flower seeds*
Directors: S. Mendis (Chairman), M.R. Zaheed, M.T.L. Fernando, G. Bernardotto, P.A. De Vries.
- **Dutch Foliage Farm (Pvt.) Ltd.** • *Operations discontinued*
Directors: S. Mendis (Chairman), P.S.P.S. Perera, M.N. Fernando, A.C. Wikramanayake, I. Piyasena.
- **Sunfrost Ltd.** • *Fresh/processed vegetables*
Directors: S. Mendis (Chairman), R. Yatawara, P.S.P.S. Perera, M.N. Fernando, A.C. Wikramanayake.
- **CPH Agro Products Ltd.** • *Fresh/processed vegetables*
Directors: S. Mendis (Chairman), P.S.P.S. Perera, J.C.A. Dahanayake, A.C. Wikramanayake.
- **HJS Condiments Ltd.** • *Fresh/processed vegetables*
Directors: S. Mendis (Chairman), R. Yatawara, P.S.P.S. Perera, M.N. Fernando, A.C. Wikramanayake, D.H. Walpola, G. Olbrechts, M. Symons, E. Kodama, M. Inage.

PLANTATIONS

- **DPL Plantations Ltd.** • *Plantation management*
Directors: S. Mendis (Chairman), N.G. Wickremeratne, R.W. Soysa, J.A.G. Anandarajah, G.K. Seneviratne, N.M. Amarasekera, H.A. Pieris, P.I. Pieris, Dr. W.S.E. Fernando, D.H. Wickremesooriya.
- **Kelani Valley Plantations Ltd.** • *Producing and processing of tea and rubber*
Directors: S. Mendis (Chairman), N.G. Wickremeratne, R.W. Soysa, J.A.G. Anandarajah, G.K. Seneviratne, H.A. Pieris, P.I. Pieris.
- **Hayleys Plantation Services Ltd.** • *Plantation management*
Directors: S. Mendis (Chairman), R.A. Ebell, G.R.M. De Mel, Merill J. Fernando, Malik J. Fernando, E.P.A. Cooray, D.C. Fernando (alt. to Merill J. Fernando), Mrs. M. Perera (alt. to Malik J. Fernando).
- **Hayleys Produce Marketing Ltd.** • *Tea/support services*
Directors: S. Mendis (Chairman), S.T. Gunatilleke.
- **Talawakelle Plantations Ltd.** • *Production and sale of black tea*
Directors: S. Mendis (Chairman), R.A. Ebell, G.R.M. De Mel, Merill J. Fernando, Malik J. Fernando, K. Sivalingam, D.C. Fernando (alt. to Merill J. Fernando), A. Sivaratnam (alt. to Malik J. Fernando).

GROUP COMPANIES

TRANSPORTATION

- **Maritime Holdings Group** • *Travel, ticketing, shipping, airline agencies/freight forwarding and warehousing/ocean container repairing and container yard operations*
Directors: S. Mendis (Chairman), A.M. Pandithage (Managing), R. Yatawara, R.A. Ebell, M.O. Raban, S.R. Sadanandan.

INLAND MARKETING

- **Haychem Ltd.** • *Crop protection, household, public health chemicals and vegetable seeds*
Directors: S. Mendis (Chairman), R.A. Ebell, M.R. Zaheed (Managing), U.E.R. Gangoda.
- **Haychem (Bangladesh) Ltd.** • *Crop protection chemicals*
Directors: S. Mendis (Chairman), R.A. Ebell, M.R. Zaheed.
- **Coates (Lanka) Ltd.** • *Printing inks plates and chemicals, re-sleeving of printing rollers, press maintenance products*
Directors: S. Mendis (Chairman), R.A. Ebell, Eivind Bjerkeli, K. Semage, V.K. Wickremasinghe, J.S. Mather (alt. to E. Bjerkeli), E.F. Edrissinghe (alt. to R.A. Ebell).
- **Hayleys Photoprint Ltd.** • *Printers' requisites, photographic products, equipment services, healthcare products and services*
Directors: S. Mendis (Chairman), R.A. Ebell, E.F. Edrissinghe, T.K. Bandaranayake, J. Thiagarajah, M.M.M. De Silva.
- **Hayleys DocSolutions Ltd.** • *Office equipment*
Directors: S. Mendis (Chairman), R.A. Ebell, M.M.M. De Silva.
- **Haytech Marketing Ltd.** • *Industrial raw material & machinery, healthcare & consumer products*
Directors: S. Mendis (Chairman), E.F. Edrissinghe (Managing), R.A. Ebell, C.P.R. Perera, G. Wickremasinghe, P.T.S. de Silva.
- **Hayleys Agrocure Ltd.** • *Crop protection chemicals and fertilizer*
Directors: S. Mendis (Chairman), R.A. Ebell, M.R. Zaheed.
- **Diesel & Motor Engineering Group** • *Automobiles, automotive components, construction machinery, power systems*
Directors: S. Mendis (Chairman), A.R. Pandithage (Managing & CEO), R.A. Ebell, S.C. Ganegoda, A.N. Algama, S.C. Algama, A.M. Pandithage, T.G.H. Peries, A.G. Pandithage, H.M.A. Jayasinghe.
- **Usha Industries Ltd.** • *Fans & sewing machines*
Directors: S. Mendis (Chairman), R.A. Ebell, J.H. Marikar.
- **Agro Technica Group** • *Agricultural machinery and equipment*
Directors: S. Mendis (Chairman), R.A. Ebell, Huang Ping Lin, M.R. Zaheed, N.K.A.D. De Silva (Managing).
- **Hayleys Electronics (Manufacturing) Ltd.** • *Consumer electronics*
Directors: S. Mendis (Chairman), R.A. Ebell, N.K.A.D. De Silva, M.R. Zaheed.
- **Hayleys Electronics (Lighting) Ltd.** • *Lighting products*
Directors: S. Mendis (Chairman), R.A. Ebell, M.R. Zaheed.
- **Hayleys Electronics (Retailing) Ltd.** • *Consumer durables*
Directors: S. Mendis (Chairman), R.A. Ebell, M.R. Zaheed.

- **Hayleys Electronics Ltd.** • *Consumer electronics*
Directors: S. Mendis (Chairman), R.A. Ebell, M.R. Zaheed.
- **Hayleys Engineering Ltd.** • *Electronics & engineering equipment*
Directors: S. Mendis (Chairman), R.A. Ebell, N.K.A.D. De Silva (Managing), J.H. Marikar.
- **Oleo Essences & Perfumes Ltd.** • *Essential oils*
Directors: S. Mendis (Chairman), R. Yatawara, P.S.P.S. Perera, M.N. Fernando, I. Piyasena.
- **Haycolour Ltd.** • *Textile dyestuff & binders*
Directors: S. Mendis (Chairman), R.A. Ebell, E.F. Edrissinghe.
- **Hayleys Textiles Services Ltd.** • *Interlining, pocketing fabric & garment accessories*
Directors: S. Mendis (Chairman), R. Yatawara, R.A. Ebell, E.F. Edrissinghe.
- **Hayleys Agro Products Ltd.** *
Directors: S. Mendis (Chairman), R. Yatawara, R.A. Ebell, M.R. Zaheed, M.M.M. De Silva.
- **Hayleys Consumer Products Ltd.** *
Directors: S. Mendis (Chairman), R. Yatawara, R.A. Ebell, M.R. Zaheed, M.M.M. De Silva.
- **Hayleys Industrial Solutions Ltd.** *
Directors: S. Mendis (Chairman), R. Yatawara, R.A. Ebell, M.R. Zaheed, M.M.M. De Silva.

* Three new companies established into which activities of select Inland Marketing companies would move subsequent to the re-structuring.

TEXTILES

- **Haytex Ltd.** • *Operations discontinued*
Directors: S. Mendis (Chairman), R.A. Ebell.
- **Hayleys Nayyer Interlinings Ltd.** • *Operations discontinued*
Directors: S. Mendis (Chairman), M.M.M. De Silva.
- **Hayleys-ADC Textiles Ltd.** • *Dyeing and finishing of fabric*
Directors: S. Mendis (Chairman), E.F. Edrissinghe (alt. to S. Mendis), R.A. Ebell (Joint Managing), S. Spezza (Joint Managing), M. Frayman, A.L. Somaratne, R.D. Abeywardena, N. Wadugodapitiya, T. Lipson (alt. to M. Frayman).
- **Hayleys-MGT Knitting Mills Ltd.** • *Knitted fabric*
Directors: S. Mendis (Chairman), E.F. Edrissinghe (alt. to S. Mendis), R.A. Ebell (Joint Managing), S. Spezza (Joint Managing), M. Frayman, A.L. Somaratne, R.D. Abeywardena, N. Wadugodapitiya, T. Lipson (alt. to M. Frayman), M.C.D. Amalean.
- **Hayleys Shangkalpam Apparels Ltd.** • *Operations discontinued*
Directors: S. Mendis (Chairman), R.A. Ebell, K. Shanmuganathan, A. Poraviappan, A. Balasubramaniam, S.K. Hazari, M.M.M. De Silva.

TOURISM

- **Carhotels Ltd.** • *Hotel investment*
Directors: S. Mendis (Chairman), R. Yatawara (Managing), A. Hettiarachchy.
- **Seashells Hotels Ltd.** • *Hotellerie*
Directors: N.G.H. Cooray (Chairman), N.J.H.M. Cooray (Managing), S. Mendis, R. Yatawara, V.K. Wickremasinghe.

- **Eastern Hotels Ltd.** • *Hotellerie*
Directors: N.G.H. Cooray (Chairman), R. Yatawara, N.J.H.M. Cooray, S. Mendis, V.K. Wickremasinghe.
- **Negombo Hotels Ltd.**
(owners of Royal Oceanic Hotel) • *Hotellerie*
Directors: N.G.H. Cooray (Chairman), N.J.H.M. Cooray (Managing), S. Mendis, R. Yatawara, Mrs. A.M.J. Cooray, Ms. N.T.M.S. Cooray.
- **Hunas Falls Hotels Ltd.** • *Hotellerie*
Directors: S. Mendis (Chairman), R. Yatawara (Managing), N.G.H. Cooray, N.J.H.M. Cooray, V.K. Wickremasinghe.
- **Jetwing Hotels Ltd.** • *Hotel management*
Directors: N.G.H. Cooray (Chairman), N.J.H.M. Cooray (Managing), S. Mendis, R. Yatawara, R.M.N. Lokuge, V.K. Wickremasinghe, R.A.E. Samarasinghe, Ms. N.T.M.S. Cooray.
- **Tropical Villas (Pvt.) Ltd.** • *Hotellerie*
Directors: N.G.H. Cooray (Chairman), N.J.H.M. Cooray (Managing), S. Mendis, R. Yatawara, Ms. N.T.M.S. Cooray, R.A.E. Samarasinghe, V.K. Wickremasinghe, A.M.J. Cooray.
- **The Lighthouse Hotel Ltd.** • *Hotellerie*
Directors: N.G.H. Cooray (Chairman), S. Mendis, R. Yatawara, N.J.H.M. Cooray, Ms. N.T.M.S. Cooray, R.A.E. Samarasinghe, B.R.L. Fernando, V.K. Wickremasinghe.
- **Royal Heritage Hotel (Pvt.) Ltd.** • *Hotellerie*
Directors: N.G.H. Cooray (Chairman), S. Mendis, R. Yatawara, N.J.H.M. Cooray.

MANAGEMENT SERVICES

- **Hayleys Group Services Ltd.** • *Secretarial services*
Directors: S. Mendis (Chairman), R. Yatawara, R.A. Ebell.
- **Dean Foster (Pvt.) Ltd.** • *Investment*
Directors: S. Mendis (Chairman), R. Yatawara, N.G. Wickremeratne, M.M.M. De Silva.
- **Haylex BV Group** • *Marketing*
Directors: S. Mendis (Chairman), K. Padiwita (Managing), N.G. Wickremeratne, R. Yatawara, P.S.P.S. Perera.
- **Volanka Insurance Services (Pvt.) Ltd.** • *Insurance broking*
Directors: M.T.L. Fernando (Chairman), M.Z.M. Nazim, M.M.M. De Silva, D.D.W. Siriwardena, Ms. C.D. Nagarajah.
- **AIG Hayleys Investment Holdings (Pvt.) Ltd.**
• *Investment*
Directors: S. Mendis (Chairman), R. Yatawara, P. Grassi, M. Sullivan, R.S. Pereira, A.F. Brown, R. Thomas.
- **Hayleys AIG Insurance Co. Ltd.** • *Insurance*
Directors: S. Mendis (Chairman), R. Yatawara, A.F. Brown (Managing), M. Sullivan, R. Thomas, F. Chan, A. Tan.
- **WorldCall Telecommunications Lanka (Pvt.) Ltd.**
• *Payphone network*
Directors: S. Mendis (Chairman), R.A. Ebell (alt. to S. Mendis), M.M.M. De Silva, S. Taseer, M.H. Syed, E. Ul Haq, K. Shah, Mrs. D.T.S. Mendis, U. Haider, O. Khalid (alt. to H. Syed).
- **Infocraft Ltd.** • *Software products and services*
Directors: S. Mendis (Chairman), R. Yatawara, M.M.M. De Silva, Dr. B.G.I.D. Kumara.

Accounting policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Borrowings

All interest bearing liabilities.

Capital employed

Total assets less interest free liabilities, deferred income and provisions.

Capital reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash equivalents

Liquid investments with original maturity periods of three months or less.

Contingent liabilities

Conditions or situations at the Balance Sheet date, 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. A measure of liquidity.

Debt

Total liabilities, excluding deferred income.

Dividend cover

Profit attributable to ordinary shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Dividend yield

Gross dividend per share as a percentage of the market price. A measure of return on investment.

Earnings per share

Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Extraordinary items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly.

Equity

Shareholders' funds.

Gearing

Proportion of borrowings to capital employed.

Gross dividend

Portion of profits inclusive of tax withheld, distributed to shareholders.

Interest cover

Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

Market capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

Net assets per share

Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Price earnings ratio

Market price of a share divided by earnings per share as reported at that date.

Related parties

Parties who could control or significantly influence the financial and operating policies of the business.

Return on capital employed

Profit before tax plus net interest cost divided by average capital employed.

Return on shareholders' funds

Attributable profits divided by average shareholders' funds.

Revenue reserves

Reserves considered as being available for distributions and investments.

Segment

Constituent business units grouped in terms of similarity of operations and location.

Value addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working capital

Capital required to finance the day-to-day operations computed as the excess of current assets over current liabilities.

NOTICE OF MEETING

Notice is hereby given that the Fifty First Annual General Meeting of Hayleys Limited, will be held at Committee Room B, Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 7, on Thursday, 27th June, 2002 at 3.00 p.m. and, the business to be brought before the Meeting will be:

1. To consider and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March, 2002 with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. R.A. Ebell, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. S.S. Jayawickrama, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. N.G. Wickremeratne, who retires by rotation at the Annual General Meeting, a Director.
6. To authorise the Directors to determine contributions to charities.
7. To re-appoint KPMG Ford, Rhodes, Thornton & Co., as Auditors and authorise the Directors to determine their remuneration.
8. To consider any other business of which due notice has been given.

Note:

- (i) A member is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10, by 3.00 p.m. on 25th June, 2002.
- (ii) It is proposed to post ordinary dividend warrants on 28th June, 2002 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 17th June, 2002.

By Order of the Board
Hayleys Limited

HAYLEYS GROUP SERVICES LIMITED
Secretaries

Colombo
31st May, 2002

Name of Company

Hayleys Limited

Legal Form

A Quoted Public Company with limited liability.
Incorporated in Sri Lanka in 1952.

Company Registration

Number PVS/PBS/1148
Founded 1878

Accounting year end

31st March

Principal Activities

Holding Company; carrying out investments in and providing management and allied services to Hayleys Group Companies.

Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

Head and Registered Office

Hayley Building
P.O. Box 70, No. 400, Deans Road, Colombo 10,
Sri Lanka.
Telephone: (94-1)696331, 699087
Facsimile: 699299, 691679
E-mail: hayceo@eureka.lk
http: //www.hayleys.com

Auditors

KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants
P.O. Box 186, Colombo, Sri Lanka.

Bankers

Hatton National Bank Limited
HSBC Limited
Bank of Ceylon
NDB Bank
Standard Chartered Bank plc.
Sampath Bank Limited
Commercial Bank of Ceylon Limited

Secretaries

Hayleys Group Services Limited
No. 400, Deans Road, Colombo 10,
Sri Lanka.
Telephone: 696335

Please direct any queries about the administration of shareholdings to Company secretaries.

Investor Information

More information about Hayleys Group and its activities is available at www.hayleys.com

To obtain copies of interim and annual reports please contact the Long Range Planning Unit
Telephone: 696333

BOARD OF DIRECTORS

S. Mendis *Chairman and Chief Executive*

Joined Hayleys in 1962. Appointed to the Board in 1977, took office as Chairman and Chief Executive Officer in December 1993. Director, Bank of Ceylon; United States Educational Foundation in Sri Lanka (USEF/SL), and Private Sector Infrastructure Development Company Ltd. (PSIDC). Member of the Presidential Salaries Commission and Committee Member of the Ceylon Chamber of Commerce.

R. Yatawara *Deputy Chairman*

Joined Hayleys in 1966. Appointed to the Group Executive Directorate in 1977 and to the Board in 1984. Chief Executive of Haycarb Ltd. since inception. Member of the American Institute of Chemical Engineering. Appointed Deputy Chairman on 1st October, 2001.

S. Krishnananthan

Served during the year as Deputy Chairman and retired on 30th September, 2001.

M.T.L. Fernando

Appointed to the Board in 1968. Fellow of the Institute of Chartered Accountants, England & Wales and Sri Lanka. Was the Precedent Partner, Ernst & Young, Sri Lanka, for over 30 years and presently a Consultant in the same firm. Serves on many directorates of public listed and unlisted companies and he also served on the Board of the Colombo Stock Exchange. He was a Member of the Council of the Institute of Chartered Accountants of Sri Lanka, Past Chairman - Taxation Committee and Committee Member of the Ceylon Chamber of Commerce.

N.G. Wickremeratne

Joined Hayleys in 1971. Chief Executive of Dipped Products Ltd., from its inception. Appointed Group Executive Director in 1983 and to the Board in 1986. Chaired the Sri Lanka Association of Manufacturers and Exporters of Rubber Products. Served as a Committee Member of the Ceylon Chamber of Commerce and as its representative on the National Labour Advisory Council.

R.A. Ebell

Joined Hayleys in 1977. Appointed Group Executive Director in 1986 and to the Board in 1989. Fellow of the Institute of Chartered Accountants, Sri Lanka. Fellow of the Chartered Institute of Management Accountants, U.K. Member of the Chartered Institute of Marketing, U.K. and Past President, CIMA Sri Lanka Division.

S.S. Jayawickrama

Appointed to the Board in 1992. Retired as Secretary-General of the Ceylon Chamber of Commerce in 1992. Director, Lanka Orix Leasing Company Ltd. Former Consultant, International Trade and Shipping Division of ESCAP and Shipping Division, UNCTAD. Served as a Director of the Sri Lanka Export Development Board and the Sri Lanka Tea Board, and as a Member of the Securities and Exchange Commission.

Desamanya Dr. W.M. Tilakaratna

Invited to the Board in 1992. Chairman, Vanik Incorporation Ltd. and LB Finance Ltd. Former Director, Economic Research Department, Senior Deputy Governor and Member of the Monetary Board of the Central Bank of Sri Lanka. Was Alternate Executive Director and Senior Advisor, Asian Department, International Monetary Fund. Served as Secretary, Ministry of Finance & Planning and Secretary to the Treasury of Sri Lanka.

A.M. Pandithage

Joined Hayleys in 1969. Appointed to the Group Executive Directorate in 1996, and to the Board in 1998. Chief Executive of the Maritime Holdings Group since its inception. Ex Director, Sri Lanka Ports Authority and Vice Chairman of the Ceylon Association of Ships' Agents.

L.K.B. Godamunne

Joined the Board in 1998. Retired as Country Director, United Nations World Food Programme in 1995. Director, Hayleys Exports Ltd. Former Secretary-General and Member, Board of Directors, Mahaweli Authority of Sri Lanka.

P.S.P.S. Perera

Joined Hayleys in 1977. Appointed to the Group Executive Directorate in 1997 and to the Board in 2001.

GROUP MANAGEMENT COMMITTEE

S. Mendis *Chairman & Chief Executive* • **R. Yatawara** *Deputy Chairman* • **N.G. Wickremeratne** • **R.A. Ebell** • **A.M. Pandithage** • **P.S.P.S. Perera** • **J.A.G. Anandarajah** • **M.M.M. De Silva** • **A. Hettiarachchy** • **M.O. Raban** • **M.R. Zaheed** • **H.C.S. Mendis**

Export Co-ordinating Consultative Committee

R. Yatawara *Chairman* • **N.G. Wickremeratne** *Alternate Chairman*

Import Co-ordinating Consultative Committee

R.A. Ebell *Chairman* • **R. Yatawara** *Alternate Chairman*

AUDIT COMMITTEE

M.T.L. Fernando *Chairman* • **S.S. Jayawickrama** • **Desamanya Dr. W.M. Tilakaratna** • **L.K.B. Godamunne**

REMUNERATION COMMITTEE

M.T.L. Fernando • **S. Mendis** • **S.S. Jayawickrama** • **Desamanya Dr. W.M. Tilakaratna** • **L.K.B. Godamunne**

