Hayleys Fentons
Since 1919

TRUE GRIT

FENTONS LIMITED
INTEGRATED ANNUAL REPORT 2021/22

CONTENTS

TRUE GRIT

The ability to see through challenge and opportunity with equal vigour and optimism was a key trait that we focused on in a year that was filled with uncertainty. While the pandemic gave rise to its own set of unique challenges, we took it in stride within each of our enterprises, and were able to surmount them with an effective combination of resilience and innovation, which was further augmented by the relentless resolve of our team. We possessed a foresight to see the bigger plan and work towards it with courage and passion, and it truly did determine the outcome of the year under review. At Fentons, we can overcome any challenge, strengthened by our will to excel, along with our true grit.

FENTONS LIMITED

INTEGRATED ANNUAL REPORT 2021/22

VISION, MISSION AND VALUES

VISION

"To be the undisputed No.1 in all our business verticals in Sri Lanka and be a leading player in the region"

MISSION

"To be a winning team that adds value to life through technology enabled solutions whilst meeting the expectations of all stakeholders viz customers/clients, shareholders, employees, environment and society."

VALUES

Innovativeness

- We are curious and willing to experiment to create new solutions every day.

Energy

- We are committed to go the extra distance to be a winning team.

Empathy

- We live like a family with the respect and support to enable open communication and peoples growth.

Accountability

- We keep our promise and get things done; creating trust with everyone we are dealing with.

ABOUT US

GRI 102-2, 102-6

Fentons with its rich history dating back over a century to 1921 is a highly trusted and competent engineering company in Sri Lanka. Fentons is a subsidiary of Hayleys PLC., one of the largest conglomerates in Sri Lanka backed by a 143-year history of innovation and unmatched excellence.

EARLY HISTORY

Fentons was founded by Mr. Herbert Fenton, a British Chartered Electrical Engineer in 1919 and later in 1921 registered it as a public limited liability Company. The first Chairman of the Board of Directors of Fentons Limited was Sir Henry De Mel, a major shareholder of the Company. Sir Mohamed Macan Markar was also another prominent shareholder of Fentons in the initial days.

From the inception, Fentons has been positioned as a leading electrical wiring specialist and among the few companies handling the repair and service of electrical and electronic appliances, including the rewinding of motors.The Company diversified into trading of electrical equipment, including renowned global brands such as Philips Glow lamp Works, BICC Cables, Higgs Motors and Peto & Radford Accumulators. Fentons also holds the district honor of being appointed as the sole agent in Sri Lanka for Marconi radios in an era before the advent of television. Mr. Guglielmo Marconi, the Italian inventor and engineer whose name is synonymous with the radio honored Fentons with a visit when he visited Ceylon.

THE ABHAYARATNE ERA

In 1943, when the Company's founding father Mr. Herbert Fenton decided to step down, he handed over the reins of the business to his trusted deputy Mr. C. A. L. Abhayaratne who acquired the majority of the shareholding of the Company. Mr. Abhayaratne was appointed the Chairman and Managing Director and guided the fortunes of the Company for several decades thereafter. For the next 73 years, three generations of the Abhayaratne family remained at the helm of the Company. Successfully navigating major challenges, including those posed by a closed economy in the early 1970s followed by countless policy changes imposed by successive governments, the Abhayaratne family is credited with leaving an inspirational legacy across the island while positioning the Fentons brand in the international arena as well.

ORGANIZATIONAL STRUCTURE

Fentons became a part of Hayleys PLC in March 2016, when the Hayleys Group acquired a 75% controlling stake from the Abhayaratne family. With the Abhayaratne Family divesting their remaining shareholdings in 2019, Hayleys acquired a further 24.95% of the issued share capital of Fentons, thus increasing its stake to 99.97%. With Fentons becoming a part of the World of Hayleys, the Company was rebranded as Hayleys Fentons in 2019, with the ultimate parent Company being Hayleys PLC.
Energynet Pvt Limited, Fentons Smart Facilities Pvt Limited and Nex-Gen Asia Pvt Limited are the subsidiaries of Fentons.

BUSINESS PORTFOLIO

While trust and excellence are hallmarks of Fentons, engineering and innovation work in tandem to offer the discerning customer fully integrated engineering solutions across a wide range of specialities including;

- Renewable Energy- Solar Power
- MEP (Electrical, Fire, HVAC, Plumbing, Gas and & Lighting) Solutions
- System Integrated Solutions
  - ICT Solutions (Information and Communication Technology)
  - Security & Surveillance (Extra Low Voltage Systems) Solutions
  - Uninterrupted Power Supply (UPS)
- Facilities Management
- Trading

The Fentons engineering team is geared to undertake complex turnkey projects from the inception and design to completion. The Company also engages with the clientele in providing regular maintenance services in keeping with the Fentons promise of "Trust & Quality"

PROJECTS

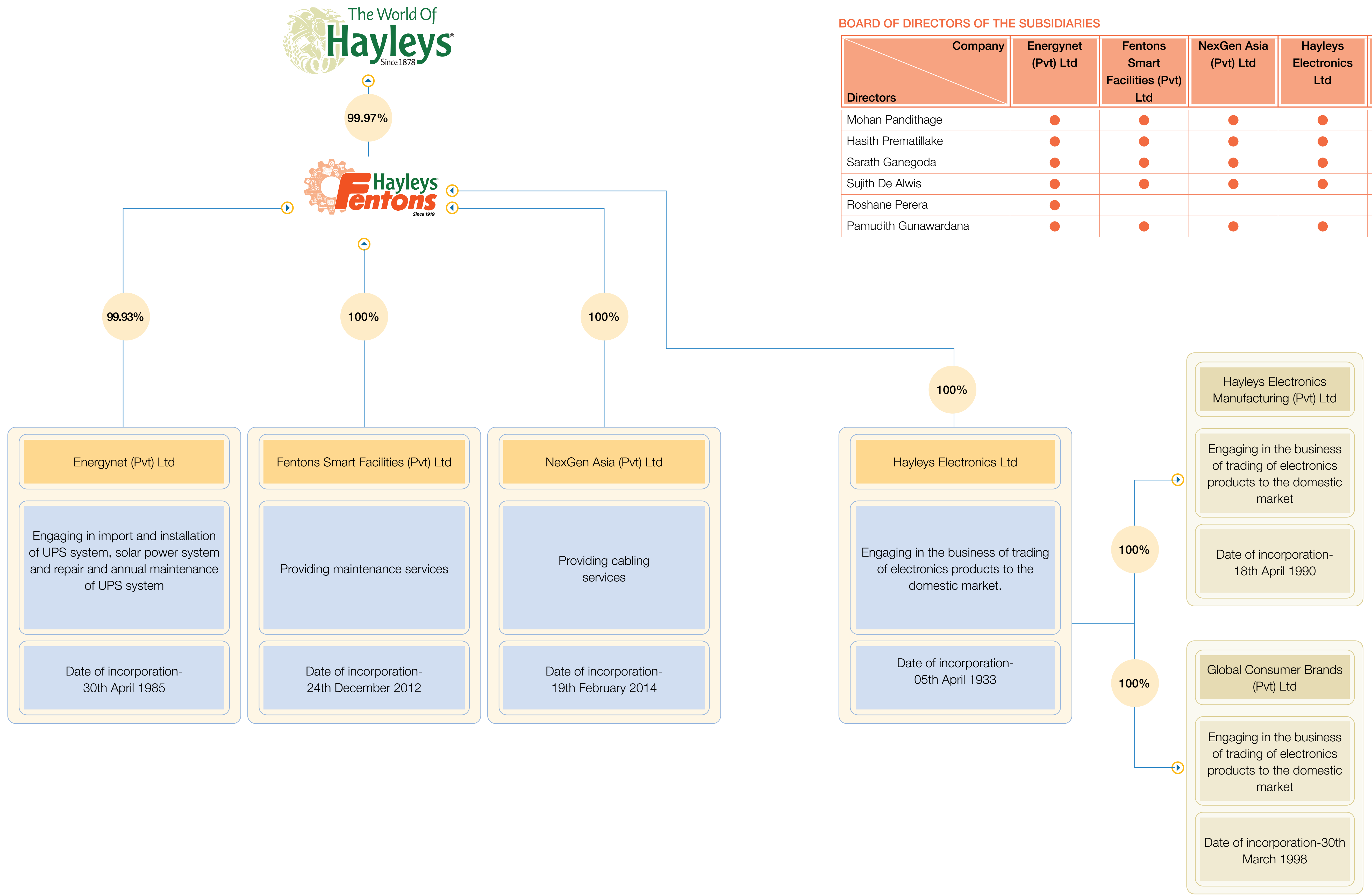
Fentons has the distinction of being the agents for a plethora of world-renowned principals and brands in each of the categories. The numerous projects undertaken recently cover some of the best known private and public sector establishment across the island ranging from top corporates, five-star hotels and leading banks to the Bandaranaike International Airport, Parliament, Central Bank, District Secretariats and government hospitals.

TOWARDS THE FUTURE

Fentons is backed by a qualified, highly trained and dedicated team of over 1000 people including around 400 senior engineers and assistant engineers who looks towards the future with confidence and optimism to provide Sri Lanka with superlative design and built solutions, value engineering solutions, repair & maintenance services and facilities management services on par with the best of class services internationally.

ORGANIZATION STRUCTURE

GRI 102-7, 102-45



BOARD OF DIRECTORS OF THE SUBSIDIARIES

Company / Directors	Energynet (Pvt) Ltd	Fentons Smart Facilities (Pvt) Ltd	NexGen Asia (Pvt) Ltd	Hayleys Electronics Ltd	Hayleys Electronics Manufacturing (Pvt) Ltd	Global Consumer Brands (Pvt) Ltd
Mohan Pandithage	●	●	●	●		
Hasith Prematillake	●	●	●	●	●	●
Sarath Ganegoda	●	●	●	●		
Sujith De Alwis	●	●	●	●		
Roshane Perera	●					
Pamudith Gunawardana	●	●	●	●	●	●

ABOUT THE REPORT

GRI 102-46, GRI 102-50, GRI 102-51, GRI 102-52

TRUE GRIT

SCOPE AND BOUNDARY

This is the first integrated report published by Fentons Limited. The report demonstrates the Group's commitment to consistently improve the information published in its annual report to ensure the report reaches a wider target audience. Accordingly, this integrated report which covers the period 01st April 2021 to 31st March 2022, includes both financial and non-financial performance data for the said reporting cycle.

The latest report published prior to this, was the first ever annual report prepared by Fentons for FY 2020/21. There are no material restatements of information relating to this earlier report.

There has been no change in the scope and boundary of the current report, relative to this previous report, nor have there been significant changes in the size or ownership of the Group during the current reporting period, other than through organic growth of operations.

MATERIAL MATTERS

Material Matters that substantially affect the Group's ability to create and sustain value over the short, medium and long-term have been included in this report. These Material Matters have been identified based on a comprehensive Materiality Assessment to determine the economic, social and environmental topics that may affect the Group's various businesses or be of concern to stakeholders.

REPORTING FRAMEWORKS

Narrative Reporting	The International Integrated Reporting <IR> framework
Financial Reporting	• Companies Act No. 07 of 2007 • Sri Lanka Accounting Standards issued by the CA Sri Lanka • International Financial Reporting Standards (IFRS)
Risk and Governance Reporting	• Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka • SEC Regulations
Sustainability Reporting	• Global Reporting Initiative (GRI) Standard • Sustainable Development Goals (SDG's)

REPORTING BOUNDARY

The scope and boundaries for financial and Non-financial information comprised with Fentons Limited and its six subsidiaries Energynet (Pvt) Ltd, Fentons Smart Facilities (Pvt) Ltd, Nex Gen Asia (Pvt) Ltd, Hayleys Electronics (Pvt) Ltd, Hayleys Electronics Manufacturing (Pvt) Ltd and Global Consumer Brands (Pvt) Ltd.

GRI 102-53, 102-54

ASSURANCE

Assurance of this report is provided by a combination of internal and external sources. The content included in this Integrated Report has been approved by the respective business heads and reviewed by the audit committee prior to submission to the Board of Directors for approval.

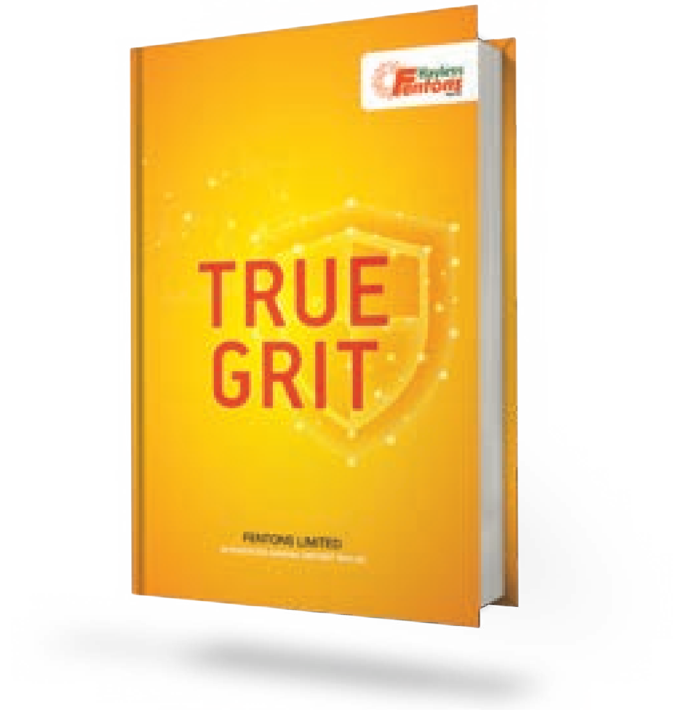
An independent review of the Group's Financial Statements has been carried out by M/S Ernst & Young, Chartered Accountants. Their report is on page 104 of this annual report.

FORWARD LOOKING STATEMENTS

Certain statements in this integrated report may constitute "forward-looking statements". While such information is believed to be pertinent at the date of publishing, it is likely that the Group's actual results and performance in the future, may differ from what is implied by such statements due to various reasons. Readers are therefore cautioned not to place undue reliance on such forward looking statements. Moreover Fentons expresses no obligation to update any revisions to these statements publicly after the date of this report.

BOARD RESPONSIBILITY

The Fentons Limited Board is ultimately responsible for overseeing the integrity of this Integrated Report. Accordingly, the Board confirms that it has collectively reviewed the output of the reporting process and the content of the Integrated Report, and therefore approves the report for release.



STATEMENT OF RESPONSIBILITY

The senior management of the Fentons Limited is responsible for the preparation of the annual report. This report has been reviewed by the Audit Committee who have relied on internal and external assurance processes in place in discharging their duty.

The annual report of the Board of Directors includes an acknowledgement of the Directors responsibilities with regard to the Annual Report. The Board of Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and are of the opinion that the Integrated Report of Fentons Limited for the financial year ended 31st March 2022 is presented in accordance with the <IR> Framework 2021.

Chairman *Board of Directors*	**Chairman** *Audit Committee*	**Managing Director** *Fentons Limited*

This report is available in printed form and online at www.hayleysfentons.com

FEEDBACK

In its endeavor to continuously improve its reporting processes, Fentons Limited welcomes feedback on the effectiveness of this report.

Any feedback and queries should be directed to:

Deputy General Manager - Finance
Fentons Limited
400, Deans Road, Colombo 10
Tel;+94112448518
info@hayleysfentons.com

OUR JOURNEY

1919

British Chartered Electrical Engineer Herbert Engineer Herbert Fenton establishes Fentons Limited at Union Place.

1921

With the need for electrical engineering services growing, Fentons sees a dramatic increase in its business and is registered as a limited liability company

1943

Following Herbert Fenton's retirement, the management of the company was fully vested to the hands of a local Management Team.

1977

The company embarks on a major diversification drive, moving into the electronics and telecommunications fields.

2001

Fentons installs security and surveillance systems for HNB Towers, which was known as Asia's smartest building at the time.

2012

Fentons secures a design and build contract to construct a hangar for Airbus A320 aircraft for Sri Lanka Airlines.

2016

Hayleys Group took over Fentons Limited from family owned business after more than 7 decades

2020

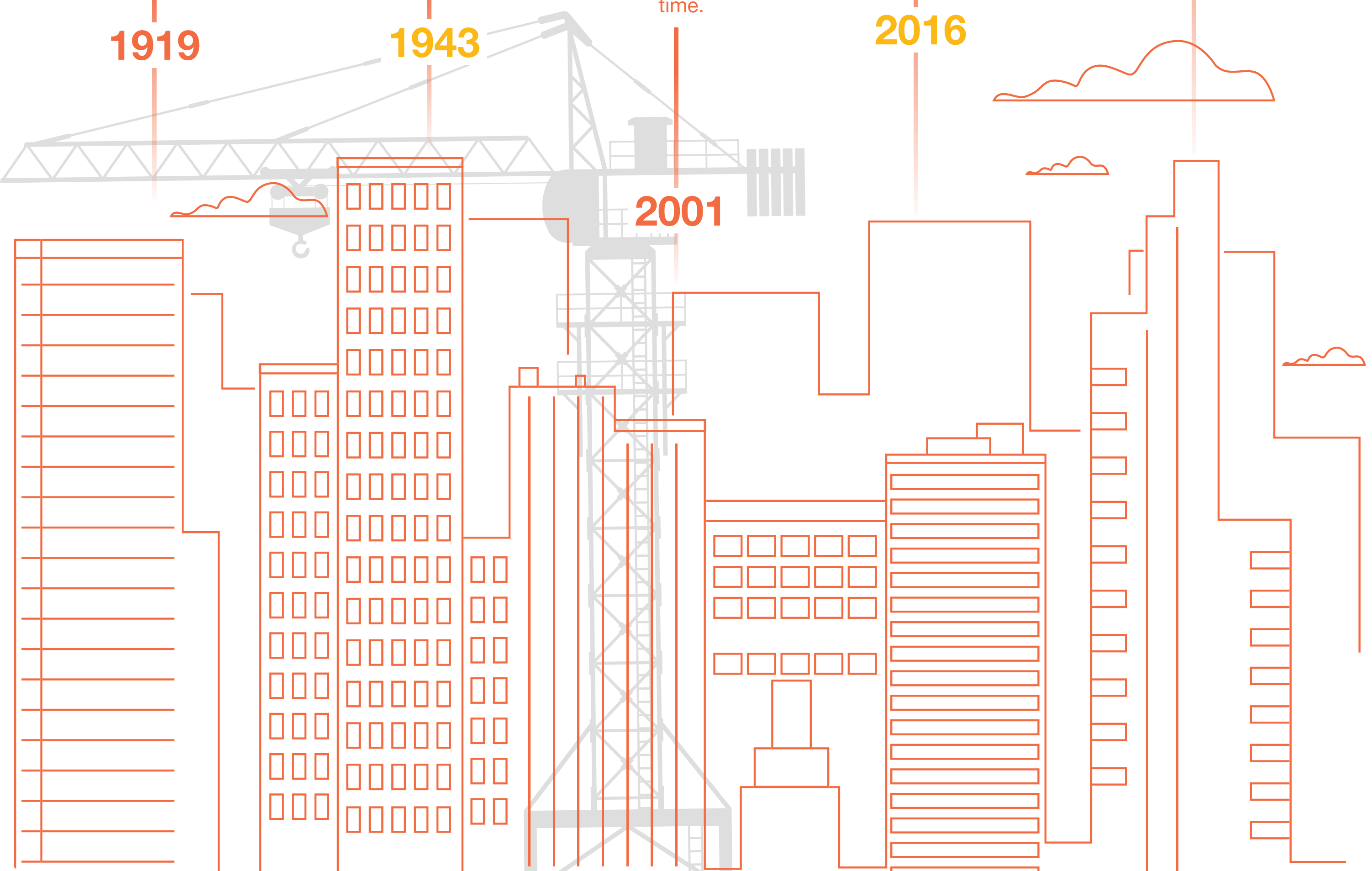
Acquisition of Hayleys Electronics Record positive equity after taken over of Hayleys group.

2021

Fentons Limited acquires Hayleys Electronics Limited

Fentons Group surpasses Rs.10Bn revenue for the first time in group's history

Financial results of the Company in the year under review resulted in a complete turnaround of the negative equity position

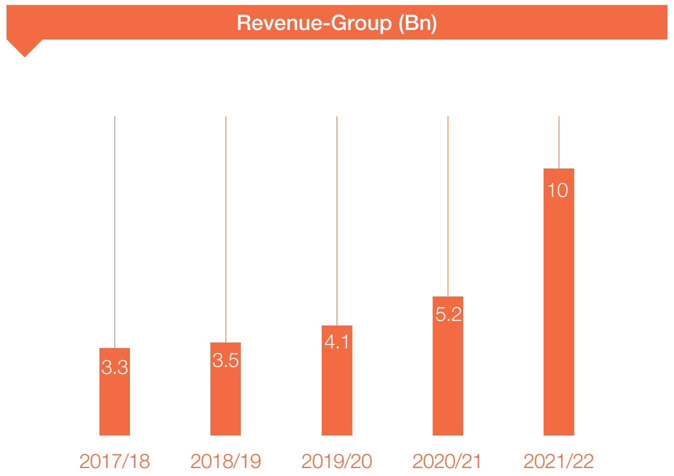


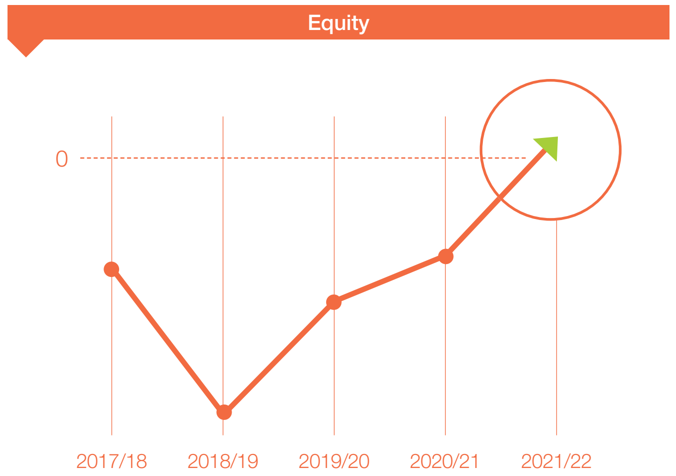
HIGHLIGHTS OF THE YEAR

Rs. 526.5 Mn
Group PBT

Rs. 384.3 Mn
Group PAT

Rs. 6.40
EPS





103
New overseas Suppliers on-boarded

New Certifications
ISO-14001:2015 Environment Management Systems

ISO-50001:2018 Energy Management Systems

40 MW
of Solar systems installed

ENERGYNET OFF GRID SOLAR PV SYSTEM

PVDG SOLUTIONS TO SYNCHRONIZE SOLAR SYSTEMS WITH DIESEL GENERATORS

CHAIRMAN'S STATEMENT

GRI 102-14

"While I expect the lessons learned in the past to hold us in good stead, I think it is more important to think afresh and treat every challenge as a new opportunity to reshape our future"

Dear Stakeholders,

It is with great pleasure and pride that I present to you the Fentons Limited Annual Report and Statement of Accounts for the year ended 31st March 2022.

This year was full of milestones for the Fentons Group. Just to name a few - we accelerated our business diversification plans, reaffirmed our status quo as a market leader and achieved record results, all to coincide with our centenary celebrations in 2021.

On that note, allow me to provide some context regarding the environment on which we were required to operate in FY 2021/22, which will no doubt help you to better appreciate our performance. The COVID-19 raged on with profound consequences. Over and above this, the gravity of the Country's economic crisis urged us to think and act as never before, often forcing us to re-strategize on the go.

Despite this tenuous environment, the Fentons Group stayed on course to register its best ever performance in the FY 2021/22 driven by 91.8% year-on-year revenue growth, along with record profit before tax of Rs. 526.5 Million, denoting three consecutive years of profits. The excellent performance allowed us to pay all employees a bonus, for the first time in over a decade.

I believe it is therefore quite appropriate that our performance be captured through an integrated report. Having published our first-ever annual report for the previous financial year using standard reporting principles, our decision to select the integrated reporting format for the current report is purely voluntary. It identifies the importance we place on aligning with global reporting best practices. It also brings us closer to completing the ongoing assimilation with the Hayleys Group - a journey that began when Fentons was acquired by the Hayleys conglomerate in 2016.

Fentons has since then worked to systematically align its operating framework with the core values and best practices of its parent. International accreditations are a key component of these efforts to strengthen the affinity between Fentons and Hayleys.

The ISO 9001 Quality Management Standard certification which we obtained in 2013 remains a key enabler in elevating our service delivery standards, while the ISO 45001:2018 Occupational Health and Safety Standard reinforces our people-safety commitments. More recently, we have also adopted the ISO 14001:2015 Environmental Management Standard to expedite our transition into a more environmentally sustainable business. To further augment our credentials as a sustainable business, we have obtained ISO 50001:2018 Energy Management Standard certification for several of our businesses.

The cultural adaptation - a gradual process that took several years, is also now finally done, in effect concluding Fentons' transition from a family-owned company to a fully-fledged member of the Hayleys Group. In fact, I can confirm that "Hayleys Way" - the Group's overarching ethics mandate and "The Hayleys Life Code" the Group's ESG framework is now firmly embedded across Fentons and remains well articulated at all levels of operation.

In the spirit of ongoing improvement and learning, Fentons teams continue to work under the guidance of the Hayleys Group Management Committee to further strengthen good governance principles and establish necessary due diligence and assurance frameworks.

Meanwhile, to formally signal the completion of this cultural transformation the new "Hayleys- Fentons" logo was unveiled in early 2021. The new logo is designed to embody the Fentons legacy built around a century of trust and now further clarified through the connectivity to the Hayleys Group - one of the oldest, largest and most successful conglomerates in Sri Lanka.

LOOKING TOWARDS THE NEXT 100-YEARS

No doubt it is becoming increasingly difficult to predict what changes will materialise in Sri Lanka's economic environment over the next few months. Nevertheless, we remain undeterred in our pursuit of success and intend to put our best foot forward as we forge ahead with our ambitious plans for the future.

While I expect the lessons learned in the past to hold us in good stead, I think it is more important to think afresh and treat every challenge as a new opportunity to reshape our future. I am convinced that this approach combined with our core competencies, long-standing brand reputation and clear market leadership, along with the might of the Hayleys Group, will be the key pivots that will empower Fentons to grow and produce consistent results for years to come.

APPRECIATIONS

I take this opportunity to thank my colleagues on the Board for their guidance and wise counsel at all times.

I also wish to express my sincere appreciation to the Managing Director, Senior Management teams and Fentons employees at all levels for their dedication and commitment in driving the success of the Company, despite all odds.

Let me conclude by thanking our customers, business partners and all other stakeholders for their long-standing trust and confidence in the Fentons brand.

Mohan Pandithage
Chairman

02nd June 2022

MANAGING DIRECTOR'S REVIEW

> "The excellent results tabled by the Group was a tremendous all-round effort with all business segments making robust contributions to Group performance."

This past year has been a remarkable one for the Fentons Group. Nevertheless, the myriad challenges stemming from the COVID-19 pandemic followed by the economic uncertainties that surfaced towards the latter part of 2021 continues to this day.

Amidst this backdrop, I can confidently say that Fentons has not only proven its astuteness and dexterity in tackling obstacles, but also clearly demonstrated the desire to succeed despite barriers.

A TURNAROUND PERFORMANCE

Our performance for FY 2021/22 is best described as record breaking. Group turnover, driven by a solid 91.8% improvement over the previous financial year, rose to Rs. 10 Billion in the year under review - the highest ever level recorded in over a century of operations.

Similarly, pre-tax profits crossed the landmark Rs. 500 Million for the first time to reach Rs. 526.5 Million recording the third consecutive year with profits.

The positive momentum created by these results strengthened our balance sheet by paving the way for appropriate corrections to be made to the Group's equity position, which had remained in negative territory since 2018/19. While Group's negative equity position reduced to Rs.287.3Million, the company's equity improved to positive Rs.16.2Million.

The excellent results tabled by the Group was a tremendous all-round effort with all business segments making robust contributions to Group performance. Seeing some viable opportunities on the back of the long-awaited revival in construction sector activities, all our businesses moved quickly to consolidate their positions within their immediate competitive environment.

The Renewal Energy Division, having made excellent headway in expanding its project pipeline and deepening its penetration across both B2B and mainstream residential spheres, firmed up its status as a leading player in the local renewable energy domain. The launch of the "Energynet" off-grid/hybrid solar PV system as a solution for the ongoing power interruptions, has also helped to further augment the division's status as #1 innovator in renewables. Reporting 79.4% growth in Revenue, the Renewable Energy division also further cemented its position as the largest contributor for Group's top-line. Fentons has played a vital role in enabling the country's shift towards renewable energy by completing over 30 MWs over the years.

Similarly, the System Integrated Solutions (SIS) division too, made good headway in strengthening its bandwidth in the local IT sphere. The fact that the division managed to secure many large projects, including the Country's largest-ever SD-WAN deployment, serves as a testament to the divisions' growing presence in the local IT sphere. Meanwhile business diversification coupled with a conscious effort to grow the project pipeline, saw the SIS division reporting a solid 87.7% revenue growth compared to the previous year.

The MEP division, which has traditionally been known as Fentons core business, also continued to thrive. The division delivered its best performance to-date. Revenue grew by 77.3% year on year, supported by a project pipeline worth over Rs. 19Bn - the largest ever recorded in the division's 101year history. Significant contributors to the growth in the division included for supply and installation of Fire Safety infrastructure and for the supply and installation of Electrical Systems and Gas Systems for leading infrastructure developments in Sri Lanka.

The Trading and Facilities Management divisions also tabled good growth, reflecting sizeable improvements in their contributions towards overall Group Revenue.

All in all, I believe our ability to grow solidly and at a faster pace both in the renewable energy and SIS spheres points to the fact that Fentons is moving on from its roots as a purely electromechanical company to assert itself as one of the few multi-faceted engineering specialists in Sri Lanka.

TACKLING CHALLENGES

The significance of our results becomes even more evident when considering the continuous stream of challenges that we had to overcome this past year. The COVID-19 pandemic which continued for the second consecutive year challenged us in countless ways, leaving us to adapt to alternative ways of working in order to ensure continuity of operations, and in meeting project completion deadlines.

Just as it appeared the pandemic was abating, the foreign exchange liquidity crisis in the country began to unfold. Given that our businesses are predominantly import dependent, the shortage of foreign currency in the local banking system was the single largest challenge all our businesses faced in this past year.

However, as you may have well imagined, adversity is nothing new to Fentons, with our 101- year old legacy standing as ample proof of our ability to steer our way through rough terrain. It is this tenacity that drove us to stay on course and follow through on our growth plans.

More importantly I am convinced that our six-point SPIDER strategy was the single largest influence on our results for FY 2021/22. Now well into the third year of its implementation, the SPIDER strategy is deeply integrated into our business models and continues to provide the impetus for building core competencies, driving overall efficiency and supporting effective cashflow management.

CUSTOMER FIRST AND FOREMOST

The willingness to put the customer at the center of everything has always been part of our operational ethos. This past year witnessed the customer-first approach being further reinforced through our SPIDER strategy by inspiring teams to take a holistic approach with the ultimate aim of improving "Speed-to-finish".

MANAGING DIRECTOR'S REVIEW

> Just as it appeared the pandemic was abating, the foreign exchange liquidity crisis in the Country began to unfold. Given that our businesses are predominantly import dependent, the shortage of foreign currency in the local banking system was the single largest challenge all our businesses faced in this past year.

BUILDING A WINNING TEAM

As a service organisation, we accept that our people are our most valuable asset and we know that having the right people, in the positions at the right time, is fundamental to our success.

Premised on this, we amplified our recruitments in the current year in order to enhance our expertise in all key disciplines keeping on par with global standards. On this basis, many of our divisions registered significant team expansions, which saw overall Group cadre nearly doubling compared to the previous year. In addition, we invested Rs.1.6Million in training as part of our ongoing competency development and up-skilling programmes.

POWER OF PARTNERSHIPS

We rely heavily on our overseas principals and global partners to drive our business forward. Building the right relationships has always been a priority for Fentons.

While renewing ties with existing networks, we made a conscious effort to build new ties to support the ambitious growth plans for our various divisions. During the course of the year, the System Integrated Solutions division secured 20+ new partnerships including some leading global names, while the trading division signed up with 12 new overseas principals. In all, the Fentons Group now works with partner network of over 100 principals and suppliers globally.

LOOKING AHEAD

Having come this far and achieved so much in FY 2021/22, we are now adamant to maintain our growth trend in the coming months and years.

However, I must admit that doing so amidst the backdrop of the worsening economic crisis in the country will be no easy feat. The anticipated slowdown in construction sector investments, especially by the state sector will have an impact on our short-term cash flows and our future project pipeline, while deepening foreign exchange liquidity issues together with the weakening Rupee will certainly affect our supply chains as well as our cost structures, in turn bringing pressure on margins in the near term.

Nonetheless, I believe that from whichever angle one is inclined to look - Fentons is now bigger, better and stronger than ever before. It is why I remain optimistic that the Group will only move forward and upward from this point on.

APPRECIATIONS

Before I conclude, I would like to thank our valued customers for their trust and loyalty - you remain the reason we are inspired to evolve and grow.

I wish to also extend my sincere thanks to team Fentons for the passion and commitment to put our customers interests above all else. The professionalism and integrity that you continue to demonstrate every single day is indeed a true reflection of all that we, at the Fentons Group stand for.

A special word of thanks to our overseas principals, global partners and suppliers for their longstanding support. I trust you will remain invested pursuing opportunities for shared growth in the years ahead as well.

And finally, I would like to place on record my deep appreciation of the guidance and immeasurable support received from the Chairman of Hayleys Group and the members of the Hayleys Group Management Committee as well as other Group functions that have continued to assist in numerous ways towards Fentons' success.

Hasith Prematillake
Managing Director
02nd June 2022

Awards and Accolades

CNCI Achiever Awards 2021

Merit Award Winner
National level - Extra Large Category Service Sector

CA 56th Annual Report Awards Ceremony

Silver Award
Construction companies

Bosch Security and Safety Systems

Best Sales Performance - 2021
Sri Lanka

2022 Executive Summit Award Ceremony

2021 Top Sales Performance Award - Fentons Limited, Sri Lanka

Best Solutions Sales in VAM Mobility, BX Series & Business ConnecT

Significant Project Won in Sri Lan ka Ministry of Defense

ISO-50001:2018 Energy Management Systems

ISO-14001:2015 Environment Management Systems

BOARD OF DIRECTORS

Seated

MOHAN PANDITHAGE - Chairman

Standing (Left to Right)

SARATH GANEGODA - Non-Executive Director | ARAVINDA PERERA - Independent Non-Executive Director
HASITH PREMATILLAKE - Managing Director | ROSHANE PERERA - Executive Director

Standing (Left to Right)

PAMUDITH GUNAWARDANA - Director/Chief Financial Officer | THARANA THORADENIYA - Independent Non-Executive Director
DHARMADASA RANGALLE - Independent Non-Executive Director | SUJITH DE ALWIS - Executive Director/CEO

BOARD OF DIRECTORS

MOHAN PANDITHAGE
Chairman
Joined the Hayleys Group in 1969. Appointed to the Board of Hayleys PLC in 1998 and as the Chairman and Chief Executive of Hayleys PLC in July 2009.

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

Leadership Excellence Recognition by the Institute of Chartered Accountants of Sri Lanka. Recipient of the 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers. Honoured with a Lifetime Achievement Award by Seatrade - Sri Lanka Ports, Trade and Logistics (SLPTL) and the first-ever Sri Lanka Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). Inducted as Legend of Logistics by the Sri Lanka Logistics and Freight Forwarding Association in recognition of services rendered to Sri Lanka's logistics industry.

HASITH PREMATILLAKE
Managing Director
Joined Hayleys Group in 2018 and was appointed to the Hayleys Group Management Committee in October 2018. Currently serves as the Managing Director of Fentons Group. Previously Mr. Premattilake served as the Country Director/ General Manager of Ansell Lanka (Pvt) Ltd and Chief Executive Officer of Phoenix Industries Ltd. He also held a managerial position at Chevron Lubricants Lanka.

Mr. Premattilake holds a Master of Business Administration Degree (Merit pass) from the University of Colombo where he was awarded the prestigious Dr. Linus Silva Medal for Best Overall Performance. He possesses a B.Sc. Engineering Degree (Honours) from University of Moratuwa. He is a Fellow Member of the Chartered Institute of Management Accountants, Member of the Chartered Institute of Marketing, Passed Finalist of CA Sri Lanka and a Graduate of the British Computer Society. He is also a certified Lean Six Sigma Black Belt.

SARATH GANEGODA
Non Executive Director
Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Horana Plantations PLC.

ARAVINDA PERERA
Independent Non – Executive Director
Mr. Aravinda Perera counts over 39 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012, until his retirement in September 2016.

He serves on the Boards of Singer Finance Lanka PLC as Chairman, as Deputy Chairman in Pan Asia Banking Corporation PLC, Managing Director of Royal Cermaics Lanka PLC, Director of Rocell Bathware Ltd, SNAPS Residencies Pvt Ltd, & Kosgulana Hydro Company Ltd. Further to the Directorships, he Chairs the Audit committees of Hayleys PLC, Hayleys Aventura Private Ltd, Hayleys Advantis Ltd and Fentons Ltd.

He was the former Chairman of Siyapatha Finance PLC, former Director of Sampath Centre Ltd., Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh.

He passed out from University of Moratuwa in 1980 with an Honours Degree in Mechanical Engineering. He is a Member of the Institute of Engineers (Sri Lanka) (MIESL) and a Chartered Engineer (C.Eng.). He is also a Fellow Member of the Chartered Institute of Management Accountants (UK) (FCMA) and a Fellow of the Institute of Bankers– Sri Lanka (FIB). He also holds an MBA from the Past Graduate Institute of Management.

Mr. Perera was honoured with the "CEO Leadership Achievement Award 2016" by the Asian Banker magazine and was also the recipient of the prestigious "Platinum Honours – 2014" Award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayawardenapura University. He was honoured with the "Award for the Outstanding Contribution to the Banking Industry – 2015" by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

THARANA THORADENIYA
Independent Non – Executive Director
Appointed to the Board of Fentons Limited in March 2016. Mr. Thoradeniya is a marketer by profession, he was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK). He has over two decades of senior management experience in a multitude of industries and has been credited as a proven business innovator across industries.

Group Director of Royal Ceramics Lanka PLC. He sits on the Boards of several public quoted and privately held companies, including Pan Asia Banking Corporation PLC, Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Floortiles PLC, Hayleys Fibre PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd and Unidil Packaging (Pvt) Ltd , among others.

DHARMADASA RANGALLE
Independent Non-Executive Director
A retired Senior Commissioner of the Department of Inland Revenue (Special Grade), he has over 34 years of experience in the Government (Public) Sector, including 31 years of experience of Tax Administration as an Assessor, a Deputy Commissioner, a Commissioner, and a Senior Commissioner. Currently serves as a Non-Executive Director of LB Finance PLC, Aventura (PVT) Limited., Hayleys Advantis Limited, Multi Finance PLC, DHS Holdings (Pvt) Ltd and Flying Angel's Flight Academy (PVT) LTD. He is also a member of the Executive Council-Sri Lanka Institute of Taxation-Sri Lanka.

Mr. Rangalle obtained the Master of Commerce (M. Com) Degree from the University of Kelaniya, the Bachelor of Commerce (B. Com) Special Degree- Second Class Upper Division (Honors') from the University of Kelaniya. He has completed all course work relating to the Doctoral Degree Programmer at the Open University of Malaysia. He is also a fellow member of the Sri Lanka Institute of Taxation, Sri Lanka. He was a vising Lecturer at the University of Kelaniya, Malabe Campus (SLIIT), Business School of Institute of Chartered Accountants of Sri Lanka, and the Sri Lanka Institute of Taxation-Sri Lanka.

SUJITH DE ALWIS
Executive Director/CEO
Joined Fentons Limited in August 2002, as a Marketing Executive and held several managerial positions till 2011. He was appointed as the Assistant General Manager – ICT Marketing Division in 2011 and subsequently as the General Manager for both ICT Marketing and Engineering Divisions. In 2016, he was appointed as the General Manager for ICT & UPS Divisions of Fentons & Energynet (Pvt) Ltd and was appointed as the Chief Executive Officer/ Director of all subsidiaries of Fentons Group with effect from 01st August 2018.

Mr. De Alwis holds a Master's Degree in Business Administration from the University of Colombo.

ROSHANE PERERA
Executive Director
Joined as the Chief Executive Officer of Energynet (Pvt) Ltd / Hayleys Solar division in June 2017. He possesses extensive experience in the design, installation and commissioning of Solar PV systems in Sri Lanka. Mr. Perera has worked for renowned organizations in Sri Lanka and Switzerland. He was appointed to the Board of Fentons Ltd. in August 2019.

Mr. Perera holds a Master of Science in Sustainable Energy Systems from the University of London, UK and B.Sc. Engineering (Hons) in Electrical Engineering from University of Moratuwa, Sri Lanka. He is also an Associate Member of Institute of Engineers, Sri Lanka.

PAMUDITH GUNAWARDANA
Director/Chief Financial Officer
Re-joined the group on 31st January 2022 and was appointed to the board of Fentons Ltd and its subsidiaries on 17th February 2022. He was the former CFO/Group Financial Controller of Rockland Distilleries (Pvt.) Ltd. and in that capacity worked as the Senior Finance Manager for several companies.

Mr. Gunawardana is a Fellow Member of the Institute of Chartered Accountant of Sri Lanka, reading over 15 years' experience in Finance. In addition, he's an associate member of the CPA Australia and holds a Bachelor of Business Administration from University of Colombo and a Masters of business administration from University of southern Queensland. His experience spans to the manufacturing, services, and retail, with wide exposure to group restructuring, mergers & acquisitions, setting up of international operations, tax planning and treasury management.

CORPORATE MANAGEMENT TEAM

Seated

HASITH PREMATILLAKE - Managing Director

Standing (Left to Right)

ROSHANE PERERA - Executive Director | ROSHAN PERERA - General Manager - MEP Projects
YOOSOOF IHTHISHAM - General Manager - ICT | PAMUDITH GUNAWARDANA - Executive Director/Chief Financial Officer
SUJITH DE ALWIS - Executive Director/CEO

Standing (Left to Right)

JAYENDRA FONSEKA - General Manager - SSD | ROSHANI DHARMARATNE - Director - Business Development
RUWAN KUMARA - Head of Supply Chain | MUVINI SATHKUMARA - Director - Contract Administration & QS
CLYED GABRIEL - DGM - Engineering Sales

CORPORATE MANAGEMENT TEAM

HASITH PREMATILLAKE
Managing Director
(Refer Board Profile on page 18 to 19)

SUJITH DE ALWIS
Executive Director/CEO
(Refer Board Profile on page 18 to 19)

ROSHANE PERERA
Executive Director
(Refer Board Profile on page 18 to 19)

PAMUDITH GUNAWARDANA
Director/Chief Financial Officer
(Refer Board Profile on page 18 to 19)

YOOSOOF IHTHISHAM
General Manager ICT
Yoosoof Ihthisham joined Fentons Limited in 2008. He possesses a long and impressive track record in the IT field and has taken the ICT Division at Fentons Limited to new and heights under his direction and guidance. Possessing an Advanced Diploma in Electrical and Communication Systems, he holds multiple CISCO certifications including CISCO Certified Network Professional, CISCO Certified Voice Professional, CISCO Certified Design Professionals he is also a Microsoft Certified Professional.

JAYENDRA FONSEKA
General Manager SSD
Jayendra Fonseka has served the Hayleys Group since the early 2000's in senior management roles in Hayleys Aventura as well as Hayleys Industrial Solutions. An Alumnus of City & Guild of London he possesses qualifications in the field of Telecommunications. He is a member of MIEEE – Member of Electrical & Electronics Engineers , USA. He has been recognized at the Hayleys Chairman's Awards 2014 and is a well – recognised professional in the Security & Communications System Solutions sector in Sri Lanka.

ROSHANI DHARMARATNE
Director – Business Development
Roshani Dharmaratne has joined Hayleys Group as Manager Business Development in 2013 and got transferred to Fentons Group as General Manager, Business Development – MEP in March 2019. Previously she has held the position of General Manager – vehicle Sales & Parts of Mercedes-Benz, Jeep & Chrysler at Diesel & Motor Engineering Pvt Ltd. She holds a Bsc. (Hons) degree from the University of Kelaniya and a MBA specializing Project Management from the University of Cardiff, UK. She has also completed the Post Graduate Diploma in Certified Management Accountants (CMA). She is the Winner of Chairman's Award 2015 under Hayleys Consumer Sector.

ROSHAN PERERA
General Manager – MEP Projects
Roshan Perera has teamed up with the Fentons Team in the year 2017 and currently holding the office of the General Manager MEP Projects.

He was the Project Director at Bricks Developers and BVRO Holding (Pvt) Ltd. Prior to that he was also Executive Director/CEO at Spence Engineering & Construction from 2005 to 2015 and was HOD and Project Director at Sierra Construction from 2000 to 2005.

He hailed from the University of Peradeniya with B.Sc. in Engineering specialized in Mechanical Engineering. He carries over 20 years of experience and knowledge in his belt and excels in Project Management and Program Management.

RUWAN KUMARA
Head of Supply Chain
Ruwan Kumara joined Fentons Limited in November 2021, as Head of Supply Chain. In April 2022, He was appointed as the General Manager Supply Chain. He is a Supply Chain management professional having 17 years of experience with international exposure and proven track record of effectively managing Strategic Sourcing of Raw and Packing Materials, CAPEX, and General Procurement Management, Contract & Facility Management, Commercial Management with Logistics activities on behalf of large global multinationals in Sri Lanka and Bangladesh—where he has worked for companies across multiple industry sectors; from Telecom Services to FMCG and Apparel.

He has made significant contributions to employers in the form of cost reductions and profit enhancements by way of effective negotiations with suppliers on Raw materials & Packing materials, process improvements and automation along the supply chain and other lean-management initiatives. have established robust controls, policies and procedures pertaining to procurement strategies and inventory management systems. Highly adept at ERP systems implementation and management,

Apart from that he holds a MSc. in Logistics and Supply Chain Management from the University of Birmingham in the UK, and a BSc. in Business Administration from University of Sri Jayewardenepura, He is also a Member of the Chartered Institute of Logistics and Transport (CILT), Advanced Diploma in Supplies and Materials Management from the National Institute of Business Management (NIBM) in Sri Lanka and holding a membership from Association of Accounting Technicians (AATSL)

MUVINI SATHKUMARA
Director Contract Administration
Muvini Sathkumara joined the Company in 2022 as a Director Contract Administration.

Previously She's having held many positions from middle management to Senior Management in the Access Engineering group of Companies since 2007. She appointed as Director project Management in Foresight Engineering (Pvt) ltd and Associated Companies of Access International group (Access Motors, Access Residencies, Ninewells Hospitals and Horizon Campus Limited) in 2018.

She has over 18 years of experience in an International ,multicultural environment in the locally operated renowned projects in the fields of Quantity Surveying ,Contract Administration and Project Management. She is a Graduate of the University of Moratuwa holding a BSc (Hons) in Quantity Surveying Degree and a Postgraduate Diploma in Construction Law and Dispute Resolution attached to the same university. Following; she completed a Master's Degree of the University of Bedfordshire (UK). She is a Chartered Quantity Surveyor possessing an Associate Membership from the Institute of Quantity Surveyors, Sri Lanka (AIQSSL) and holding International Chartered Membership of Royal Institute of Chartered Surveyors in UK (MRICS).

CLYED GABRIEL
DGM - Engineering Sales

Joined Fentons in December 2021 as Deputy General Manager of Engineering Sales

Former General Manager Sales and Marketing Charter House International, Head of Sales for St, Anthonys Industries Group, Experienced in the Automobile industry for vehicle sales PEUGEOT and Mazda at Car Mart LTD in the position of key account Manager with over 15 years of experience in sales and marketing, holding a NDSM at SLIM.

BUSINESS MODEL

External Environment

Opportunities and Challenges

Mission

Vision

Strategy

Inputs

FINANCIAL CAPITAL
- Stated Capital - Rs. 655 Mn (Rs. 655 Mn - 2020/21)
- Debt Capital - Rs. 4.7 Bn (Rs. 2.6 Bn - 2020/21)

MANUFACTURED CAPITAL
- Machinery, Equipment and Tools
- Digital Infrastructure

INTELLECTUAL CAPITAL
- Brand Equity
- Group Synergies
- Strategic Partnerships - 443 new global principals / suppliers
- Knowledge Base
- Standards and Certifications - ISO 9001:2015 Quality Management System, ISO 450001:2018 Occupational Health and Safety Management System and ISO 14001 : 2015 Environment Management System

HUMAN CAPITAL
- 1,067 employees
- 581 Contract Workforce
- Recruitment and Selection
- Remuneration and Benefits
- Training and development - Investment Rs. 1.6 Mn (Rs. 1.8 Mn - 2020/21)
- Occupational Health and Safety Systems ISO 450001:2018 Occupational Health and Safety Management System
- Employee Relations

RELATIONSHIP CAPITAL
- Product Responsibility
- Marketing and Communication and Product Labeling
- Customer Support
- Business Partner and Supplier Relationships

Corporate Governance Framework

Core Business Activities

Renewable Energy

System Integrated Solutions

MEP

Trading

Facilities Management

Enterprise Risk Management

Outputs for Fentons

- Enhanced brand reputation
- Improved industry standing
- Higher market share owing to first-mover advantage in technology streams
- Increased customer satisfaction
- Higher customer loyalty
- Greater Supply chain security
- Increased employee satisfaction leading to higher retention
- Cost advantages stemming from improved employee productivity
- Highly motivated employees to drive innovation

Stakeholder Outcomes

Customers
- Access of the best in-class engineering solutions
- Assurance of high quality products and services on par with global standards
- Benefitting from the latest global technology
- Guaranteed timely completion of project deadlines
- Continuous and ongoing communication, ensuring quick resolution of issues
- Guaranteed after sales service

Employees
- New employment opportunities created - 585 (167 - 2020/21)
- Total Value of Benefits distributed Rs. 1 Bn (Rs. 1.6 Bn - 2020/21)
- Average training hours per person - 29.8 (4.9 - 2020/21)
- ZERO Accident workplace

Business Partners and Suppliers
- New partnerships formed - 103 (82 - 2020/21)
- Amount paid to local suppliers - Rs. 1.5 Bn (Rs. 1.6 Bn - 2020/21)

Parent
- Revenue - Rs. 9.3 Bn - (Rs. 4.7 Bn - 2020/21)
- PBT - Rs. 689.8 Mn (Rs. 155.7 Mn - 2020/21)

Contribution to the SDG's

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

STRATEGIC ROADMAP

GRI 103-2, GRI 103-3

Our strategy, denoted by the acronym SPIDER, serves as the blueprint to support the pursuit of the Group's strategic aspirations. Framed by six fundamental pillars, the SPIDER is designed to pave the way for Fentons to build on its strengths and capitalise on opportunities, while addressing systemic weaknesses and tackling potential extremal threats.

In this way it is expected that the SPIDER strategy will over time enable the Fentons Group to pivot beyond its roots as an electromechanical services provider to reposition itself as a fully fledged integrated engineering specialist in Sri Lanka with expertise in a broader spectrum of sectors ranging from electrical and mechanical engineering to renewable energy and ICT.

SWOT

STRENGTHS

- Century old brand legacy
- Links to the Hayleys Group
- Group Synergies
- Diverse network of overseas business partners / principals
- Industry-leading knowledge base
- International accreditations for quality and safety
- Highly skilled workforce

WEAKNESSES

- Lack of awareness and market viability regarding the full range of services offered by the Group
- Limited market presence
- Difficulties in funding for competitive projects
- Working capital constraints

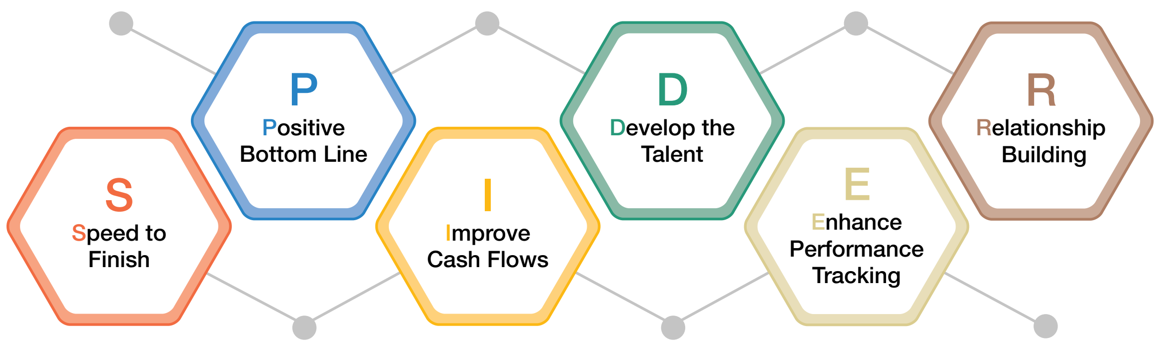
OPPORTUNITIES

- Leverage on global networks to pursue business diversification
- Secure first mover advantage in penetrating new markets spaces
- Increase market share due to non-sustainable small scale competitor businesses.
- Economies of Scale
- Brand reputation
- Group synergy

THREATS

- Emerging competitive pressure from smaller low-cost operators
- Foreign exchange unavailability hindering imports
- Exchange rate depreciations
- High inflations reducing the project margins and hindering the financial viability of investments
- Banks liquidity constraints impact on capacity development and project funding
- Reduced settlement capacities of customers due to current economic crisis.

OUR GROUP STRATEGY



		Targets for FY 2021/22	Progress Made
S	Speed to Finish	**Start monitoring division-wise performance of projects using the Schedule Performance Index (SPI) dashboard** • On schedule • In progress / to be improved • Behind Schedule • New Projects	Implemented for all divisions with effect from April 2021
P	Positive Bottom line	**Streamlining the Procurement Strategy** • Tap into alternative suppliers by diversifying the supply chain • Encouraging competitive bidding among all suppliers and contractors • Focus in post costing and improving the pre tendering margins by negotiating with suppliers and subcontractors	Implemented in selected projects
		Introduction of Value Engineering Solutions • Manage and control the design and implementation of value engineering optimization for the solar division • Pursuing innovative construction techniques to promote integrated solutions	Ongoing in all projects
I	Improve Cash Flows	**Longer supplier credit** • Renegotiate credit terms offered by both local and overseas suppliers	Ongoing
		Improve on Customer advances • Work with customers to increase the frequency with which advance payments are received	Ongoing
		• Negotiations of claims, variations, changes and disputes with contractors in collaboration with Project Management, Legal Department and others.	Ongoing
D	Develop Talent	**Aggressive Recruitment Drive** • Source highly skilled professionals with a proven track record including global exposure • Continuous training and skill development programs • Efficient performance evaluations and rewarding	Implemented with all recruits on-boarded
E	Enhance Performance Tracking	**Introduce multiple tracking metrics** • Project-wise revenue tracking • Division-wise working capital cycle • Division-wise top-10 debtors • Division-wise Work-in-progress	Implemented for all divisions with effect from April 2021
R	Relationship Building	**Networking** • Fellowship events • Public Relations events • Townhall meetings • Group trainings and events **Direct engagement** • Customer Presentations • Engagement with key gatekeepers of the projects • Exhibitions and MAS media coverage	Implemented for all divisions with effect from April 2021

STAKEHOLDER ENGAGEMENT

GRI 102 - 21, GRI 102 - 40, GRI 102 - 41, GRI 102 - 42, GRI 102 - 43, GRI 102 - 44

At Fentons, we used a localised approach to Stakeholder Engagement, whereby the respective business units are required to identify their respective stakeholders. In seeking to identify your stakeholders, we work on the premise that stakeholders are those individuals or groups who impact our business, or are impacted by our operations, either directly or indirectly. In this way, we have determined our stakeholders to be; customers, employees, business partners / suppliers, and our parent company.

In keeping with our decentralised approach, relationships with key stakeholders such as customers and suppliers, are also for the most part managed by the business units themselves.

The Group's leadership receives feedback from stakeholders in several ways, from direct feedback through interactions with customers, business partners and employees, to information provided by the business heads.

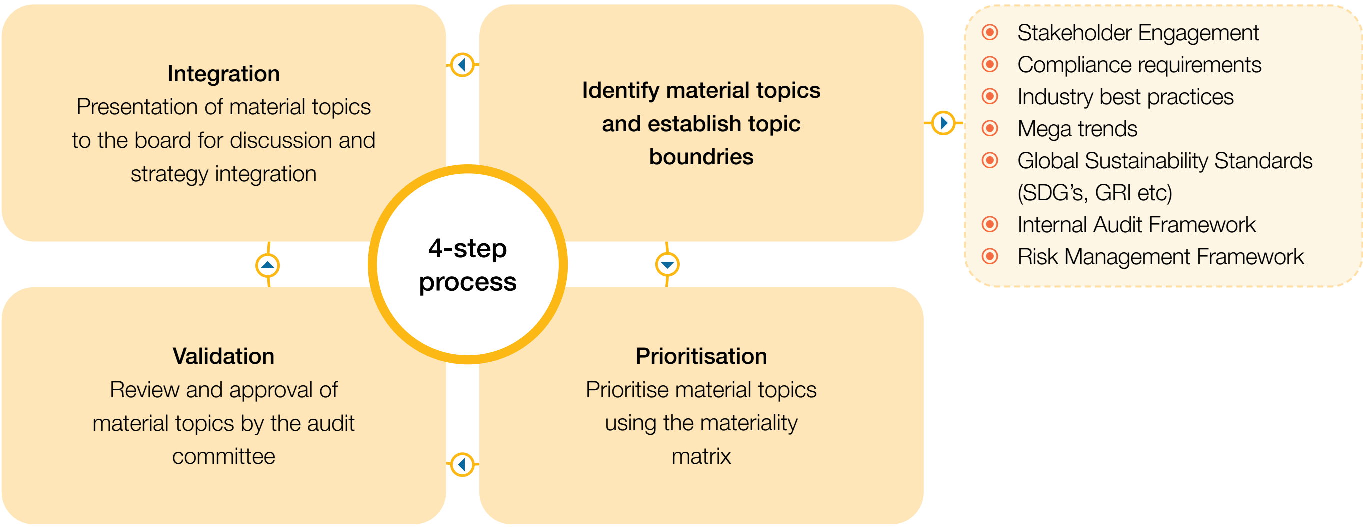
Stakeholder Engagement Mechanism				
Stakeholder	**Engagement Mechanism**	**Frequency**	**Key Concerns Raised**	**Our Response**
Customers	Progress Meetings Corporate Website and Social Media platforms Press releases	Continuous and Ongoing As needed	Timely delivery of projects Product affordability, availability and quality Support services Access to information	Refer Relationship Capital Report on page 69
Employees	Employee relations framework Other internal communication Training initiatives One-on-one discussions Performance reviews	Continuous and Ongoing As needed Annually	Career advancement Competitive remuneration benefits Conducive work environment for personal and professional capacity building Employee health and safety	Refer Human Capital Report on page 64
Business Partners / Principals	One-on-one meetings Corporate Website Other correspondence	Continuous and Ongoing	Sustainable partnerships Payment terms Business ethics and compliance	Refer Relationship Capital Report on page 69
Parent Company			Balance sheet stability Profitability Compliance and best practices	Refer Financial Capital Report and Corporate Governance Report on page 53 and 80 respectively

MATERIALITY ASSESMENT

GRI 102 - 47, GRI 103 - 1, GRI 103 - 2, GRI 103 - 3

We conduct a formal Materiality Assessment every other year to ensure we prioritise the issues that have the biggest impact on our business and also matter most to our stakeholders.

This Materiality Assessment involves a 4-step process, starting with identification, prioritisation and validation and finally integration.



MATERIALITY MATRIX

Impact of Fentons	Low	Moderate	Significant	Major
Major			Economic Performance Tax Operational Efficiency Customer Satisfaction Product Quality Innovation Principal Relationships	
Significant			Employment Employee Wellbeing Training and Education Non-Discrimination Diversity and Equal Opportunity	Socioeconomic Compliance
Moderate		Forced or Compulsory Labour Child Labour Supplier Environmental Assessment Supplier Social Assessment		
Low				
	Importance to Stakeholders			

MATERIALITY ASSESMENT

GRI 103 - 1, GRI 103 - 2, GRI 103 - 3

Material Topic	GRI Relevance	Topic Boundary	Why it is considered Material	Management Approach	Evaluating the effectiveness of our management approach
Economic Performance	N/A	Internal (Fentons Group) / External Stakeholders (Parent, Business Partners / Principals)	Increases shareholder returns	Strategic roadmap to ensure consistent revenue growth coupled with cost efficiencies Group Synergies	NPAT Liquidity Ratio Debt: Equity Ratio Credit Rating No. of new projects
Tax	N/A	Internal (Fentons Group)	Impacts the Group's overall financial outcomes	Adhere to the national tax frameworks as applicable to the Group's various businesses	NPBT ROE
Operational Efficiency	N/A	Internal (Fentons Group) / Internal Stakeholders (Employees)	Ensures achievement of project milestones and on-time delivery inline with target profit objectives	Project lifecycle management	Project completion Record Customer complaints Customer Satisfaction ratio Customer NPS (Net Promoter Score) Quality Control Framework ISO Audits
Customer Satisfaction	GRI 416 - 1 GRI 416 - 2 GRI 417 - 1 GRI 417 - 2 GRI 417 - 3 GRI 419 - 1 Refer - Relationship Capital on page 69	Internal (Fentons Group) / External Stakeholders (Customers)	Supports customer loyalty and enables business expansion	Product Responsibility Marketing, Communication and Labeling Customer Support	
Product Quality			Improves customer confidence and augments brand reputation	Business Partner Relationships Standards and Certifications Group Synergies	
Innovation	N/A		Builds trust among customers and enhances the Group's competitive edge	Leverage on Business Partner Relationships to gain access to the latest technology	Customer Satisfaction ratio Customer NPS (Net Promoter Score)

Material Topic	GRI Relevance	Topic Boundary	Why it is considered Material	Management Approach	Evaluating the effectiveness of our management approach
Employment	GRI 401 - 1 GRI 401 - 2 GRI 402 - 1 GRI 403 - 1 GRI 403 - 2 GRI 403 - 3 GRI 403 - 4 GRI 403 - 5 GRI 403 - 6 GRI 403 - 7 GRI 403 - 8 GRI 403 - 9 GRI 403 - 10 GRI 404 - 1 GRI 404 - 2 GRI 404 - 3 GRI 405 - 1 GRI 406 - 1 GRI 408 - 1 GRI 409 - 1 Refer - Human Capital on page 64	Internal (Fentons Group) / External Stakeholders (Employees)	Helps to build a strong talent base in order to support the Group's business plans and strategy	Create a strong employee value proposition to ensure employees benefit from the best in-class experience at all times	New hires Resignations Employee satisfaction score Injury and Accident ratio
Employee Wellbeing					
Training and Education					
Non-Discrimination					
Diversity and Equal Opportunity					
Forced or Compulsory Labour					
Child Labour					
Principal Relationships	GRI 109 - 10 GRI 109 - 11 GRI 308 -1 GRI 308 -2 GRI 412 -3 GRI 414 -1 GRI 414 -2 Refer - Relationship Capital on page 69	Internal (Fentons Group) / External Stakeholders (Business Partners / Principals) Internal	Facilitates sustainable long term relationship to ensure uninterrupted supply of high quality and technological advanced materials	Centralised procurement model Supplier on-boarding	New suppliers on-boarded Contract renewal ratio Business diversification
Supplier Environmental Assessment			Enhances overall brand reputation of the Fentons Group	Use of the Hayleys Group P2P index to assess environmental and social credentials of suppliers	P2P index score
Supplier Social Assessment					
Socioeconomic Compliance	GRI 419 - 1 Refer - Corporate Governance Report on page 80	Internal (Fentons Group)	Strengthens the Group's standing in the industry	Maintain 100% compliance record for all social and economic regulations	Due diligence by the compliance division

OUR COMMITMENT TO THE SDG'S

In 2015, the United Nations Member States defined 17 Sustainable Development Goals (SDGs), which represents a universal call for action by all countries to tackle climate change, end poverty and build a more sustainable and inclusive world by 2030. While the overall responsibility for implementing the SDG's lies with Member States, corporations have a significant role to play in supporting their respective nations. Fentons takes this responsibility very seriously and has identified seven SDGs where the Group can make the greatest impact.

1. End poverty in all forms in everywhere

1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day

Our commitment
- Implement an ROI-based salary increment framework
- Provide workman compensation and medical insurance for all employees.
- Provide workman compensation insurance for all sub-contractors.
- Promote local sourcing and ensure fair and equitable procurement terms for small-scale suppliers

1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including micro-finance.

Our commitment
- Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to access basic services and new technology
- Strike a balance between customer needs and affordability when making pricing decisions to ensure product to suit the needs of all segments of the population
- Provide tailor made solutions according to the financial status
- Offer concessionary terms including loan facilities and instalment plans

1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.

Our commitment
- Review and update emergency preparedness and response plans on an ongoing basis
- Conduct routine safety drills

Awareness session for environmental shocks and disasters

2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

Our commitment
- Promote access to healthy lifestyles by raising awareness among employees and other stakeholders
- Provide SLS certified drinking water for workers
- Regularly test quality of drinking water against national parameters

3. Ensure healthy lives and promote well-being for all at all ages

3.2 By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births

Our commitment
- Indoor air quality monitoring and provide SLS Certified drinking water
- Providing workman compensation insurance cover
- Providing medical insurance cover

3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

Our commitment
- Free COVID-19 tests for employees
- Face masks for employees provided free of charge
- Prioritise COVID-19 vaccination programmes for employees and contract workers
- Provide SLS certified drinking water
- Conduct hazard identification and risk assessment on an ongoing basis along with systematic Accident/Hazard/near-miss reporting and investigation procedure to support corrective action

3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents

Our commitment
- Recruitment of competent drivers and closely monitor the their road safety practices
- Conduct training on road safety

3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Our commitment
- Providing workman compensation insurance cover
- Providing medical insurance cover
- Organize COVID-19 vaccination programmes for workers
- Introduce Bio-zone product to market (Air disinfection unit)

3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

Our commitment
- Air quality monitoring of indoors
- Introduced Biozone for air purification
- Monitor the air emission of vehicles and generators
- Avoid the use of all restricted refrigerants in Air conditioners
- Reduce GHG emission by increasing the electricity intensity

COVID-19 Vaccination

OUR COMMITMENT TO THE SDG'S

4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university / 4.4 /4.5

Our commitment
- Provide training and career development opportunities through structured learning initiatives coupled with access to technology and e-learning tools

4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development

Our commitment
- Provide training on sustainability management and technical aspects
- Conduct employee engagement activities to raise awareness on human rights and gender equality

Sri Lanka Telecom/Ministry of Education

Supply, Installation and commissioning of Wi-Fi solution for more than 350 Schools Island wide under Ministry of education National school internal Network Project

5. Achieve gender equality and empower all women and girls

5.1 End all forms of discrimination against all women and girls everywhere

Our commitment
- Annual performance review and career development reviews for all employee categories and genders.
- Non-discriminatory and equal opportunity employment for both men and women, including 1:1 salary ratio for employees in similar roles regardless of gender
- Special Grievance handling procedures to address complaints regarding harassment or discrimination

5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation

Our commitment
- Zero tolerance of gender based violence and harassment
- Screening of suppliers using social criteria to determine their labour and human rights practices

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

Our commitment
- Maintain fair rate of gender balance in executive and managerial categories

International Women's Day pledge

6.Ensure availability and sustainable management of water and sanitation for all

6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all

Our commitment
- Provide SLS certified drinking water for all employees
- Randomly check water samples to ensure required water quality parameters are maintained

6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations

Our commitment
- Providing training and raising awareness among employees regarding personal hygiene
- Provide toilet facilities for men and women at all workplaces as per local regulations

6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated waste water and substantially increasing recycling and safe reuse globally

Our commitment
- Reduce waste generation at the design stage
- Practice 3R principles whenever possible and practical
- Ensure all hazardous/non-hazardous chemicals and materials are disposed of via CEA registered recyclers
- Work towards ensuring zero waste is sent to landfills
- Provide regular training for employees on chemical spill prevention and emergency spill control procedures
- Invest in necessary infrastructure and tools to prevent / control of emergency spills

6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

Our commitment
- Set goals to reduce water intensity on an annual basis
- Conduct water audits and inspections to identify water saving measures
- Raise awareness among employees to reinforce water saving measures

7. Ensure access to affordable, reliable, sustainable and modern energy for all

7.1 By 2030, ensure universal access to affordable, reliable and modern energy services

Our commitment
- Offer loan schemes and instalment plans to encourage customers to invest in solar PV and Hybrid systems

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Our commitment
- Target to offset 90% of electricity consumption using solar PV based energy generation within next 5 years.

7.3 By 2030, double the global rate of improvement in energy efficiency

Our commitment
- Reduce electricity intensity at administrative office buildings
- Use energy efficient vehicles for transportation (Hybrid, Mini cars etc.)
- Maintain a central vehicle fleet in order to avoid use more than one vehicle for same route.

7.b By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support

Our commitment
- Provide new renewable energy based technologies to customers, including high efficiency solar pv systems, Hybrid systems, hybrid solutions for emergency power requirements and portable energy generation systems etc.

Energynet off grid solar PV system

OUR COMMITMENT TO THE SDG'S

GRI 408 - 1

8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead

Our commitment
- Reduction of water and energy intensity structured learning

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

Our commitment
- Create a structured internship programme to offer paid on-the-job training for students of the technical colleges and universities
- Hire locally for new projects

8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms

Our commitment
- Screening of suppliers using social criteria to determine their labour and human rights practices
- Comply with regulatory requirements on minimum employable age

9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Our commitment
- Upgrade building infrastructure to drive energy efficiency and reduce of GHG emissions
- Build secondary containment units to avoid chemical contamination
- Avoid use of banned AC refrigerants.
- Test the quality of generator air emission.
- Introduced Biozone for air purification

Biozone for air purification

11. Make cities and human settlements inclusive, safe, resilient and sustainable

11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Our commitment
- Support customers by providing fully integrated engineering solutions combining design, installation and maintenance of MEP, ELV, ICT, UPS, Solar PV systems and also including facilities management services for any building

11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Our commitment
- Providing staff transport facilities for employees
- Conduct trainings and awareness sessions on road safety and sustainable transport systems

11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

Our commitment
- Maintain noise levels in all workplaces within the parameters stipulated by local authorities

11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations

Our commitment
- Review and update emergency preparedness and response plans on an ongoing basis

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Our commitment
- Monitor quality of air emissions to ensure minimum impact on air quality
- Waste management procedure implemented by focusing zero waste to landfill

12. Ensure sustainable consumption and production patterns

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

Our commitment
- Take required actions to reduce water and energy intensity

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

Our commitment
- Prevent or minimise the negative impact on the environment impact through routine review of audits to identify, assess and review effectiveness of control procedures
- Provide training on prevention and control of chemical spills
- Emergency response plan to control chemical spills
- Reduce GHG emission by reducing energy intensity.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Our commitment
- Waste management procedure introduced to promote prevention, reduction, re-use and recycling.
- Target zero waste to land fill by 2030

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Our commitment
- Integrated annual report

OUR COMMITMENT TO THE SDG'S

13. Take urgent action to combat climate change and its impacts* * Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Our commitment

- Reduce GHG emission by reducing energy intensity.

14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

14.3 Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels.

Our commitment

- Reduction of scope 1 and 2 GHG emission

15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

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

Our commitment

- Tree planting project Kirulu

16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

16.1 Significantly reduce all forms of violence and related death rates everywhere

Our commitment

- Zero tolerance towards gender-based violence and harassment
- Special Grievance handling procedures to address complaints regarding harassment or discrimination

16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children

Our commitment

- Strictly comply with regulatory requirements on minimum employable age

16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all

Our commitment

- Formal grievance mechanisms to address human resources and environmental grievances
- Review and conduct audits on applicable legal requirements to ensure compliance with law and regulations

16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels

Our commitment

- Compliance (QHSEEn) Committee comprising a mix of Executive and Non-executive employees
- Site QHSE Committee comprising a mix of Executive and Non-executive employees
- Emergency response team comprising a mix of Executive and Non-executive employees

16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

Our commitment

- Monitor the substantiated complaints received concerning breaches of customer privacy, categorized by: Complaints received from outside parties, substantiated by the organization, Complaints from regulatory bodies. - Zero complaints

Rising to the challenge of continuous growth

OPERATING ENVIRONMENT

Economic Growth

Key Highlights

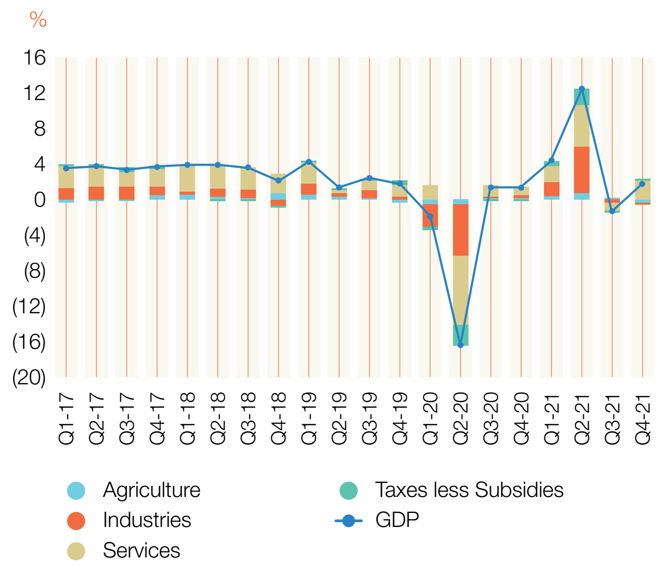
- Overall GDP expansion of 3.7% compared to the contraction of 3.6% in 2021
- Strong rebound observed in all sectors
- Agriculture, Industry and Services expanded by 2%, 5.3% and 3% respectively
- Per capita increased to USD 3,815 in 2021 from USD 3,695 in 2020

Inflation

Key Highlights

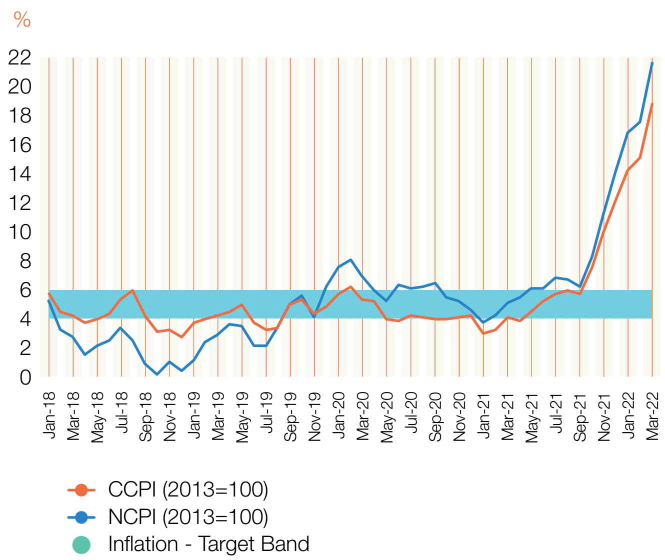
- Inflation shot past the desired 4 - 6% range
- Headline Inflation, as measured by the CCPI accelerated to 12.1% by end December 2021
- Headline Inflation accelerated further to 18.7% by end March 2022

Activity-wise Contribution to GDP Growth



Source: CBSL AR 2021

Headline Inflation (Year-on-Year)



OPERATING ENVIRONMENT

External Sector

Key Highlights

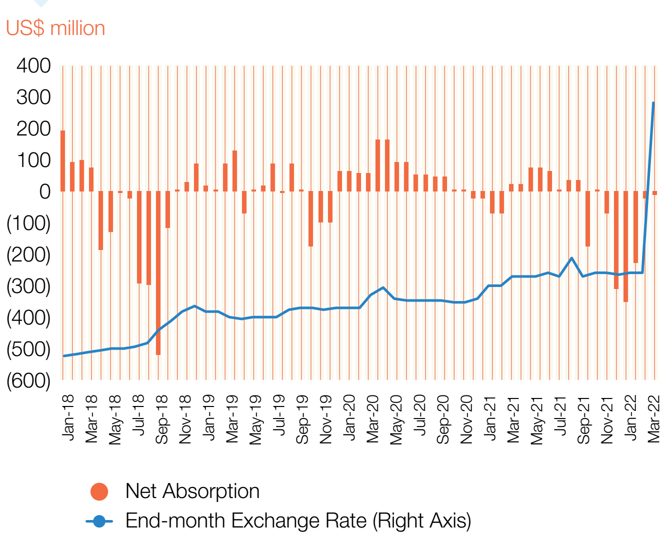
- Export reached an all time high(USD 12.5Bn)
- Imports (USD 20.6Bn) overshot to exports driven by the post-pandemic economic revival and higher medical imports
- Trade deficit widened to USD 8.1 Bn in 2021 compared to USD 6.0Bn in 2020.

Exchange Rate

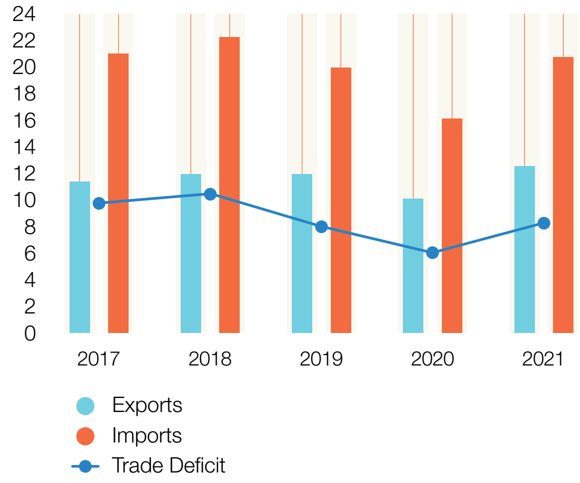
Key Highlights

- Central Bank intervention ensured the Sri Lankan Rupee remained broadly stable with only a 7% depreciation throughout 2021
- In January 2022, the Central Bank allowed greater flexibility in determination of the exchange rate
- The Rupee depreciated by 33% during the January to March 2022 quarter

Exchange Rate and Central Bank Intervention in the Domestic Foreign Exchange Market



Exports, Imports and Trade Deficit (US$ billion)



Source: CBSL AR 2021

Construction Sector Highlights

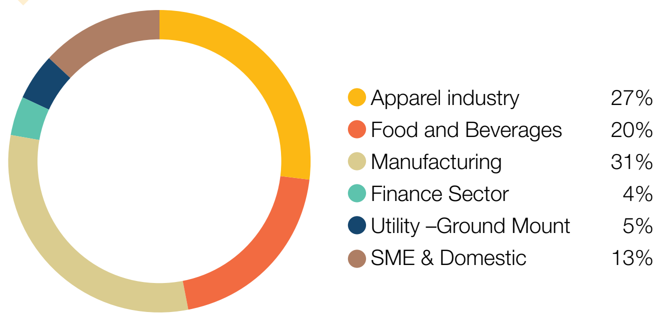
- Moderate rebound in the construction sector was observed in 2021
- Construction sector reported growth of 1.9% in 2021 compared to the13.2% contraction recorded in 2020
- Renewed demand for real estate and housing and the resumption of projects saw increased lending by banks to the construction sector
- However pandemic related global supply chain disruptions, shortage of key raw materials and rapid price increases negatively impacted the progress of the construction sector, preventing it from reaching its full potential
- The shortage of dollar liquidity and the depreciation of the Rupee further dampened the prospects of the construction sector from January 2022 onwards.

REVIEW OF OPERATIONS

Advantis 3PL Plus (Logiwiz Limited)

Fentons Renewable Energy division (Hayleys Solar) delivered an exceptional performance for the year under review reporting an incremental revenue amounting to LKR 4.5Bn (YoY growth of 44percent). The division contributed 45 percent to the Group revenue for the FY 2021/22. Furthermore, the division continued to retain its position as the market leader in renewable energy by holding 15 percent of the market share.

Installed Capacity (kWp) Mix



During the FY 2021/22, the division increased their total solar capacity by 114 percent (35MW to 75MW) and it is now the only Renewable company that has surpassed the 75MW, due to its installation of large scale industrial projects in Sri Lanka.

In the year 2019, the solar division revamped their strategy by partnering with Singer Sri Lanka to capture the domestic market island wide. The partner channel was further strengthened in the year under review, which allowed the division to exercise direct control over canvassing of sales at Singer Mega outlets. This approach has proven to be very fruitful, as indicated by a 100% year on year improvement when compared to the previous year.

Royal Ceramics Lanka PLC

During the fourth quarter of the FY 2021/22, the division encountered a sudden reduction in the demand for both industrial and residential projects. The main reason for the depletion was the depreciation of the Rupee against the USD and a sharp escalation in global panel and inverter prices resulting from COVID-19 global supply chain shortages. This coupled with low grid tariff structure, appeared to be prompting customers to postpone or even sometimes reconsider their renewable energy investment decisions.

Melwire

REVIEW OF OPERATIONS

Hayleys Solar, always proactive to new developments, explored the possibility of introducing two new Renewable Energy products as a solution to the scheduled power outages which came into effect in February 2022.

PV–DG which is designed to synchronize the solar PV systems with Diesel Generators was introduced to the industrial sector to overcome the power interruptions. Another solution was launched to the domestic and commercial sector, an off grid/hybrid solar PV system with battery backup designed primarily to use during power cuts.

Key Project - FY 2021/22

Customer	Capacity
Ceylon Tobacco	3054kWp
ACL Cables	2341kWp
Star Garments	2186kWp
Melwire	2028kWp
Rocell Horana	2000kWp
Noratel International	1200kWp
Melgyp	1188kWp
Brandix	1109kWp
GTB Steel	1087kWp
Kelani Cables	1000kWp
Stafford Motors	800kWp
Fantasia Elastics	650kWp

ACL Cables

FUTURE PLANS

Given the stiff market competition, the main priority for the division in the coming years, would be to diversify its product offerings, through the launch of groundbreaking products and solutions that provide first-mover advantage in both industry (B2B) and residential markets.

Polonnaruwa China Sri Lanka friendship national nephrology specialized hospital - PABX Systems

Information and Communication Technology (ICT)

Capitalizing on the ever-growing demand for IT solutions, the Fentons ICT division made good headway in cementing its position in the local ICT sphere. A number of large projects were secured during the year to help boost the divisions' project pipeline, among them, the SDWAN (Software-Defined Wide Area Network) installation for Singer Sri Lanka PLC, which was the largest such installation in the Country during 2021.

More focused efforts to deepen market penetration saw the division leveraging its existing partnerships and also tying up 20+ new overseas principles including leading names such as Lenovo, Palo Alto, Ezelink and Forcepoint. These new partnerships have helped to augment the division's product range to improve the coverage across the IT sphere, particularly in the areas of business communication solutions and information security systems. Meanwhile the division was awarded the Gold Value Added Reseller Certificate by Zimbra™ in recognition of the strong annual sales performance of its licensed product - the cloud-based email software platform.

This was coupled with aggressive marketing initiatives by in-house teams, focusing in particular on widening the reach beyond the Western Province. In parallel the channel partner network which promotes the division's NEC range of branded IP Communication solutions was also further strengthened. A total of 8 new distributors were added during the course of the year, bringing the total on the network to 19 as at end-March 2022.

Another notable market development initiative was the partnership between Fentons ICT division and SLT to design and promote customized ICT solutions specifically to the SME sector.

A culmination of these efforts enabled the ICT division to declare a robust performance for FY 2021/22, marked by a 118.3% year on year increase in Revenue compared to the previous year.

REVIEW OF OPERATIONS

Project Pipeline - FY 2021/22			
Project	**Date of Commencement**	**Status as at 31st March 2022**	**Target completion Date**
Sri Lanka Telecom/Ministry of Education Supply, Installation and commissioning of Wi-Fi solution for more than 350 Schools Island wide under Ministry of education National school internal Network Project	October 2021	90% Completed	August 2022
Peoples Bank Supply of tabs for 600 Digital banking centers Island wide under Peoples bank Digitalization project Expansion	January 2022	10% Completed	August 2022
Colombo City Centre / Hotel Marriot Supply, Installation and commissioning of SV9300 PABX System with 300 no's Specialized Guest room phones	August 2021	70% Completed	December 2022
Kalubowila Hospital Millennium Wards, PCU and paramedical Services building Supply, Installation and commissioning of Complete ELV system includes Local Area network and telephone system, public address system, CCTV/IP surveillance system for newly built Millennium Wards.	May 2020	90% Completed	December 2022
Grand Hyatt Colombo Total IT Network, Wireless, Data Centre & IP Voice Communication system.	June 2021	20% Completed	June 2023
Ministry of Defence Block 1 & 2 Supply & installation of Network, Firewall and IP Communication systems	August 2022	40% Completed	January 2023
Polonnaruwa China Sri Lanka friendship national nephrology specialized hospital Supply, Installation and commissioning of SV9100 PABX System with 500 no's analog phones.	November 2021	100% Completed	
South Asia Textiles Supply, Installation and commissioning of DC & DR Dell Server Storage solution with replication & Cisco 9500 series Core switch with 15 no's of Cisco 9200 series access switches in fully HA catering more than 400 users	August 2021	80% Completed	August 2022
Singer PLC Supply, Installation and commissioning of secure SD-WAN solutions for over 520 Singer and Singer Finance branches across the island. Country's largest SD-WAN deployment Consist of Forti Manger, Analyzer and FortiGate FG-400E cluster for HQ Core devices and FG-40F, FG-60F, FG-100F for branches	July 2021	90% Completed	July 2022

Security and Surveillance (SSD)

The FY 2021/22 concluded on a very successful note for the Fentons Security and Surveillance Division (SSD) denoted by several historical landmarks. Groining by 84.6% year on year, Revenue for FY 2021/22 crossed the Rs. 1 Bn mark for the first time, to reach an all-time high.

The SSD's project pipeline also expanded significantly with some of the largest projects even undertaken by the division coming in the year under review, among them 2 new projects from the Ministry of Defense and the UN funded BIA airport - face recognition system installation.

Despite COVID-19 related mobility restrictions, global supply chain disruptions and other import related challenges, good headway was made on all existing projects. Project delays were minimised through advanced order planning enabling most ongoing projects to be completed within the agreed timelines. The largest ever project secured by the SSD - the Grand Hyatt, Colombo made swift progress, staying on track with agreed project milestones.

At the same time, prioritising the continuity of its service commitments, strict contingency measures against COVID-19 were put in place to ensure service teams could carry out scheduled maintenance activities and honour all contracts obligations without interruption.

In mid-2021, the SSD marked its entry to the vehicle security solutions space through a tie up with Swaraj Secutech Private Limited of India, following Fentons SSD being appointed as the authorised agent in Sri Lanka for their - "Hostile Vehicle Mitigation Solutions''. The SSD also partnered with UK-based Peritect Limited to introduce several of their branded products, including Tyre Killers and Boom Barriers. These partnerships give the SSD a strong competitive edge to capitalise on the growing demand for the latest vehicle security solutions from both the state and private sector.

The SSD has continued to receive recognition for the work done on past projects. In the year under review, the SSD received the CIDA - Merit award for the Lotus tower project.

Project Pipeline - FY 2021/22			
Project	**Date of Commencement**	**Status as at 31st March 2022**	**Target completion Date**
Grand Hyatt Colombo • Total ELV Solution with IP CCTV , IPTV , Access Control , BMS and GRMS - Guest Room Management system	25-01-2021	Ongoing	21-07-2022
Ministry of Defense • Total Building security systems including IP CCTV and Door Access Control system and Integration with other services.	30-08-2021	Ongoing 30% completed	27-01-2023
Ministry of Defense • Total vehicle hostile mitigation system using Vehicle detection, Automatic Gate barriers , Bollards and and Tyre killers	22 - 09 -2021	2nd Advance payment pending, Shop drawing approval ongoing	05th Feb 2023 [Ref. to revised work program]
BIA Airport • Installation of advanced face recognition system software and Hardware for Immigration and Emigration Counters	10-06-2021	Ongoing	02-12-2022
Central Bank • Upgrading audio visual infrastructure of the International Conference Hall (ICH) to facilitate Multimedia Presentations , Audio and Video conferencing. etc.	04-08-2021	Ongoing	26-07-2022

REVIEW OF OPERATIONS

Uninterrupted Power Supply (UPS)

It was a very successful year for the UPS and battery services business. The division made excellent headway in completing ongoing projects notwithstanding the challenges posed by the pandemic. Stringent project planning coupled with preemptive procurement measures ensured project milestones were achieved without any delay.

Moreover, leveraging on the longstanding reputation of the Energy net brand and its track record of service excellence, the division was able to secure a number of large projects which resulted in a significant expansion of the project pipeline.

A culmination of these efforts saw divisional Revenue increase by 26.8% year on year alongside a healthy gross profit growth compared to the previous year.

Project	Description
BOC Property Development & Management (Pvt) Ltd	Supply an installation of 120kVA UPS system to power the Datacenter
Lanka Walltiles PLC	Lanka Walltiles PLC has been producing and exporting high quality ceramic tiles for over thirty five years. Energynet was awarded to supply and installation of Riello 200kVA UPS system
Future Fibres Lanka (Pvt) Ltd	Future Fibres Lanka (Pvt) Ltd is a Sri Lankan exporter of quality products to the global market registered with the Sri Lankan Export Development Board. Energynet was awarded to supply and installation of Tescom 120kVA UPS System
Power House Ltd (TV Derana)	Power House Limited is a broadcasting organisation based in Colombo, scope of work is to supply and installation of Trafox 120k 400/400 Isolation Transformer for the existing power system
Intertek Lanka (Pvt) Ltd	Supply and installation of Riello MST series- 60kVAUPS system
London Stock Exchange Group	Supply and installation of 917 no of new UPS solution to provide uninteruptable power for their mission critical applications.
MillenniumIT Software (Pvt) Limited	Supply and installation of 259 no of new UPS solution to provide uninteruptable power for their mission critical applications.
Bank of Ceylon	Bank of Ceylon is a state-owned, major commercial bank in Sri Lanka. Energynet was awarded to provide services to maintain existing 200 nos UPS Systems
Lion Brewery	Lion Brewery is a predominantly Sri Lankan owned and operated brewery, Energynet was awarded replacing existing battery banks with capacity of 144kWh

FUTURE PLANS

In light of the challenges associated with imports to the country, the Fentons ICT division will aim to grow the business by exploring potential opportunities in the region, mainly in the Indian subcontinent where the division expects to pursue multiple avenues to support its entry into these markets.

Meanwhile, with the current economic crisis likely to impact the continuity of construction projects, the near-term focus for the SSD would be to develop and strengthen its service business. At the same time, the SSD will aim to be more aggressive in bidding for private sector projects that offer guaranteed cash flow consistency throughout the duration of the project. UPS is also aiming a rapid growth in its spere in coming years with an aggressive market penetration. Division adopts total power and energy requirements while aiming for the highest level of product reliability and to achieve excellent standard of service in the industry.

Manning Market

The Fentons MEP segment made excellent progress in the year under review to achieve the largest-ever annual projects secured amounting to Rs. 7.5Bn.

Of this, Rs. 1.4Bn was on account of the BIA expansion project managed by TAISEI Corporation of Japan. The LOI was secured on 24 March 2022, and major works on the project will commence upon signing the contract.

Projects worth Rs. 3.2Bn was secured with China Harbour Engineering Company to supply and instalation of Electrical, Fire and Gas solutions for the Marina Square Mixed development project.

Notable state sector projects won during the year included the Hyatt Regency, BIA Import Cargo Terminal Phase I, 80 Club refurbishment & the Gaffoor Building Redevelopment Project.

Key private sector projects secured by the MEP division included Cinnamon Red - Kandy Hotel Development, South Asia Textiles Expansion project, the Vallibel Finance Commercial Development and Ceylex Engineering.

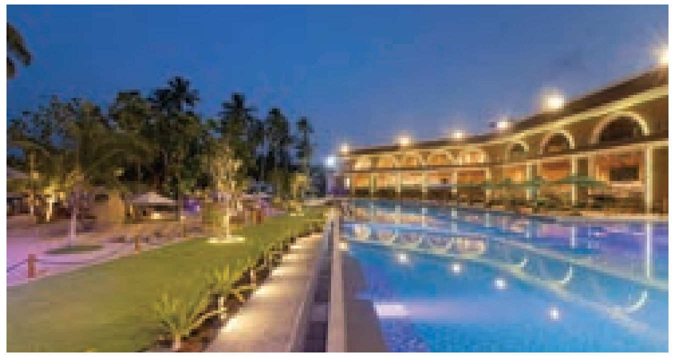
Customer satisfaction remains the #1 priority. In this respect, the MEP division mobilized additional resources to ensure continuity of ongoing project work despite various pandemic-related challenges, including lockdown and other mobility restrictions.

Such initiatives included in Haysmart such as the payment of Additional allowances, arrangement of staff transportation, and COVID-19 prevention measures taken to ensure the safety of site teams. As a result, most projects were completed on time and handed over within the scheduled timelines, much to the satisfaction of customers.

Consistent progress in the ongoing project pipeline and several turnkey projects undertaken during the year enabled the MEP division to record a strong Revenue growth for FY 2021/22, representing a 77.3% improvement over the previous year. On this basis, the MEP division increased its share of the contribution to overall Group revenue.

In recognition of the division's strict adherence to delivery timelines and the overall commitment to excellence in customer service, Fentons MEP was declared the winner of the Chairman's Award for the electrical and fire building infrastructure project at the Colombo City Center.

80 Club of Colombo



Araliya Unawatuna

REVIEW OF OPERATIONS

Project Pipeline - FY 2021/22			
Project	**Date of Commencement**	**Status as at 31st March 2022**	**Target completion Date**
CAMSO - Electrical and fire infrastructure at the largest warehouse in the country	20-2-2020	Ongoing 98%-Completed	31-8-2022
Siyapatha Finance PLC - HVAC, electrical and fire infrastructure	6-9-2019	Completed	31-12-2021
Clinical Department - fire infrastructure	20-3-2018	Ongoing	31-7-2022
Capital Heights - Fire infrastructure	5-8-2018	Ongoing	31-12-2022
Araliya Unawatuna - Fire infrastructure	30-9-2017	Completed	30-4-2021
Marina Residential Development - fire, electrical and gas infrastructure	5-2-2022	Ongoing	30-9-2023
Cinnamon Red hotel upgrade - HVAC, fire and plumbing infrastructure	1-6-2021	Ongoing	31-3-2023
Vallibel Finance PLC upgrade - fire, electrical, HVAC and plumbing infrastructure	7-12-2020	Ongoing	31-12-2022
BIA Expansion Project under TAISEI Corporation Japan - fire infrastructure	31-8-2021	Ongoing	28-2-2024
Gaffoor building upgrade	28-4-2022	Ongoing	31-10-2022

Marina Square


Siyapatha Finance PLC


Cinnamon Red Hotel - Kandy


The Kingsbury Colombo

FUTURE PLANS

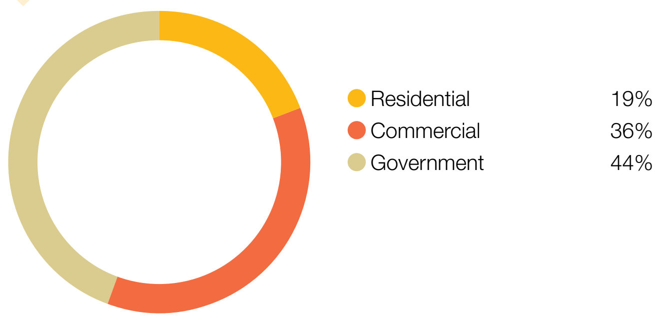
MEP division associated with continuous market and economic challenges in recent past, the growth of the business will be slow down in coming year. Recent backdrop and government decision on slowing down of all government projects will be impacted severely to the growth of the division and external market constraints too will have a negative impact on the business.

Central Bank of Sri Lanka

Fentons Smart Facilities (FSF) division experienced a good year, with a steady stream of new contracts coming through from the government, commercial and residential sectors.

Despite operating in a highly competitive space, Fentons FSF division managed to secure a total of 06 new contracts, while the commitment to service excellence ensured a renewal rate of 100% for maturing contracts. Consequently, total Revenue increased by 27.7% compared to the previous year.

Revenue Mix - FY 2021/22



FUTURE PLANS

With the current economic crisis in Sri Lanka likely to result in a slowdown in government sector contracts, in the coming months Fentons FSF division will focus extensively on growing its presence in the residential and commercial segments. To gain an edge in these highly competitive market segments, the division will aim to increase the degree of technology integration to create customised solutions for residential condominiums / commercial establishments based on the scope and scale as well as the unique needs of the respective businesses.

REVIEW OF OPERATIONS

The Kingsbury Colombo

The Trading segment delivered a healthy performance for FY 2021/222, notwithstanding challenges encountered due to global supply chain disruptions stemming from the pandemic as well as other import related issues.

A combination of consistent volume growth in the first nine months of the year in Solar equipment trading, we have been the largest panel supplier to the market. We have extended the UPS and lighting verticals together with some notable projects, allowed the Trading division to record a 111.5% increase in Revenue compared to the previous year.

The year also saw the Hayleys Electronics Trading division marking its entry to several new areas, supported by Assa Abloy, the largest global supplier of intelligent access solutions for door locks and Ironmongery total solution for opening & closing and access control, Delta duct, Havells, AR Blue, with new overseas principals. The division tied up with Wavin And Era to offer solutions for water projects and a similar venture starts with AR Blue, of Italy enabled the launch of a branded industrial cleaning equipment range, including pressure washers and vacuum cleaners. Another notable agreement was with division being appointed as an authorized distributor for Samsung Air Conditioners in Sri Lanka as well.

The key projects won by lighting team includes R.Premadasa International Cricket Stadium, Pallekelle International Cricket Stadium, Hambanthota International Cricket Stadium, Durdans Hospital, Vallibel head office, Colombo Racecourse and The Kingburry Hotel

Project Pipeline - FY 2021/22
Cinnamon Hotel Kandy - RFID solution
Marina Square
Iconic Development

FUTURE PLANS

The focus for the immediate future would be to create product visibility and raise market awareness regarding the division's newly expanded product portfolio. Plans are underway to set up a series of showrooms, the first of which is due to be opened in Nawala by mid-2022. In the long term, the division will also look to widen its reach through an island-wide dealer network for specific product categories.

FINANCIAL CAPITAL

The financial year ending 31st March 2022 saw the Fentons Group recording its best-ever performance in its 101-year existence within Sri Lankan Engineering solutions industry. Despite facing a myriad of challenges brought on by the global pandemic, Fentons recorded all time high revenue and profitability. The renewable energy division continued to dominate Group performance, contributing 73% to the Fentons Group profitability for FY 2021/22

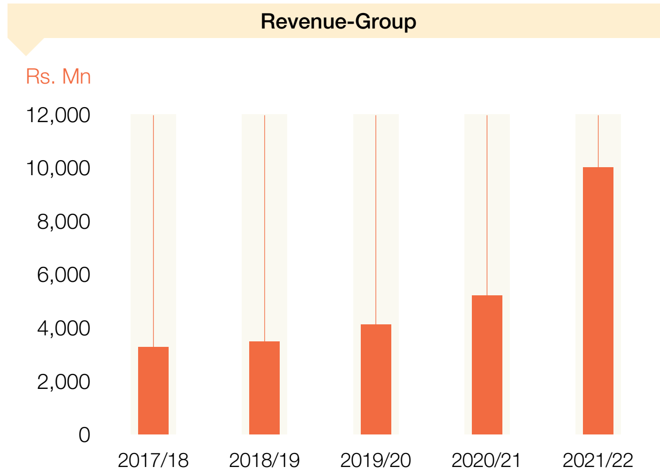
Highest ever revenue

All five divisions recorded a revenue growth

REVENUE

Fentons Group recorded its highest ever revenue during this financial year. Total Group revenue shot up to Rs. 10Bn in year 2021/22 from Rs.5.2Bn in year 2020/21, reflecting a massive 91.9% increase year on year.

The Fentons Group has shown a steady increase in its revenue during last five years, notwithstanding the challenges encountered during 2020 to 2022 owing to rapid spread of the COVID-19 pandemic and later followed by the alarming economic crisis in Sri Lanka.

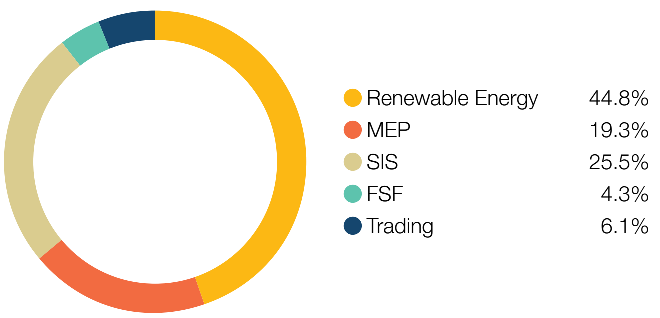


FINANCIAL CAPITAL

SEGMENTAL REVENUE

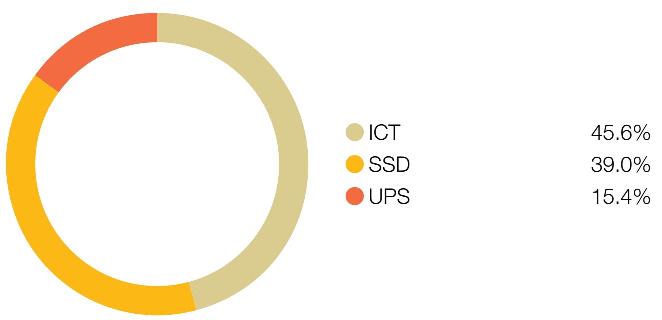
The Renewable Energy Division once again proved itself to be the dominant player in Fentons Group. Recording revenue of Rs. 4.58Bn in FY 2021/22, the division accounted for 44.8% percent of Group revenue for the current financial year. Revenue of Rs. 4.58Bn recorded by the division, also points to a 79.3% increase compared to the previous financial year.

Revenue-Group



The System Integrated Solutions (SIS) division was the second largest contributor to the Group revenue in FY 2021/22. The SIS division tabled revenue of Rs.2.6Bn, denoting growth of 25.5% compared to the previous year. The SIS division comprising of three business sub units previously known as Information and Communications Technology (ICT) Division, Securities and Surveillance Division (SSD) and Uninterruptible Power Supply (UPS) Division.

System Integrated Solutions - Segmental Revenue



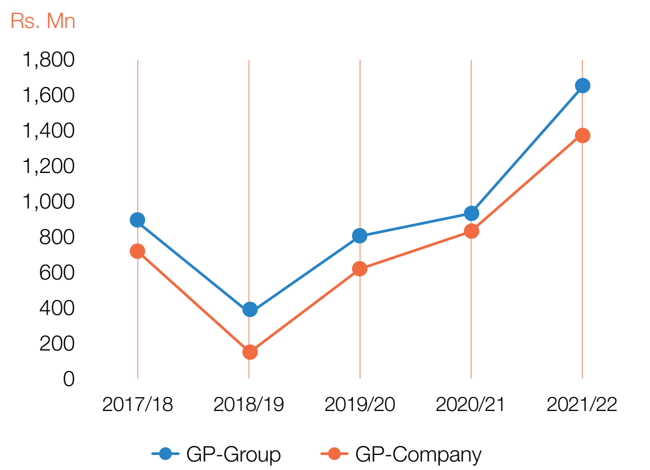
PROFITABILITY

Gross Profit

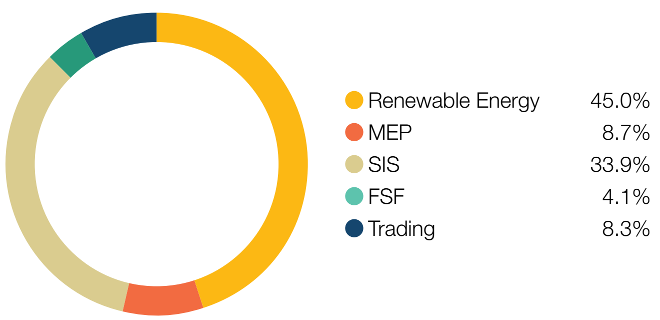
Fentons Group gross profit grew significantly in FY 2021/22 compared to previous financial year. At Rs.1.63Bn, Gross profit for the current financial year improved by 75.6% from the Rs.930Mn reported in the previous financial year. Gross profits margins have remained steady over last two years, with the current year GP margin standing at 16.3%.

Gross Profits reported by both the Fentons Group and the Company have shown a steady improvement over the last five years showing, confirming the effectiveness and success of the group's SPIDER strategy.

Gross Profit - Group & Company



Segmantal Gross Profit - Group

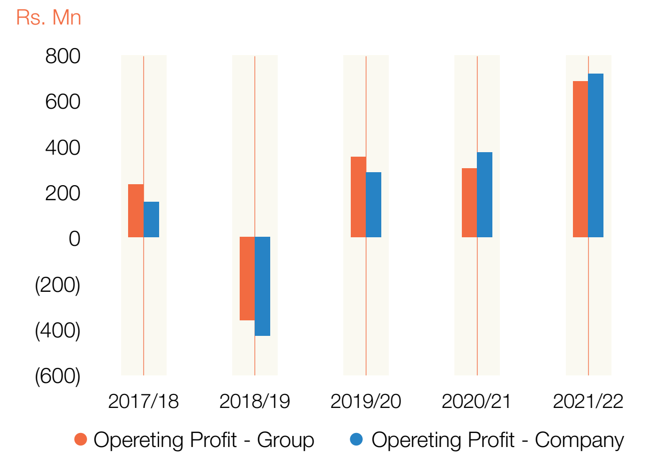


The Renewable energy division contributed 45% for the Group Gross Profit, while the SIS division. Accounted for 33.9% followed by 8.7% from MEP division.

OPERATING PROFIT

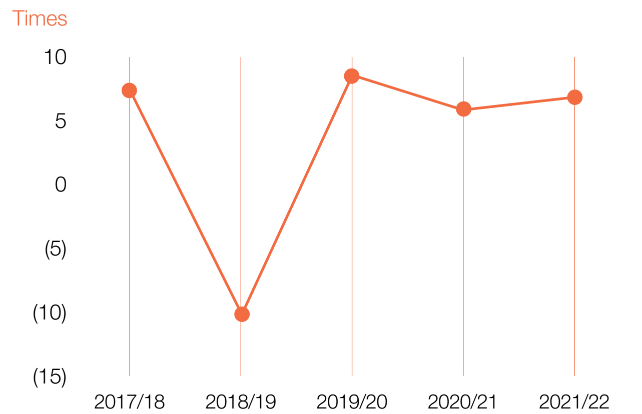
Operating profit of the Group and the Company indicates consistent growth over the last 4 years as depicted in the below graph. Group overhead expenses increased by 44.4% over the previous financial year due to the aggressive recruitment drive to support the rapid expansion in all business segments of the Group.

Opereting Profit - Group/Company

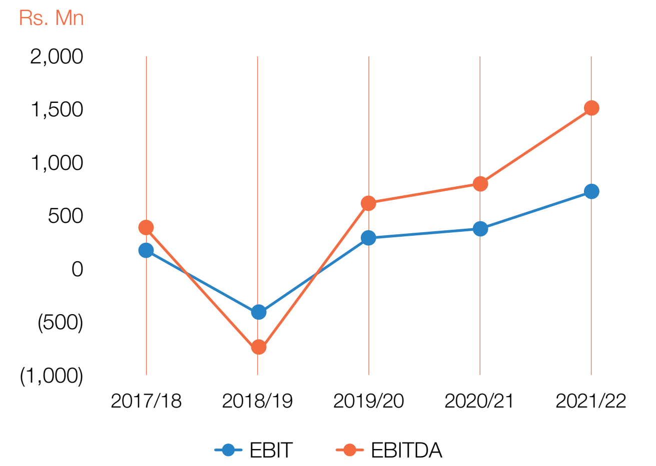


Group Earnings Before Interest and Taxes (EBIT) and Earnings Before Interest, taxation, Depreciation and Amortization (EBITDA) indicate a rising trend over the past five years as depicted in the below graph. EBIT for the year 2021/22 was Rs. 719.9Mn and EBITDA Rs.774.7Mn, signaling a 91.8% and 83.4% increase respectively over the last financial year.

EBIT to Sales Ratio-Group



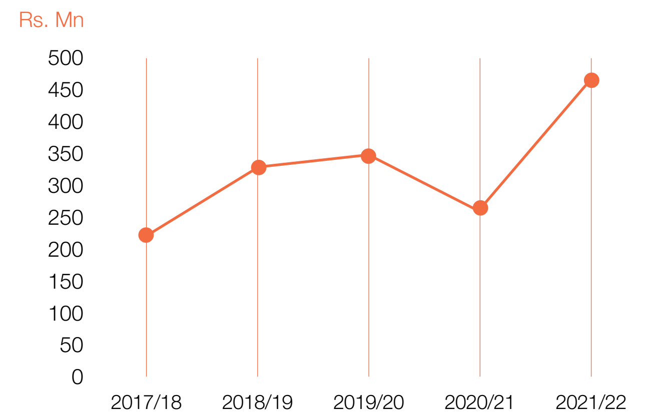
EBIT & EBITDA- Group



NET FINANCE COST

The Fentons Group incurred a Finance cost of Rs.463.1Mn during the reporting year, while earning Rs.302.2Mn as Finance income. A similar trend has been observed over the last five years, where the Groups' debt servicing cost has continued to increase, resulting in a net finance cost being shown in the financial statements.

Finance Cost- Group



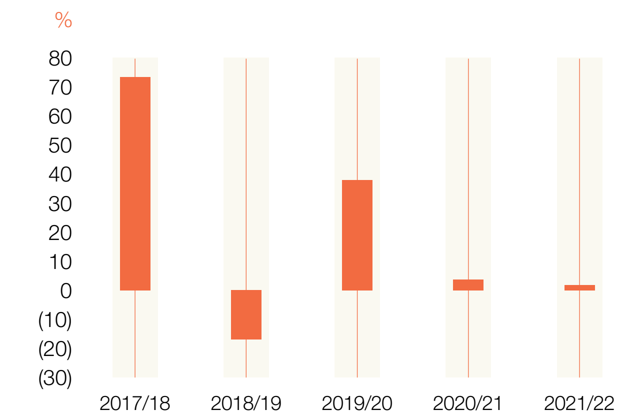
The average interest rate applicable to the Company's loan commitments increased to 9% during the current financial year. This was due to the frequent upward revisions in policy rates declared by the Central Bank of Sri Lanka. Meanwhile, a foreign exchange gain was recorded due to the significant devaluation of Rupee against the US dollar towards end of the financial year.

FINANCIAL CAPITAL

FINANCIAL RESULTS

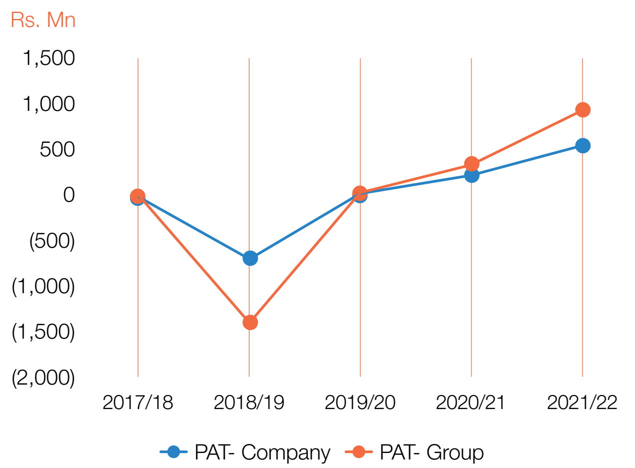
Profit before tax (PBT) of the Group for FY 2021/22 rose to Rs.526.5Mn while the Company PBT increased to Rs. 689.8Mn, up by 893.8% and 342.9% respectively compared to the figures reported for the previous financial year. The Group incurred a Tax expenditure of Rs.142Mn for the year which comprises current tax of Rs.43.9Mn and Deferred tax of Rs.98.3Mn.

Group Segmantal Profitability -PBT



Fentons Group and the Company recorded their highest ever profit after tax during this financial year.

Profit After Tax- Group/Company



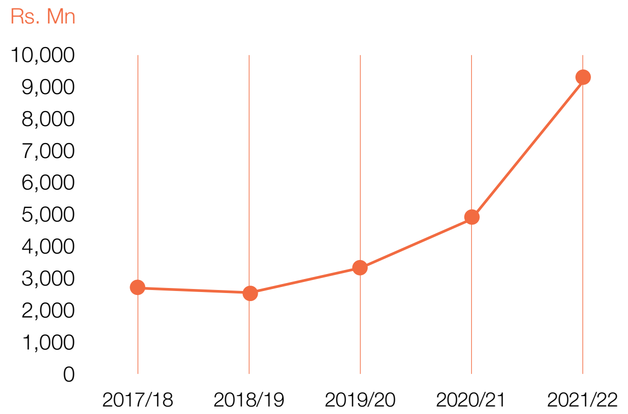
Group PAT for the year ended 31st March 2022, stood at Rs.384.3Mn which is a 70.5% increase from Rs.113.Mn registered in FY 2020/21. Meanwhile Company PAT increased to Rs.546.9Mn from Rs.218.1Mn in year 2020/21.

FINANCIAL STABILITY

Asset Growth

Total assets of the Group increased to Rs.9.2Bn in 2021/22, compared to Rs.4.8Bn in previous financial year.

Total Asset Growth

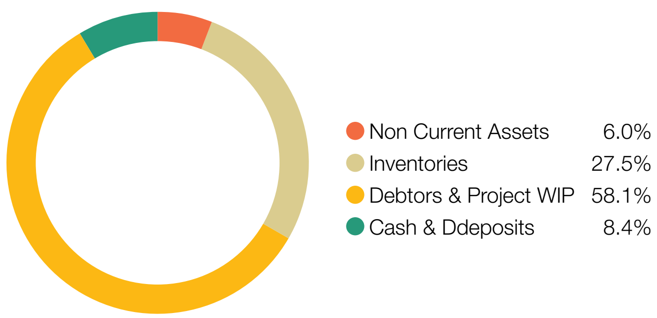


Asset turnover ratio improved marginally from 1.08 times to 1.09times. This is however a reduction when compared to the last five years due to the lower value of total assets prevailed at that time.

ASSET COMPOSITION

Debtors, project WIP and Inventories represent 58.1% and 27.5% of total assets respectively.

Asset Composition

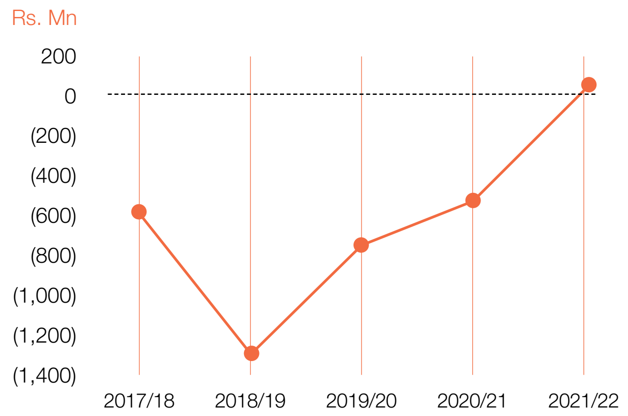


CAPITAL & FUNDING

Two consecutive years of profits supported by a highly lucrative project pipeline, enabled the Fentons Group to further strengthen its balance sheet in recent years. Meanwhile the company marked a turnaround in its negative net asset position to a positive as of 31st March 2022, a remarkable achievement that comes amidst severe challenges encountered in the past three years.

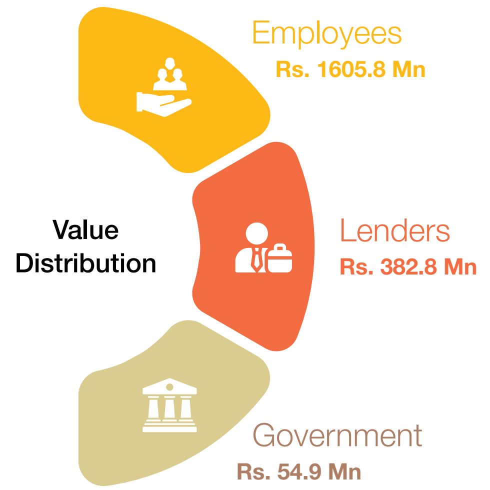
Group borrowing were at Rs. 5.3Bn as of 31st March 2022, up by 91% when compared to the previous financial year. The main reason for the increase was the higher loans obtained in order to facilitate the high value, long term projects secured during the financial year where cash in flows are scheduled come in over the next financial years.

Equity



GRI 201 - 1

ECONOMIC VALUE ADDED



In FY 2021/22, the total value added by Fentons Group increased by 48.9 % as a result of growth in revenue and margins. The highest amount of value was distributed amongst its employees, amounting to 79% of the total. It was an increase of 50.5% compared to the previous year. The value distributed to the government as income tax and other taxes was reduced by 15.5% while interest repayments for lenders were increased by 59.3% compared to the previous year. During the 2021/22 FY, group has not received any financial support from the government

	2021/22		2020/21	
	Rs. Mn	%	Rs. Mn	%
Total Revenue	10,010.1	490	5,216.9	380
Purchase of goods and services	(7,985.7)	(391)	(3,889.2)	(283)
Cost of production and other OH	2,024.4	99	1,327.7	97
Other income	19.2	1	44.4	3
Value Added by Operating Activities	2,043.6	100	1,372.1	100
Distributed as follows;				
Employees: Salaries, wages and other benefits	1,605.8	79	1,066.7	78
Government: Income tax and other taxes	54.9	3	65.0	5
Lenders of capital: Interest on loan outstanding	382.8	19	240.4	18
Total Value distributed	2,043.6	100	1,372.1	100

Manufactured Capital

Management Approach
Invest in Building a solid infrasructure base in order to enable uninterrupted delivery of services to customer

1 Machinery, Equipment and Tools

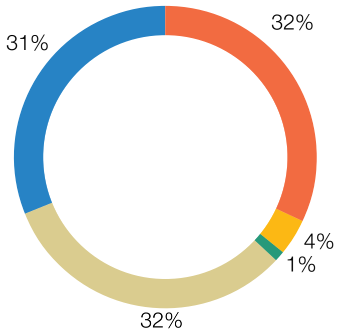
2 Digital Infrastructure

The manufactured capital of the Fentons Group comprises the tangible assets that facilitate our day-to-day business operations and delivery of services. This includes physical and digital infrastructure such as buildings, plant and machinery equipment, furniture and fittings, as well as our state-of-the-art IT infrastructure, which includes an Enterprise Resource Planning (ERP) system that supports our operations.

Composition of Manufactured Capital

Building	Plant, machinery and stores equipment	Motor vehicles	Furniture, fittings and office equipment	Capital WIP
Rs. 225 Mn	Rs. 27 Mn	Rs. 11 Mn	Rs. 224 Mn	Rs. 220 Mn

EXPANSION OF CAPACITY AND CAPABILITIES 2021/22



100% Acquisition of Hayleys Electronics Limited (HEL)

HEL is a business of trading, and distributing of electronics products to the domestic market

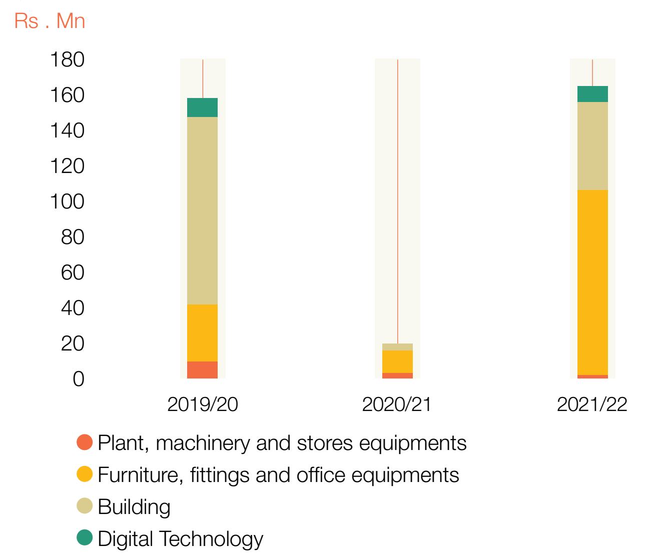
MACHINERY, EQUIPMENT AND TOOLS

Machinery, equipment and tools are an important part of our day to day operations. They are essentially the "tools of our trade" that enable us to deliver our engineering services to our customers.

Given the principal role they play in our value proposition, divisional heads are allocated an annual CAPEX budget to upgrade and update their respective portfolio of machinery, equipment and tools. As a policy, we procure only the latest state-of-the-art equipment from reputed global suppliers. Alternatively, we also resort to hiring or leasing necessary equipment as needed.

Amount Invested ('Mn)			
	2021/22	2020/21	2019/20
Plant, machinery and stores equipment	2	3	10
Furniture, fittings and office equipment	104	12	32
Building	50	4	106
Digital technology	9	-	11
Total	165	20	158

Amount Invested



EFFICIENCY OF OUR MANUFACTURING

Fentons has initiated strategies to improve manufacturing efficiencies and enhance productivity through optimizing resources while reducing waste. Our manufactured capital drives our business operations in an efficient and effective way to contribute to the profitability and growth of the group. The Turnover/PPE ratio of the group demonstrates the improvements in turnover during the year.

Turnover / PPE Ratio (2021/22)
25.22

Turnover / PPE Ratio (2020/21)
53.32

Turnover / PPE Ratio (2019/20)
39.39

DIGITAL INFRASTRUCTURE

Our digital infrastructure systems play a dual role in enhancing our service deliverables as well as improving internal efficiencies and driving cost reductions.

Our variety of servers, storage systems, firewalls, backup systems, ERP, and data management systems, all contribute to operating the business more profitably and effectively while also accelerating the decision making processes.

The Fentons Group has consistently increased its investment in digital technology, especially in recent years, in order to support its accelerated business expansion drive. Key developments during the year included the following;

- Utilizing the SAP Business Planning module to automate the budgeting process
- Infrastructure improvements for the Group's IT and cyber-security
- Introducing of advanced HRIR system for human resource management

GRI 103 - 1, GRI 103 - 2, GRI 103 - 3

Intellectual Capital

Management Approach
Strengthen each aspect of our Intellectual Capital to augment our competitive advantage in the market

1. Brand Equity
2. Group Synergies
3. Strategic Partnership
4. Knowledge base
5. Standards and Certifications

BRAND EQUITY

The Fentons brand has always been a strategic asset for the Group. With a history spanning over a century, the Fentons brand has evolved and adapted in tandem with the needs of the Country.

Always striving to be known as the benchmark for the local engineering sphere, we have over the years focused on innovation and diversification coupled with the pursuit of service excellence. Our broad based client base, portfolio of completed projects and growing project pipeline stand testament to our brand credentials.

Our brand reputation is further augmented through our connection with Hayleys Group - one of Sri Lanka's top conglomerates. Since becoming part of the Hayleys Group in 2016 Fentons has been on an accelerated expansion drive that has been responsible for Fentons' current iteration. The past six years has seen Fentons transforming its reputation from the early days of being known as an electrical systems company to what it is today - one of the few and possibly the only multi-disciplinary engineering companies in the Country offering expertise from renewable energy, ICT, electromechanical, telecommunication infrastructure and to facilities management.

GROUP SYNERGIES

Being part of one of the Hayleys Group allows Fentons several unique advantages. The Group's Board provides strategic direction, while the Group Management Committee assists in improving the alignment between the culture, ethics and best practices adopted by the broader Group. Moreover, being part of one of the oldest, largest and most reputed conglomerates in Sri Lanka gives Fentons the ability to leverage on the Hayleys brand presence to widen partner networks, particularly when seeking out new ties-ups with overseas principles.

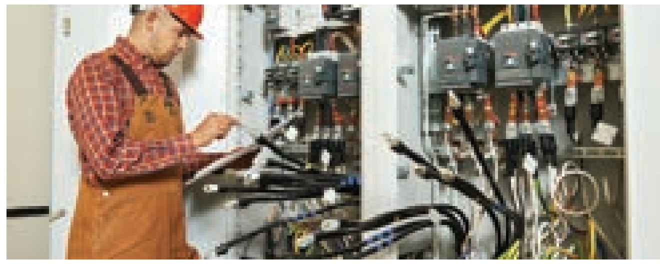
STRATEGIC PARTNERSHIPS

The nature of our business is such that we rely heavily on partnerships with overseas principals and global supplier networks to provide us with key products needed for the execution of our day to day business activities.

Given the fundamental role they play in our business, we have formed strategic partnerships that allow us access to some of the world's leading brands, the latest cutting edge technology and benefit from know-how in their respective fields. We also have the opportunity to work with our overseas principals and partner networks to improve scalability of our business and fuel our growth aspirations over time.

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

OUR GLOBAL PARTNERS



Electrical Partners

2MKABLO, ABB, Nexans, Schneider Electric, metaksan

Lighting Partners

CDN Light, HAVELLS, LIGMAN, NERI, OPPLE, PHILIPS Color Kinetics, SAMCOM, luxitron

Fire Partners

BOSCH, GRUNDFOS, MORLEY IAS Fire Systems, NAFFCO, Simplex, wilo, tyco Fire & Building Products

Mechanical Ventilation & Air Conditioning Partners

Carrier, Helios, SAMSUNG, SHINWA Cooling Tower, TOSHIBA, wilo

Plumbing & Gas Partners

American Standard, GRUNDFOS, KITZ, PEX Plumbex UK, wilo

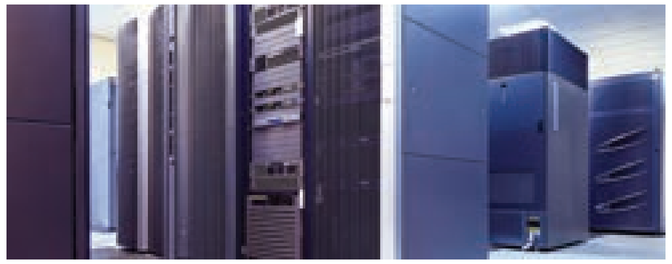
Facilities Management Partners

FSF

INTELLECTUAL CAPITAL

Security & Surveillance Partners

BOSCH IKUSI Honeywell Messerschmitt Onity alhua

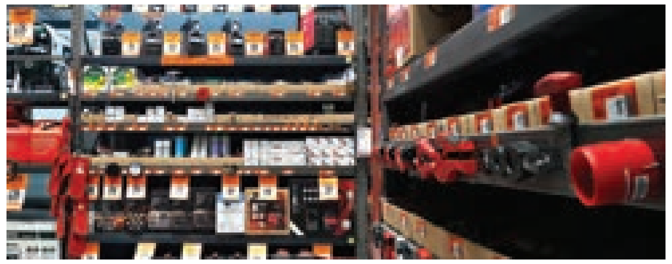


UPS & Battery Solutions Partners

ABB CGB CHANGHONG GE Tescom VERTIV

Renewable Energy Solutions Partners

JA SOLAR CanadianSolar Fronius SMA SOLAX SAKO LONGi Solar



Equipment Trading Partners

BLUE CLEAN ASSA ABLOY DANIEL mediclinics DeltA Duct ERA wavin fucai

ICT Partners

CISCO paloalto DELL EMC EDB POSTGRES ASUS Ruckus ARISTA zimbra vmware aruba

FORTINET hp IBM NEC HUAWEI bittel redhat citrix tait EZELINK

GRUNDFOS GRUPEL SPP WACKER NEUSON wilo globalwater solutions

Indusrial & Machinery Partners

KNOWLEDGE BASE

The knowledge, skills and competencies of our teams serve as a critical competitive advantage for Fentons. Our pool of fully qualified engineers, many with overseas exposure, technical officers and specialised sales force whose collective knowledge and expertise are vital towards driving our SPIDER strategy. In the year under review, all our businesses significantly expanded their teams.

	Sales Force	Engineers	Technical Officer
Renewable Energy	34	36	15
SIS	14	17	100
MEP	12	178	37
Trading	14	2	
FSF	7	3	140

Each year we also invest in training and targeted capacity building initiatives to enable our teams to upgrade their knowledge and sharpen their skills inline with the latest developments in their respective disciplines. In FY 2021/22, Rs. 1.6Million was invested.

STANDARDS CERTIFICATIONS

Standards and certifications serve to further validate our operational credentials. Currently, Fentons has obtained several certifications, including the ISO 9001:2015 Quality Management System, ISO 450001:2018 Occupational Health and Safety Management System, ISO 14001: 2015 Environment Management System, and the ISO 50001:2018 energy Management Certification for our operations.

Additionally, many of our businesses also benefit from the international accreditations obtained by their respective overseas principles and other strategic business partners, which provide added assurance regarding the safety and efficacy of the core solutions they offer. Such notable accreditations include the Sri Lanka Sustainability Authority and Construction Industry Development Authority.

GRI 103 - 1, GRI 103 - 2, GRI 103 - 3

WORKFORCE PROFILE

GRI 102 - 8, GRI 405 - 1

Fentons Group workforce consists of a multi-disciplinary team of specialists with expertise ranging from mechanical, electrical and software engineers to graphic designers and other technical experts as well as quality control, procurement sales, marketing, finance and other specialists. As at 31st March 2022, Fentons Group workforce consisted of 485 permanent employees, of which more than 87% were male - typical of the engineering industry in Sri Lanka and across much of the rest of the world.

Apart from our permanent employees, the Fentons business model is structured in such a way that requires us to employ the services of independent third-party experts in various fields.

COMPLIANCE AND BEST PRACTICES

The Fentons Group operations come under the purview of the Shop and Office Employees Act No 15 of 1954. Also, site operations under the purview of the Factories Ordinance act No. 45 of 1942 and National Environment Act and remains fully compliant with all requirements of the act.

As a responsible employer, we go beyond compliance and strive to align with the following best practices for human rights and labour as stipulated in the UN Global compact;

Principle 4: Forced or Compulsory Labour - We believe employment should be at the free will of the employee and no individual will be forced to remain in employment should they not wish to do so.

Principle 5: Child Labour- Child labour is strictly prohibited at Fentons and only those of full legal age are permitted to work in the company.

Principle 6: Non-discriminatory employment- We advocate equal opportunity at every stage of the employment life cycle and maintain a non-discriminatory approach throughout the employment process including recruitment, selection, evaluation, promotion, training and development of all employees. We value all our employees and offer equal pay (1:1) for both men and women in comparable roles and ensure that all Fentons employees receive equal opportunities for growth and development regardless of age, gender or other factors.

Our Track Record

GRI 406-1, GRI 408-1, GRI 409-1

HR GOVERNANCE

All HR activities are managed centrally by the Fentons Group HR department, which is headed by the HR Manager. A comprehensive framework of HR policies covering all aspects of the employment lifecycle from recruitment, benefits, performance management, training and development, grievance handling and exit procedures, serve as the foundation for the management of Group HR.

Fundamentally all our policies are underpinned by the HR best practices of the Hayleys Group, but have been further refined to reflect the unique needs of the Fentons Group.

Meanwhile regular interaction between our HR Manager and the Hayleys Group HR team enables our HR policies and processes to be further strengthened on a continuous and ongoing basis.

RECRUITMENT AND SELECTION

At Fentons, recruitment is a highly streamlined process that begins with the cadre planning exercise. As a first step, the requirements of each business unit/ department are compiled into the annual manpower plan, which is prepared alongside the annual budgeting process. The main purpose of the Manpower Plan is to ensure that all operations across the Group are adequately staffed in order to support the growth plans of the respective businesses.

The annual manpower plan is approved by the Managing Director and serves as the basis of all recruitments for a particular financial year.

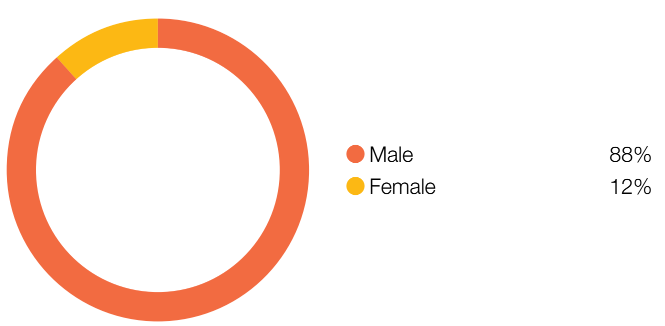
HUMAN CAPITAL

GRI 401 - 1

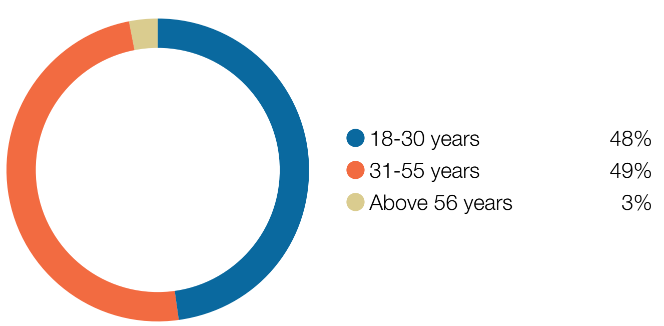
Fentons is committed to abide by all laws and regulations applicable to the recruitment of new employees, including the minimum age requirement. In this regard, strict background checks are performed to verify the age of candidates.

We have in place a fair and equitable selection process to ensure applicants are selected on merit, based on their competence and character fit our corporate culture. Candidates are selected following a comprehensive three-step interview process, and once selected for the job, always join on a Monday followed by the Induction on Tuesday. The Induction process serves as a starting point for new recruits to begin their journey with Fentons. It helps them to understand their roles within the context of the Fentons purpose and also gradually assimilate into our unique corporate culture and work ethic.

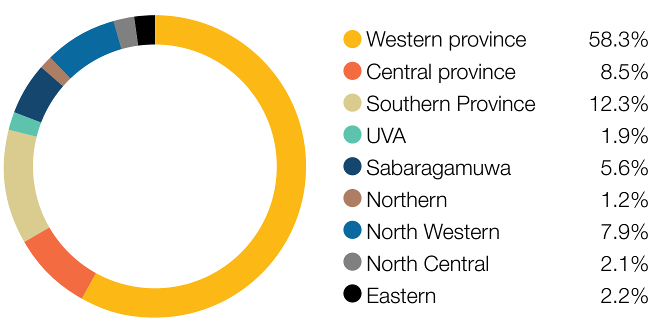
New Recruites - by Gender



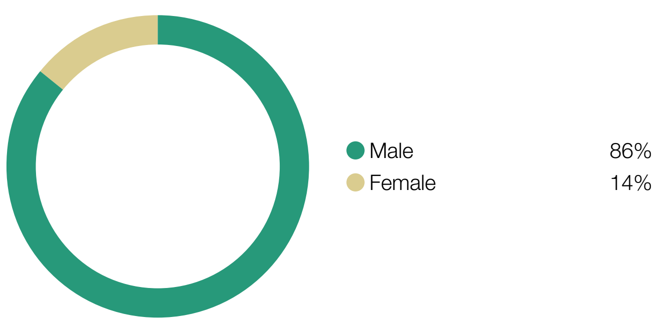
New Recruites- By Age



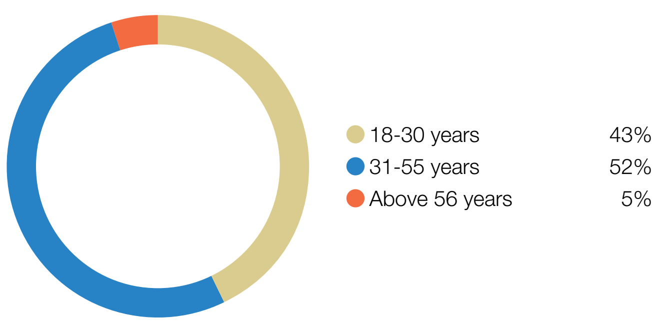
New Recruites - By Region



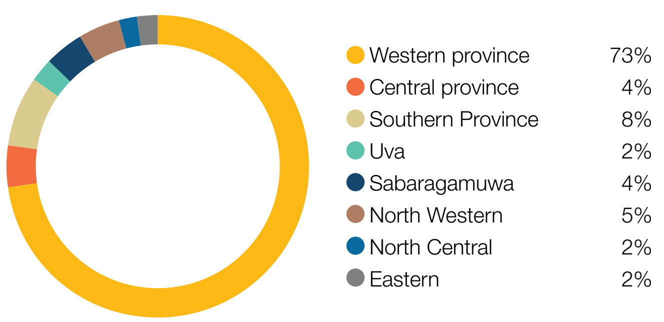
Employee Tournover - By Gender



Employee Tournover - By Age



Employee Tournover -By Region



REMUNERATION AND BENEFITS

GRI 401 - 2

The Fentons Group remuneration and benefit structure is designed to attract, motivate and retain competent employees who would drive the Group's strategic and operational objectives. We offer competitive remuneration and benefits to all employees inline with industry standards and in compliance with the statutory labour laws of the country.

In addition to their basic salary, all our employees are entitled to the following benefits; medical, insurance, COVID-19 patient assistance, spectacle cost reimbursement etc.

PERFORMANCE MANAGEMENT

Performance management forms the basis of our efforts to keep our employees invested and engaged in Fentons. Through our Performance Management programme we take a holistic approach designed to promote goal congruence by encouraging employees to align with the Group's performance targets and strategic growth objectives for the short, medium and long term.

Cascading from the broader departmental objectives for a particular financial year, departmental heads are tasked with setting individual performance targets for each employee under their purview, including contract employees. Department heads are further required to monitor employee performance on an ongoing basis throughout the year, while the formal annual performance appraisal creates a platform to identify high performing employees and reward them for their contribution towards achieving corporate objectives. High performing employees identified through the year end review are rewarded by way of financial rewards, promotions etc. Individual Development Plans (IDP's), encapsulating training needs analysis is also drawn up to support career progression over time.

Our latest SPIDER strategy launched in 2020 has helped to further streamline our performance management programme, by creating a cohesive framework to improve the linkage between departmental objectives and individual targets.

GRI 404 - 3

Performance Appraisals - FY 2021/22

Permanent Employees		Contract Employees	
Male	Female	Male	Female
61%	19%	84%	11%

TRAINING AND DEVELOPMENT

Given the nature of our business, it is vital that our teams are fully competent and stay up to date in their knowledge and skills in their respective disciplines. Towards this end, we continue to invest in the development of our people and ensure that our employees receive regular training to support them in carrying out their respective job roles. We focus on employee competency development through on-the-job training as well as coaching and mentoring, coupled with external training as needed. This holistic approach aims to keep our people up to date with technical developments and continuously upgrade their skill set to allow them to excel in their work and to contribute meaningfully to the business.

GRI 404 - 1

Training Hours for FY 2021/22

Permanent Employees		Contract Employees	
Male	Female	Male	Female
5,500	805	22,000	3,219

GRI 404 - 2

Key Trainings for FY 2021/22

- Time Management
- Emotional Intelligence
- Interpersonal Skills
- Decision Making & Problem Solving
- First Aid Training
- Driving Innovation, Creativity & Change
- Work at Height Training

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1, GRI 403-2, GRI 403-3

We are well aware that safety risks are inherent in our day to day operations, especially at our projects. Maintaining a safe working environment for our employees is therefore seen as paramount importance to Fentons. In this regard, we comply with all OHS regulations applicable to our various businesses, while a workmen compensation cover is in place insures all Fentons employees working at project sites.

To further demonstrate our desire to prioritise safety, the Fentons Group has since 2019 adopted the global best management practices ISO 45001:2018 Occupational Health and Safety Management Standard to serve as the basis of our comprehensive safety management system.

HUMAN CAPITAL

GRI 404-1, GRI 404-2, GRI 404-3

The safety management system, which is maintained under the stewardship of the Fentons Group Compliance Division, sets out strict guidelines to cover the safety of our people and third parties at our project sites. Aside from this, the chief project engineer for each project is required to monitor safety risks on an ongoing basis, with identified safety hazards immediately reported to the Compliance Division for appropriate corrective action. Our teams are encouraged to remain vigilant about potential safety hazards and immediately report any such observations to the respective project engineer.

IDENTIFIED KEY SAFETY HAZARDS AT PROJECTS

Hazard	Preventive measures
Working at Height	Provide tools to perform task from ground for possible activities, Engineering controls(Use certified scissor lifts, man buckets etc.), Administrative controls (Work permit procedure, Trainings, Tool box talks etc.), Provide personal protective equipments (Safety helmets, full body harness, etc.)
Electricity	Work permits, Lock out and tag out system, Inspection procedure, Trainings, Tool box talks, Provide de-electric personal protective equipment.
Sharp rotating parts of power tools	Selection of safest tools, Work permits, tool inspection procedure, trainings, tool box talks, provide personal protective equipment,
Falls, Trips and Slips	Good housekeeping practises, Fix guardrails, covers and anti slip strips, Lighting, Warning signs, trainings, Tool boc meeting, Provide PPE

Meanwhile, all incidents are recorded and reported to the Safety Compliance Division on a weekly basis, whereafter an incident investigation is carried out to determine the root cause. In addition to root cause analysis, the Compliance Division also conducts routine safety audits for all ongoing projects. A detailed incident report including corrective actions taken, are presented to the Managing Director on a monthly basis.

Safety Training for FY 2021/22

Permanent Employees		Contract Employees	
No. of programmes	Training Hours	No. of programmes	Training Hours
21	2,713	21	10,530

INJURY TRACK RECORD

	FY 2021/22	FY 2020/21	FY 2019/20
Fatalities	-	-	-
Reportable/Major accidents	1	1	2
Minor Injuries	2	2	5
First aid accidents	0	2	4
Lost time due to injuries	18 Days	30 Days	75 Days

EMPLOYEE RELATIONS

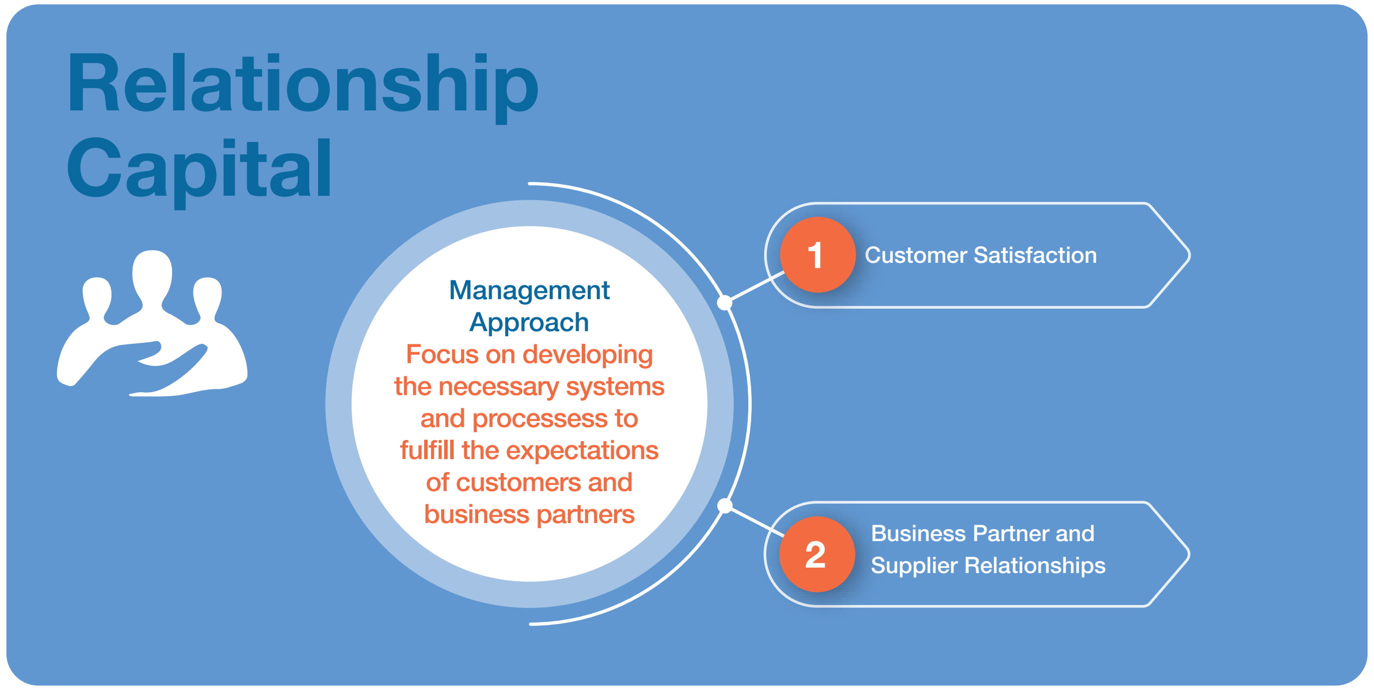
GRI 102-41, GRI 402-1

We ensure that our employees have multiple opportunities to connect with their respective superiors and, if needed, the Group management team. We encourage our managers to use all possible opportunities to engage with their teams on a regular basis, while our open door policy gives all our employees access to the top management at any given time. Any operational changes are formally notified to employees via email, with prior notice, on the changes coming into effect.

In this way, we have over the years succeeded in building strong ties with employees based on trust and mutual respect, which has meant there has been no need for a collective agreement.

Meanwhile, a grievance process is in place to allow employees to formally report any concerns for which they may not have received a satisfactory resolution through informal discussions. There were no concerns reported through the grievance process in the current financial year.

GRI 103-1, GRI 103-2



CUSTOMER

CUSTOMER SATISFACTION

Customer satisfaction is vital for any business, and much more so for Fentons as the level of overall customer satisfaction will determine our ability to grow our B2B project pipeline and make deeper inroads into the retail market.

Be it our B2B or retail customers, we adopt a holistic approach to achieve customer satisfaction across all our target markets. Our intention is to provide the best in-class products and precision-driven solutions to meet the exact needs of everyone of our customers.

Quality, Health, Safety, Environment and Energy Policy

GRI 416 - 1, GRI 416 - 2, GRI 419 - 1

Fentons takes its responsibility to its customers very seriously. Our commitment to our customers is underpinned by the Fentons Group Quality, Health, Safety, Environment and Energy Policy.

As proclaimed in the policy, our aim is to assure our customers of the quality, safety and efficacy of the products and services that we provide. Towards this end, we have tied up with top global brands whose products and solutions are accredited by international quality and safety standards. We also ensure all our products and services comply with all applicable local regulatory requirements in their respective disciplines.

Product / Business Segment	International Accreditations / Local Regulatory Requirements
Fire Protection Equipment	National Fire Protection Authority (USA) / CIDA Fire Standards
Telecommunication Equipment	Telecommunication Regulatory Commission of Sri Lanka
HVAC Equipment	American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)
Lighting Equipment	International Electromechanical Commission (IEC) Standards

RELATIONSHIP CAPITAL

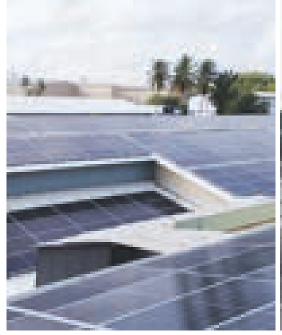
Beyond this, Fentons has established stringent quality management systems based on the ISO 9001: 2015 based Quality Management System. Our quality management system sets out the general policies, procedures and practices to guide our teams to maintain world class quality and safety standards in the delivery of services to customers.

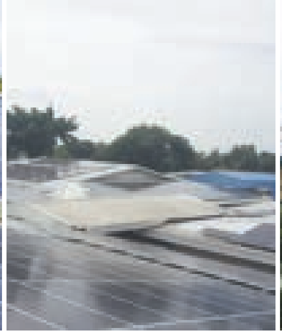
As part of this process, the project engineer is required to provide oversight to ensure quality and safety guidelines and follow up as an ongoing basis, while our quality assurance team conducts routine monitoring of the workmanship of our contractors and our staff who are involved in project implementation work. In addition, compliance audits are conducted as part of the routine due diligence programme aimed at providing independent assurance regarding quality and safety guidelines. Following the conclusion of each project, the services of an external third party expert is sought to conduct an independent audit and obtain independent assurance regarding quality, safety and efficacy of the project.

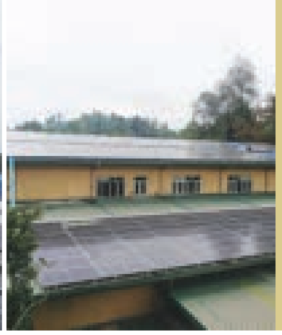
There were no reported incidents of non-compliance of health and safety impacts relating to products and services provided by Fentons in the year under review.

Renewable Energy

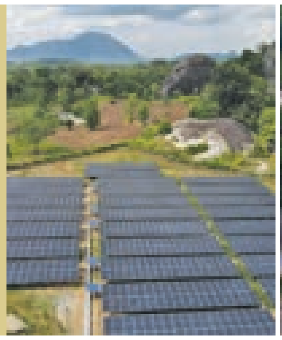
Ongoing Projects


Star Garments


Brandix Minuwangoda


Ceylon Tobacco Kandy

Iconic Projects - Completed


Orik Corporation


Hayleys Fabric

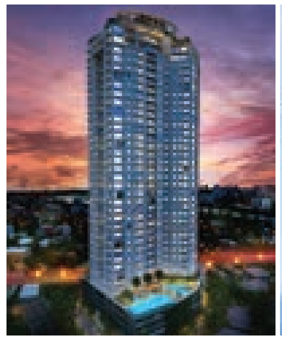

Rathna Polysack

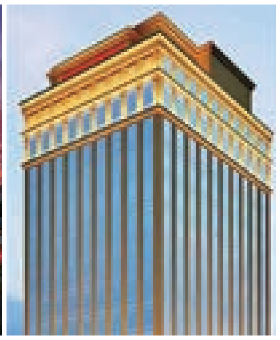
What we offer

- Solar PV Energy System Engineering, Procurement & Construction (EPC)
- Roof top, Ground mount & Floating Solar PV Systems
- On grid, Off Grid & Hybrid Systems
- Products sourced from Global Tier 1 module manufacturers and industry leading manufacturers of solar inverters

MEP

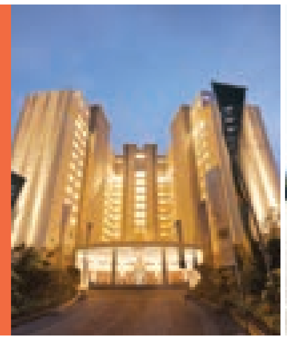
Ongoing Projects

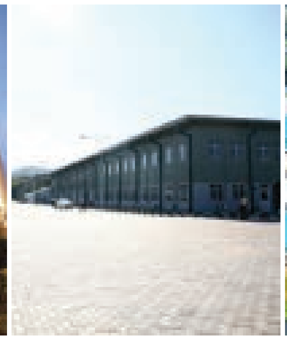

Capital Heights


Vallibel ONE


Cinnamon Red - Kandy

Iconic Projects - Completed


Araliya - Unawatuna


Ceylon Beverage Can


Maning Market

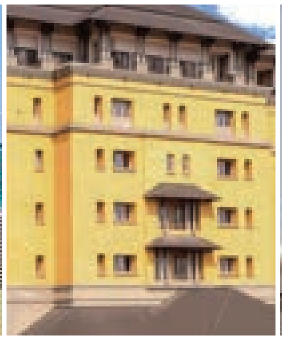
What we offer

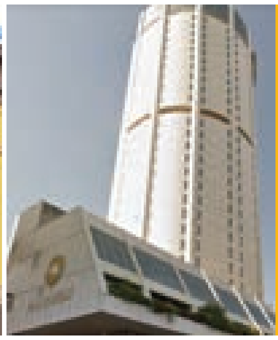
- HV, MV & LV – High, Medium and Low Voltage Electrical installations
- Fire detection, protection and suppression
- Commercial Air Conditioning solutions
- Hot and cold water systems
- Sewer and waste water systems
- Lighting solutions for all segments: Road, office & industrial, Sports, hospitality and Domestic projects

System Integrated Solutions

Ongoing Projects

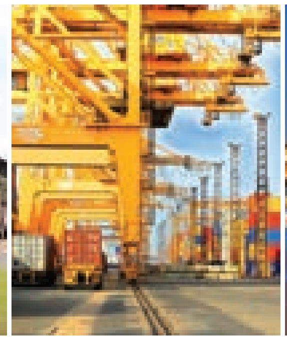

Grand Hyatt

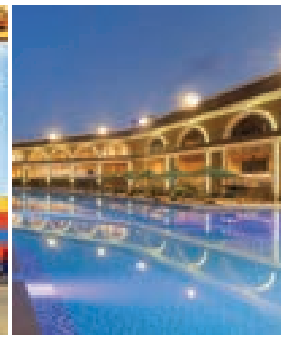

Ministry of Defence Block 1 & 2


Bank of Ceylon

Iconic Projects - Completed


Parliament of Sri Lanka


Sri Lanka Ports Authority


Araliya - Unawatuna

What we offer

- ICT Infrastructure - Data Switches, Routers, Firewalls , Networks , and Open Sources Application Services
- Telecommunication - Specialized Telephone Instruments , IP PABX Systems , Call Center Systems , IVR and Voice Logger Systems
- Securities And Surveillance - IP Video (CCTV) , Access Control , Central Monitoring Of CCTV & Security Installations (CMS)
- Communication and Hospitality - Public Address Systems , A/V Conference , IPTV, Hotel in Room Solutions and Guest Room Management (GRMS)
- UPS and Battery Solution - UPS from 1kVA to 5MVA and Customized UPS /Invertor Solutions

RELATIONSHIP CAPITAL

Fentons Smart Facilities

Ongoing Projects

Capitol Twin Peaks

Standard Chartered Bank

HSBC Global Services Centre

HNB Tower

Department of Labour

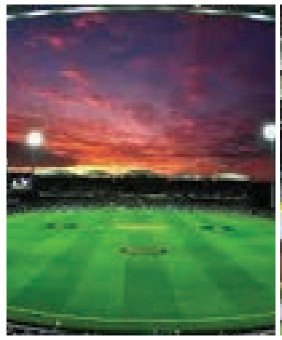
CDB Finance PLC

What we offer

- Total Facility Management solutions for Commercial, Industrial & Residential, Hospitals
- Comprehensive Review & Maintenance of MEP, ELV, Infrastructure to the highest quality standards.
- Management of Front Desk, Security & House keeping Services.
- In Depth Engineering , Technical Analysis & Support Services.
- Provide comprehensive Management & Technical reports

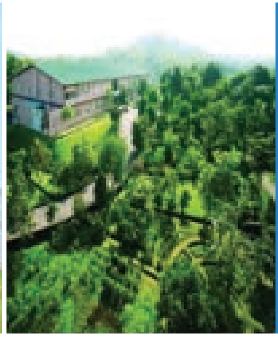
Trading

Ongoing Projects



Sri Lanka Cricket

Racecourse



NBC

Iconic Projects - Completed

Durdans

KIA Showroom Malabe

Ambewela/ Pattipola Dairy Farm

What we offer

- Provides end to end lighting solutions and designing lighting control systems for all segments street lighting, infrastructure, office, industrial, retail, sports, hospitality & domestic.
- Supply of solar panels, AC systems, HVAC.
- Supply of ironmongery, water (PPR/ L/ N/ HDPE, Valves), Fire (Fire Cables & Other Accessories, Detection Systems, Cylinders Refilling), Security and Access Control / ITC / Surveillance
- Hardware Dealer Network

New Products/Solutions Introduced in FY 2021/22

SIS Division

- ASUS TAB
- Software Defined Wide Area Network and SD Access
- Security information and event management (SIEM) & SOC
- Privilege Access Management (PAM)
- Cloud Security end point Security
- Patch Management
- Identity Security, Access Management & MDM

Renewable Energy Division

- Energynet off grid solar PV system
- PVDG Solutions to synchronize solar systems with diesel generators
- Biozone Air Purification Systems

MARKETING AND COMMUNICATION AND PRODUCT LABELLING

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

Ensuring our products are available and accessible to the customer is a key priority and we have invested considerable resources to develop channel partners that will ensure our products reach retail customers.

Our long standing tie up with Singer Sri Lanka PLC enables our renewable energy solutions to be marketed at selected Singer Mega showrooms, while our SIS division works through a network of distributors to improve market visibility for its NEC range of branded software solutions.

In the year under review, we changed the operating modalities of how our products are marketed at Singer Mega outlets by appointing our own dedicated sales representatives to engage directly with customers to enhance their understanding of our renewable energy value proposition. This approach has proven to be very successful, as evidenced by the 105% year on year increase in sales volumes registered through the Singer Mega partner channel compared to the previous year.

The SIS division also further expanded its channel partner network by appointing 10 new distributors, bringing the total network to 21 as at end-March 2022.

In adherence to responsible marketing practices, all our product labels carry the technical specifications of their respective principals as well as guidelines.

There were no reported incidents of non-compliance of marketing information, communication or labelling requirements relating to products and services provided by Fentons in the year under review.

RELATIONSHIP CAPITAL

GRI 418-1

CUSTOMER SUPPORT

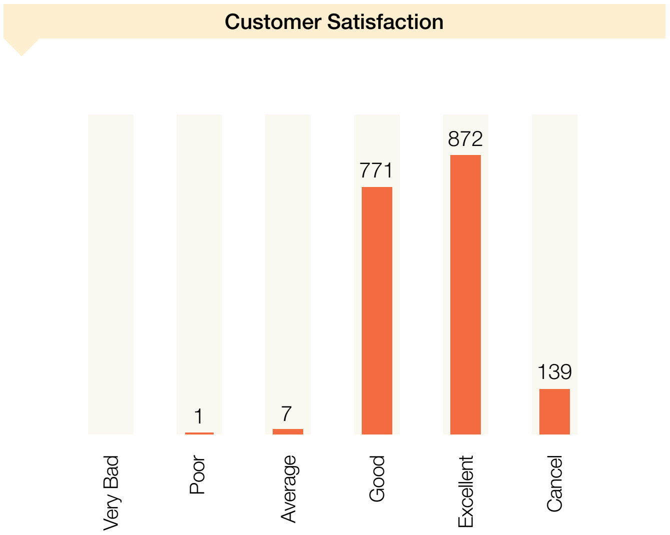
Customer support is an important part of our overall effort to strengthen customer satisfaction. We maintain a Plan Check Do Action (PCDA) cycle to ensure all our large projects are managed smoothly inline with client expectations. In addition, the chief project engineer is tasked with keeping the client apprised of the progress and for discussing any issues or client concerns that may arise in the course of implementation.

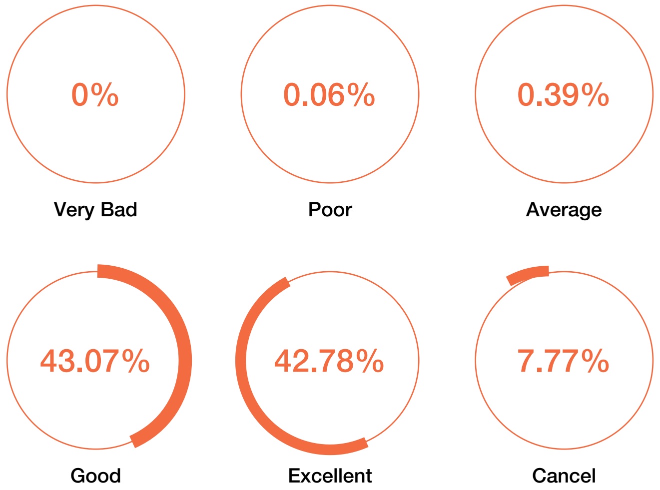
The integrated system solutions as well as the MEP solutions that we offer are accompanied either by a basic repair and maintenance agreement or a comprehensive full service agreement including additional after sales services provided by Fentons. These service level agreements (SLA) are typically renewed every year.

The central customer support team handles all routine maintenance activities under SLA's, while mobile teams are deployed island-wide to attend to breakdowns and fault repairs reported from around the country. All SLA's contain a specific fault escalation matrix to guide customers in reporting such matters. As part of our new SPIDER strategy implementation, a comprehensive review was carried out of all potential fault points with target response times established for each one. It was made mandatory that all teams work within these target response times, which has resulted in significantly improving customer satisfaction levels.

Our mobile teams consist of a combination of our own internal personnel as well as third party experts, all highly trained and well equipped to swiftly handle any reported issues.

A division-wise quarterly customer satisfaction survey serves as the basis of obtaining customer feedback and facilitating continuous improvement in our systems and processes and strengthening people skills. The survey which is conducted by SIS division during the FY 2021/22 shows the below satisfaction level.



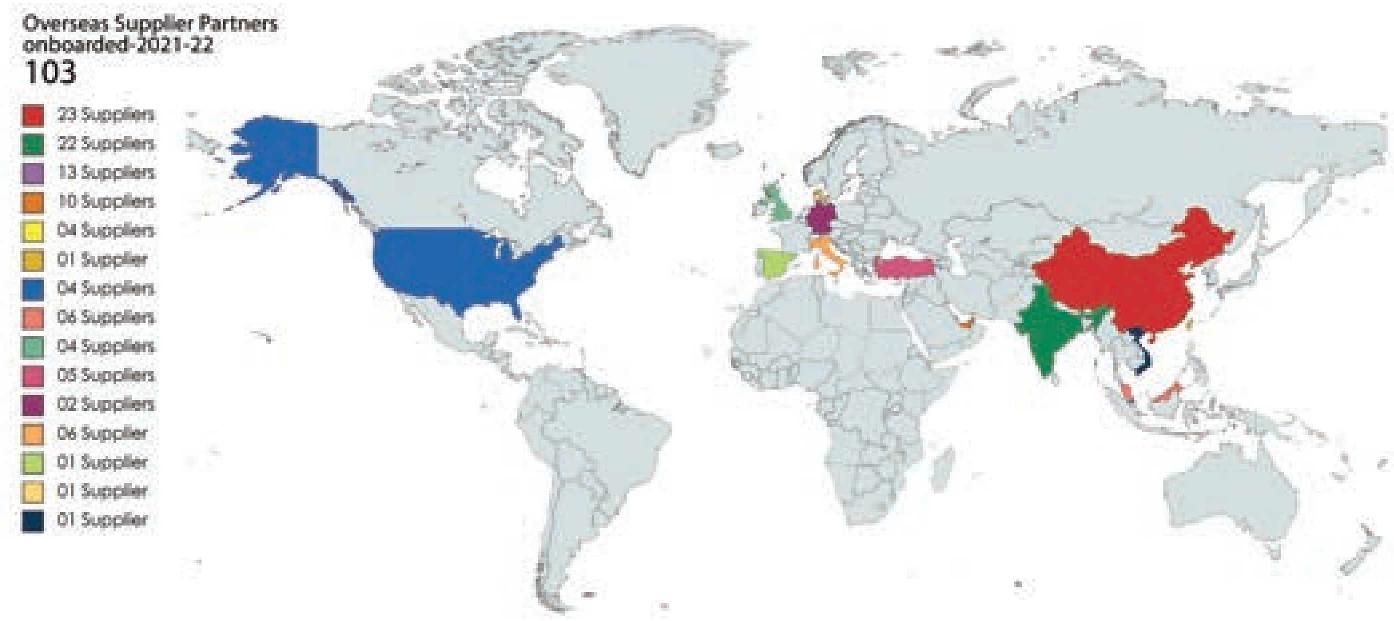


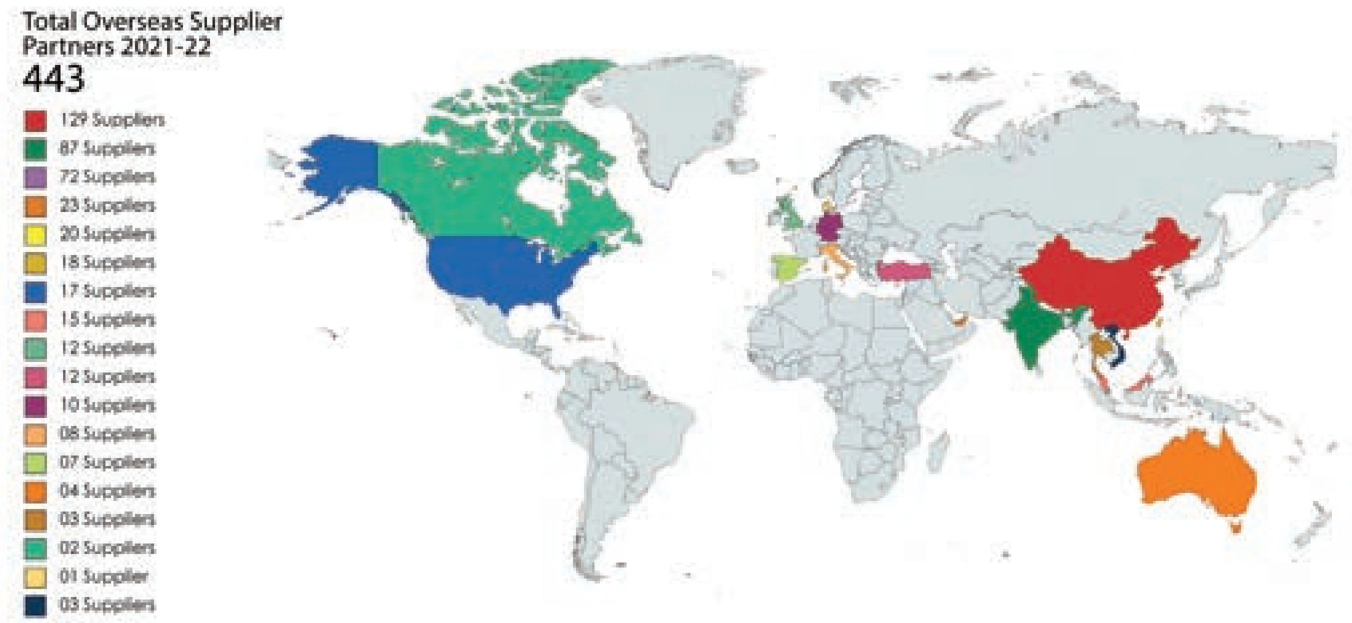
SUPPLIER PARTNERS

GRI 102 - 9, GRI 102 - 10

OVERSEAS SUPPLY BASE

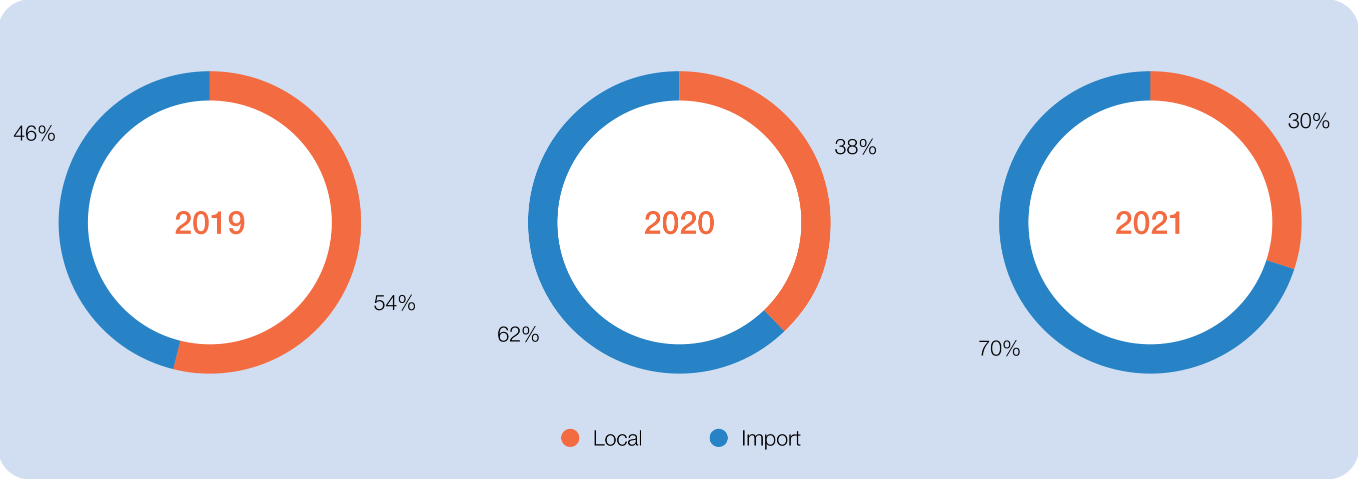
Fentons group overseas supplier network spans across 18 countries covering more than 400 suppliers by the end the year under review. Inaddition to that, the group procurement scouted 103 new overseas suppliers during financial year of 2021/22.





RELATIONSHIP CAPITAL

GRI 103 - 1, GRI 103 -2, GRI 103 -3, GRI 204 -1



Our business model is supported by a diverse global supply chain, comprising Original Equipment Manufacturers (OEM) who supply products ranging from solar PV systems, HVAC, lighting and electrical systems to ICT solutions and Fire equipment and Security and Access Control systems, among others. These overseas suppliers account for approximately 60% of the Fentons Group average annual procurement spend.

Our global supply chain is continuously evolving in tandem with our business expansion plans. As such we seek to build fruitful and mutually beneficial business partnerships with such suppliers through long term contracts that ensure uninterrupted supply of products to facilitate the continuity of our businesses. All suppliers are carefully evaluated, considering several factors, including product safety and quality credentials, warranty, after-sales support, credit terms etc. In the case of highly advanced technical products, we obtain assurance from an independent third party.

Meanwhile we begin our formal relationship with selected business partners using a Supplier On-Boarding Form that sets out the underlying terms and conditions of the relationship. All contracts are reviewed annually and renewed as needed.

In the year under review, the Fentons Group as a whole on-boarded 103 new partners.

The other major component of our supply chain, are the material suppliers for our projects, who account for approximately 90% of our average annual procurement spend. All such procurements are managed by the Fentons Group central supply chain unit based on the project order requirements.

Quotations are called and suppliers are evaluated to measure their technical and commercial competency against project-specific standards and requirements. In addition, we also conduct social and environmental assessments for selected material suppliers. When considering the suppliers to be assessed, we use the 80/20 rule, where we focus on the 20% of the suppliers who supply 80% of our material requirements. Using the Hayleys Group P2P (Procurement-to-Pay) index, we assess suppliers on a range of social and environmental criteria, including their labour practices and waste management procedures. Suppliers are expected to achieve a minimum score of 75% on the P2P index, and those who fall short allowed a period of time to make necessary corrective action to improve their scores.

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

SUPPLIER SOCIAL AND ENVIRONMENTAL ASSESSMENT - FY 2021/22	
Percentage of new suppliers that were screened using environmental criteria	100%
Number of suppliers assessed for environmental impacts	78
Number of suppliers identified as having significant actual and potential negative environmental impacts	Not Identified
Significant actual and potential negative environmental impacts identified in the supply chain	Not Identified
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment	Not Captured
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	Not Captured
Reasons for termination	No Terminations
Total number and percentage of strategic suppliers who were subject to human rights screening.	Not Identified
Percentage of new suppliers that were screened using social criteria	100%
Number of suppliers assessed for social impacts	78
Number of suppliers identified as having significant actual and potential negative social impacts	Not Identified
Significant actual and potential negative social impacts identified in the supply chain	Not Identified
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	Not Captured
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment	Not Captured
Reasons for termination	No Terminations

FUTURE OUTLOOK

COUNTRY OUTLOOK

The current economic crisis sweeping the Country likely to remain in play for the foreseeable future and possibly even worsening from time to time. Herein, Sri Lanka's medium term economic outlook remains largely uncertain.

Currently, although the fuel shortages appear to have been temporarily resolved, the power crisis is still very much an issue that continues to affect the smooth functioning of economic activity. To add to this, low domestic consumption and sluggish economic activity expected on the back of rising inflation will further dampen GDP expansion in the near term. The cascading effect of poor growth will be felt across all key sectors of the economy. The construction sector in particular will remain standstill as long as the government ban on projects is in place. The banking system too will continue to be under stress as low economic activity gives rise to liquidity issues.

Meanwhile, the deepening foreign currency liquidity crisis along with the rapid depreciation of the Rupee against the US dollar will continue to put pressure on the Country's external sector. The lack of adequate dollar liquidity may also prompt the exit of multinationals from the Country, in turn stifling investor confidence and cutting off much needed foerign direct investment to the Country.

Amidst this backdrop, further downgrades in Country's sovereign rating remains a niggling worry.

On a positive note, the expectation of an IMF bailout package offers fresh hope for an economic revival at least in the next 3 - 5 year time frame.

However reaching that point will be an uphill battle that will require strong commitment from the Government of Sri Lanka and all stakeholders towards enacting macroeconomic policy measures aimed at stabilising the Country's on all fronts.

WAY FORWARD FOR THE FENTONS GROUP

Given its largely import dependent business model, the Fentons Group is likely to find the next few years both challenging and quite rewarding. Ongoing import restrictions and the lack of dollar liquidity in the banking system will be among the key challenges that calls for urgent action by the Group.

Meanwhile, the current power crisis presents an opportunity for the Group's renewable energy segment to strengthen its position in the market. However the segment's prospects will depend on if the market demand for renewable energy solutions can be sustained even with the significantly higher cost of imported materials in the future.

Seeing as how many of the Group's other divisions are likely to be affected by the slowdown in construction activity in the Country, the Group will leverage its expertise in value engineering solutions to tap into overseas markets. A similar strategy will be adopted by the ICT division too, where the focus would be on providing integrated digital solutions for large multinational corporations.

While intensifying its focus on export markets, the Group as a whole will stay vigilant on any emerging growth opportunities within the rapidly changing economic environment in the country.

Rising to the challenge of finding new ways to do business

CORPORATE GOVERNANCE

GRI: 102-16, GRI 102-17

FENTONS GROUP APPROACH TO CORPORATE GOVERNANCE

The Fentons Group approach to corporate governance is based on conducting its business activities inline with the highest standards of fairness, integrity and transparency. Compliance is seen as the first step in achieving these objectives. Towards this end, the Group complies with all regulatory frameworks applicable to the respective businesses as well as the Group as a whole.

Going beyond compliance, the Group strives to emulate governance best practices observed by listed entities in Sri Lanka, which has led to the voluntary adoption of the Code of Best Practice for Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC). These best practices are embedded across the business through the Board approved internal framework of policies and documents and further supported by the Governance Structure.

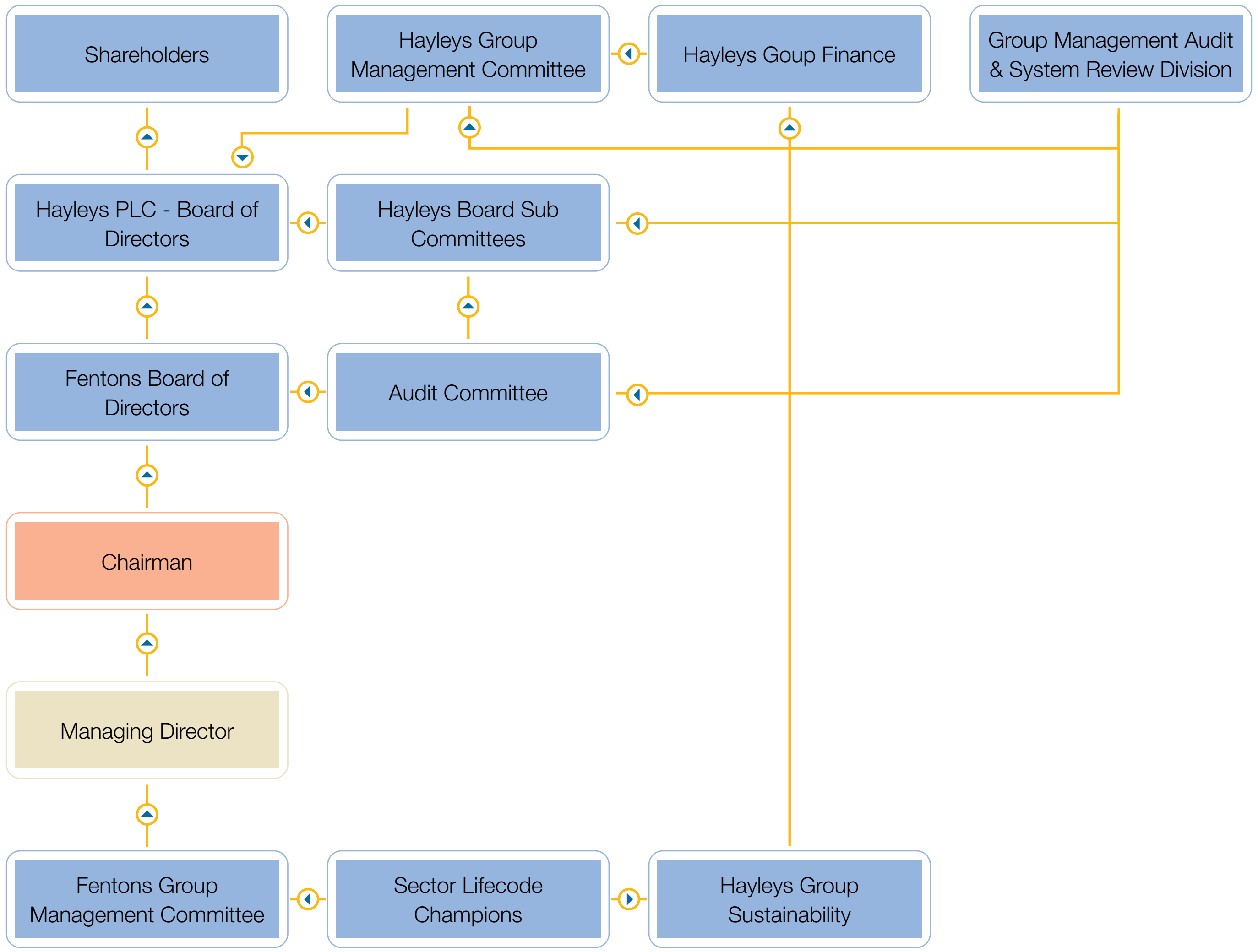
Fentons Governance Framework		
External Provisions	**Voluntary Provisions**	**Internal Provisions**
Companies Act No 07 of 2007	Code of Best Practice on Corporate Governance Issued Jointly by CA sri Lanka and Securities and Exchange commission	"The Hayleys Way" insert from Hayleys report -page 64 Articles of Association
Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 issued by CA Sri Lanka	The International Integrated Reporting <IR> Framework	Fentons SPIDER Strategy
Articles of Associations	Global Reporting Standards Initiative (GRI) Standard	Hayleys Life Code - the Hayleys Group ESG framework
Inland Revenue Act No 24 of 2017		
Customs Ordinance No 17 of 1869	United Nations Sustainable Development Goals	Human Rights Policy
Exchange Control Act no 22 of 2017		
Industrial Dispute Act no 43 of 1950	ISO Standards	Health & Safety policy
The shop and Office Employees Act no 15 of 1954		Grievance handling policy

GOVERNANCE STRUCTURE

GRI: 102-18, GRI 102-19, GRI 102 - 20, GRI 102 - 26, GRI 102 - 32

The Fentons Group operates within a well-defined governance structure that includes a clear segregation of roles and responsibilities to facilitate effective decision making and promote the principles of accountability, transparency, fairness and integrity at all levels of the business.

FENTONS GROUP GOVERNANCE STRUCTURE



THE BOARD OF DIRECTORS

The Board of Directors of Fentons Limited is the apex governing body and the key custodian in charge of embedding good governance principles across the Group. The Board of Directors plays a fundamental role in anchoring the governance structure through the selection and appointment of members of Board sub-committees and senior management. The Board also carries the primary responsibility for reviewing and updating the governance structure to ensure sufficient controls are in place to support the Group's growth strategy.

DUTIES AND RESPONSIBILITIES OF THE BOARD

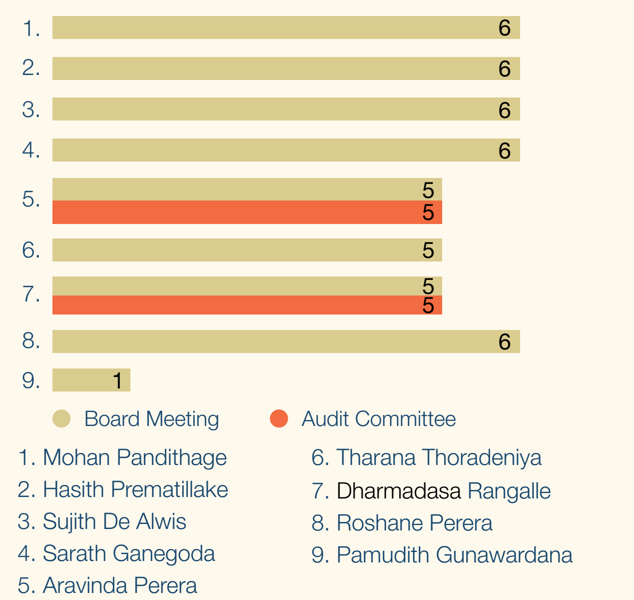
The Board operates as per specific Terms of Reference set out under the Board Charter. As per the Board Charter, the Fentons Group Board is collectively accountable to shareholders for the proper running of the business. In doing so the Board is responsible for the following;

CORPORATE GOVERNANCE

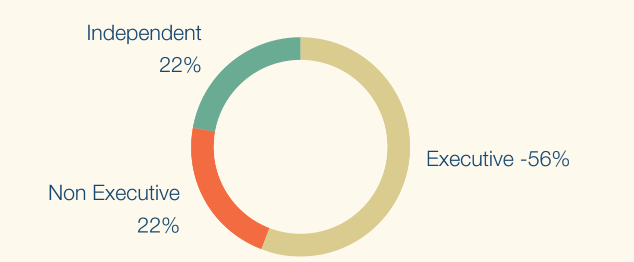
GRI: 102-27

Strategy and Purpose	• Setting the Group's strategic intent and establishing strategic objectives over the short, medium and long term time frame. • Ensuring appropriate resources, including necessary capital investments to support the achievement of these strategic objectives
Risk Management and Internal Control	• Ensure appropriate risk management and internal control frameworks are in place to provide the necessary checks and balances in order to enable the Group to grow sustainably over time
Capital and Liquidity Management	• Ensuring the Group remains well capitalised and sufficiently liquid in order to continue as a going concern for the foreseeable future
Corporate Governance	• Reviewing and approval of the Terms of Reference (TOR) and membership of Board Sub Committees • Reviewing the effectiveness of Board Sub Committees and reviewing and updating the Corporate Governance framework
Regulatory Compliance	• Approval of all principal regulatory filings on time
Financial Reporting	• Review and approval of financial statements, dividends and any significant change in accounting policies or practices
Culture and Conduct	• Setting the overall values and principles and for providing stewardship and guidance to ensure the Group is managed effectively in line with the highest standards of ethics and business conduct
HR Governance	• Ensuring a suitable succession planning mechanism is in place to safeguard all key positions
IT Governance	• Approving investments in IT systems and information security architecture to enable the Group to grow and compete effectively in the evolving business space

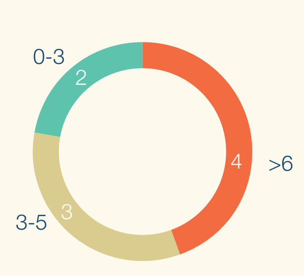
Attendance



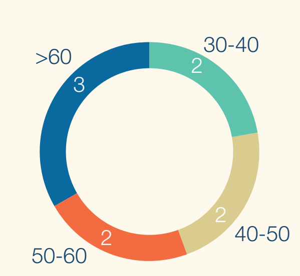
Board Balance



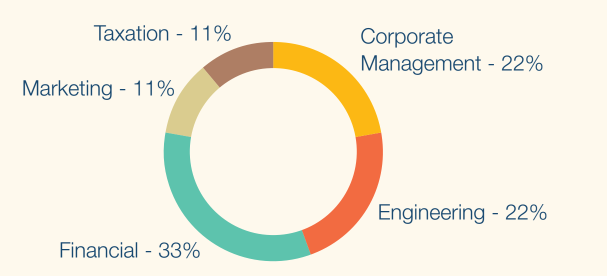
Tenure (Years)



Age Diversity



Collective Skills



GRI: 102-22, GRI: 102-23

BOARD COMPOSITION AND BALANCE

The Board of Directors of Fentons Limited comprises 09 Directors, - 05 Executive Directors, 04 Non-Executive Directors and 03 of whom are Independent.

Non-Executive Directors bring diverse industry perspectives to effectively challenge Board decisions and also provide checks and balances to protect the interests of shareholders and the Group as a whole.

While the Board as a whole decides on the appointment of Directors in accordance with the Articles of Association, the selection of Board Members is based on their integrity, skill set and professional background that will benefit Fentons, coupled with their ability and willingness to dedicate adequate time towards the Group's affairs.

As per the provisions of the Articles, a Director appointed by the Board is required to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting

Full Board Profiles are available on pages 18 to 19 of this report.

BOARD AND BOARD SUB COMMITTEE MEETINGS

The Board meets formally at least every quarter with more than 30% of Directors expected to attend each meeting to constitute the required quorum. It is the responsibility of the Chairman to establish an agenda for each meeting and ensure that sufficient time is allocated to address issues. It is also customary to notify Board Members 07-days in advance of the set meeting date. Along with the notification, Directors are also provided with the meeting agenda and sufficient information, including quarterly reports on performance and appropriate documentation to help them prepare for discussion and debate on agenda matters

		Board Attendance	Committee Attendance			
			Audit	Related Party Transactions Review	Nomination	Remuneration
Mohan Pandithage	Chairman/Executive Director	6/6	-	-	12/12	-
Hasith Prematillake	Executive Director	6/6	-	-	-	-
Sujith De Alwis	Executive Director	6/6	-	-	-	-
Sarath Ganegoda	Non Executive Director	6/6	-	4/4	-	-
Aravinda Perera	Independent Non Executive Director	5/6	5/5	4/4	-	2/2
Tharana Thoradeniya	Independent Non Executive Director	5/6	-	-	-	-
Dharmadasa Rangalle	Non Executive Director	5/6	5/5	-	-	-
Roshane Perera	Executive Director	6/6	-	-	-	-
Pamudith Gunawardana	Executive Director	1/1	-	-	-	-
* Dr. Harsha Cabral, PC	Independent Non Executive Director	-	-	4/4	11/12	-
* Dammika Perera	Non Executive Director	-	-	-	6/12	1/2
* Hisham Jamaldeen	Independent Non Executive Director	-	-	-	-	2/2

*** Board Directors of Hayleys PLC**

Members of the Management Team, including the Business unit heads and other employees may on occasionly be invited to attend Board Meetings in order to offer explanations or provide clarity on certain agenda items.

CORPORATE GOVERNANCE

GRI: 102-24, GRI: 102-25, GRI: 102-28

DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND THE MANAGING DIRECTOR

There is a clear division of responsibilities between the Fenton Group Chairman and Managing Director.

The Managing Director functions under the authority of the Board. The Managing Director holds the overall responsibility for the executive management of the Group's various businesses in tandem with the strategy and commercial objectives agreed by the Board and subject to the limits of authority established by the Board.

The Group MD is accountable for the implementation of strategy and performance and is supported by the Executive Management team. As a member of the Hayleys Group Management Committee, he is responsible to the Hayleys Board for delivering agreed strategic goals for the Fentons Group.

BOARD SUB COMMITTEES

To assist in executing its governance and oversight responsibilities, the Board has appointed the Audit Committee. Related Party Transactions Review Committee, Remuneration Committee and Nomination Committee of Hayleys PLC oversee the functions of Fentons Group related functions. Each committee is Chaired by a Non-Executive Director who has the requisite qualifications and experience and is assisted by one or more of the Non-Executive Board Directors. Board committees are involved in monitoring specific areas under their purview and report their findings directly to the Board.

AUDIT COMMITTEE

The Audit Committee is chaired by Mr. M.Y.A. Perera a Fellow Member of the Institute of Chartered Management Accountants of Sri Lanka. The Managing Director, Chief Executive Officer, and Chief Financial Officer attend the meetings of the Audit Committee by invitation. The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its Internal and External Audits.

It helps the Company to strike the proper balance between conformance and performance.

Its key role, therefore, is to monitor the integrity of the Financial Statements of the Company and review the same and where appropriate make representations to the Board on business risks, internal controls and compliance. The Committee is also responsible for the assessment of the External Auditors, their independence and quality of work. Interacting with external and internal auditors, the Committee ensures that audits are carried out with independence, integrity, and objectivity. Close monitoring and control of type and value of non-audit work is carried out to preserve the independence of the external auditors.

The composition of the Audit Committee is as follows:

Mr. M.Y.A. Perera (Chairman) - Independent Non-Executive Director
Ms. T. Thoradeniya - Independent Non- Executive Director

The Audit Committee report appears on pages 92 to 93 of this report.

Sub Committee	Area of Oversight	Composition	Related information
Audit Committee(AC)	1. Internal and external audit 2. Internal controls 3. Financial reporting and compliance	2 INED	Report of Audit committee – Refer page 92 to 93.
Nomination Committee (NC)	1. Appointment of key management personnel 2. Succession planning 3. Effectiveness of the board and its sub committees	Hayleys PLC NC acts as the NC of Fentons Group	Report of the Nomination Committee -Refer page 96
Remuneration Committee (RC)	1. Remuneretion Policy for Key Management personnel 2. Goals and targets for Key management Personnel 3. Performance evaluation	Hayleys PLC RC acts as the RC of Fentons Group	Report of the Remuneration Committee – Refer page 94
Related Party Transactions Review Committee (RPTRC)	Review of related party transactions	Hayleys PLC RPTRC acts as the RPTRC of Fentons Group	Report of the Related Party Transactions Review Committee – Refer page 95

MANAGEMENT TEAM

The Management Team which is headed by the Managing Director, is collectively responsible for the management of the day today operations as per the Board approved framework of policies, procedures and objectives. Executive Directors and Business Unit Heads consist in the management team in Fentons Group.

RISK MANAGEMENT

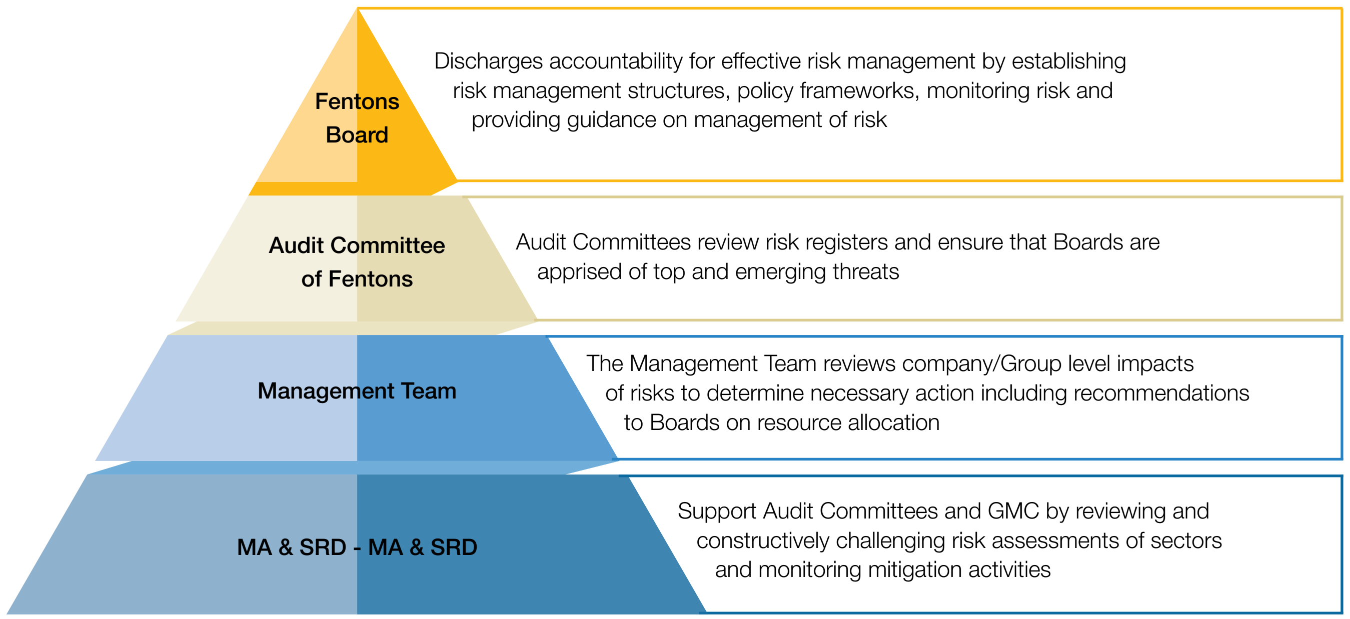
GRI: 102-15, GRI: 102-29, GRI: 102-30

OVERVIEW

Effective management of risk is critical to the achievement of our business objectives. Given the nature of our business, there are several risks that can impact the achievement of a single business objective. Similarly, a single risk can impact the achievement of several business objectives. As such, the Fentons Group takes a holistic and forward-looking view of the risks we face, continuously assessing our existing risk universe.

For this purpose, we have in place an Enterprise Risk Management (ERM) framework that encompasses the identification, analysis, evaluation, treatment, mitigation and monitoring of all major risks that could potentially impact the achievement of the Group's objectives. The main aim of our ERM is to minimize the adverse impact of these risks, thus enabling the Group to leverage market opportunities effectively and enhance its long-term competitive advantage, while at the same time safeguarding the interests of stakeholders at all times.

FENTONS GROUP RISK GOVERNANCE STRUCTURE



RISK MANAGEMENT PROCESS

Risk identification, analysis, and evaluation

Mechanisms for identification of risks include project-wise pre and post risk surveys, industry benchmarking, periodic horizon scans of the business environment, incident analysis, findings of internal audits, discussions with the Fentons Management Team and the Audit Committee regarding the Group's performance relative to the corporate scorecard goals. Risk analysis and evaluations are also carried out using scenario-based assessments to decide the potential impact and the likelihood of occurrence. Estimated risks are compared with established risk criteria and thresholds to determine the priority and method of risk treatment.

RISK TREATMENT

Risk treatment is the process of selecting and implementing measures to alleviate the impact of identified risks. We follow a five-pronged risk treatment approach as outlined below;
Avoid : A decision to nullify the risk by refraining from the activities that cause it
Share : A decision to share the specific risk with another entity
Reduce : A decision to reduce the level of risk through targeted mitigation, if not to completely nullify it
Accept : A decision to allow the risk to remain as is, irrespective of its severity
Escalate : A decision to escalate the risk to senior management

RISK MANAGEMENT

GRI: 102-31

Risk mitigation and monitoring

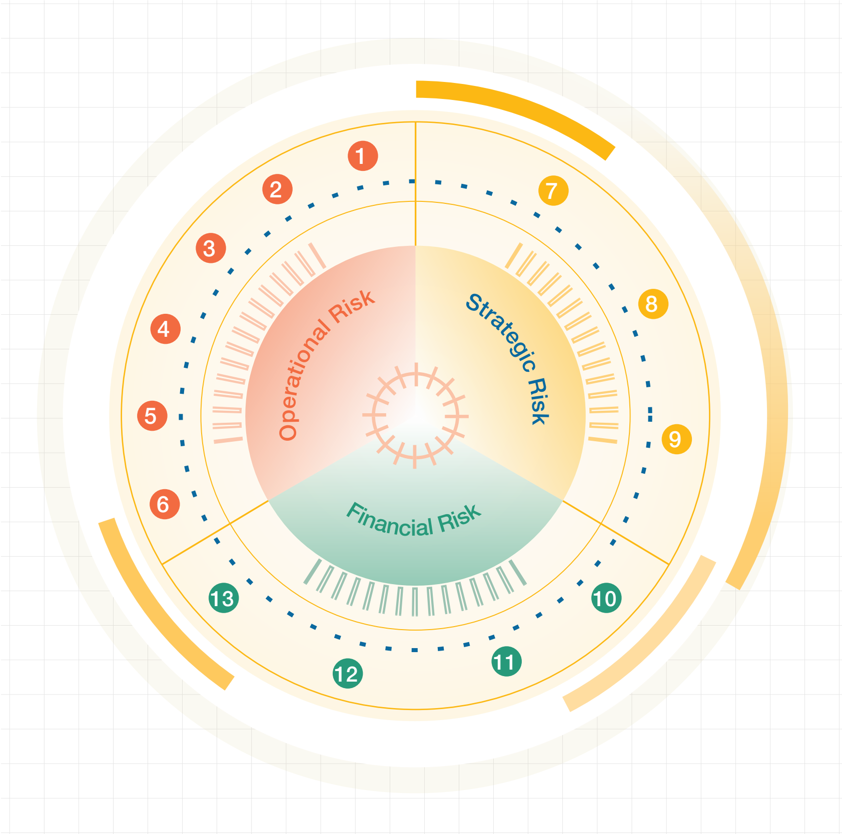
Based on the appropriate treatment approach, mitigation plans are finalized, risk owners are identified and the progress of mitigation actions are monitored and reviewed. The Fentons Management Team periodically does a deep dive into understanding the scope and effectiveness of mitigation plans and provides feedback to mitigation teams.

Risk-based approach to strategic planning

At Fentons, the functions of strategic planning and risk management are intertwined. Risks associated with achieving business objectives are taken into consideration in the formulation and development of strategy and business planning, with key strategic initiatives identified to mitigate specific risks. This approach is practiced across all levels of the business, including within project teams and support services.

Risk reporting and disclosures

Dashboards help track external and internal indicators for each identified risk and assess its severity. The trend line assessment of top risks, analysis of exposure and potential impact are carried out periodically, with key findings discussed with the Fentons Audit committee on a quarterly basis. Risks relating to client project execution and client account-level risks are reported more frequently and discussed at appropriate levels within the Group. Periodic updates are provided to the Board highlighting key risks, their impact, and mitigation actions.



1. Pandemic Related Disruptions
2. Foreign Currency Liquidity
3. Quality Failures
4. Reputational Risk
5. Technology Gaps
6. Contraction of Purchasing Power of Customers

7. Government Policy and Macro-Economic Vulnerabilities
8. Project Pipeline
9. Competitive Pressure

10. Currency Risk
11. Liquidity Risk
12. Interest Rate risk
13. Credit Risk

Risk Category	Key Risk Factors	Impact FY 2021/22	Likelihood of Occurrence	Mitigating Actions
Operational Risk	Pandemic related disruptions	Disruptions for the completion of sites, civil work and supply chain. Heightened vulnerability to employee health and safety risks. Difficulties to meet project completion deadlines and clients satisfaction and retention, which in turn would impact sustainable growth of the business	High	Safety and hygiene protocols were implemented at office and project sites in line with recommended guidelines. Pursue alternative procurement sources by diversifying the supply chain Facilitating work from home arrangements for office employees
		Risk Assessment		
		2021/22	●	
		2020/21	●	
		2019/20	●	
	Foreign currency liquidity	Inability to import essential items for the continuity of the Group's business	High	Working closely with group treasury and banks to speed up the process Encouraging customers to make USD settlements where possible
		Risk Assessment		
		2021/22	●	
		2020/21	●	
		2019/20	●	
	Quality Failures	Faulty constructions or below standard output could lead to penalties and may also lead to lower earnings due to possible rework Delays in collections	Moderate	Adherence to quality and safety standards (ISO 9001-2008) during project implementation Utilization of the most up-to-date and advanced technologies in construction Regular internal audits. Standardization of project management through the ERP system Adherence to best practices in construction and benchmarking with the best-in-class projects within the Company
		Risk Assessment		
		2021/22	●	
		2020/21	●	
		2019/20	●	

● High ● Moderate ● Low

RISK MANAGEMENT

Risk Category	Key Risk Factors	Impact FY 2021/22	Likelihood of Occurrence	Mitigating Actions
Operational Risk	Technology Gaps	The risk that technology procured will not work according to specifications	Moderate	Procure technology only from reputed global principals backed by licensing and warranty assurances
				Follow up processes to check for malfunctions, rejections and inefficiencies
		Risk Assessment		
		2021/22		
		2020/21		
		2019/20		
	Contraction of purchasing power of customers	Some of the products will no longer be affordable to purchase	High	Entry to niche markets
		Market entry of inferior products by customers		Superior customer service and added benefits
		Reduced margins of existing products		Introduction of bundled services Value engineering
		Risk Assessment		
		2021/22		
		2020/21		
		2019/20		
	Reputational Risk	Fentons Limited has established its reputation over 101 years and is zealously guarded by employees of the company. However reputation risk arises from many sources and is hard to monitor until it materializes	Moderate	Orientation programs for all new recruits Initiatives to strengthen the Group's reputation as a good corporate citizen Sound Policy Framework Perfect after sale care
		Risk Assessment		
		2021/22		
		2020/21		
		2019/20		

Risk Category	Key Risk Factors	Impact FY 2021/22	Likelihood of Occurrence	Mitigating Actions
Strategic Risk	Government policy and macro -economic vulnerabilities	Government policy, including monetary and fiscal decisions have a direct impact on our performance through fluctuations in macro-economic variables.	High	Proactively monitor emerging developments in the policy landscape and macro-economic environment
		In view of the country's weakening external position, the Government imposed restrictions on imports during the year.		Comprehensive project contracts
		Talent Migration		Business models to be innovated which supported more foreign exchange inflows
		Risk Assessment		
		2021/22		
		2020/21		
		2019/20		
	Project Pipeline	If new projects are not added to the project pipeline on an ongoing basis, it could lead to higher income volatility, supply chain limitations and raise concern regarding liquidity	Moderate	The Fentons Group maintains a diversified business portfolio in order to ensure consistent revenue generation and safeguard liquidity
		Limited/over Capacity development		Currently the Solar business dominates in the business portfolio that provides more liquidity and profitability enabling to complete with in a short span of time
		High cost of imports prohibiting customers from investing in projects can prevent the growth in the project pipeline		All the business streams include repair and services, trading business and annual maintenance contracts which keep customers in touch with us regularly and provide liquidity to support long term projects
		Risk Assessment		
		2021/22		
		2020/21		
		2019/20		

RISK MANAGEMENT

Risk Category	Key Risk Factors	Impact FY 2021/22	Likelihood of Occurrence	Mitigating Actions
Strategic Risk	Competitive Pressure	Increased competition has the possibility of	High	Pursue business diversification in order to overcome the impact of competition
		Reducing market share and margins		Dedicated Business Development Teams continuously seeking new opportunities
		High inflation of commodities, promotes entry of inferior products		Leverage on the network of global principals to access the latest technology solution in order to gain first mover advantage in the local market
				Focus on achieving a healthy client mix comprising both state and private sector entities
		Risk Assessment		Extra focus on retaining existing clientele.
		2021/22	🔴	Point focus customer service and quality assurance
		2020/21	🟡	
		2019/20	🟢	
Financial Risk	Currency Risk	Depreciation of the exchange rate leads to an escalation in the cost of imported materials while fluctuations in exchange rate have a direct impact on our profitability	High	Ongoing monitoring of exchange rate movements and assessment of the impact on our operations. Entering forward- exchange rate contracts with the support of the Hayleys PLC Treasury Unit
		Product pricing is increasing and margins are affected		Export market penetration
				Value engineering
		Risk Assessment		
		2021/22	🔴	
		2020/21	🟡	
		2019/20	🟢	
	Liquidity Risk	Delays in receiving customer dues, leading to unplanned liquidity shortages	High	Ongoing follow up action to ensure customer dues are received on time
		Long outstanding debts from government related projects		
		Working capital deficiencies will hinder existing and prospective market opportunities		Working closely with the Hayleys Group Treasury unit to minimise liquidity gaps
		Slowdown or inability to move forward with projects in hand due to non-availability of funds by the Government and Government Agencies		Improve margins by promoting value engineering solutions and introduce cost reduction initiatives
		Risk Assessment		
		2021/22	🔴	
		2020/21	🔴	
		2019/20	🟢	

Risk Category	Key Risk Factors	Impact FY 2021/22	Likelihood of Occurrence	Mitigating Actions
Financial Risk	Interest Rate Risk	Increase in interest rates will impact on cash flows and working capital	High	Refinancing long term loans at low interest rates
		Reduction of profitability		Close monitoring of interest rate movements with an intention of restructuring the debt portfolio
		Change in credit ratings		Use of both fixed and floating rate instruments
		Rate volatility may hinder efficiency and accuracy of planning & Budgeting		Close monitoring and frequent revisiting of business plans and projections and align strategies
		Risk Assessment		
		2021/22	🔴	
		2020/21	🔴	
		2019/20	🟢	
	Credit Risk	Increase in working capital cycle stressing cash flow management	High	Follow Hayleys Group Credit risk Management policy
		Potential losses due to impairment of receivables		Regular consultations to be obtained from Hayleys Group Treasury Department
		Heavy debt base pressure		Efficient cash flow management with aggressive debt recovery plan
		High debt servicing cost		Regular monitoring of Cash Flows and implement cash flow management procedures
		Risk Assessment		
		2021/22	🔴	
		2020/21	🔴	
		2019/20	🟢	

AUDIT COMMITTEE REPORT

THE OBJECTIVE AND ROLE OF THE AUDIT COMMITTEE

The role of the Committee, which has specific terms of reference, as described in the Corporate Governance Report on pages 80 to 84.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following two Independent Non – Executive Directors.
Mr. M. Y. A. Perera – Chairman
Mr. T. Thoradeniya

Brief profile of each member is given on pages 18 to 19 of this report. Their individual/collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

The Company Secretary acts as the Secretary to the Audit Committee. The Chairman, Chief Financial Officer, Chief Executive Officers and Managing Director of the Company attend for the meetings of the Audit Committee by invitation.

MEETINGS OF THE AUDIT COMMITTEE

The Committee met five times during the year.

The attendance of the members at these meeting is as follows:

Mr. M. Y. A. Perera - Chairman	5/5
Mr. T. Thoradeniya	5/5

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

TASKS OF THE AUDIT COMMITTEE

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards (SLFRS/ LKAS). The methodology included obtaining statements of compliance from the Head of Finance and Directors in charge of the operating units. The Committee recommended the Financial Statements to the Board for its deliberation and issuance. The Committee, in its evaluation of the financial reporting system, also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

INTERNAL AUDITS

The Committee reviewed the process to assess the effectiveness of the internal financial controls that have been designed to provide reasonable assurance to the Directors that the assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Group's Management Audit and Systems Review Department (MA and SRD) reports on key control elements and procedures in Group companies that are selected according to an annual plan. These reports were reviewed by the Audit Committee.

Internal audits are outsourced to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the Group's MA and SRD and other internal auditors, in the conduct of their assignments.

RISK MANAGEMENT

The Committee obtained and reviewed statements from the heads of business sectors identifying their major business risks, mitigation action taken or contemplated for management of these risks. The COSO Enterprise Risk Reporting Process is used within the Group.
The Committee obtained representations from Group companies on the adequacy of provisions made for possible liabilities and reviewed reports tabled by Group companies certifying their compliance with relevant statutory requirements.

EXTERNAL AUDITS

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the audit management letters of Group companies. Actions taken by the management in response to the issues raised as well as the effectiveness of the internal controls in place were discussed with the heads of business units. Remedial action was recommended wherever necessary.

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

ETHICS AND GOOD GOVERNANCE

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

APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants continue as auditors for the Financial Year ending 31st March 2023.

AUDIT COMMITTEE REPORT

The Committee will continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals. The committee has pursued the support of Messers

Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to the adoption of new and revised SLFRS/LKAS applicable to the Group companies and made recommendations to the Board of Directors.

SUPPORT TO THE COMMITTEE

The Committee received information and support from the management during the year enabling it to carry out its duties and responsibilities effectively.

CONCLUSION

The Audit Committee is satisfied that the Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group polices and that Group assets are properly accounted for and adequately safeguarded.

Aravinda Perera
Chairman – Audit Committee

02nd June 2022

REMUNERATION COMMITTEE REPORT

GRI: 102-35, GRI: 102-36, GRI: 102-37

The Remuneration Committee of the parent Company, Hayleys PLC functions as the Committee to the Fentons Limited and consist of three Independent Non-executive Directors and one non-executive Director.

COMPOSITION

Dr. H. Cabral, PC (IND/NED) - Chairman
Mr. K.D.D. Perera (NED)
Mr. M.Y.A Perera (IND/NED)
Mr. M.H. Jamaldeen (IND/NED)

IND/NED - *Independent Non-Executive Director*, **NED** - *Non-Executive Director*

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

DUTIES OF THE REMUNERATION COMMITTEE

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

- Determining the compensation of the Chairman & Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Company.
- Review information related to executive pay from time to time to ensure same is in par with the market/industry rates.
- Evaluate the performance of the Chairman & Chief Executive and Key Management Personnel against the predetermined targets and goals.
- Assess and recommending to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Approving annual salary increments and bonuses

REMUNERATION POLICY

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

ACTIVITIES IN 2021/22

- During the year the Committee reviewed the performance of the Chairman & Chief Executive, Executive Directors and Group Management Committee based on the targets set in the previous year and determined the bonus payable and the annual increments.
- Recommended the bonus payable and annual increments to be paid to Executive and Non-Executive staff based on the ratings of the Performance Management System.

MEETINGS

The Committee met twice during the year and the attendance is given on page 83.

Dr. Harsha Cabral, PC.
Chairman

Remuneration Committee of Hayleys PLC

18th August 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee of Hayleys PLC, the parent Company functions as the Committee of the Fentons Limited in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprises the Following members.

Dr. H. Cabral, PC** - Chairman
Mr. M.Y.A. Perera**
Mr. S. C. Ganegoda*

** Independent Non-Executive
*Executive

THE DUTIES OF THE COMMITTEE

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

TASK OF THE COMMITTEE

The Committee reviewed the related party transactions and their compliances of Fentons Limited and communicated the same to the Board.

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

Dr. Harsha Cabral, PC.
Chairman

Related Party Transactions Review Committee of Hayleys PLC

18th August 2022

NOMINATION COMMITTEE REPORT

COMPOSITION

Mr. A.M. Pandithage (ED)
Chairman - K.D.D. Perera (NED)
Dr. H. Cabral PC (IND/NED)

IND/NED - *Independent Non-Executive Director*
ED - *Executive Director*
NED - *Non - Executive Director*

The Remuneration Committee of the parent company, Hayleys PLC functions as the Nomination Committee for the Fentons Limited.

The Committee met twelve times during the year and the attendance are given on page 83.

DUTIES OF THE NOMINATION COMMITTEE

- Consider of making any appointment of new Directors or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. P. Gunawardana at the Annual General Meeting to be held on 22nd September 2022.
- The Committee has recommended to reappoint Mr. A.M. Pandithage who is over seventy years of age.

Dr. Harsha Cabral, PC.
Chairman

Remuneration Committee of Hayleys PLC

18th August 2022

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

1. GENERAL

The Board of Directors of Fentons Limited has pleasure in presenting their report on the affairs of the company together with the audited consolidated Financial Statements for the year ended 31st March 2022. The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007 and are guided by recommended best reporting practices.

2. REVIEW OF BUSINESS

2.1 Principal Activities

Fentons Limited is the holding company that owns, directly six companies that constitute the Fentons Group, and provides services to wide range of customers including Hayleys group companies. The Group consists of engineering services, import and installation of ups and solar systems and facility management services related business operations. The main subsidiaries of Fentons Limited are listed on pages 4 to 5.

2.2 BUSINESS REVIEW/FUTURE DEVELOPMENT

A review of the Group's business and its performance during the year with comments on financial results and future strategic developments is contained in the Chairman's Statement 10 to 11 and Managing Director's Statement 12 to 14 sections of this Annual Report. These reports, together with the Financial Statements, reflect the state of affairs of the Company and the Group. The Directors to the best of their knowledge and belief confirm that the Group has not engaged in any activities that contravene laws and regulations.

2.3 Financial Statements

The Financial Statements of the Company and the Group are given on pages 106 to 152

2.4 Auditors' Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages 104-105.

2.5 Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 111 to 123.

2.6 Interest Register

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interest Register. Particulars of entries in the Interest Register and in the Interest Register of subsidiaries who maintain such registers are detailed below.

2.6.1 Directors' interests in transactions

The Directors of the Company have made the general disclosures provided for in section 192(2) of the Companies Act No.7 of 2007. Note 28.3 to the Financial Statements dealing with related party disclosures include details of their interests in transactions.

2.6.2 Directors' interests in shares

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

2.6.3 Payment of remuneration to Directors

The Directors' remuneration is set within an established framework. The total Directors' remuneration in respect of the Company is depicted in Note No 28.3

2.7 Corporate Donations

Rs. 0.20mn of donations were made for the year ended 31st March 2022.

2.8 Future Developments

Future developments are discussed in the Managing Director's message (pages 12-14), Segmental review (pages 43-52) of this Report.

3. GROUP TURNOVER

The turnover of the Group, excluding equity accounted investees, was Rs. 10.0bn (2020/21 - Rs. 5.2bn) in the year under review while turnover including equity accounted investees was Rs. 10.0bn (2020/21 – 5.2bn).

4. DIVIDENDS

No dividend payments were made for the financial year 2021/22

5. PERFORMANCE & RESERVES

A. Performance

The Group's profit before taxation for the year under review amounted to Rs. 526.5mn (2020/21 -Rs 52.9mn). After charging Rs. 142.2mn (2020/21 - Rs. 60.0mn reversal) for taxation the profit after tax was Rs. 384.2mn (2020/21 - Rs. 113.0mn). When an amount of Rs. 0.1mn (2020/21 Rs. 0.1 mn) for non- controlling interests was deducted and reversed, the Group profit attributable to owners of the Parent for the year was Rs 384.4mn (2020/21 - Rs 113.1mn).

B. Reserves

Total Group Negative Reserves at 31st March 2022 amounts to Rs. 287.2mn (2019/20 - Rs 700.4mn) comprising General Reserves of Rs. 2mn (2020/21 - Rs. 2mn), Stated Capital of equity of Rs. 655.0mn (2020/21 - Rs 655.0mn) and Negative Revenue Reserves of Rs. 944.4mn (2020/21 - Rs 1,357.6mn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year on property, plant and equipment by the Group and by the Company amounted to Rs 342.8mn (2020/21- Rs. 20.4mn) and Rs 235.8mn (2020/21- Rs. 17.4mn) respectively. Information relating to movement in property, plant and equipment is given in Note 9 to the Financial Statements.

7. STATUTORY PAYMANTS AND DECLARATIONS

The Board of Directors is reasonably satisfied that all dues to employees and other statutory payments have been made to the relevant authorities.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

7.1 Taxation

It is the Group's policy to provide for deferred taxation on all known temporary differences on the liability method. Further details are given in taxation Notes on pages 125 to 126, 131 to 132 and 142.

8. STATED CAPITAL

In compliance with the Companies Act No.7 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issue of shares. The stated capital of the Company, consisting of 59,463,105 ordinary shares, amounts to Rs. 655,223,665. There was no change in stated capital during the year.

9. DIRECTORATE

The names of the Directors who held office at the end of the financial year are given below. The brief profiles of the Board of Directors appear on pages 16 to 19.

Mr. A M Pandithage - Chairman
Mr. H. C. Prematillake - Managing Director
Mr. H. P. G. S. E. M. De Alwis
Mr. R S S Perera
Mr. S C Ganegoda
Mr. D. Rangalle
Mr. M. Y. A. Perera
Mr. T. Thoradeniya
Mr. P. Gunawardana

Notice has been given pursuant to section 211 of the Companies Act No.07 of 2007 of the intention to propose as an ordinary resolution for the reappointment of Mr.A.M.Pandithage notwithstanding the age limit of seventy one years stipulated by section 210 of the Companies Act.

10. DIRECTORATES OF SUBSIDIARIES

Fentons Smart Facilities (Pvt) Ltd
Mr. A M Pandithage - Chairman
Mr. H. C. Prematillake - Managing Director
Mr. H. P. G. S. E. M. De Alwis
Mr. S C Ganegoda
Mr. P. Gunawardana

Energynet (Pvt) Ltd
Mr. A M Pandithage - Chairman
Mr. H. C. Prematillake - Managing Director
Mr. H. P. G. S. E. M. De Alwis
Mr. R S S Perera
Mr. S C Ganegoda
Mr. P. Gunawardana

Nex Gen Asia (Pvt) Ltd
Mr. A M Pandithage – Chairman
Mr. H. C. Prematillake - Managing Director
Mr. H. P. G. S. E. M. De Alwis
Mr. S C Ganegoda
Mr. P. Gunawardana

Hayleys Electronics Limited
Mr. A M Pandithage – Chairman
Mr. H. C. Prematillake - Managing Director
Mr. H. P. G. S. E. M. De Alwis
Mr. S C Ganegoda
Mr. P. Gunawardana

Hayleys Electronics Manufacturing (Pvt) Ltd
Mr. H. C. Prematillake - Managing Director
Mr. P. Gunawardana

Global Consumer Brands (Pvt) Ltd
Mr. H. C. Prematillake - Managing Director
Mr. P. Gunawardana

11. DISCLOSURE OF DIRECTORS' DEALING IN SHARES

The Directors do not hold shares of the Company as at 31st March 2022.

12. SHARE INFORMATION

Information relating to earnings and net assets per share is given on page 127.

13. RELATED PARTY TRANSACTIONS

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

The related party transactions of the Company during the financial year have been re-viewed by the Related Party Transactions Re-view Committee of Hayleys PLC, the parent Company of Fentons Limited and are in compliance with the Group policy and the Accounting Standards.

The Committee met Four (04) times during the Financial year 2021/2022.

Attendance

Meetings held on 17th May 2021, 10th August 2021, 09th November 2021 and 11th February 2022.

Dr. H. Cabral, PC	4/4
Mr. M.Y.A. Perera	4/4
Mr. S. C. Ganegoda	4/4

* Executive
** Independent Non-Executive

14. EVENTS AFTER THE REPORTING DATE

No circumstances have been reported since the reporting date that would require adjustments.

15. EMPLOYEMENT POLICIES

The systems at Fentons Limited are such that there is no impediment to the career progression or development of its people. There are no practices of discrimination, harassment or prejudice of any sort that employees face that can stifle their work or growth within the Group.The Group endeavors to involve employees in every aspect of the Business. Employee involvement in planning and strategy formulation ensures an accurate reflection of employees' thoughts regarding future moves. A comprehensive performance management system ensures alignment of the efforts of the individual with the goals of the Group and provides a means of objective two way communication to facilitate personal growth. The number of persons employed by the Group as at 31st March 2022 was 1067 (2020/21 - 681)

16. INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period. The Board, having reviewed the system of internal controls, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

17. CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules and Best Practices laid down by Chartered Institute of Sri Lanka. The Corporate Governance Report on pages 80 to 84 discusses this further.

18. 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 level and to promote cooperation and compliance with the relevant authorities and regulations. This has been further elaborated in pages 32 to 39 in the section 'Our Commitment to SDG's' at Fentons Limited.

19. CUSTOMERS

The Group strives to provide a comprehensive and superior service to customers by continuously improving the quality of service and exceeding customer expectations.

20. PRINCIPALS

Divisions that represent foreign principals strive to maintain a position of superior service among the network of the representation

21. GOING CONCERN

The Directors, after considering the financial position, operating conditions, regulatory, current and expected effects on COVID 19 and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements

22. EXPOSURE TO RISK

The group has a structured Risk Management process in place to support its business operation.

23. AUDITORS

The auditors, Messrs Ernst & Young, Chartered Accountants were paid Rs. 0.6mn and Rs 0.7mn as audit fees by the Company and its subsidiaries respectively. The auditors of the Company and its subsidiaries have confirmed that they do not have any relationships (other than that of auditor) with, or interests in, the Company or any of its subsidiaries other than those disclosed above. Messrs. Ernst & Young, Chartered Accountants, are deemed reappointed in terms of section 158 of the Companies Act No.7 of 2007, as auditors of the Company. A resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting.

24. INSURANCE AND INDEMNITY

The Company has obtained a Directors and Officers Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

25. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10.00am on 22nd September 2022 on online platform. The Notice of the Annual General Meeting appears on page 170.

For and on behalf of the Board,

Mr. A. M. Pandithage
Chairman

Mr. H. C. Premathillake
Managing Director

Hayleys Group Services (Pvt) Ltd
Secretaries

No. 400, Deans Road,
Colombo 10

02nd June 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under the sections 150 (1), 151, 152 (1) and 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148 for ensuring that proper accounting records are kept to disclose with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies Act. The Directors have taken reasonable measures to safeguard the assets of the Group and in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The external auditors, Messrs. Ernst & Young, Chartered Accountants were deemed re-appointed in terms of section 158 of the Companies Act No.7 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors shown on pages 104 to 105 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the balance sheet date have been paid or where relevant, provided for.

By Order of the Board,

HAYLEYS GROUP SERVICES (PVT) LTD.
Secretaries

02nd June 2022

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on Internal Controls as per the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Management Audit and System Review Division (MA and SRD) to review and report on the internal control environment in the Company and Group. Audits are carried out in all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings. Directors' Statement on Internal Controls
- The Audit Committee reviews internal control issues identified by the MA and SRD and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings of Fentons Limited.
- The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by external auditors in connection with the internal control system during the Financial Year (FY) 2020/21 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

CONCLUSION

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirms that the financial reporting system of Fentons Limited has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes which has been done in accordance with the Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

Mr. A. M. Pandithage
Chairman

Mr. H. C. Premathillake
Director

Mr. M. Y. A. Perera
Chairman - Audit Committee

02nd June 2022

MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Fentons Limited and the Consolidated Financial Statements of the Group as at 31st March 2022 are prepared and presented in compliance with the requirements of the following.

- Sri Lanka Accounting Standards issued by CA Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We have also taken proper and sufficient care in installing systems of internal control and accounting records, to safeguard assets, and to prevent and detect fraud as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by the Group's internal auditors. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messrs Ernst & Young, Chartered Accountants. Their report is given on pages 104 to 105 of the Annual Report.

The Audit Committee approves the audit and non audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that,

- the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non compliances; and
- there are no material litigations that are pending against the Group and the company other than those disclosed in Note 29 to the Financial Statements in this Annual Report.

Hasith Prematillake
Managing Director

Pamudith Gunawardana
Director/Chief Financial Officer

02nd June 2022

Rising to the challenge of becoming better every day

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201, De Saram Place
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Colombo 10, Sri Lanka

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PNS/ANP/DM

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FENTONS LIMITED

Report on the audit of Financial Statements

OPINION

We have audited the financial statements of Fentons Limited ("the Company") and the consolidated financial statements of the Fentons Limited and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and Group.

Ernst & Young

02 June 2022
Colombo

STATEMENT OF PROFIT OR LOSS

		Consolidated		Company	
For the year ended 31 March	Notes	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue from contract with customers	3	10,010,080,059	5,216,901,052	9,343,062,102	4,722,305,961
Cost of sales		(8,376,619,921)	(4,286,836,853)	(7,970,354,831)	(3,894,734,848)
Gross profit		1,633,460,138	930,064,199	1,372,707,271	827,571,113
Other income	4	19,216,731	44,402,857	144,212,722	88,016,409
Administrative expenses		(795,388,581)	(587,491,846)	(647,889,118)	(461,136,785)
Distribution expenses		(120,923,880)	(91,671,149)	(100,132,819)	(89,963,892)
Other operating expenses		(48,965,381)	10,825,302	(48,965,381)	10,825,302
Finance income	5.1	302,238,521	6,807,024	300,730,833	4,078,711
Finance cost	5.2	(463,136,121)	(259,955,148)	(330,839,441)	(223,652,451)
Net finance cost		(160,897,600)	(253,148,124)	(30,108,608)	(219,573,740)
Profit before tax		526,501,427	52,981,239	689,824,067	155,738,407
Tax (expense) / reversal	7.1	(142,204,980)	60,049,091	(142,959,511)	62,360,582
Profit for the year		384,296,447	113,030,330	546,864,556	218,098,989
Profit for the year attributable to:					
Owners of the parent		384,413,684	113,101,063		
Non-controlling interest		(117,237)	(70,733)		
		384,296,447	113,030,330		
Earnings per share - basic	8	6.46	1.90	9.20	3.67

Notes from pages 111 to 152 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

		Consolidated		Company	
For the year ended 31 March	Notes	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit for the year		384,296,447	113,030,330	546,864,556	218,098,989
Other comprehensive income					
Items that will not be reclassified subsequently to the Statement of Profit or Loss					
Actuarial gain/(loss) on employee benefit obligation	21.1	(2,523,611)	8,555,441	(1,566,094)	6,367,125
Tax on other comprehensive income	7.1	558,684	(2,053,306)	328,880	(1,528,110)
Total other comprehensive income for the year, net of tax		(1,964,927)	6,502,135	(1,237,214)	4,839,015
Total comprehensive income for the year, net of tax		382,331,520	119,532,465	545,627,342	222,938,004
Total comprehensive income for the year attributable to:					
Owners of the parent		382,448,889	119,602,350		
Non-controlling interest		(117,369)	(69,885)		
		382,331,520	119,532,465		

Notes from pages 111 to 152 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Assets					
Non- current assets					
Property, plant & equipments	9	396,923,426	97,843,202	279,478,675	81,443,625
Intangible assets	10	21,730,351	19,357,661	21,730,351	19,357,661
Right of use assets	11	86,072,237	69,924,289	50,545,909	69,924,288
Investment in subsidiaries	12.1	-	-	160,173,384	159,173,405
Investment in associates	12.3	-	-	-	-
Investments in quoted shares	12.2	345,400	345,400	345,400	345,400
Deferred tax assets	13	41,256,319	89,800,139	-	85,797,428
Total non- current assets		546,327,733	277,270,691	512,273,719	416,041,807
Current assets					
Inventories	14	2,522,110,175	1,254,278,962	2,278,541,844	1,160,439,009
Trade and other receivables	15	5,322,373,322	2,457,153,372	5,034,707,864	2,255,732,042
Amount due from subsidiaries	16.1	-	-	16,151,424	30,985,341
Amount due from equity accounted investees	16.2	-	-	-	-
Income tax recoverable	26.1	593,112	16,041,461	-	12,953,817
Short term deposits	17	385,540,790	280,497,125	361,676,581	252,217,321
Cash in hand and at bank	18.1	386,920,705	558,651,681	346,176,408	498,497,437
Total Current assets		8,617,538,104	4,566,622,601	8,037,254,121	4,210,824,967
Total assets		9,163,865,837	4,843,893,292	8,549,527,840	4,626,866,774
Equity and Liabilities					
Capital and reserves					
Stated capital	19	655,223,665	655,223,665	655,223,665	655,223,665
General reserves		2,022,900	2,022,900	2,022,900	2,022,900
Accumulated losses		(944,448,808)	(1,357,653,871)	(641,083,047)	(1,186,710,389)
Total equity attributable to equity holders of the company		(287,202,243)	(700,407,306)	16,163,518	(529,463,824)
Non-controlling interest		(122,123)	(4,754)	-	-
Total equity		(287,324,366)	(700,412,060)	16,163,518	(529,463,824)
Non-current liabilities					
Interest bearing borrowings	20.1	1,176,924,239	1,038,866,628	1,365,968,414	1,128,066,628
Deferred tax liabilities	13	15,234,529	-	15,234,527	-
Retirement benefit obligations	21	131,027,958	92,108,968	78,056,705	66,637,188
Total non-current liabilities		1,323,186,726	1,130,975,596	1,459,259,646	1,194,703,816
Current liabilities					
Trade and other payables	22	1,792,367,558	1,614,611,471	1,351,350,740	1,390,000,063
Contract liabilities	23	2,224,514,983	1,083,988,245	2,133,958,466	1,054,507,050
Amount due to subsidiaries	24	-	-	175,122,773	-
Income tax payable	26.2	28,587,826	-	28,728,862	-
Current portion of long term interest bearing borrowings	20.2	219,742,647	234,866,909	205,960,284	210,333,575
Short term interest bearing borrowings	25	3,862,790,463	1,479,863,131	3,178,983,551	1,306,786,094
Total Current liabilities		8,128,003,477	4,413,329,756	7,074,104,676	3,961,626,782
Total liabilities		9,451,190,203	5,544,305,352	8,533,364,322	5,156,330,598
Total equity and liabilities		9,163,865,837	4,843,893,292	8,549,527,840	4,626,866,774

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

Pamudith Gunawardana
Director- Chief Financial Officer

The Board of Directors is responsible for these financial statements.
Signed for and on behalf of the Board by;

Mohan Pandithage
Chairman

Mr. H. C. Premathillake
Managing Director

Notes from pages 111 to 152 form an integral part of these Financial Statements. Figures in brackets indicate deductions

02 June 2022
Colombo

STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Shareholders of the Parent					
For the year ended 31 March	Stated capital Rs.	General reserve Rs.	Accumulated losses Rs.	Total Rs.	Non-controlling interest Rs.	Total Rs.
Consolidated						
Balance as at 31 March 2020	655,223,665	2,022,900	(1,477,186,336)	(819,939,771)	65,131	(819,874,640)
Profit for the year	-	-	113,101,063	113,101,063	(70,733)	113,030,330
Other comprehensive income	-	-	6,501,287	6,501,287	848	6,502,135
Total comprehensive income	-	-	119,602,350	119,602,350	(69,885)	119,532,465
Balance as at 31 March 2021	655,223,665	2,022,900	(1,357,583,986)	(700,337,421)	(4,754)	(700,342,175)
Prior year correction	-	-	(69,885)	(69,885)	-	(69,885)
Adjusted balance as at 31 March 2021	655,223,665	2,022,900	(1,357,653,871)	(700,407,306)	(4,754)	(700,412,060)
Gain on bargain purchase	-	-	30,756,173	30,756,173	-	30,756,173
Profit for the year	-	-	384,413,684	384,413,684	(117,237)	384,296,447
Other comprehensive income	-	-	(1,964,794)	(1,964,794)	(133)	(1,964,927)
Total comprehensive income	-	-	413,205,063	413,205,063	(117,369)	413,087,693
Balance as at 31 March 2022	655,223,665	2,022,900	(944,448,808)	(287,202,243)	(122,123)	(287,324,366)

For the year ended 31 March	Stated capital Rs.	General reserve Rs.	Accumulated losses Rs.	Total Rs.
Company				
Balance as at 31 March 2020	655,223,665	2,022,900	(1,409,648,393)	(752,401,828)
Profit for the year	-	-	218,098,989	218,098,989
Other comprehensive income	-	-	4,839,015	4,839,015
Total comprehensive income	-	-	222,938,004	222,938,004
Balance as at 31 March 2021	655,223,665	2,022,900	(1,186,710,389)	(529,463,824)
Profit for the year	-	-	546,864,556	546,864,556
Other comprehensive income	-	-	(1,237,214)	(1,237,214)
Total comprehensive income	-	-	545,627,342	545,627,342
Balance as at 31 March 2022	655,223,665	2,022,900	(641,083,047)	16,163,518

Notes from pages 111 to 152 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Cash flows from / (used in) operating activities					
Profit before tax expense		526,501,427	52,981,239	689,824,067	155,738,407
Adjustments for					
Depreciation	9	34,874,070	26,213,648	28,931,208	21,511,653
Amortization of intangibles	10	6,520,158	6,527,128	6,520,158	6,527,128
Depreciation of right of use assets	11	23,819,173	19,027,261	19,378,381	19,027,261
Net finance cost	5	160,897,600	253,148,124	30,108,608	219,573,740
Provision for defined benefit plans	21	38,823,944	20,546,628	12,361,138	15,109,106
Loss/ (gain) on sale of property, plant and equipment	9.4	101,342	(477,992)	101,342	(477,992)
Warranty provision		(1,480,920)	13,331,740	(4,172,313)	12,501,632
Provision for slow moving stock/ (provision reversal)		48,867,222	(10,825,302)	48,867,222	(10,825,302)
Stock write off		2,714,527	-	2,358,384	-
WHT unrecoverable		-	-	84,003	-
Impairment of debtors		69,284,703	23,120,157	59,929,715	16,805,214
Impairment of inventory		98,159	-	98,159	-
Unrecoverable VAT		3,707,940	7,785,449	3,707,940	7,904,084
Operating profit before working capital changes		914,729,346	411,378,081	898,098,013	463,394,932
(Increase)/decrease in inventories		(1,319,511,121)	(58,085,910)	(1,169,426,596)	(116,691,387)
(Increase)/decrease in trade and other receivables		(2,941,288,195)	(910,741,780)	(2,842,613,477)	(937,433,097)
(Increase)/decrease in amount due from related parties		-	35,808,118	14,833,917	27,332,800
Increase/(decrease) in trade and other payables		179,237,008	412,184,465	(34,477,016)	402,467,213
Increase/(decrease) in amount due to related parties		-	(154,752,454)	175,122,773	(420,272,852)
Cash generated from operations		(3,166,832,962)	(264,209,480)	(2,958,462,385)	(581,202,391)
Finance cost paid	5.2	(463,136,121)	(259,955,148)	(330,839,441)	(223,652,451)
Defined benefit plan cost paid	21	(3,373,565)	(20,122,431)	(2,507,715)	(15,885,581)
Gratuity transfers	21	945,000	-	-	-
Net cash used in operating activities		(3,632,397,648)	(544,287,059)	(3,291,809,541)	(820,740,423)
Cash flows from / (used in) investing activities					
Acquisition of property, plant and equipments	9	(334,055,636)	(20,458,084)	(227,067,600)	(17,443,957)
Purchase of intangible assets	10	(8,892,848)	-	(8,892,848)	-
Proceeds from sale of property, plant and equipments	9.4	-	477,992	-	477,992
Acquisition of right of use assets	11	(39,967,121)	-	-	-
Investment in short term deposits	17	(105,043,665)	(233,644,430)	(109,459,260)	(231,651,979)
Acquisition of non controlling interest		-	(69,885)	-	-
Finance income received	5.1	302,238,521	6,807,024	300,730,833	4,078,711
Investment on subsidiaries	12	-	-	(999,979)	-
Net cash used in investing activities		(185,720,749)	(246,887,383)	(45,688,854)	(244,539,233)
Cash flows from / (used in) financing activities					
Proceeds from long term interest bearing borrowings	20	450,000,000	1,052,000,000	450,000,000	1,115,000,000
Repayments of long term interest bearing borrowings	20	(338,758,434)	(187,777,777)	(191,400,000)	(186,111,111)
Proceeds from short term interest bearing borrowings	25	8,776,788,146	4,112,115,961	6,980,424,805	3,498,451,475
Repayments of short term interest bearing borrowings	25	(7,050,014,330)	(4,353,610,514)	(5,643,670,239)	(3,566,602,679)
Lease obtained	20	39,967,121	-	-	-
Lease payment	20	(28,275,338)	(19,248,931)	(25,071,505)	(19,248,931)
Contract liabilities obtained	23	1,140,526,738	793,353,990	1,079,451,415	772,854,475
Net cash inflow from financing activities		2,990,233,903	1,396,832,729	2,649,734,476	1,614,343,229
Net increase/(decrease) in cash and cash equivalents		(827,884,492)	605,658,288	(687,763,920)	549,063,573
Cash and cash equivalents at the beginning of the year		416,950,667	(188,707,621)	362,634,843	(186,428,730)
Cash and cash equivalents at the end of the year	18	(410,933,825)	416,950,667	(325,129,077)	362,634,843

Notes from pages 111 to 152 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Fentons Limited ("Company") is a limited liability. Company incorporated and domiciled in Sri Lanka. The registered office and the principal place of business of the Company is located at No.180, Deans Road, Colombo 10.

1.2 Principal Activities and Nature of Operations

Name of the Company	Principal Activities
Fentons Ltd	Carrying on the business of electrical, network solutions, fire protections, security & surveillance, solar power, mechanical and information communication technology sales and engineering services.
Energynet (Pvt) Ltd	Engaging in import and installation of UPS system, solar power system and repair and annual maintenance of UPS system.
Fentons Smart Facilities (Pvt) Ltd	Providing maintenance services.
NexGen Asia (Pvt) Ltd	Provided cabling services. However, the commercial operations have been ceased temporary since Last Year.
Hayleys Electronics Ltd	Engaging in the business of trading of electronics products to the domestic market.
Hayleys Electronics Manufacturing (Pvt) Ltd	Engaging in the business of trading of electronics products to the domestic market. However, the operations have not been taken during the reporting period.
Global Consumer Brands (Pvt) Ltd	Engaging in the business of trading of electronics products to the domestic market. However, the operations have been ceased.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent and Ultimate Parent undertaking is Hayleys PLC, which is incorporated in Sri Lanka.

1.4 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 March 2022 comprise "the Company" referring to Fentons Limited as the holding Company and the "Group" referring to companies that have been consolidated therein.

1.5 Date of Authorization for Issue

The Consolidated Financial Statements of Fentons Limited and its subsidiaries (collectively, the Group) for the year ended 31 March 2022 were authorized for issue by the Directors on 02 June 2022.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for:

- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

Presentation & Functional Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the company's and its subsidiaries presentation and functional currency, and all financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, except when otherwise indicated.

Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.2 Going Concern

The accumulated losses of the Group as at 31 March 2022 amounted to Rs. 944,448,808/- (2021 - Rs. 1,357,653,871/-) Further, the Group has a negative net asset position as at 31 March 2022 amounting to Rs. 287,324,366/- (2021 - Rs. 700,412,060/-).

The Directors have made an assessment of the Group's ability to continue as a

NOTES TO THE FINANCIAL STATEMENTS

going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the current economic crisis, the circumstances of the external environment and consequences of the COVID-19 pandemic on significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects continue to evolve, management considered a range of scenarios to determine the potential impact on underlying performance and future funding requirements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.3 Comparative Information

The accounting policies have been consistently applied by the group and are consistent with those used in the previous year. Prior year figures and phrases have been re-arranged where necessary to conform to the current presentation.

2.4 Consolidation Policy

2.4.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred as the "group") for the year ended 31 March 2022.

Subsidiaries and their controlling interests along with equity accounted investees are disclosed in Note 12 to the Consolidated Financial Statements.

2.4.2 Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent has the power, directly or indirectly to govern the financial and operating policies of an enterprise. Subsidiaries are controlled from the date the parent obtains control until the date that control ceases. The following companies have been consolidated.

- Fentons Limited - Parent
- Energynet (Private) Limited - Subsidiary
- Fentons Smart Facilities (Pvt) Ltd - Subsidiary
- NexGen Asia (Pvt) Ltd - Subsidiary
- Hayleys Electronics Ltd - Subsidiary
- Hayleys Electronics Manufacturing (Pvt) Ltd - Subsidiary
- Global Consumer Brands (Pvt) Ltd - Subsidiary

All companies of the group are incorporated in Sri Lanka.

The total profits and losses for the year, of the Company and of its subsidiary included in consolidation are shown in the consolidated Statement of Comprehensive Income. All assets and liabilities of the Company and of its subsidiary included in consolidation are shown in the consolidated Statement of Financial Position. The consolidated Statement of Cash Flows includes the cash flows of the Company and its subsidiary.

Non-controlling interest which represents the portion of profit or loss and net assets not held by the group, are shown as a component of profit for the period in the Consolidated Statement of Comprehensive Income and as a component of equity in the Consolidated Statement of Financial Position, separately from parent shareholders' equity.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

All intra group balances, income and expenses and profits and losses resulting from intra group transactions are eliminated in full.

2.4.3 Investment in Associate

The Group's investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence, and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in

an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the Consolidated Statement of Profit or Loss.

The Investment in Associate and the controlling percentage has been disclosed in Note 12.

2.5 Significant Accounting Judgements, Estimated and Assumptions

The preparation of Consolidated Financial Statements in conformity with SLFRS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes.

a) Defined Benefit Plans

The cost of the retirement benefit plan of employees is determined by the management by internal valuation based on the projected credit union employee benefits. The internal valuation method is based on assumptions concerning the rate of interest, rate of salary increases, retirement age, staff turnover factor and going concern of the group. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The present value of the defied benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defied retirement benefit obligations are given in Note 21. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognized in full in the Consolidated Other Comprehensive Income. Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However, for entities of the Companies operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective

b) Deferred Tax

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

The Group has Rs. 348 Mn (2021: Rs. 144 Mn) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

On this basis, the Group has determined that it cannot recognise deferred tax assets amounting to 66 Mn (2021: Rs.89.3 Mn) on tax losses carried forward and described in Note 7.3 and Note 7.4 to the Financial Statements.

c) Valuation of Inventory

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The group's impairment assessment in relation to such inventories take into account factors such as the ageing of items of inventories, dates for possible expiry and expectations in relation to how the inventories will be utilized or sold. Judgment has also been applied by management in determining net realizable value of inventories (NRV). The

NOTES TO THE FINANCIAL STATEMENTS

estimates and judgements applied in the determination of NRV are influenced by expectations of sales relating to identified goods and historically realized sales prices.

2.6 Summary of Significant Accounting Policies

2.6.1 Current versus non-current classification

The Group presents assets and liabilities in Consolidated Statement of Financial Position based on Current / non-current classification. An asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting period

The group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6.2 Foreign Currency Translation

The Consolidated Financial Statements are presented in Sri Lanka Rupees. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.6.3 Property, Plant and Equipment

Basis of recognition

Property, plant and equipment is recognized if it is probable that future economic benefit associated with the assets will flow to the group and cost of the asset can be reliably measured.

Basis of measurement

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any except for land which is measured at fair value.

Owned Assets

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour any other cost directly attributable to bringing the asset to a working condition for its intended use and includes the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing cost on qualifying asset. Purchase software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the group derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Subsequent Costs

The cost of replacing a component of a n item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part of will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized in accordance in accordance with the derecognition policy which is recognizing the repair and maintenance cost of property plant and equipment in the consolidated Statement of Profit and Loss

Depreciation

Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

Description	Rate
Machinery	25%
Motor Vehicles	20% - 25%
Office Equipment	20% - 25%
Furniture and Fittings	20% - 25%
IT Equipment	20% - 25%
Building Improvements	10% - 15%
Stores Equipment & Tools	20% - 50%

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

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

2.6.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Description	Rate
Finance Building	8.7 Years
Warehouse Building	2.9 Years
Main Office Building	10 Years
Data Processing Equipment	5 Years
Show Room Building	6 Years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described In Note 2.6.7 (iii) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 20 to the Financial Statements.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.6.5 Intangible assets

Basis of recognition

An Intangible asset is recognized if it is probable that future economic benefits associated with the assets will flow to the group and cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Consolidated Statement of Profit or Loss in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS

Useful economic lives and amortization
The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of Profit or Loss in the Consolidated Financial Statements expense category that is consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Derecognition of intangible assets
An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statement of Profit or Loss.

2.6.6 Inventories
Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted using the following formulae: -

Raw Materials	-	Weighted Average cost
Work-in-Progress	-	Year end work-in-progress consists of labor and other costs of personnel directly engaged in providing the service, including supervisory personnel and attributable overheads.
Goods in Transit	-	At cost of purchase
Finished Goods	-	Weighted average cost

2.6.7 Financial Instruments
i) Financial Assets

Initial Recognition
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Debt instruments at fair value through Other Comprehensive Income (FVTOCI)
- Equity instruments at fair value through Other Comprehensive Income (FVTOCI)
- Financial assets at fair value through profit or loss (unless measured at amortized cost or FVTOCI)

Financial assets at amortized cost (debt instruments)
The group measures financial assets at amortized cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The group's financial assets at amortized cost includes trade receivables, and loan to an associate and non-current trade and other receivables.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading.

The classification is determined on an instrument- by-instrument basis. Gains and losses on these financial assets are never recycled to Profit or Loss. Dividends are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the Financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss. Dividends on listed equity investments are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value

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

- The rights to receive cash flows from the asset have expired, Or
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group as transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of the ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the group's continuing involvement in it.

In that case, the group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

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

Impairment of Financial Assets
For trade receivables and contract assets, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Write off
The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the group individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures to recovery of amount due.

NOTES TO THE FINANCIAL STATEMENTS

ii) Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

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

The group's financial liabilities include trade and other payables, short term borrowings, long term borrowings and related party loan.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

a) Loans and Borrowings
This is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Consolidated Statement of Profit or Loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iii) Impairment of non- financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognized in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.6.8 Cash and cash equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of consolidated cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.6.9 Liabilities and Provisions
2.6.9.1 Provisions
Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit and loss and other comprehensive income net of any reimbursement.

2.6.9.2 Warranty Provision
The group provides warranties for general repairs of defect that existed at the time of sale as required by law. A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

2.6.10 Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

2.6.11 Revenue from contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services.

a) Sale of goods
Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

i) Variable consideration
If the consideration in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

ii) Construction and Installation Contracts
In relation to contracts which involve construction and installation of assets on behalf of its customers, the group assesses the nature of the respective contracts as to whether such is reflective of goods or services transferred at a point in time or satisfied over a period of time

The group determines that arrangements include transfers of goods and service over time when any of the following criteria are met.

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset (Eg - Work in progress) that the customer controls as the asset is created or enhanced.
- The entity's performance does not create an asset with an alternative use the entity and the entity has an enforceable right to payment for performance completed to date.

b) Project Income
The group provides installation services that are together with the supply of solar and inverter systems. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims on account of payment, to the extent that it is probable that they will result in revenue and can be measured reliably.

The group recognizes revenue from above contract over time, using an output method to measure progress towards complete satisfaction of the performance obligation. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

c) Maintenance Fee
Income on maintenance fees income is recognized proportionately over the period of time. The group assesses the reasonableness of this method periodically.

d) Interest
Interest income is recognized as the interest, as the interest accrues unless collectability is in doubt.

e) Others
Other income is recognized on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

2.6.12 Expenses
Expenses are recognized in the consolidated statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the purpose of presentation of the Consolidated Statement of profit or loss the Directors are of the opinion that the function of expenses method presents fairly the elements of the group's performance, and hence such presentation method is adopted.

Repairs and renewals are charged to profit or loss in the year in which the expenditure is incurred.

2.6.12.1 Tax expense
Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in consolidated statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax
Current income tax asset and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Consolidated Financial Statements and computed in the accordance with the provisions of the relevant tax legislations. Current income tax is directly recognized in the Consolidated Statement of Comprehensive Income.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax charge or reversal is recognized in the Consolidated Statement of Comprehensive Income or Other Comprehensive Income.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit or taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversals of the temporary differences can be controlled and it is probable that the temporary differences will not reserve in the foreseeable future.

The group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

Sales Tax
Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

2.6.13 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity
The group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using Actuarial valuation carried out by Messrs. Actuarial & Management Consultant (Pvt) Ltd. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 21.

Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognized in full in the Other Comprehensive Income. Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However, the group is liable for the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

The item is stated under retirement benefit liability in the Consolidated Statement of Financial Position.

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

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations.

The group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

Short-term benefits
Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service isprovided

2.7 General

2.7.1 Events occurring after the Reporting date
All material post occurred after the reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Consolidated Financial Statements.

2.7.1.1 Interest Rate
The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 08 April 2022, decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08 April 2022. The policy response was made by the Central Bank of Sri Lanka after the reporting period and consequently, no adjustments were necessary to the amounts recognized in the financial statements. Given the continuing volatility of interest rate movement that resulted as a consequence of this policy decision, we are not able to make a reliable estimate of its financial effect.

2.7.1.2 Foreign Exchange Rate
In March 2022, the Central Bank of Sri Lanka abandoned the temporary peg on US Dollar / LK Rupee (USD / LKR) Exchange Rate. The resulting impact of exchange rate movement during the period have been adjusted to these financial statements. The USD / LKR exchange rate continued to substantively increase subsequent to the period end. However, no adjustments to these financial statements were necessary, as such large increases arose only after the period end. Given the continuing volatility of USD/ LKR movement, we are not able to make a reliable estimate of its financial effect.

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

2.7.3 Consolidated Statement of Cash flows
The Consolidated Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as operating cash flow. Dividend and interest income are classified as cash flows from investing activities.

NOTES TO THE FINANCIAL STATEMENTS

Dividends paid are classified as financing cash flows.

2.8 New and Amended Standards and Interpretations

The group applied for the fist-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.8.1 Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the group but may impact future periods should the group enters into any business combinations.

2.8.2 Amendments to SLFRS 7, SLFRS9 and LKAS 39 Interest Rate Benchmark Reform

The amendments to SLFRS 9 and LKAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and / or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the group as it does not have any interest rate hedge relationships.

2.8.3 Amendments to LKAS1 and LKAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidate financial statements of, nor is there expected to be any future impact to the group.

2.8.4 Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the group.

2.9 Standard Issued But Not Yet Effective

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

2.9.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments support companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

The above-mentioned amendments are effective for the annual reporting periods beginning on or after 01st January 2021.

None of the new or amended pronouncements are expected to have a material impact on the financial consolidated statements of the group in the foreseeable future.

2.9.2 Amendment to SLFRS 16- COVID-19 Related Rent Concession

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting

for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021

2.9.3 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The above-mentioned amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

2.9.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The above-mentioned amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

2.9.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterpart under the contract.

The above-mentioned amendments are effective for annual reporting periods beginning on or after 1 January 2022. The group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.9.6 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The above-mentioned amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE FROM CONTRACT WITH CUSTOMERS

	Consolidated		Company	
For the year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Local sales - Trading	662,503,439	87,090,851	623,588,285	141,299,490
Local sales - Services	583,575,725	352,158,003	320,597,053	149,145,136
Project income	8,405,305,785	4,472,669,442	8,132,676,125	25,729,296
Revenue from annual maintenance contracts	301,461,434	264,430,584	194,474,023	4,248,574,110
Local sales - Related parties	57,233,676	40,552,172	71,726,616	157,557,929
	10,010,080,059	5,216,901,052	9,343,062,102	4,722,305,961

4. OTHER INCOME

	Consolidated		Company	
For the year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Sundry income	17,810,546	11,002,842	14,946,842	11,002,842
Commission income/(expenditure)	(531,169)	21,628,867	45,162,825	19,070,153
Profit on disposal of property, plant and equipment	-	477,992	-	477,992
General overhead reallocation	1,937,354	11,293,156	84,103,055	57,465,422
	19,216,731	44,402,857	144,212,722	88,016,409

5. NET FINANCE COST

5.1 Finance income

	Consolidated		Company	
For the year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Foreign exchange gain	284,609,965	-	284,609,965	-
Interest income on fixed deposits & savings	17,628,556	6,807,024	16,120,868	4,078,711
	302,238,521	6,807,024	300,730,833	4,078,711

5.2 Finance cost

	Consolidated		Company	
For the year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest expense on bank overdrafts	28,288,125	27,723,906	21,308,097	26,176,381
Loan interest	200,339,297	156,734,964	167,062,288	127,503,309
Lease interest	13,468,658	8,389,757	11,472,491	8,389,757
Import loan interest	75,935,844	21,287,408	70,825,019	21,287,408
Other finance cost	64,394,932	24,242,938	60,171,546	21,219,587
Foreign exchange loss	80,709,265	21,576,175	-	19,076,009
	463,136,121	259,955,148	330,839,441	223,652,451
Net finance cost	160,897,600	253,148,124	30,108,608	219,573,740

6. PROFIT BEFORE TAX

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

	Consolidated		Company	
For the year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Directors' emoluments	82,519,576	56,767,772	65,641,326	47,727,772
Audit fees and expenses	1,159,300	1,336,802	553,707	907,500
Depreciation & amortization	41,394,227	45,240,910	35,451,366	47,066,045
Depreciation on right of use assets	23,819,173	19,027,261	19,378,381	19,027,262
Employees benefits including the following				
- defined benefit plan costs - gratuity (included in employee benefits)	20,306,994	20,546,628	12,361,138	15,109,106
- defined contribution plan costs - EPF&ETF (included in employee benefits)	99,278,400	67,865,752	84,245,209	50,928,950
(Profit)/loss on disposal of property, plant and equipment	101,342	(477,992)	101,342	(477,992)
Gift and donations	501,335	235,754	501,335	57,500
Legal expenditure	217,697	172,310	214,697	172,310
Impairment for bad debt and other receivable	69,284,703	22,089,391	59,929,715	16,538,227

7. TAXATION

7.1 Tax expense

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

7.1.1 Statement of profit or loss

		Consolidated		Company	
For the year ended 31 March	Note	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Current income tax					
Income tax of current year profit	7.2	41,598,126	-	41,598,126	-
Irrecoverable ESC write off		2,354,046	12,135,401	550	12,135,401
Under / (over) provision in respect of previous years		-	(141,151)	-	-
		43,952,172	11,994,250	41,598,676	12,135,401
Deferred tax expense					
Deferred taxation charge/(reversal)	13.1	98,252,808	(72,043,341)	101,360,835	(74,495,983)
Tax expense reported in the statement of profit or loss		142,204,980	(60,049,091)	142,959,511	(62,360,582)

7.1.2 Statement of other comprehensive income

		Consolidated		Company	
For the year ended 31 March	Note	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax related to items charge or credited directly to comprehensive income					
Deferred taxation charge/(reversal)	13.1	(558,684)	2,053,306	(328,880)	1,528,110
Tax charge directly to other comprehensive income		(558,684)	2,053,306	(328,880)	1,528,110

NOTES TO THE FINANCIAL STATEMENTS

7. TAXATION (CONTD.)

7.2 Reconciliation of accounting profit to income tax expense

For the year ended 31 March	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Profit before tax	526,501,427	52,981,239	689,824,067	155,738,407
Intra-group adjustments	2,695,819	-	-	-
Less: Tax exempt income	(168,097,084)	-	(168,097,084)	-
Less: Other sources of income	(17,628,556)	(19,205,417)	(16,120,868)	(19,205,417)
Aggregated disallowed expenses	487,747,371	401,186,234	329,681,484	371,538,983
Aggregated allowable expenses	(658,176,555)	(90,721,429)	(607,164,719)	(92,977,805)
Investment income	5,647,587	6,807,024	4,139,900	4,078,711
Tax loss b/f	(144,440,214)	(495,487,865)	(55,094,827)	(474,267,706)
Adjustment for tax loss b/f	(209,749,482)	-	(3,842,433)	-
Tax loss c/f	348,825,207	144,440,214	-	55,094,827
Taxable income	173,325,520	-	173,325,520	-
Income tax @ 24 %	41,598,126	-	41,598,126	-
Income tax on current year profit	41,598,126	-	41,598,126	-

7.3 Tax losses

For the year ended 31 March	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Brought forward unutilized tax loss	144,440,214	495,487,865	55,094,827	474,267,706
Adjustments on final taxation	(5,446,927)	-	3,842,432	-
Brough forward unutilized tax loss from acquisition of subsidiaries	215,196,409	-	-	-
Tax loss during the year	107,956,512	71,138,507	-	-
Tax loss utilized during the year	(113,321,001)	(422,186,158)	(58,937,259)	(419,172,879)
Carried forward unutilized tax loss	348,825,207	144,440,214	-	55,094,827

7.4 The Group has Rs. 349 Mn (2021: Rs. 144 Mn) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets amounting to 275.3 Mn (2021: Rs. 89.3 Mn) on tax losses carried forward.

8. EARNINGS PER SHARE

8.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and previous year are adjusted for events, if any, that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

8.2 The following reflects the income and share data used in the Basic Earnings/(Losses) Per Share computation.

For the year ended 31 March	Consolidated 2022	Consolidated 2021	Company 2022	Company 2021
Profit attributable to equity holders of the parent (Rs.)	384,413,684	113,101,063	546,864,556	218,098,989
Weighted average number of ordinary shares of the parent (No.)	59,463,105	59,463,105	59,463,105	59,463,105
Basic earnings per share (Rs.)	6.46	1.90	9.20	3.67

9. PROPERTY, PLANT AND EQUIPMENTS

9.1 Consolidated

As at 31 March	Building Rs.	Plant, machinery and stores equipments Rs.	Motor vehicles Rs.	Furniture, fittings and office equipments Rs.	Total 2022 Rs.	Total 2021 Rs.
Cost						
At the beginning of the year	77,554,929	25,241,164	11,338,037	118,444,016	232,578,146	227,882,017
Acquisition of subsidiaries	-	-	-	1,879,940	1,879,940	-
Additions	9,735,876	1,963,789	-	104,178,604	115,878,269	19,608,381
Disposals	-	-	-	(200,200)	(200,200)	(14,912,252)
At the end of the year	87,290,805	27,204,953	11,338,037	224,302,360	350,136,155	232,578,146
Depreciation						
At the beginning of the year	34,840,887	12,403,501	11,338,030	78,191,083	136,773,501	125,105,044
Acquisition of subsidiaries	-	-	-	1,684,263	1,684,263	-
Depreciation for the year	9,172,520	4,236,878	-	21,464,672	34,874,070	26,213,648
Disposals	-	-	-	(98,858)	(98,858)	(14,545,191)
At the end of the year	44,013,407	16,640,379	11,338,030	101,241,160	173,232,976	136,773,501
Net book value	43,277,398	10,564,574	7	123,061,200	176,903,179	95,804,645
Capital work-in progress					220,020,247	2,038,557
Carrying amount					396,923,426	97,843,202

NOTES TO THE FINANCIAL STATEMENTS

9.2 Company

As at 31 March	Building Rs.	Plant, machinery and stores equipments Rs.	Motor vehicles Rs.	Furniture, fittings and office equipments Rs.	Total 2022 Rs.	Total 2021 Rs.
Cost						
At the beginning of the year	61,920,789	24,587,063	5,859,022	89,423,415	181,790,289	166,308,289
Additions	8,735,876	675,000	-	92,669,829	102,080,705	16,594,253
Disposals	-	-	-	(200,200)	(200,200)	(1,112,252)
At the end of the year	70,656,665	25,262,063	5,859,022	181,893,044	283,670,794	181,790,290
Depreciation						
At the beginning of the year	26,978,174	12,126,844	5,859,013	57,421,191	102,385,222	82,254,595
Depreciation for the year	7,563,944	3,975,456	-	17,391,807	28,931,207	21,242,888
Disposals	-	-	-	(98,858)	(98,858)	(1,112,261)
At the end of the year	34,542,118	16,102,300	5,859,013	74,714,140	131,217,571	102,385,222
Net book value	36,114,547	9,159,763	9	107,178,903	152,453,223	79,405,068
Capital work-in progress					127,025,452	2,038,557
Carrying amount					279,478,675	81,443,625

9.3 Fully depreciated assets still in use

Consolidated

Property, plant and equipment includes fully depreciated assets still in use having gross carrying amounts of Rs. 80,485,189/- (2021 - Rs. 64,140,902/-).

Company

Property, plant and equipment includes fully depreciated assets still in use having gross carrying amounts of Rs. 55,770,733/- (2021- Rs. 44,202,737/-).

9.4 Disposal of property plant and equipments

Consolidated

In 2022, the Group sold office equipments with a total net carrying amount of Rs 101,342/- for a cash consideration of Rs.Nil.The net loss on these disposals were recognized as part of administrative expenses in the statement of profit or loss. In 2021, the Group sold motor vehicles with a total net carrying amount of Rs Nil for a cash consideration of Rs.477,992.

Company

In 2022, the company sold office equipments with a total net carrying amount of Rs 101,342/- for a cash consideration of Rs.Nil.The net loss on these disposals were recognized as part of administrative expenses in the statement of profit or loss. In 2021, the company sold motor vehicles with a total net carrying amount of Rs Nil for a cash consideration of Rs.477,992.

10. INTANGIBLE ASSETS

	Consolidated/Company ERP System	
As at 31 March	2022 Rs.	2021 Rs.
Cost		
At the beginning of the year	38,956,592	38,956,592
Additions	8,892,848	-
At the end of the year	47,849,440	38,956,592
Amortization		
At the beginning of the year	19,598,931	13,071,803
Amortization for the year	6,520,158	6,527,128
At the end of the year	26,119,089	19,598,931
Net book value	21,730,351	19,357,661

11. RIGHT-OF-USE-ASSETS

11.1 Consolidated

As at 31 March	Building Rs.	Data processing equipments Rs.	Total 2022 Rs.	Total 2021 Rs.
Cost				
At the beginning of the year	98,213,772	10,356,623	108,570,395	107,904,009
Additions	39,967,121	-	39,967,121	-
Transfer	-	-	-	14,466,386
Disposals	-	-	-	(13,800,000)
At the end of the year	138,180,893	10,356,623	148,537,516	108,570,395
Depreciation				
At the beginning of the year	32,432,124	6,213,982	38,646,106	19,985,913
Depreciation for the year	20,712,181	3,106,992	23,819,173	19,027,261
Transfer	-	-	-	13,432,932
Disposals	-	-	-	(13,800,000)
At the end of the year	53,144,305	9,320,974	62,465,279	38,646,106
Net book value	85,036,588	1,035,649	86,072,237	69,924,289

NOTES TO THE FINANCIAL STATEMENTS

11. RIGHT-OF-USE-ASSETS (CONTD.)

11.2 Company

As at 31 March	Building Rs.	Data processing equipments Rs.	Total 2022 Rs.	Total 2021 Rs.
Cost				
At the beginning of the year	98,213,772	10,356,623	108,570,395	107,904,009
Additions	-	-	-	-
Transfer	-	-	-	14,466,386
Disposals	-	-	-	(13,800,000)
At the end of the year	98,213,772	10,356,623	108,570,395	108,570,395
Depreciation				
At the beginning of the year	32,432,125	6,213,980	38,646,105	19,985,913
Depreciation for the year	16,271,389	3,106,992	19,378,381	19,027,262
Transfer	-	-	-	13,432,932
Disposals	-	-	-	(13,800,000)
At the end of the year	48,703,514	9,320,972	58,024,486	38,646,107
Net book value	49,510,258	1,035,651	50,545,909	69,924,288

12. INVESTMENTS

12.1 Company investment in subsidiaries

	Holding		Value	
As at 31 March	2022 %	2021 %	2022 Rs.	2021 Rs.
Unquoted Investment				
Energynet (Pvt) Ltd	99.93	99.93	159,173,395	159,173,395
Fentons Smart Facilities (Pvt) Ltd	100	100	10	10
Hayleys Electronics Limited	100	-	999,979	-
Nex Gen Asia (Pvt) Ltd	100	100	3,107,500	3,107,500
Less: Provision for impairment			(3,107,500)	(3,107,500)
Total carrying value of investment in subsidiaries			160,173,384	159,173,405

12.2 Investment in quoted equity shares

	No. of Shares		Consolidated / Company	
As at 31 March	2022	2021	2022 Rs.	2021 Rs.
At fair value through profit or loss				
Hotel Sigiriya PLC	5,500	5,500	345,400	345,400
Total investments in quoted equity securities			345,400	345,400

12.3 Investment in an Associate

	Holding		Value	
As at 31 March	2022 %	2021 %	2022 Rs.	2021 Rs.
Iphonik (Pvt) Ltd	31	31	1,000,000	1,000,000
Less: Provision for impairment			(1,000,000)	(1,000,000)
Total carrying value of investment in an associate			-	-

13. DEFERRED TAXATION

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax asset	41,256,319	89,800,139	-	85,797,428
Deferred tax liability	15,234,529	-	15,234,527	-
Net deferred tax (assets)/liabilities	(26,021,790)	(89,800,139)	15,234,527	(85,797,428)

13.1 Net deferred tax liabilities/assets

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As of 01 April	(89,800,139)	(19,810,104)	(85,797,428)	(12,829,555)
Acquisition of subsidiaries	(33,915,775)	-	-	-
Deferred income tax credit/(charge) - income statement	98,252,808	(72,043,341)	101,360,835	(74,495,983)
Deferred income tax credit/(charge)- statement of other comprehensive income	(558,684)	2,053,306	(328,880)	1,528,110
As at 31 March	(26,021,790)	(89,800,139)	15,234,527	(85,797,428)

NOTES TO THE FINANCIAL STATEMENTS

13. DEFERRED TAXATION (CONTD.)

13.2 Net deferred tax (assets)/ liabilities are attributable to the following as at the year end:

13.2.1 Statement of financial position

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax liabilities				
Capital allowances for tax purposes	7,650,232	9,074,204	5,507,086	6,963,688
Forex exchange unrealized gain	108,148,083	-	108,148,084	-
	115,798,315	9,074,204	113,655,170	6,963,688
Deferred tax assets				
Right of use assets	(4,603,433)	(5,979,504)	(4,306,563)	(5,979,504)
Carried forward tax losses	(17,628,137)	(13,222,758)	-	(13,222,758)
Defined benefit plans	(29,105,009)	(22,106,153)	(16,391,908)	(15,992,925)
Provision for bad debts	(27,358,570)	(16,614,148)	(27,358,570)	(16,614,149)
Provision for inventory	(18,328,638)	(40,951,780)	(18,328,638)	(40,951,780)
Other provision	(3,995,636)	-	(3,995,638)	-
Forex exchange unrealized loss	(40,800,682)	-	(28,039,326)	-
	(141,820,105)	(98,874,343)	(98,420,643)	(92,761,116)
Net deferred tax (assets)/liabilities	(26,021,790)	(89,800,139)	15,234,527	(85,797,428)

13.2.2 Statement of comprehensive income

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax liabilities				
Capital allowances for tax purposes	(1,417,944)	(891,163)	(1,456,604)	(2,561,639)
Forex exchange unrealized gain	108,148,084	-	108,148,084	-
	106,730,140	(891,163)	106,691,480	(2,561,639)
Deferred tax assets				
Right of use assets	1,376,072	(4,283,244)	1,672,942	(4,283,244)
Carried forward tax losses	25,060,298	(13,222,758)	13,222,758	(13,222,758)
Defined benefit plans	(2,554,788)	5,745,279	(398,983)	4,665,696
Provision for bad debts	(10,744,422)	(16,614,147)	(10,744,422)	(16,614,147)
Provision for inventory	22,623,142	(40,951,780)	22,623,142	(40,951,781)
Other provision	(3,995,636)	-	(3,995,636)	-
Forex exchange unrealized loss	(40,800,682)	-	(28,039,326)	-
	(9,036,015)	(69,326,651)	(5,659,525)	(70,406,234)
Deferred tax (income) / expense	97,694,124	(70,217,814)	101,031,955	(72,967,873)

14. INVENTORIES

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Raw materials	895,500,058	533,780,714	849,312,862	466,546,296
Work in progress	1,488,818,817	900,402,477	1,469,698,736	862,166,748
Finished goods	183,886,233	-	-	-
Goods in transit	46,809,475	2,714,527	46,809,475	2,358,384
	2,615,014,583	1,436,897,719	2,365,821,073	1,331,071,428
Less: Provision for slow-moving inventories	(92,904,408)	(182,618,757)	(87,279,229)	(170,632,419)
	2,522,110,175	1,254,278,962	2,278,541,844	1,160,439,009

15. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade debtors - Related parties (Note 15.1)	340,070,900	455,877,586	327,965,885	438,640,850
- Others	3,474,797,764	1,703,844,319	3,230,778,278	1,563,326,452
	3,814,868,664	2,159,721,905	3,558,744,163	2,001,967,302
Less : Provision for impairment	(214,861,207)	(86,374,418)	(130,278,903)	(69,225,614)
	3,600,007,457	2,073,347,487	3,428,465,260	1,932,741,688
Retention receivable	130,097,383	120,574,225	129,996,583	104,558,871
Other receivables	178,068,856	37,070,824	157,424,028	26,818,735
	3,908,173,696	2,230,992,536	3,715,885,871	2,064,119,294
Advance and prepayments	1,414,199,626	226,160,836	1,318,821,993	191,612,747
	5,322,373,322	2,457,153,372	5,034,707,864	2,255,732,042

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES (CONTD.)

15.1 Trade receivable from related parties

As at 31 March	Relationship	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2011 Rs.
Alco Industries (Pvt) Ltd	Affiliate	-	19,440	-	19,440
Alumex PLC	Affiliate	22,274,116	70,844,461	22,274,116	70,844,461
Amaya Leisure PLC	Affiliate	-	222,479	-	222,479
Chas P Hayley And Co (Pvt) Ltd	Affiliate	-	159,600	-	159,600
Clarion Shipping Limited	Affiliate	-	21,056	-	-
Culture Club Resort (Pvt) Ltd	Affiliate	2,151,204	453,800	2,151,204	453,800
D.P.L. Premier Gloves Limited	Affiliate	-	5,525,000	-	475,000
Dipped Products PLC	Affiliate	6,191,274	1,587,700	6,056,374	1,107,700
DPLUniversal Gloves Limited	Affiliate	1,911,029	1,415,730	1,911,029	1,415,730
Hanwella Rubber Products Limited	Affiliate	1,245,278	1,610,578	1,245,278	1,610,578
Haycarb PLC	Affiliate	372,500	128,375	19,500	105,875
Hayleys Advantis Limited	Affiliate	-	499,800	-	499,800
Hayleys Agriculture Holdings Limited	Affiliate	7,560	-	7,560	-
Hayleys Aventura (Pvt) Ltd	Affiliate	40,359,548	41,141,038	40,359,548	41,141,038
Hayleys Electronics Limited	Affiliate	-	4,630,913	-	722,948
Hayleys Energy Services Lanka (Pvt) Ltd	Affiliate	-	136,944	-	136,944
Hayleys Fabric PLC	Affiliate	22,614,354	161,022,991	22,614,354	161,022,991
Hayleys Fibre PLC	Affiliate	-	53,200	-	53,200
Hayleys Free Zone Limited	Affiliate	2,373,845	404,028	2,214,437	324,000
Hayleys Lifescience Limited	Affiliate	1,494,144	4,489,421	225,316	225,316
Hayleys PLC	Parent	1,973,691	2,565,646	1,454,649	2,529,936
HJS Condiments Limited	Affiliate	-	973,866	-	973,866
Kandyan Resorts (Pvt) Ltd	Affiliate	221,400	222,207	221,400	222,207
Kelani Valley Plantations PLC	Affiliate	-	124,200	-	124,200
Logiwiz Limited	Affiliate	6,995,729	28,080,095	6,995,729	27,856,663
Mabroc Teas (Pvt) Ltd	Affiliate	357,395	27,462,067	357,395	27,462,067
Martin Bauer Hayleys (Pvt) Ltd	Affiliate	2,331,869	2,331,869		
Presto Lanka (Pvt) Ltd	Affiliate	-	153,633	-	153,633
Puritas (Pvt) Ltd	Affiliate	1,631,124	-	1,631,124	-
Rileys (Pvt) Ltd	Affiliate	-	4,998,736	-	4,998,736
S & T Interiors (Pvt) Ltd	Affiliate	18,814,940	304,141	18,814,940	304,141
Singer Finance Lanka PLC	Affiliate	5,220,724	2,593,150	4,020,724	2,363,150
Singer Mega	Affiliate	-	19,139	-	19,139
Singer Sri Lanka PLC	Affiliate	112,741,079	48,567,721	109,740,422	45,645,781
South Asia Textile Limited	Affiliate	86,120,915	-	81,880,915	-
Sun Tan Beach Resorts Pvt Ltd	Affiliate	737,425	1,763,178	57,195	1,763,178
Talawakelle Tea Estates PLC	Affiliate	-	39,199,469	-	39,199,469
The Kingsbury PLC	Affiliate	1,556,475	2,195,722	1,007,525	2,195,722
Unisyst Engineering PLC	Affiliate	373,282	2,288,062	373,282	2,288,062
		340,070,900	455,877,586	327,965,885	438,640,850

16. AMOUNT DUE FROM SUBSIDIARIES/ ASSOCIATE

16.1 Amount due from subsidiaries

As at 31 March	Relationship	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Energynet (Pvt) Ltd	Subsidiary	-	-	-	4,574,164
Fentons Smart Facilities (Pvt) Ltd	Subsidiary	-	-	5,808,051	16,195,308
Hayleys Electronics Manufacturing (Pvt) Ltd	Subsidiary	-	-	28,350	-
Global Consumer Brands (Pvt) Ltd	Subsidiary	-	-	28,350	-
Next Gen Asia (Pvt) Ltd	Subsidiary	-	-	10,286,673	10,215,869
		-	-	16,151,424	30,985,341

16.2 Amount due from associate

As at 31 March	Relationship	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Iphonic (Pvt) Ltd	Associate	17,351,249	17,351,249	17,351,249	17,351,249
Less : Provision for impairment		(17,351,249)	(17,351,249)	(17,351,249)	(17,351,249)
		-	-	-	-

17. SHORT TERM DEPOSITS

As at 31 March	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Investments in fixed deposits	385,540,790	280,497,125	361,676,581	252,217,321
	385,540,790	280,497,125	361,676,581	252,217,321

18. CASH IN HAND AND AT BANK

Components of cash and cash equivalents

As at 31 March	Consolidated 2022 Rs.	Consolidated 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
18.1 Favorable cash and cash equivalent balance				
Cash and bank balances	386,920,705	558,651,681	346,176,408	498,497,437
	386,920,705	558,651,681	346,176,408	498,497,437
18.2 Unfavorable cash and cash equivalent balance				
Bank overdraft (Note 25)	(797,854,530)	(141,701,014)	(671,305,485)	(135,862,594)
Total cash and cash equivalents for the purpose of cash flow statement	(410,933,825)	416,950,667	(325,129,077)	362,634,843

NOTES TO THE FINANCIAL STATEMENTS

19. STATED CAPITAL

As at 31 March	2022 Number	2021 Number	2022 Rs.	2021 Rs.
	Consolidated/Company			
Fully paid ordinary shares				
At the beginning of the year	59,463,105	59,463,105	655,223,665	655,223,665
Balance as at 31 March	59,463,105	59,463,105	655,223,665	655,223,665

19.1 Rights, preference and restrictions of classes of capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

All shares rank equally with regard to the Company's residual assets.

20. INTEREST BEARING BORROWINGS

20.1 Total non-current portion of interest bearing borrowings

		Consolidated		Company	
As at 31 March	Note	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Lease liabilities	20.3	97,399,539	66,466,628	65,768,414	66,466,628
Long-term loans	20.4	469,524,700	230,400,000	465,200,000	226,600,000
Loans from related parties	20.5	610,000,000	742,000,000	835,000,000	835,000,000
		1,176,924,239	1,038,866,628	1,365,968,414	1,128,066,628

20.2 Current portion of interest bearing borrowings

		Consolidated		Company	
As at 31 March	Note	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Lease liabilities	20.3	14,692,447	33,933,575	9,560,284	33,933,575
Long-term loans	20.4	205,050,200	200,933,334	196,400,000	176,400,000
		219,742,647	234,866,909	205,960,284	210,333,575

20.3 Lease liabilities

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As at 1st April	100,400,203	119,649,134	100,400,203	119,649,134
New leases obtained	39,967,121	-	-	-
Interest charged	13,468,712	13,640,932	11,472,545	13,640,932
Repayments	(41,744,050)	(32,889,863)	(36,544,050)	(32,889,863)
As at 31 March	112,091,986	100,400,203	75,328,698	100,400,203
Repayable within one year	14,692,447	33,933,575	9,560,284	33,933,575
Repayable after one year	97,399,539	66,466,628	65,768,414	66,466,628
	112,091,986	100,400,203	75,328,698	100,400,203

20.4 Long-term loans

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As at 1 April	431,333,334	309,111,111	403,000,000	309,111,111
New loans obtained	450,000,000	310,000,000	450,000,000	280,000,000
	881,333,334	619,111,111	853,000,000	589,111,111
Repayments	(206,758,434)	(187,777,777)	(191,400,000)	(186,111,111)
As at 31 March	674,574,900	431,333,334	661,600,000	403,000,000
Repayable within one year	205,050,200	200,933,334	196,400,000	176,400,000
Repayable after one year	469,524,700	230,400,000	465,200,000	226,600,000
	674,574,900	431,333,334	661,600,000	403,000,000

20.4.1 Terms and conditions

Company name	Bank name	Interest rate	Repayment	2022 Rs.	2021 Rs.
Fentons Limited	Sampath Bank PLC	AWPLR + 1.5 % p.a.	60 installments	226,600,000	403,000,000
	Cargills Bank PLC	AWPLR + 2.5 % p.a.	60 installments	135,000,000	-
	Bank of Ceylon PLC	AWPLR + 1.5 % p.a.	60 installments	300,000,000	-
Energynet (Pvt) Ltd	Sampath Bank PLC	4% p.a.	24 installments	12,974,900	20,000,000
Fentons Smart Facilities (Pvt) Ltd	Hatton National Bank	4% p.a.	5 installments	-	8,333,334
				674,574,900	431,333,334

20.5 Loans from related parties

		Consolidated		Company	
As at 31 March	Relationship	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Hayleys PLC	Parent	610,000,000	610,000,000	610,000,000	610,000,000
Hayleys Electronics Limited	Subsidiary	-	132,000,000	132,000,000	132,000,000
Energynet (Pvt) Ltd	Subsidiary	-	-	93,000,000	93,000,000
		610,000,000	742,000,000	835,000,000	835,000,000

NOTES TO THE FINANCIAL STATEMENTS

21. RETIREMENT BENEFIT OBLIGATION

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As at 01 April	92,108,968	100,240,213	66,637,188	73,780,788
Acquisition of subsidiaries	18,516,950	-	-	-
Current service cost	11,570,468	11,488,873	7,130,472	8,485,451
Interest cost	8,736,526	9,057,755	5,230,666	6,623,655
Transfers	945,000	-	-	-
Benefits paid	(3,373,565)	(20,122,431)	(2,507,715)	(15,885,581)
Net actuarial (gain)/loss	2,523,611	(8,555,441)	1,566,094	(6,367,125)
As at 31 March	131,027,958	92,108,968	78,056,705	66,637,188

21.1 Net benefit expense (recognized in comprehensive income)

	Consolidated		Company	
For the year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
The expense is recognized in the following items in the statement of profit or loss				
Current service cost	11,570,468	11,488,873	7,130,472	8,485,451
Interest cost on benefit obligation	8,736,526	9,057,755	5,230,666	6,623,655
	20,306,994	20,546,628	12,361,138	15,109,106
The expense is recognized in the following items in the statement of other comprehensive income				
Actuarial (gain)/loss on defined benefit plans	2,523,611	(8,555,441)	1,566,094	(6,367,125)
	2,523,611	(8,555,441)	1,566,094	(6,367,125)

An actuarial valuation of the retirement gratuity payable was carried out as at March 31, 2022 by Messrs. Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

21.2 Actuarial assumptions

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

	Consolidated		Company	
	2022	2021	2022	2021
Discount rate assumed (%)	15%	8%	15%	8%
Salary escalation rate (%)	13.5%	7%	13.5%	7%
Retirement age	60 Years	55 Years	60 Years	55 Years

21.3 Sensitivity analysis - Salary escalation rate/discount rate

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year ended 31 March 2022.

		Present value of defined benefit obligation			
		Consolidated		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Discount rate	+ 1%	122,757,453	87,306,596	73,131,697	63,186,743
	- 1%	140,284,321	97,395,195	83,567,552	70,433,354
Salary escalation rate	+ 1%	140,943,434	97,837,577	83,957,176	70,754,645
	- 1%	122,045,407	86,823,562	72,710,832	62,836,805

21.4 Distribution of employee benefit obligation over future working lifetime

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Within the next 12 months	13,122,362	10,400,100	8,632,517	7,522,029
Between 1 to 5 years	49,168,979	43,976,284	26,377,894	31,609,000
Between 5 to 10 years	35,874,711	27,395,204	21,396,270	20,854,170
More than 10 years	32,861,906	10,337,380	21,650,024	6,651,989
	131,027,958	92,108,968	78,056,705	66,637,188

22. TRADE AND OTHER PAYABLES

		Consolidated		Company	
As at 31 March	Note	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade Payable - Related parties	22.1	235,283,995	50,786,789	213,230,904	35,617,238
- Others		1,345,973,577	1,401,667,720	983,374,995	1,246,050,230
Other creditors including accrued expenses		118,833,686	67,191,917	93,211,624	47,613,864
Deferred revenue		92,276,300	94,965,044	61,533,217	60,718,732
		1,792,367,558	1,614,611,471	1,351,350,740	1,390,000,063

NOTES TO THE FINANCIAL STATEMENTS

22. TRADE AND OTHER PAYABLES (CONTD.)

22.1 Trade payables to related parties

		Consolidated		Company	
As at 31 March		2022	2021	2022	2021
	Relationship	Rs.	Rs.	Rs.	Rs.
Advantis Freight (Pvt) Ltd	Affiliate	2,822,605	533,970	1,427,020	533,053
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	328,320	-	328,320	-
Alco Industries (Pvt) Ltd	Affiliate	47,728,867	7,700,340	47,728,867	7,700,340
Dipped Products PLC	Affiliate	2,417,801	-	2,417,801	-
Hanwella Rubber Products Limited	Affiliate	6,913,337	-	6,913,337	-
Haycarb PLC	Affiliate	4,469,573	-	4,469,573	-
Hayles Business Solutions (Pvt) Ltd	Affiliate	238,178	266,483	167,085	107,361
Hayleys Agro Fertilizers (Pvt) Ltd	Affiliate	-	206	-	206
Hayleys Aventura (Pvt) Ltd	Affiliate	9,731,530	18,397,615	9,731,530	18,397,615
Hayleys Consumer Products Limited	Affiliate	16,130,376	-	-	-
Hayleys Electronics Limited	Affiliate	-	4,816,657	-	-
Hayleys Fabric PLC	Affiliate	27,852,264	-	27,852,264	-
Hayleys PLC	Parent	86,236,041	12,418,543	83,799,860	3,706,031
HJS Condiments Limited	Affiliate	8,901,258	-	8,901,258	-
I M L Delivery Systems (Pvt) Ltd	Affiliate	288,047	-	243,000	-
Mabroc Teas (Pvt) Ltd	Affiliate	202,662	209,063	202,662	209,063
Mountain Hawk Express (Pvt) Ltd	Affiliate	146,690	96,352	125,590	74,852
Ravi Industries Limited	Affiliate	-	112,500	-	112,500
Singer Finance Lanka PLC	Affiliate	5,295,130	(1,285,203)	5,295,130	(1,285,203)
Singer Sri Lanka PLC	Affiliate	15,285,823	7,224,771	13,332,114	5,765,927
Unisyst Engineering PLC	Affiliate	295,493	295,493	295,493	295,493
		235,283,995	50,786,789	213,230,904	35,617,238

23. CONTRACT LIABILITIES

	Consolidated		Company	
As at 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Contract liabilities	2,224,514,983	1,083,988,245	2,133,958,466	1,054,507,050
	2,224,514,983	1,083,988,245	2,133,958,466	1,054,507,050

24. AMOUNT DUE TO SUBSIDIARIES

		Consolidated		Company	
As at 31 March		2022	2021	2022	2021
	Relationship	Rs.	Rs.	Rs.	Rs.
Energynet (Pvt) Ltd	Subsidiary	-	-	60,192,439	-
Hayleys Electronics Limited	Subsidiary	-	-	114,930,334	-
		-	-	175,122,773	-

25. SHORT-TERM INTEREST BEARING BORROWINGS

		Consolidated		Company	
As at 31 March		2022	2021	2022	2021
	Note	Rs.	Rs.	Rs.	Rs.
Short term loans	25.2	3,064,935,933	1,338,162,117	2,507,678,066	1,170,923,500
Bank overdraft		797,854,530	141,701,014	671,305,485	135,862,594
		3,862,790,463	1,479,863,131	3,178,983,551	1,306,786,094

25.1 Currency wise analysis of short term interest bearing borrowings

Sri Lankan Rupees	3,862,790,463	1,479,863,131	3,178,983,551	1,306,786,094

25.2 Short-term loans

	Consolidated		Company	
As at 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
As at 1 April	1,338,162,117	1,579,656,670	1,170,923,500	1,239,074,704
New loans obtained	8,776,788,146	4,112,115,961	6,980,424,805	3,498,451,475
	10,114,950,263	5,691,772,631	8,151,348,305	4,737,526,179
Repayments	(7,050,014,330)	(4,353,610,514)	(5,643,670,239)	(3,566,602,679)
As at 31 March	3,064,935,933	1,338,162,117	2,507,678,066	1,170,923,500

25.2.1 Terms and conditions

Company name	Bank name	Type	Interest rate	Repayment	2022 Rs.	2021 Rs.
Fentons Limited	Seylan Bank PLC	Short term loans	AWPLR + 2% p.a.	Within 90 days	200,000,000	200,000,000
Fentons Limited	Standard Charted Bank	Short term loans	AWPLR + 1.5% p.a.	Within 90 days	-	125,000,000
Fentons Limited	Hatton National Bank	Short term loans	AWPLR + 1.5% p.a.	Within 90 days	100,000,000	100,000,000
Fentons Limited	People's Bank	Short term loans	AWPLR + 2.5% p.a.	Within 180 days	50,000,000	50,000,000
Fentons Limited	DFCC Vardhana Bank PLC	Short term loans	AWPLR + 2.5% p.a	Within 90 days	-	80,000,000
Fentons Limited	Pan Asia Banking Corporation PLC	Short term loans	AWPLR + 1.5% p.a.	Within 120 days	350,000,000	-
Fentons Limited	Union Bank of Colombo PLC	Short term loans	AWPLR + 2% p.a	Within 90 days	458,000,000	513,900,000
Fentons Limited	Sampath Bank PLC	Short term import loans	AWPLR + 2 % p.a.	Within 90 days	6,910,651	-
Fentons Limited	Seylan Bank PLC	Short term import loans	AWPLR + 2% p.a.	Within 120 days	129,768,000	12,076,000
Fentons Limited	Standard Charted Bank	Short term import loans	AWPLR + 2% p.a.	Within 90 days	101,856,926	-
Fentons Limited	Hatton National Bank	Short term import loans	AWPLR + 1.5% p.a.	Within 90 days	19,280,000	5,350,000
Fentons Limited	Peoples Bank	Short term import loans	AWPLR + 2.5% p.a.	Within 180 days	81,753,560	52,612,711
Fentons Limited	DFCC Vardhana Bank PLC	Short term import loans	AWPLR + 2.5% p.a	Within 90 days	67,888,769	5,632,188
Fentons Limited	National Development Bank	Short term import loans	AWPLR + 1.5% p.a.	Within 180 days	463,521,786	-
Fentons Limited	Union Bank of Colombo PLC	Short term import loans	AWPLR + 1.5% p.a.	Within 90 days	478,698,373	26,352,601
Energynet (Pvt) Ltd	Seylan Bank PLC	Short term loans	AWPLR + 1.5% p.a.	Within 90 days	100,000,000	100,000,000
Energynet (Pvt) Ltd	Pan Asia Banking Corporation PLC	Short term loans	AWPLR+1.5% p.a	Within 90 days	250,000,000	-
Energynet (Pvt) Ltd	Union Bank of Colombo PLC	Short term loans	AWPLR + 1.5% p.a.	Within 90 days	50,000,000	50,000,000
Energynet (Pvt) Ltd	Sampath Bank PLC	Short term import loans	AWPLR + 2.5 % p.a.	Within 150 days	-	14,545,617
Energynet (Pvt) Ltd	Seylan Bank PLC	Short term import loans	AWPLR + 2.5 % p.a.	Within 120 days	-	2,693,000
Energynet (Pvt) Ltd	Union Bank of Colombo PLC	Short term import loans	AWPLR+2 % p.a	Within 90 days	57,257,868	-
Hayleys Electronics Limited	Pan Asia Banking Corporation PLC	Short term loans	AWPLR+1.5% p.a	Within 120 days	100,000,000	-
					3,064,935,933	1,338,162,117

NOTES TO THE FINANCIAL STATEMENTS

26. INCOME TAX

26.1 Income tax recoverable

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the end of the year	593,112	16,041,461	-	12,953,817

26.2 Income tax payable

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As of 01 April	(16,041,461)	(28,036,261)	(12,953,817)	(25,089,768)
Taxation on current year`s profit (Note 7.2)	41,598,126	-	41,598,126	-
(Over)/under provision in respect of previous years	550	(141,151)	550	-
Written-off during the year	2,437,499	12,135,951	84,003	12,135,951
Net income tax payable/ (recoverable)	27,994,714	(16,041,461)	28,728,862	(12,953,817)
Income tax recoverable	593,112	16,041,461	-	12,953,817
As at 31 March	28,587,826	-	28,728,862	-

27. ACQUISITION OF SUBSIDIARIES

27.1 On 30th June 2021, Fentons Limited acquired 100% equity stake of Hayleys Electronics Limited and Hayleys Electronics Manufacturing (Pvt) Limited, Global Consumer Brands (Pvt) Limited which are subsidiaries of Hayleys Electronics Limited .

The fair value of assets acquired and liabilities assumed are as follows,

	Hayleys Electronics Limited Rs.	Hayleys Electronics Manufacturing (Pvt) Ltd Rs.	Global Consumer Brands (Pvt) Ltd Rs.	Total Rs.
Property, palnt and equipments	686,444	-	-	686,444
Deferred tax assets	33,915,775	-	-	33,915,775
Inter company loans receivables	132,000,000	-	-	132,000,000
Inventories	72,558,450	-	-	72,558,450
Trade and other receivables	123,072,997	99,445	-	123,172,442
Cash and bank balances	10,194,343	-	2,034,691	12,229,034
Retirement benefit liability	(18,516,952)	-	-	(18,516,952)
Trade and other payables	(191,136,524)	(68,983,537)	(50,514)	(260,170,575)
Short term interest bearing borrowings	(64,080,666)	-	-	(64,080,666)
Deferred revenue	(37,800)	-	-	(37,800)
Net identifiable assets and liabilities	98,656,067	(68,884,092)	1,984,177	31,756,152
Gain on bargain purchase	(30,756,173)	-	-	(30,756,173)
	67,899,893	(68,884,092)	1,984,177	999,979

27.2 Satisfied by

Cash consideration	(999,979)	-	-	(999,979)
	(999,979)	-	-	(999,979)

27.3 Revenue and profits of acquires

From the date of acquisition, Hayleys Electronics Limited, Hayleys Electronics Manufacturing (Pvt) Limited, Global consumer Brands (Pvt) Limited contributed revenue of Rs. 578,912,727, Rs. NIL and Rs. NIL and profit/ (loss) before tax of Rs. 14,627,617. Rs. (25,000) and Rs. (25,000) respectively to the consolidated results of the group.

28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

28.1 Transactions with related entities - Consolidated

	Parent company Hayleys PLC		Affiliate companies		Total	
Nature of transactions	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening net receivable/ (payable)	(619,852,897)	(270,468,346)	414,943,695	107,117,011	(204,909,202)	(163,351,335)
Trade receivables						
Opening receivable balance	2,565,646	1,410,462	453,311,940	233,691,756	455,877,586	235,102,218
Sales	10,849,045	22,448,589	869,823,385	1,434,025,173	880,672,429	1,456,473,762
Settlements made within the year	(11,441,000)	(21,293,405)	(985,038,115)	(1,214,404,989)	(996,479,115)	(1,235,698,394)
Closing receivable balance	1,973,691	2,565,646	338,097,210	453,311,940	340,070,900	455,877,586
Trade payables						
Opening payable balance	12,418,543	121,638,808	38,368,245	126,574,746	50,786,788	248,213,554
Purchases	326,131,772	141,422,845	1,396,062,382	319,432,910	1,722,194,154	460,855,755
Settlements made within the year	(252,314,274)	(250,643,110)	(1,285,382,673)	(407,639,411)	(1,537,696,947)	(658,282,521)
Closing payable balance	86,236,041	12,418,543	149,047,954	38,368,245	235,283,995	50,786,788
Other receivables/ (payables)						
Opening receivable (payable) balance	(610,000,000)	(150,240,000)	-	-	(610,000,000)	(150,240,000)
Short term loan settlements made	-	150,000,000	-	-	-	150,000,000
Long term loan granted	-	(610,000,000)	-	-	-	(610,000,000)
Interest charged	-	240,000	-	-	-	240,000
Closing receivable/ (payable) balance	(610,000,000)	(610,000,000)	-	-	(610,000,000)	(610,000,000)
Closing net receivable/ (payable)	(694,262,349)	(619,852,897)	189,049,256	414,943,695	(505,213,094)	(204,909,202)

NOTES TO THE FINANCIAL STATEMENTS

28.2 Transactions with related entities - Company

	Parent company Hayleys PLC		Subsidiary company Fentons Smart Facilities (Pvt) Ltd		Subsidiary company Energynet (Pvt) Ltd		Subsidiary company Nex Gen Asia (Pvt) Ltd		Subsidiary company Hayleys Electronics Limited and Its subsidiaries		Affiliate companies		Total	
Nature of transactions	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening net receivable/ (payable)	(611,176,095)	(270,468,346)	16,195,308	8,099,299	4,574,164	(267,768,550)	10,215,869	10,164,567	722,948	-	403,476,761	106,821,312	(175,991,045)	(413,151,717)
Trade receivables														
Opening receivable balance	2,529,936	1,410,462	-	(5,226)	-	28,833,651	-	-	-	-	435,387,966	193,447,224	437,917,902	223,686,111
Sales	8,492,425	22,412,879	4,860	11,350,754	101,635,824	143,949,340	-	-	364,362,802	-	810,677,318	1,128,990,741	1,285,173,230	1,306,703,714
Settlements made within the year	(9,567,712)	(21,293,405)	(4,860)	(11,345,529)	(101,635,824)	(172,782,991)	-	-	(364,362,802)	-	(919,554,048)	(887,050,000)	(1,395,125,247)	(1,092,471,924)
Closing receivable balance	1,454,649	2,529,936	-	-	-	-	-	-	-	-	326,511,236	435,387,966	327,965,885	437,917,902
Trade payables														
Opening payable balance	3,706,031	121,638,808	-	527,465	-	35,898,456	-	-	-	-	31,911,206	126,870,445	35,617,237	284,935,174
Purchases	308,290,815	132,710,333	29,738,920	(8,996,906)	196,515,234	(366,544,047)	-	-	197,836,029	-	625,368,901	301,496,829	1,357,749,900	58,666,210
Settlements made within the year	(228,196,987)	(250,643,110)	(29,738,920)	8,469,441	(196,515,234)	330,645,591	-	-	(197,836,029)	-	(527,849,064)	(396,456,068)	(1,180,136,233)	(307,984,145)
Closing payable balance	83,799,860	3,706,031	-	-	-	-	-	-	-	-	129,431,043	31,911,206	213,230,904	35,617,238
Other receivables/ (payables)														
Opening receivable (payable) balance	(610,000,000)	(150,240,000)	16,195,308	8,631,990	4,574,164	(260,703,744)	10,215,869	10,164,567	722,948	-	-	40,244,532	(578,291,709)	(351,902,655)
Short term loans granted/ (received)	-	(610,000,000)	(76,028,680)	(104,300,000)	(1,191,694,389)	(798,945,213)	-	-	(548,710,693)	-		(125,100,000)	(1,816,433,762)	(1,638,345,213)
Short term loan settlements made	-	150,000,000	75,182,768	25,005,701	1,217,236,462	1,147,188,556	-	-	197,584,889	-	-	260,816,504	1,490,004,119	1,583,010,761
Interest charged	-	240,000		-	-	-	-	-		-	-	-	-	240,000
Other expenses incurred for company's behalf	-	-	10,694,206	89,370,942	(54,300,617)	16,006,329	70,803	51,302	2,921,542	-	-	26,812,673	(40,614,066)	132,241,246
Settlements made within the year	-	-	(20,235,552)	(2,513,324)	(36,008,059)	(98,971,764)			232,607,680	-	-	(202,050,760)	176,364,069	(303,535,849)
Closing receivable/ (payable) balance	(610,000,000)	(610,000,000)	5,808,050	16,195,308	(60,192,439)	4,574,164	10,286,673	10,215,869	(114,873,634)	-	-	722,948	(768,971,350)	(578,291,709)
Closing net receivables/ (payables)	(692,345,211)	(611,176,095)	5,808,050	16,195,308	(60,192,439)	4,574,164	10,286,673	10,215,869	(114,873,634)	-	197,080,192	404,199,708	(654,236,369)	(175,991,045)

28.3 Transactions with key management personnel of the company of parent

The key management personnel of the company are the members of its Board of Directors and that of its parent.

a) Key management personnel compensation

For the year ended 31 March	2022 Rs.	2021 Rs.
Transactions with key management personnel		
Directors' emoluments	82,519,576	56,767,772

NOTES TO THE FINANCIAL STATEMENTS

29. COMMITMENTS AND CONTINGENCIES

29.1 Capital expenditure commitments

There are no capital expenditure committed by the directors as at 31 March 2022.

29.2 Contingent liabilities

The summery of the bank guarantees and letter of credit facilities obtained by the Group/Company as at the reporting date are as follows,

Consolidated — **2022**

As at 31 March	Guarantee amount Rs.	Guarantee amount USD	LC Rs.	LC USD	LC SGD
National Development Bank	82,878,490	-	61,319,535	248,267	-
Union Bank of Colombo PLC	2,876,240	-	75,174,277	16,659	-
Sampath Bank PLC	4,934,040	-	-	-	-
Cargills Bank PLC	224,651,451	77,106	-	-	-
DFCC Bank PLC	617,379,931	208,064	19,391,545	-	227,287
Seylan Bank PLC	213,670,542	-	105,440,879	57,450	-

Company — **2022**

As at 31 March	Guarantee amount Rs.	Guarantee amount USD	LC Rs.	LC USD	LC SGD
National Development Bank	82,878,490	-	61,319,535	248,267	-
Union Bank of Colombo PLC	-	-	75,174,277	16,659	-
Cargills Bank PLC	224,651,451	77,106	-	-	-
DFCC Bank PLC	617,379,931	208,064	19,391,545	-	227,287
Seylan Bank PLC	201,574,622	-	105,440,879	25,370	-

30. RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain amounts reported for the comparative period have been reclassified to preserve comparability with the current year presentation. These reclassifications do not have an impact on the previously reported profit, other comprehensive income or equity.

31. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.1 Fair values

Set out below is a comparison of the carrying amounts and fair values of the Group financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial Assets and non-financial liabilities.

Consolidated

		Carrying amount		Fair value	
As at 31 March	Notes	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Financial assets					
Investments in quoted shares	12	345,400	345,400	345,400	345,400
Short term deposits	17	385,540,790	280,497,125	385,540,790	280,497,125
Trade and other receivables	15	5,322,373,322	2,457,153,372	5,322,373,322	2,457,153,372
Cash and bank balance	18	386,920,705	558,651,681	386,920,705	558,651,681
		6,095,180,217	3,296,647,578	6,095,180,217	3,296,647,578
Financial liabilities					
Trade and other payables	22	1,792,367,558	1,614,611,471	1,792,367,558	1,614,611,471
Interest bearing borrowings	20	1,396,666,886	1,273,733,537	1,396,666,886	1,273,733,537
Short term interest bearing borrowings	25	3,862,790,463	1,479,863,131	3,862,790,463	1,479,863,131
		7,051,824,907	4,368,208,139	7,051,824,907	4,368,208,139

Company

		Carrying amount		Fair value	
As at 31 March	Notes	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Financial assets					
Investments	12	160,518,784	159,518,805	160,518,784	159,518,805
Short term deposits	17	361,676,581	252,217,321	361,676,581	252,217,321
Trade and other receivables	15	5,034,707,864	2,255,732,042	5,034,707,864	2,255,732,042
Amount due from subsidiaries	16	16,151,424	30,985,341	16,151,424	30,985,341
Cash and bank balance	18	346,176,408	498,497,437	346,176,408	498,497,437
		5,919,231,061	3,196,950,946	5,919,231,061	3,196,950,946
Financial liabilities					
Trade and other payables	22	1,351,350,740	1,390,000,063	1,351,350,740	1,390,000,063
Amount due to subsidiaries	24	175,122,773	-	175,122,773	-
Interest bearing borrowings	20	1,571,928,698	1,338,400,204	1,571,928,698	1,338,400,204
Short term interest bearing borrowings	25	3,178,983,551	1,306,786,094	3,178,983,551	1,306,786,094
		6,277,385,763	4,035,186,361	6,277,385,763	4,035,186,361

NOTES TO THE FINANCIAL STATEMENTS

31. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values;

A. Cash and short-term deposits, trade and other receivables, trade payables and interest bearing loans and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

32. RISK MANAGEMENT DISCLOSURE

The Group has exposure to the following risks from financial instruments:

a) Credit risk
b) Liquidity risk
c) Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

32.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and supervision of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its supervision role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and other receivables

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Company only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. Customers that fail to meet the benchmark creditworthiness may transact with the Company only on cash basis. Outstanding customer receivables are regularly monitored at the individual sector and GMC level.

Set out below is the information about the credit risk exposure on the Group and Company's trade receivables and contract assets using a provision matrix:

Consolidated

	Trade receivables Days past due					
As at 31 March 2022	Current Rs.	< 30 days Rs.	30–60 days Rs.	61–90 days Rs.	> 91 days Rs.	Total Rs.
Expected credit loss rate	0%	0%	0%	0%	33%	
Total gross carrying amount at default	2,532,052,594	354,489,210	142,464,723	135,774,051	650,088,087	3,814,868,664
Expected credit loss	-	-	-	-	214,861,207	214,861,207

	Trade receivables Days past due					
As at 31 March 2021	Current Rs.	< 30 days Rs.	30–60 days Rs.	61–90 days Rs.	> 91 days Rs.	Total Rs.
Expected credit loss rate	0%	0%	0%	0%	29%	
Total gross carrying amount at default	1,654,495,723	128,146,448	47,175,344	30,807,712	299,096,679	2,159,721,905
Expected credit loss	-	-	-	-	86,374,418	86,374,418

Company

	Trade receivables Days past due					
As at 31 March 2022	Current Rs.	< 30 days Rs.	30–60 days Rs.	61–90 days Rs.	> 91 days Rs.	Total Rs.
Expected credit loss rate	0%	0%	0%	0%	24%	
Total gross carrying amount at default	2,391,141,801	350,088,409	140,380,523	135,337,186	541,796,244	3,558,744,163
Expected credit loss	-	-	-	-	130,278,903	130,278,903

	Trade receivables Days past due					
As at 31 March 2021	Current Rs.	< 30 days Rs.	30–60 days Rs.	61–90 days Rs.	> 91 days Rs.	Total Rs.
Expected credit loss rate	0%	0%	0%	0%	27%	
Total gross carrying amount at default	1,555,736,783	118,517,862	42,881,282	25,402,680	259,428,696	2,001,967,302
Expected credit loss	-	-	-	-	69,225,614	69,225,614

NOTES TO THE FINANCIAL STATEMENTS

31. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

The maximum exposure to credit risk for trade and other receivables at the reporting date by Currency wise was as follows.

	Consolidated		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Sri Lankan Rupees	2,961,643,298	1,855,168,850	2,708,643,119	1,702,530,998
US Dollars	853,225,366	304,553,055	850,101,044	299,436,304
	3,814,868,664	2,159,721,905	3,558,744,163	2,001,967,302

Cash and short term deposits

The Group and Company held cash and short term deposits of Rs 772 Mn and Rs. 707 Mn respectively as at 31 March 2022 (2021 - Group Rs. 839 Mn and Company 751 Mn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which Group cash balances held are as follows;

- People's Bank – AA-(lka)
- Standard Chartered Bank – AAA (lka)
- Sampath Bank PLC – AA-(lka)
- Nations Trust Bank PLC –A(lka)
- Pan Asia Banking Corporation PLC Bank– BBB-(lka)
- Hatton National Bank PLC– AA-(lka)
- Bank of Ceylon– AA-(lka)
- DFCC Bank–A+(lka)
- Seylan Bank PLC - A(lka)
- National Development Bank PLC - A+(lka)
- Union Bank of Colombo PLC- BBB-(lka)
- Commercial Bank of Ceylon PLC- AA-(lka)

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Company's central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Company's central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Company's central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The monthly liquidity position is monitored. All liquidity policies and procedures are subject to review and approval by Committee of Management. Daily reports cover the liquidity position of both the Company and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to Committee of Management.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Consolidated

As at 31 March 2022	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	> 1 year Rs.	Total Rs.
Interest -bearing loans and borrowings	797,854,530	1,894,626,135	1,460,052,444	1,106,924,240	5,259,457,349
Trade and other payables	648,535,862	886,658,460	206,864,460	50,308,777	1,792,367,558
	1,446,390,392	2,781,284,595	1,666,916,904	1,157,233,017	7,051,824,907

As at 31 March 2021	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	> 1 year Rs.	Total Rs.
Interest -bearing loans and borrowings	141,701,014	1,432,904,758	143,133,333	1,035,857,563	2,753,596,668
Trade and other payables	1,462,701,705	58,353,449	23,492,238	70,064,079	1,614,611,471
	1,604,402,719	1,491,258,207	166,625,571	1,105,921,642	4,368,208,139

Company

As at 31 March 2022	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	> 1 year Rs.	Total Rs.
Interest -bearing loans and borrowings	671,305,485	1,433,960,284	1,349,678,065	1,295,968,415	4,750,912,250
Trade and other payables	521,413,174	695,074,779	105,664,901	29,197,886	1,351,350,740
Amount due to subsidiaries	175,122,773	-	-	-	175,122,773
	1,367,841,432	2,129,035,063	1,455,342,966	1,325,166,301	6,277,385,763

As at 31 March 2021	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	> 1 year Rs.	Total Rs.
Interest -bearing loans and borrowings	135,862,594	1,248,166,141	132,300,000	1,128,857,564	2,645,186,298
Trade and other payables	1,086,364,802	179,567,227	59,044,415	65,023,620	1,390,000,063
	1,222,227,396	1,427,733,368	191,344,415	1,193,881,184	4,035,186,361

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS

31. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of interest rate based on the basis of the predictability of future cash flows. Company Treasury closely monitors the interest rate fluctuations in the market and advices the sectors of the Group on a regular basis.

The sensitivity of the income statement and statement of financial position is the effect of the assumed changes in interest rate on the profit or loss and retained earnings for the year is as follows.

		Consolidated		Company	
	Increase/(decrease) in interest rate	Effect on income statement Rs.	Effect on statement of financial position Rs.	Effect on income statement Rs.	Effect on statement of financial position Rs.
2022	15%	(57,364,028)	57,364,028	49,625,916	(49,625,916)
	-15%	57,364,028	(57,364,028)	(49,625,916)	49,625,916
2021	1%	(2,753,597)	2,753,597	2,645,186	(2,645,186)
	-1%	2,753,597	(2,753,597)	(2,645,186)	2,645,186

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will flctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and short term investments that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are the Euro, US Dollars (USD), Singapore Dollars (SGD).

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

			Consolidated	Company
		Increase/(decrease) in interest rate	Effect on income statement Rs.	Effect on income statement Rs.
2022	USD	+30%	403,555,838	444,562,281
		-30%	(403,555,838)	(444,562,281)
	Euro	+30%	(43,487,029)	(6,079,330)
		-30%	43,487,029	6,079,330

32.2 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital, reserves and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

ANNEXURES

Annexure I
5 YEARS SUMMARY GROUP

As at 31st March	2021/22 Rs.	2020/21 Rs.	2019/20 Rs.	2018/19 Rs.	2017/18 Rs.
Results					
Revenue	10,010,080,059	5,216,901,051	4,121,549,578	3,476,734,953	3,276,113,941
Cost of sale	(8,376,619,921)	(4,286,836,853)	(3,318,720,334)	(3,106,628,757)	(2,404,181,086)
Gross profit	1,633,460,138	930,064,198	802,829,244	370,106,196	871,932,855
Profit before taxation	526,501,427	52,981,239	13,403,083	(680,812,233)	20,481,700
Profit after taxation	384,296,447	113,030,330	12,851,243	(700,173,355)	18,131,136
Composition					
Non-current assets	546,327,733	277,270,691	238,590,603	153,248,587	155,997,878
Current assets	8,617,538,104	4,566,622,600	3,070,315,899	2,368,665,987	2,507,931,810
Net assets	(287,324,366)	(700,412,060)	(819,874,640)	(1,373,950,125)	(627,379,616)
Non-current liabilities	1,323,186,726	1,130,975,596	350,811,906	404,576,558	586,436,814
Current liabilities	8,128,003,477	4,416,338,817	3,777,969,237	3,491,288,141	2,704,872,490
Cash Flows					
Net cash inflow/(outflow) from operating activities	(3,632,397,648)	(544,287,059)	(248,269,318)	(503,328,147)	(515,806,555)
Net cash inflow/(outflow) from investing activities	(185,720,749)	(246,887,383)	17,459,293	(81,128,024)	(36,523,592)
Net cash inflow/(outflow) from financing activities	2,990,233,903	1,396,832,730	294,289,294	485,745,739	744,237,821
Increase/(decrease) in cash and cash equivalents	(827,884,492)	605,658,289	85,002,299	(98,710,432)	191,907,673
Key Indicators					
No of shares	59,463,105	59,463,105	59,463,105	59,463,105	59,463,105
EPS (Rs.)	6.46	1.90	0.22	(11.77)	0.30
Asset tournover ratio	1.09	1.08	1.25	1.38	1.23
Net assets per share (Rs.)	(4.83)	(11.78)	(13.79)	(23.11)	(10.55)
Interest cover ratio	1.48	1.18	1.02	(1.09)	1.06
Current ratio	1.060	1.034	0.813	0.678	0.927

Annexure II
CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Code Ref.	Compliance and Implementation	Compliance
A. Directors A.1 An effective Board should direct, lead and control the Company A.1.1 Regular meetings, structure and process of submitting information	The Board meets on a quarterly basis and attendance at meetings is given on page 51. Board packs are circulated one week prior to the Board meeting and typically include the following information: • Financial and operational information including progress on agreed Key Performance Indicators and information on the external operating environment; • Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets; • Forecast performance for the financial year • A description of key risks including an assessment of their impact and likelihood of occurrence, assessment of the previous quarter, how the risks are managed and those accountable for monitoring or managing risk; • Operational and financial compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board. • These statements include information regarding breaches of internal controls or fraud detected during the period together with any action taken or confirm the absence thereof; • Report on number of calls to whistle blowing line or a confirmation that there were no calls recorded • Information on human resources and capital expenditure • Related party transactions by key management personnel • Documents to which the company seal has been affixed to • Resolutions on other matters referred to the Board	√
A.1.2 Role & Responsibilities of the Board	The Role and Responsibilities of the Board are inset on page 81 and encompass those set out in the Code.	√
A.1.3 Act in Accordance with laws	The Board has set in place a framework of policies set out on pages 80 to 81, procedures and a risk management framework to ensure compliance with relevant laws, and international best practices with regards to the operations of the Group. Directors have the power to obtain independent professional advice as deemed necessary and these functions are coordinated by the Group Legal Department or Group Finance, as and when it is necessary.	√
A.1.4 Access to advise and services of Company Secretary	All Directors have access to the advice and services of the Company Secretarial function provided by Hayleys Group Service (Private) Limited. Which is responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant records of the Group. Hayleys PLC has obtained insurance cover for the Board of Directors and key management personnel.	√

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES

Code Ref.	Compliance and Implementation	Compliance
A.1.5 Independent judgement	Directors bring independent judgment to bearing on decisions taken by the Board on issues of strategy, performance, resources and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors. Many of the Board members are independent professionals who are required to conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	√
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis. It is estimated that Non-Executive Directors dedicate not less than 06 days per annum for the affairs of the Group and those Directors who are also on Audit Committee dedicate a further 4 days for the affairs of the Group	√
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	√
A.1.8 Board induction and Training	Directors recognize the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organizations. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings.	√
	Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organization wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.	√
A.2 Chairman & Managing Director	Chairman and the Managing Director of the Company are two different personnel where it clearly distinguishes the power and authority. Chairman of the Company is also Chairman of Hayleys PLC. The separation between the position of the Chairman and Managing Director with executive powers in the Company ensures the balance of power and authority.	√
A.3. Chairman's role in preserving good corporate governance	See Role of Chairman in Corporate Governance Report page 84.	√

Code Ref.	Compliance and Implementation	Compliance
A.3.1 Conduct of Board Meetings	a. Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management b. Sufficiency of information in Board packs and timely availability of the same c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group d. Effective participation of Executive and Non-Executive Directors, e. Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda f. Sufficient balance of power between Executive and Non-Executive Directors g. Views of directors are obtained and the minutes reflect the deliberations of the Board h. The Board's control of the affairs of the company and its obligations to shareholders and stakeholders	√
A.4 Availability of financial acumen	Refer Principle A.4. in Corporate Governance Report.	√
A.5 Board Balance A.5.1 Majority of Non-Executive Directors	The specialist skills required for managing the diverse interests of the Group requires a sufficient number of executive directors Equal number of Executive Directors and Non -executive Directors	The specialist skills required for managing the diverse interests of the Group requires a sufficient number of executive directors
A.5.2 If only 3 NEDs, they should be independent	Of the 4 NEDs, 3 are independent of any material business relationships subject to the disclosure made on pages 18 to 19.	√
A.5.3 Independence of Directors	Independent Directors are independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement. The Chairman holds a meeting if required with only the NEDs without the presence of the Executive Directors. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.	√
A.5.4 Annual declaration by Directors A.5.5 Annual determination of independence	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	√

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES

Code Ref.	Compliance and Implementation	Compliance
A.5.6 Alternate Directors	No Alternate Directors are appointed by the Directors as at date	√
A.5.7 & A.5.8 Senior Independent Directors	As Chairman and the Managing Director are two different personnel, an appointment of a Senior Independent Director is not required.	√
A.5.9 Annual In camera meeting with NED	The Chairman holds a meeting with only Non-Executive Directors if need arises.	√
A.5.10 Recording of dissent in minutes	Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes and correct the same at the next Board meeting. recorded in the Board minutes and Directors have the opportunity to review minutes and correct the same at the next Board meeting.	√
A.6. Supply of Information	The Chairman ensures that all Directors are briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns that they may have. They also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through: • Formally documented minutes of discussions. • By clarifying matters from the Board Secretary. • Separate discussions at start of meeting regarding matters arising for the previous meeting. • Archived minutes and Board papers accessible electronically at the convenience of the Directors. Directors also have an open invitation to attend the meetings of the Management Committees and can interact with Senior Management after Board meetings. Directors are provided with monthly reports on performance, minutes of review meetings and such other reports and documents as necessary. Minutes of meetings are circulated with the Board packs for the next monthly meeting within the agreed time.	√
A.7. Appointments to the Board & reelection	Refer Nomination, Appointment & Succession in Corporate Governance Report on page 84. Not a requirement by the Articles of Association of the Company.	√
A.8 Directors to submit themselves for re-election	Not a requirement by the Articles of Association of the Company.	√
A.8 Appraisal of Board & Committee Performance	The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors and Committees through an annual self-evaluation of its own performance. The responses are submitted to the Chairman for discussion at a Board Meeting. Board evaluation criteria are given in the adjacent box.	√

Code Ref.	Compliance and Implementation	Compliance
A.9 Annual Report to disclose specified information regarding directors	**Page Reference** Profiles of Board members — 16-19 Membership of sub-committees and attendance at Board and Subcommittee meetings — 83 Remuneration paid to directors — 144 Related party transaction and other business interests — 143-145 Names of listed companies in Sri Lanka in which they serve as directors — 18-19	√
A.11 Appraisal of the CEO Refer	Prior to the commencement of each financial year, the Board in consultation with the Chairman & Chief Executive, set reasonable financial and non financial targets which are in line with short, medium and long-term objectives of Hayleys, achievement of which should be ensured by the Chairman & Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chairman & Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.	√
Directors' Remuneration		
B.1. Establish process for developing policy on executive and director remuneration.	Refer page 94.	√
B.2. Level & Make Up of Remuneration	Refer Level & Make Up of Remuneration on page 94	√
B.3 Disclosure of remuneration	The Report of the Remuneration Committee on page 94 provides a statement on Remuneration Policy. The total for Directors' Remuneration is given on page 144.	√
Relations with Shareholders		
C.1. Constructive use of the AGM & Other General Meetings C.2. Communication with shareholders	Refer page 84	√
C.3. Disclosure of major transactions	Transactions, if any, which materially affect the net asset base of Fentons Limited, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affect the asset base of Fentons Limited or consolidated Group asset base.	√

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES

Code Ref.	Compliance and Implementation	Compliance
D. Accountability & Audit		
D.1 Accountability & audit	The Board recognizes its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with Sri Lanka Accounting Standards.. Fentons Limited has complied with the reporting requirements prescribed by the Institute of Chartered Accountants of Sri Lanka. The following specialized information requirements are also included in this Annual Report: • The Business model – on pages 24 to 25 • Operating environment – on pages 42 to 43. • Opportunities & Threats – on pages 26 to 27. • Risk Management – on pages 85 to 91. • Stakeholder relationships on pages 28. • The Capital Report on pages 53 to 77 • The Annual Report of the Board of Directors on the Affairs of the Company given on pages 97 to 99 cover all areas of this section. • The "Statement of Directors' Responsibilities" is given on page 100. • The Directors' Statement on Internal Controls is given on page 101. • The "Independent Auditors' Report "on pages 104 to 105 For the Auditor's responsibility. • The Financial Capital Review, the Value Creation Report on pages 53 to 57 • Change of Articles of Association of the Company - Company held an EGM on 18th August 2022 to explain the reasoning behind the removal of the object clause from the Articles of association of the Company.	√
D.2. Risk Management & Internal Control	Refer Control Environment on page 86	√
D.3. Audit Committee	Refer Audit Committee on page 92	√
D.4 Related Party Transactions Review Committee	Refer Related Party Transaction on page 145	√
D.5. Code of Ethics	The Company has developed a Code of Conduct for its employees. This Code addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behavior etc	√
D.5 Corporate Governance Disclosures	The Corporate Governance Report from page 80 to 84 and this Annex I: Compliance with the Code of Best Practice on Corporate Governance complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D5.	√

Code Ref.	Compliance and Implementation	Compliance
E. Institutional Investors and Other Investors	Not Applicable	√
E.1 & F Encourage voting at AGM	Shareholders are encouraged to participate at the AGM and vote on matters set before them and Fentons Ltd has a track record of a high level of participation at its Annual General Meetings. All shareholders are encouraged to participate and vote at the same.	√
E.2 Evaluation of Governance Disclosures	All shareholders are provided sufficient information to facilitate and encourage effective shareholder participation including governance matters.	√
G. Internet of Things & Cybersecurity		
G.1 Identify connectivity and related cyber risks	This function was complied with by the Group Head of IT for the year under review.	√
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	A Group Information Security Deputy General Manager was recruited on 1st April 2021	√
G.3 Include cyber security in Board agenda	It is a regular agenda item on the Board agenda	√
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	A firm of external consultants were engaged to review the effectiveness of the Group's cybersecurity risk management during the year.	√
G.5 Disclosures in Annual Report	Please refer Internet of Things & Cybersecurity.	√
H. Environment, Society & Governance		
H Sustainability Reporting	Sustainability principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows: • Principle 1 - Reporting of Economic Sustainability on page 32 to 39 • Principle 2 - Reporting on the Environment on page 41 to 42 of the Capital Management Report • Principle 3 - Reporting on Labour Practices on page 64 to 68 of the Capital Management Report. • Principle 4 - Reporting on Society on page 69 to 77 of the Capital Management Report. • Principle 5 - Reporting on Product Responsibility on page 69 to 77 of the Capital Management Report. • Principle 6 - Reporting on Stakeholder identification, engagement and effective communication on page 28. • Principle 7 - Sustainable reporting to be formalized as part of the reporting process and to take place regularly (About this Report page 6)	√

Annexure III

GRI CONTENT INDEX

GRI 102-55

GRI Standard	Disclosure	Page number	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
General Disclosures					
GRI 102: General Disclosures 2016	**Organizational profile**				
	102-1 Name of the organization	168			
	102-2 Activities, brands, products, and services	3			
	102-3 Location of headquarters	168			
	102-4 Location of operations	168			
	102-5 Ownership and legal form	168			
	102-6 Markets served	3			
	102-7 Scale of the organization	4			
	102-8 Information on employees and other workers	64			
	102-9 Supply chain	75			
	102-10 Significant changes to the organization and its supply chain	75			
	Strategy				
	102-14 Statement from senior decision-maker	10			
	102-15 Key impacts, risks, and opportunities	85			
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behavior	80			
	102-17 Mechanisms for advice and concerns about ethics	80			
	Governance				
	102-18 Governance structure	81			
	102-19 Delegating authority	81			
	102-20 Executive-level responsibility for economic, environmental, and social topics	81			
	102-21 Consulting stakeholders on economic, environmental, and social topics	28			
	102-22 Composition of the highest governance body and its committees	83			
	102-23 Chair of the highest governance body	83			
	102-24 Nominating and selecting the highest governance body	84			
	102-25 Conflicts of interest	84			
	102-26 Role of highest governance body in setting purpose, values, and strategy	81			
	102-27 Collective knowledge of highest governance body	82			
	102-28 Evaluating the highest governance body's performance	84			

GRI Standard	Disclosure	Page number	Omission		
			Part Omitted	Reason	Explanation
	102-29 Identifying and managing economic, environmental, and social impacts	85			
	102-30 Effectiveness of risk management processes	85			
	102-31 Review of economic, environmental, and social topics	86			
	102-32 Highest governance body's role in sustainability reporting	81			
	102-35 Remuneration policies	94			
	102-36 Process for determining remuneration	94			
	102-37 Stakeholders involvement in remuneration	94			
	Stakeholder engagement				
	102-40 List of stakeholder groups	28			
	102-41 Collective bargaining agreements	28			
	102-42 Identifying and selecting stakeholders	28			
	102-43 Approach to stakeholder engagement	28			
	102-44 Key topics and concerns raised	28			
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	4			
	102-46 Defining report content and topic Boundaries	6			
	102-47 List of material topics	29			
	102-50 Reporting period	6			
	102-51 Date of most recent report	6			
	102-52 Reporting cycle	6			
	102-53 Contact point for questions regarding the report	7			
	102-54 Claims of reporting in accordance with the GRI Standards	7			
	102-55 GRI content index	162			
Material Topics					
GRI 200 Economic Standard Series					
Economic Performance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	29, 30			
	103-2 The management approach and its components	26, 30			
	103-3 Evaluation of the management approach	26, 30			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	57			

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number	Omission		
			Part Omitted	Reason	Explanation
Market Presence					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	29, 30			
	103-2 The management approach and its components	26, 30			
	103-3 Evaluation of the management approach	26, 30			
Procurement Practices					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	76, 30			
	103-2 The management approach and its components	76, 30			
	103-3 Evaluation of the management approach	76, 30			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	76			
Supplier Environmental Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	76, 30			
	103-2 The management approach and its components	76, 30			
	103-3 Evaluation of the management approach	76, 30			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	77			
	308-2 Negative environmental impacts in the supply chain and actions taken	77			
Employment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	64, 30			
	103-2 The management approach and its components	64, 30			
	103-3 Evaluation of the management approach	64, 30			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	66			
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	64, 30			
	103-2 The management approach and its components	64, 30			
	103-3 Evaluation of the management approach	64, 30			
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	67			
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	67			
	403-3 Workers with high incidence or high risk of diseases related to their occupation	67			
	403-4 Health and safety topics covered in formal agreements with trade unions	67			
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	64, 30			
	103-2 The management approach and its components	64, 30			
	103-3 Evaluation of the management approach	64, 30			

GRI Standard	Disclosure	Page number	Omission		
			Part Omitted	Reason	Explanation
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	68			
	404-2 Programs for upgrading employee skills and transition assistance programs	68			
	404-3 Percentage of employees receiving regular performance and career development reviews	68			
Child Labor					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	29, 30			
	103-2 The management approach and its components	29, 30			
	103-3 Evaluation of the management approach	29, 30			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	36			
Supplier Social Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	76, 30			
	103-2 The management approach and its components	76, 30			
	103-3 Evaluation of the management approach	76, 30			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	77			
	414-2 Negative social impacts in the supply chain and actions taken	77			
Customer Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	64, 30			
	103-2 The management approach and its components	64, 30			
	103-3 Evaluation of the management approach	64, 30			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	69			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	69			
Marketing and Labeling					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	60, 30			
	103-2 The management approach and its components	60, 30			
	103-3 Evaluation of the management approach	60, 30			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	61			
	417-2 Incidents of non-compliance concerning product and service information and labeling	61			
	417-3 Incidents of non-compliance concerning marketing communications	61			
Customer Privacy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	69, 30			
	103-2 The management approach and its components	69, 30			
	103-3 Evaluation of the management approach	69, 30			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	74			

Annexure IV

GLOSSARY

Actuarial Gains and Losses
Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Capital Employed
Shareholders' funds plus non-controlling interests and interest-bearing borrowings.

Capital Reserves
Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

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

CEA
Importers are required to obtain prior approval from Central Environmental Authority before any waste/ recycled material are imported into Sri Lanka

Contingent Liability
A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity

Current Ratio
Current assets divided by current liabilities. A measure of liquidity.

Current Service Cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period

Deferred Taxation
The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

EBIT
Earnings Before Interest and Tax.

EBITDA
Earnings before interest expense, tax, depreciation and amortisation (includes other operating income).

Effective Tax Rate
Income tax expense divided by profit before tax.

EPS
Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock

Equity
The value of an asset after all the liabilities or debts have been paid

ELV
ELV System for Buildings stands for Mechanical and Electrical extra-low voltage System deployed in residential and commercial buildings for the purposes of better control and security

FSF
Fentons Smart Facilities

Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Through Profit and Loss
A financial asset/liability acquired/ incurred principally for the purpose of selling or repurchasing it in the near term

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity

Financial Liability
Any liability that is any contractual obligation to deliver cash or another financial asset to another entity.

GDP
Gross domestic products

GHG
Greenhouse gas

Gain on Bargain Purchase
The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

Gearing
Proportion of total interest-bearing borrowings to capital employed.

HVAC
Heating, ventilation, and air conditioning is the use of various technologies to control the temperature, humidity, and purity of the air in an enclosed space

IAS
International Accounting Standards. Accounting standards developed and resolved by the IASB.

IFRS
International Financial Reporting Standards. The standards are developed and resolved by the IASB. In a broad sense, they also include the IAS, the interpretations of the IFRS IC or of the predecessor IFRIC as well as the former SIC

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

ICT
Information and communication technology

Key Management Personnel (KMP)
KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity

MEP
Mechanical Electrical and Plumbing

Net Assets Per Share
Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Non-controlling Interest
Equity in subsidiary not attributable, directly or indirectly, to a parent

Other comprehensive income
An entry that is generally found in the shareholders' equity section of the balance sheet.

PBT
Profit before tax

PAT
Profit after tax

Related Parties
A person or entity that is related to the entity that is preparing its Financial Statements

Return on Capital employed
Profit before tax and net finance cost divided by average capital employed.

Revenue Reserves
Reserves considered as being available for distributions and investments.

SSD
Security and surveillance division

SIS
System integrated solution

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

SoRP
Statement of Recommended Practice.

Solar PV
solar photovoltaic. a form of technology involving systems that use solar cells to capture the sun rays and convert that energy into electricity

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

UPS
Uninterrupted power supply

Annexure V
CORPORATE INFORMATION

GRI 102-1, GRI 102-3, GRI 102-4, GRI 102-5

NAME OF COMPANY
Fentons Limited

COMPANY NUMBER
PB 334

LEGAL FORM
Limited Liability Company
Started in 1921

REGISTERED OFFICE
No. 400 Deans Road, Colombo 10

PRINCIPAL LINE OF BUSINESS
Providing Engineering Services

BUSINESS ADDRESS
Fentons Limited, No. 180, Deans Road, Colombo 10, Sri Lanka

DIRECTORS
Executive Chairman - Mohan Pandithage
Managing Director - Hasith Prematillake
Executive Director/ CEO - Sujith De Alwis
Non Executive Director - Sarath Ganegoda
Executive Director- Solar - Roshane Perera
Independent Non- Executive Director - Aravinda Perera
Independent Non- Executive Director - Tharana Thoradeniya
Independent Non Executive Director - Dharmadasa Rangalle
Executive Director/CFO- Pamudith Gunawardana

AUDITORS
Ernst & Young

BANKERS
Pan Asia Banking Cooperation PLC
Sampath Bank PLC
Bank of Ceylon PLC
Nations Development Bank PLC
DFCC PLC
Standard Chartered PLC
Union Bank PLC
Peoples Bank
Hatton National Bank PLC
Seylan PLC
Commercial Bank PLC

SECRETARIES
Hayleys Group Services (Private) Limited
No : 400, Deans Road, Colombo 10, Sri Lanka
Telephone: (94-11)2627650
Facsimile: (94-11)2627645
E-mail: info.sec@hayleys.com

NOTES

Annexure VI
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fentons Limited will be held on Thursday 22nd September 2022 at 10.00 a.m. via online meeting platform for the following purposes:

AGENDA

1) To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2022 together with the Report of the Auditors thereon.

2) To re -elect as a Director in terms of Article 27(2) of the Articles of Associations of the Company Mr. P. Gunawardana who has been appointed to the board since the last Annual General Meeting.

3) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of seventy-one years.

Ordinary Resolution

That Mr. Abeyakumar Mohan Pandithage, who has attained the age of Seventy-one years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director

4) To authorize the Directors to determine contributions to Charities for the financial year 2022/23.

5) To reappoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company for the financial year 2022/23 and authorize the directors to determine their remuneration.

6) To consider any other business of which due notice has been given.

By Order of the Board
FENTONS LIMITED

Hayleys Group Services (Private) Limited
Secretaries
Colombo

25th August 2022

Notes :

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
2. The Annual General Meeting (AGM) will be held via an on line meeting platform and shareholders who wish to participate are required to send an e mail to melissa.perumal@secretarial.hayleys.com on or before 18th September 2022 to receive the meeting link.

Annexure VII
FORM OF PROXY

I/We* …………………………………………………………………………………… (Full name of shareholder, NIC No./Reg. No.**) of ……………………………………………………………………………………
being a shareholder/ shareholders* of FENTONS LIMITED hereby appoint,

1 …………………………………………………………………………………… (Full name of proxyholder & NIC No. **) of ……………………………………………………………………………………
……………………………………………………………………………………
or failing him/her/them,*

2 ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 22nd September 2022 and at every poll which may be undertaken in consequence of the aforesaid meeting and at any adjournment thereof:-

	For	Against
1. To adopt the Annual Report of the Directors and the Statement, of Accounts for the year ended 31st March 2022, together with the Report of the Auditors thereon.	☐	☐
2. To re-elect as a director in terms of Article 27(2) of the Articles of Associations of the Company Mr. P. Gunawardana who has been appointed with the Board since the last Annual General Meeting.	☐	☐
3. To propose the ordinary resolution as set out in the notice for the re-appointment of Mr. A. M. Pandithage in terms of Section 211 of the Companies Act No 7 of 2007, who retired having attained the age of Seventy-One years, a Director	☐	☐
4. To authorize the directors to determine contributions to charities for the financial year 2022/23	☐	☐
5. To authorize directors to determine the remuneration of the auditors, Messrs. Ernst & Young Chartered Accountants who are deemed to have been re-appointed as auditors in terms of Section 158 of the Companies Act no 7 of 2007 for the financial year 2022/23.	☐	☐

(***) The proxy may vote as he/she* thinks fit on any other resolution brought before the Meeting of which due Notice has been given.

……………………………………………
Signature of Shareholder

Notes:

(a) * Please delete the inappropriate words.
(b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.** Full name of shareholder/proxy holder and their NIC No's Your Proxy Form will be rejected if these details are not completed.
(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

(d) The Annual General Meeting (AGM) will be held via an on line meeting platform and shareholders who wish to participate are required to send an e mail to melissa.perumal@secretarial.hayleys.com on or before 20th September 2022 to receive the meeting link.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or not less than forty eight (48) hours before the date of the Meeting.

2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.

3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.

4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his / her discretion will vote as he/she thinks fit. Please also delete (***) if you do not wish your Proxy to vote as He/She thinks fit on any other resolution brought before the meeting.

5. In the case of a Company / Corporation the proxy must be executed in the manner prescribed by its Articles of Association.

   In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

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