HAYCARB

Activated carbon solutions

Haycarb PLC - Annual Report 2014/15

Activated...Sustainable...Growing

The activated carbon industry and its attendant market is well rooted and firmly established across the globe. It is characterised by a growing relevance of its products and solutions in globally topical concerns such as care for the environment sustainability and healthy living. Haycarb is one of the world's foremost producers of coconut shell based activated carbon... but we've moved well beyond to the status of a renowned total solutions provider active in a number of related fields such as water/air treatment systems and regeneration services.

The bottom line is – the activated carbon industry has huge growth potential as we move towards an ever 'greener' world; the market is well-established and growing; sustainability is at an all time high.

Haycarb is eminently geared to meet the demands of this rapidly developing market.

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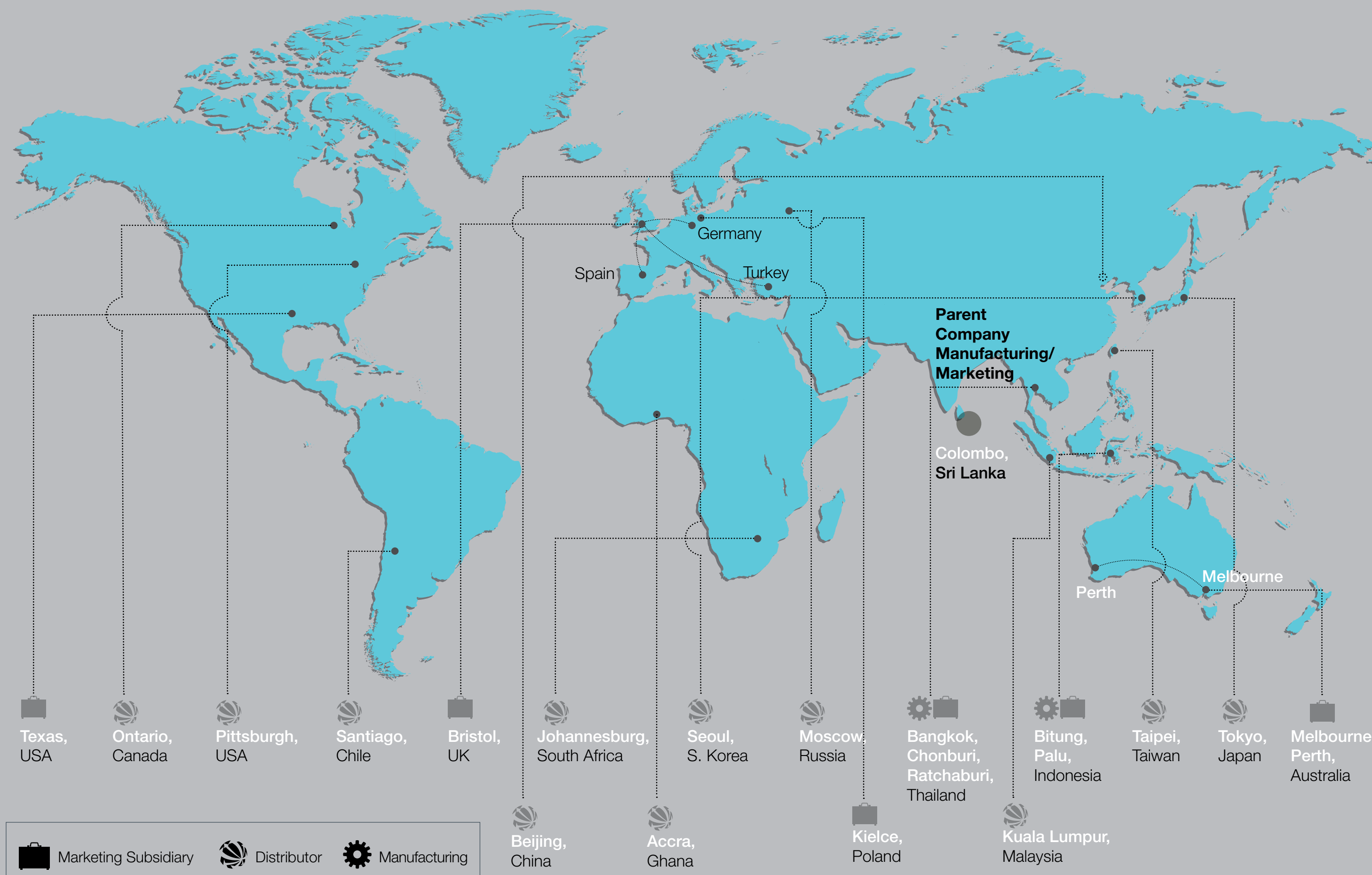
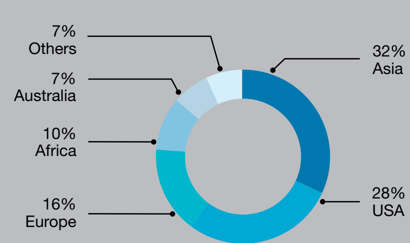
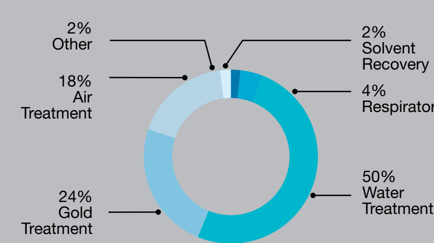
Global Presence





Turnover - Geographical Location wise



Turnover - Application wise

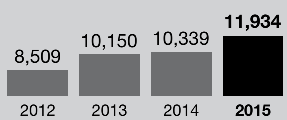
40,000 Metric Tons

Activated Carbon manufacturing capacity per annum 2014/15.

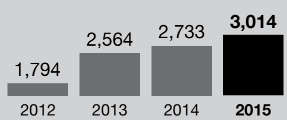
Key Performance Indicators

Statement of Income
in Rs. million

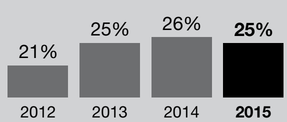
Revenue



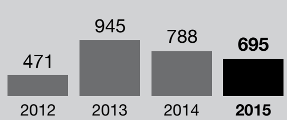
Gross Profit



Gross Profit Margin

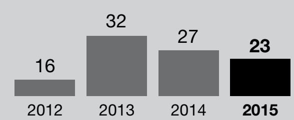


Profit Attributable to Equity Shareholders

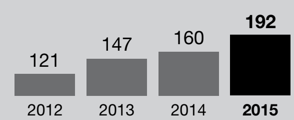


Return to Shareholders
in Rs.

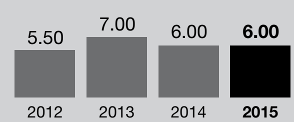
EPS



NAV Per Share

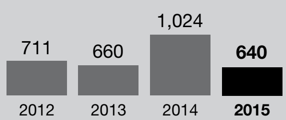


DPS

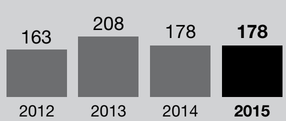


Cash Flows
in Rs. million

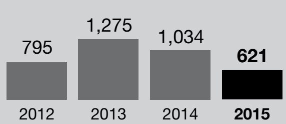
Capital Expenditure



Dividend Payment

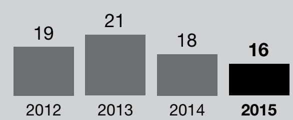


Operating
Cash Flow

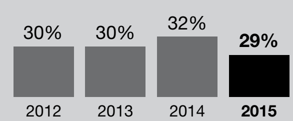


Ratios

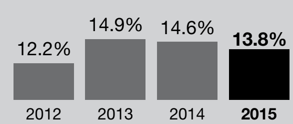
ROCE



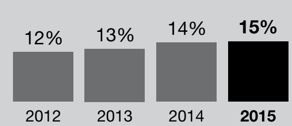
Gearing Ratio



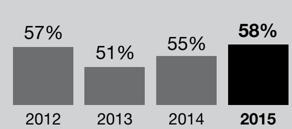
EBITDA to
Sales



Overheads Cost to
Income Ratio



Overheads to
Gross Profit Ratio



Strategy

Haycarb PLC continues to follow a well-formulated strategic plan designed to deliver aggressive growth.

We are intent on expanding capacity and gaining optimal positioning for our products in emerging markets and areas calling for niche high end applications such as alternate energy storage. We are also looking to consolidate our market position in key application and customer segments in traditional, developed markets.

Beyond availing ourselves fully of the growth opportunities available for our core product portfolio – coconut shell derived activated carbon – we are committed to ensuring and enhancing sustainable top and bottom line growth through the development of related services such as regeneration of spent carbon and turnkey water purification systems.

CHAIRMAN'S REVIEW

The Haycarb Group achieved a significant milestone in reaching in-house manufacturing capacity of 40,000 MT per annum, whilst reporting a profit before tax of over Rs. 1.0 billion for the third consecutive year.

I am pleased to present the Annual Report of Haycarb PLC for 2014/15.

The Haycarb Group recorded a turnover of Rs. 11,934 million, profit before tax of Rs. 1,070 million and profit after tax of Rs. 874 million for the year ending 31st March 2015.

Recognising the creditable performance of the Company and future prospects, the Board has recommended a final dividend of Rs. 4/- per share which together with the interim dividend disbursed in April 2015, will amount to a total dividend of Rs. 6/- per share.

It is noteworthy that Haycarb's results were sustained in a challenging year marked by challenging market conditions, currency devaluation and escalating raw material prices. Lean initiatives that enabled the Company to retain competitiveness and growth in existing and new key customer accounts in value added product segment, contributed positively to the overall results. The Haycarb Group achieved a significant milestone in reaching in-house manufacturing capacity of 40,000 MT per annum, whilst reporting a profit before tax of over Rs. 1.0 billion for the third consecutive year.

Haycarb is positioned as a market leader and has initiated the strategies required to capture the growth potential of the activated carbon industry which is driven by the emphasis on environmental sustainability across the world. The Managing Director's Review presented in this Annual Report provides a detailed account of the challenges, opportunities and the strategies in place for the future.

I wish to note the success of the flagship CSR initiative of Haycarb Group, the Puritas *Sath Diyawara* project to provide purified drinking water to selected villages in the North Central Province where Chronic Kidney Disease (CKD) affects over 400,000 persons. Following the first Reverse Osmosis (RO) Purification Plant and water distribution system commissioned by Haycarb Group in the village of Maithreepura in Padaviya, Hayleys Group pledged to cover a total of 10 villages in the current and next financial year, touching the lives of 15,000 persons in the process.

Mr. Ranjeevan Seevaratnam retired from the Board of Directors in June 2014 having served as an Independent Non-Executive Director. The members of the Board join me in thanking him for his contribution and wish him success and fulfilment in the future. Mrs. Sharmalie Weerasuriya (alternate to Mr. Dhammika Perera) resigned in May 2015 and we thank her and wish her success.

It is with pride that I note the resilience of Team Haycarb, whose commitment and passion for results, whilst facing a challenging external environment, culminated in the noteworthy performance reported to you. My colleagues on the Board join me in thanking our valued customers, joint venture partners, shareholders and suppliers for their support and loyalty extended throughout the year.

Mohan Pandithage
Chairman

15th May 2015

The activated carbon industry has tremendous growth potential fuelled by the continuous emphasis in environmental sustainability across the world. Haycarb's strength in the industry as a leading player renowned for quality, reliability and consistent performance in its entire spectrum of activated carbon products and purification solutions, positions the company to capture the growing opportunities in this industry.

Haycarb Group surpassed the Rs. 1 billion PBT mark for the third consecutive year, recording a turnover of Rs. 11,934 million and a profit before tax of Rs. 1,070 million for the year ending 31st March 2015.

In compliance with SLFRS 10 that requires a parent company and subsidiaries to apply the same reporting date, Haycarb consolidated results of 15 months of several of its overseas subsidiaries that maintain their Financial Statements from January to December. When the impact of the additional 3 months is separated as detailed in Note 40 of page 106 of this Report, the Group achieved a turnover of Rs. 10,299 million and a profit before tax of Rs. 1,021 million for 12 months of operations.

Review of Operations 2014/15

Introduction

Haycarb Group recorded a turnover of Rs. 11,934 million, profit before tax of Rs. 1,070 million and profit after tax of Rs. 874 million for the year under review. Whilst the turnover signifies a growth of 15%, the profit before tax shows a modest growth of 2%. Further, the effective tax rate is higher in the current year due to an increase in deferred tax liabilities, resulting in PAT declining by 2% in comparison to the previous year. The earnings per share decreased to Rs. 23.39 whilst net assets per share increased to Rs. 191.95.

Sri Lanka – activated carbon operations

The Haycarb Group operated in a challenging external environment during the year. On the supply side the raw material price increases impacted the Sri Lanka and overseas operational profitability adversely. The charcoal price levels in Sri Lanka and India, the primary sourcing locations for Sri Lanka factories increased significantly during the year under review. The gross margins eroded as the resultant COP increases could not be passed on to customers adequately due to market conditions and low priced competition from Philippines, Indonesia and India. The slump in the gold mining industry continued to exert price pressure on the gold extraction carbon segment. The lower than expected economic recovery in Europe, Australia and in a few key Asian markets were further compounded by the unprecedented depreciation of the Euro notably in the 3rd quarter that eroded existing margins. The Japanese and Australian markets which are key geographical segments of the Company were also impacted due to the depreciation of the currencies.

In this challenging environment, successful lean initiatives across the Group brought in significant cost savings in all manufacturing locations. The major savings were achieved through energy saving initiatives completed during the year. Lean projects implemented through the year to rationalise and improve productivity together with the modifications that enabled an increase in output of activation kilns that were initiated in Sri Lanka and overseas plants in the latter part of the year also contributed significantly. Whilst additional resources were allocated for strengthening marketing teams, the Company rationalised and restructured operations, successfully minimising increases in general overheads. The bottom line was strengthened through new value-added high-margin products developed and commercialised during the year. In Sri Lanka, there were focused efforts to strengthen the charcoal supply chain, by providing technology and initial capital outlay to selected suppliers to install and commission environmentally friendly charcoaling pits. We also strengthened the supply chain teams deployed in Indonesia, successfully creating buffer stocks in this region thereby significantly reducing Sri Lanka's dependency on India.

Overseas manufacturing entities

Carbokarn Company Ltd. (CK) and Shizuka Company Ltd. in Thailand recorded strong performances reporting a good growth to the top and bottom lines. Enhancing and upgrading of manufacturing plants to facilitate the allocation of value added carbons, energy saving initiatives that enabled considerable cost savings and maximum utilisation of production capacity backed by a good network and initiatives to strengthen the charcoal supply system contributed to the improvement of performance in the Thailand operations. During the year Quality Assurance and ISO compliance teams were strengthened in the CK Group to prepare for more value added products and services. The Activated Carbon Regeneration Plant under CK Regen Systems Co. Ltd., also contributed to the growth in sales and profitability of the Thailand operations.

Indonesian operations also remain a key area of expansion and strategic importance for the Haycarb Group. The raw material supply was stable through the year, even though depreciation of the local currency, Indonesian Rupiah, opened the market for export of the raw material in its primary form and exerted upward pressure on the raw material prices. Haycarb's presence in Indonesia was strengthened with the commissioning of PT Haycarb Palu Mitra in the first quarter. The improved performance of Indonesian operations is also attributable to the energy and other cost saving initiatives as well as a full order book that enabled maximum utilisation of plant capacity. During the year, the Indonesian Rupiah depreciated by 11% against the US Dollar that helped to cushion the increase in input costs. Whilst this encouraged the competitiveness of the exports, the benefit was more than offset by exchange losses on US Dollar denominated borrowings and the negative impact from the erosion of the value of local sales.

It pleases me to announce that Haycarb Group achieved a significant milestone of an in-house manufacturing capacity of 40,000 MT per annum, with the commissioning of the new Plant in Palu and the lean initiatives that enabled increased output from existing activation kilns.

Marketing initiatives

In spite of the challenges in the gold market, Haycarb Holdings Australia recorded growth in performance. On the other hand Eurocarb, whilst achieving increase in sales volumes and making steady progress in partnering with technical teams to take a number of value added products to market, recorded a decline in profitability due to the exposure of a significant portion of its revenues to the Eurozone crisis that resulted in erosion of gross margins. Haycarb USA Inc. performance was affected by the slow-down in CFP markets and the higher marketing overheads due to the increase of marketing investments in preparation of the direct marketing and sales thrust in the next financial year. These investments are expected to yield returns for the Haycarb Group in the medium and long-term. Haycarb USA was equipped with senior sales and marketing resources during the year to prepare and operate as the direct marketing arm of Haycarb in the USA from year 2015/16.

In this challenging environment, successful lean initiatives across the Group brought in significant cost savings in all manufacturing locations. The major savings were achieved through energy saving initiatives completed during the year.

Our key marketing initiatives in the current year enabled retention and acquisition of key accounts including important customer accounts in the value added and EDLC carbon segments apart from new geographical expansion initiatives that will yield results in the medium-term.

Environmental engineering segment

Haycarb's environmental engineering arm, Puritas (Pvt) Ltd. made positive strides as it significantly increased revenue and profit before tax. Whilst consolidating its position in the Water Purification Segment in Sri Lanka, Puritas also secured a number of key contracts in sewage and waste water treatment systems in the region. This division remains a key growth and diversification segment for the Group.

CSR initiatives

Key focus of the Haycarb Group was creation of value to its customers, shareholders and other stakeholders through growth and profitability. At the same time, we also continue to focus on initiatives that serve communities within which our companies operate.

Haycarb PLC continues to make significant donations of medical grade activated carbon to the National Hospitals in Sri Lanka to treat patients who have ingested poisonous materials. Our fully-owned subsidiary MMCI, donated hospital equipment and refurbished the local hospital in Bitung, in Sulawesi, Indonesia.

During the current year, Haycarb Group moved its CSR platform to a new level with the launch of 'Puritas *Sath DIyawara*' with its subsidiary Puritas (Pvt) Ltd. and the *'Haritha Angara'* initiative.

Puritas *Sath Diyawara*, involves the provision of purified water to families in the North Central Province where it is estimated that over 400,000 people are affected with the Chronic Kidney Disease (CKD). Research has indicated that access to purified water is the primary solution for mitigating and reversing the impact of the disease. Leveraging on its strengths as a Water Purification Systems Provider, Puritas commissioned its first Reverse Osmosis Plant and water distribution system in the village of Maithreepura, in Padaviya, fully-funded by the Haycarb Group at a cost of around Rs. 3.5 million providing access to purified drinking water to nearly 1,500 people. This programme also includes livelihood development activities, a library, a computer training facility, awareness building programmes and health and hygiene camps targeted to combat the ill effects of CKD.

Following the success of the Maithreepura Project, our Parent Company, Hayleys PLC pledged to complete a total of 10 Purification Plants for affected villages during the current and next fiscal year to provide clean drinking water to approximately 15,000 persons. All the projects are designed and built by Puritas on behalf of the sponsoring sectors of the Hayleys Group at an estimated aggregate cost of Rs. 35 million. It has given tremendous satisfaction to facilitate a solution even to a small segment of the communities who are affected by this life-threatening disease.

I am proud to note that Puritas *Sath Diyawara* won the prestigious 'Asia Responsible Entrepreneurship Award 2015' under the category SME CSR from Enterprise Asia in recognition of this initiative.

Back in 2005, Haycarb patented the first of its kind, premium green charcoaling process (Recogen) featuring the lowest carbon footprint for charcoaling, where pollutant gases and heat discharged from the production process are used to generate electricity which is supplied to the national grid. Whilst the cost and the scale of a Recogen plant is prohibitive to smaller operators, as part of Haycarb's commitment to establish environmentally friendly charcoaling processes, Haycarb launched *'Haritha Angara'*, a project to provide technical know how and financing to its loyal suppliers to install and operate environmentally friendly small scale charcoaling pits. Following the success of this project, Haycarb plans to roll out similar initiatives in Thailand and Indonesia as well.

Conclusion – performance 2014/15

During the first part of the year, Haycarb faced erosion of gross margins in Sri Lanka, its premier manufacturing location, as raw material prices soared whilst on the other hand less than satisfactory economic recovery in the US and Europe, together with lower priced competition from Philippines, Indonesia and India made it impossible to pass the increase in cost of production to the end customer. During the latter part of the year the devaluation of major currencies of our transactions, including the Euro, Indonesian Rupiah, the Australian Dollar and Japanese yen impacted the bottom line adversely.

Therefore, it is with great satisfaction that I note the success of several initiatives that were launched during the year that enabled the Company to recover profitability in the second half and notably in Q4. On the manufacturing and technical platforms the continuous and focussed efforts to source the raw material in a well-organised system to ensure stability of supplies, energy saving initiatives that were rolled out across the Group in all manufacturing locations which brought in significant cost savings and other lean and restructuring initiatives, paved the way for the recovery of Group performance. The combined efforts of technical and marketing teams that enabled commercialisation and marketing of value added products, the continued strong performance of overseas manufacturing facilities and the expansion in sales of new geographies contributed significantly to the bottom line in Q4 whilst bridging the gap for the full fiscal year. Our environmental engineering segment Puritas also, made a significant top and bottom line contribution in the second half of the year.

Way forward

The activated carbon industry has tremendous growth potential fuelled by the continuous emphasis in environmental sustainability across the world. Haycarb's strength in the industry as a leading player renowned for quality, reliability and consistent performance in its entire spectrum of activated carbon products and purification solutions, positions the Company to capture the growing opportunities in this industry.

Haycarb's strategy will be one of consolidating and restructuring Sri Lanka operations to develop, manufacture and market value added and specialised activated carbon products, whilst having rapid expansions overseas for volume growth to increase its market share. In the marketing front, Haycarb USA Inc. will function as Haycarb's direct marketing arm and is expected to support growth of the Group's top and bottom lines significantly. Market expansion in value added specialised product segments over the next two years is expected to double the value added portfolio of the Company. The emphasis on marketing activities launched in the new geographic territories is expected to bring value in the next 2-3 year time frame whilst we strengthen our presence in the key traditional markets.

The environmental engineering segment, Puritas will be a key driver of growth and diversification. The Company will continue to capture the opportunities that are opening in Sri Lanka with the growth in tourism, new medium to large drinking and waste water projects accelerated by increased awareness of environmental concerns and need for better quality drinking water. The Company will leverage on the successes in regional expansions to target niche market segments where Puritas strengths can be leveraged. It will also optimise its growth potential through large scale projects that are expected to crystallise in collaboration with Veolia Water Systems.

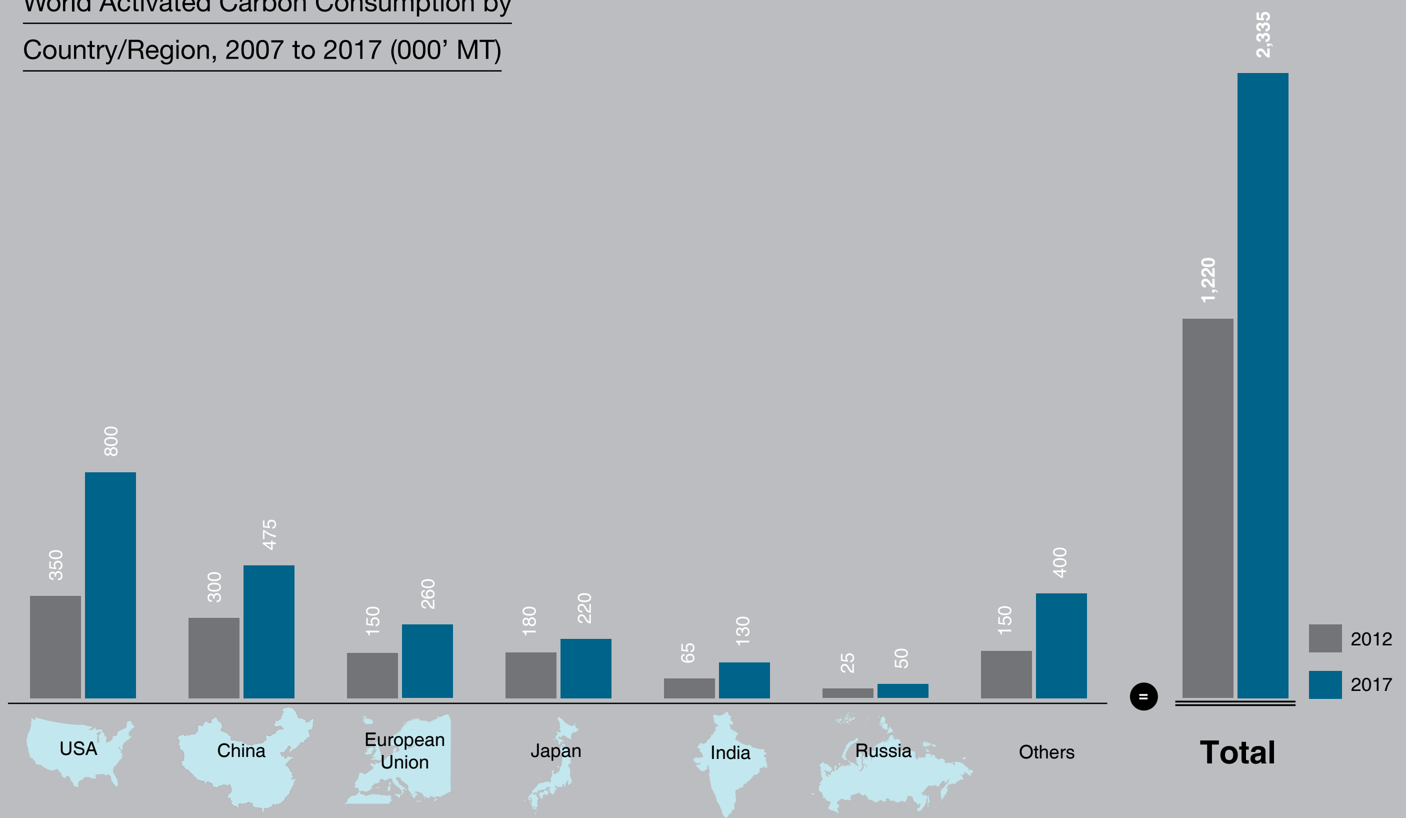
In conclusion I wish to thank our customers for the trust they place on our value proposition backed by Haycarb's technical strengths, quality and reliable supply of products and services. I truly appreciate the support extended by our shareholders and joint venture partners by sharing the returns and risks with a longer term view in a challenging period. My appreciation is also extended to our valued suppliers of key raw materials and services. I am grateful to the Chairman and the Board of Directors for their guidance and support extended in a very challenging year. My sincere appreciation is also extended to the Haycarb Team spread across the world, who worked with commitment, dedication and passion to come back strongly to achieve results in the current fiscal year whilst laying the foundation for an exciting journey of consolidation and growth.

Rajitha Kariyawasan
Managing Director

15th May 2015

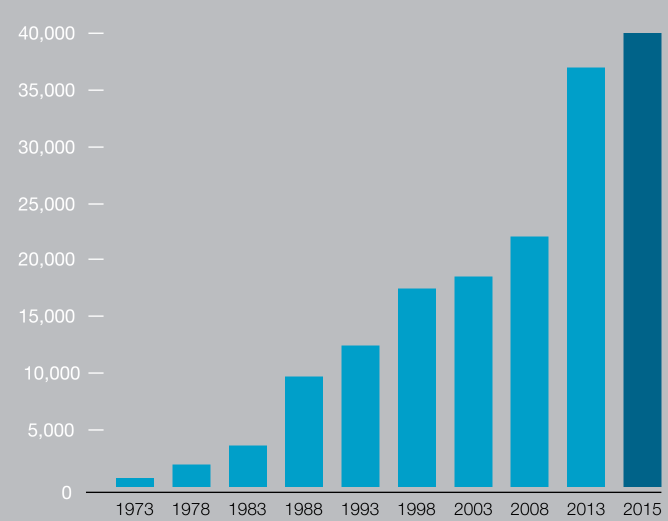
Growth meets Growth

World Activated Carbon Consumption by Country/Region, 2007 to 2017 (000' MT)



The activated carbon market is one of continuous growth and significant potential. Haycarb has the capacity and capability to position itself for sustainable growth in this robust market environment.

Haycarb Group Capacity Expansion (MT)

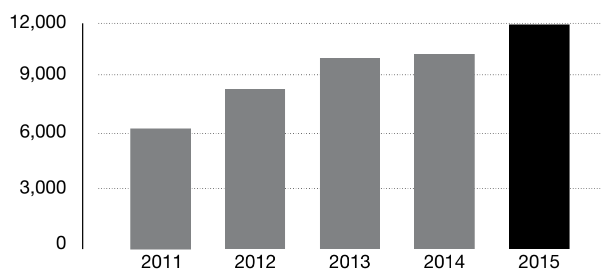


FINANCIAL REVIEW

Group turnover

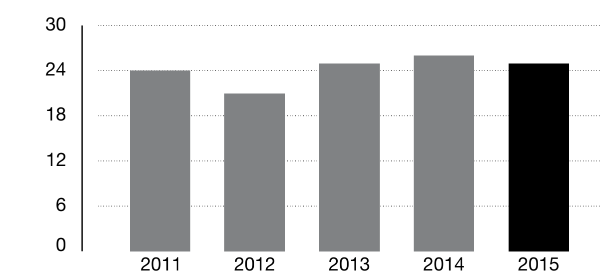
Haycarb Group recorded revenue of Rs. 11.9 billion for 2014/15. The revenue was impacted by the severe competition in the global market which exerted pressure on selling prices of activated carbon. However, the revenue from value added specialised carbon segment increased significantly.

TURNOVER (Rs. million)



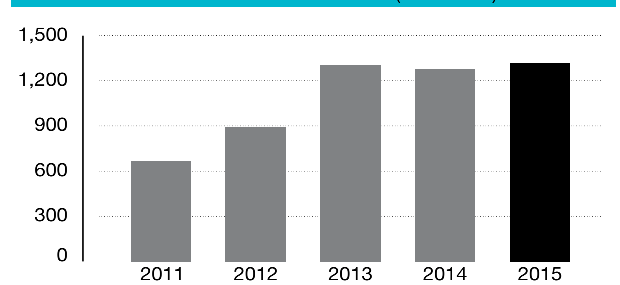
Group profitability

GROSS PROFIT MARGIN (%)



The gross profit margin of 25% recorded for the financial year is 1.2% lower compared to last year. On a favourable note the Group GP margin in the latter half improved notably as a result of reductions in energy costs and other production overheads due to several lean initiatives. The margins in Thailand and Indonesian operations improved due to an effective sales mix and process improvements.

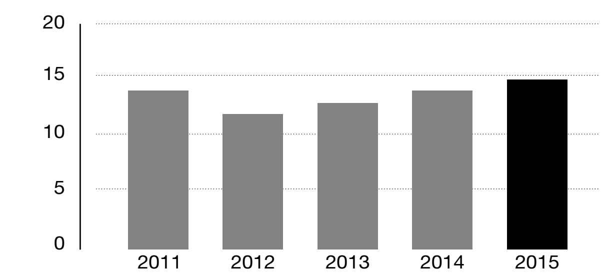
EARNINGS BEFORE INTEREST & TAX (Rs. million)



The Group reported a PBT in excess of 1 billion and PBIT in excess of 1.2 billion for the 3rd consecutive year signalling that Haycarb has consolidated its performance. The PBT for the Group adjusted to reflect 12 months results show a profit of Rs. 1.02 billion, a marginal drop over 2013/14.

The general overheads increase of 18% is mainly due to the consolidation of 15 months results of some subsidiaries. The 12 month adjusted increase is 7% compared to FY 2013/14. This increase mainly relates to the strengthening of marketing teams, investments in human capital through training, new product development expenses and efforts to capture and retain market share in a dynamic and competitive market. The overhead to income ratio of 15% results in lower percentage compared to FY 2013/14, mainly due to the rate in sales increase overriding the increase in overheads.

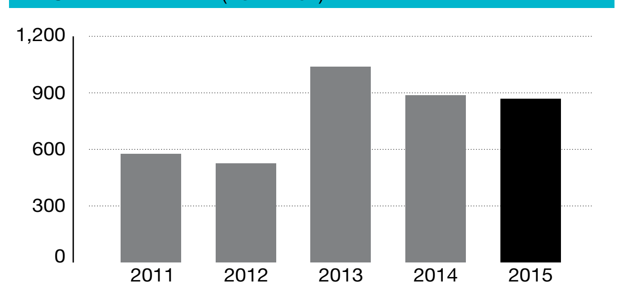
OVERHEAD COST TO INCOME RATIO (%)



Despite the increase in borrowing levels, contracting for lower interest costs helped to contain the interest costs. The Group absorbed exchange losses amounting to Rs. 153 million affecting the Company bottom line detrimentally. The IDR devaluation resulted in exchange losses in Dollar denominated borrowings in the Indonesian entities. The Euro and Australian Dollar depreciation during the latter part of the year also eroded margins significantly.

Haycarb Group recorded a profit after tax of Rs. 874 million. When the financials are adjusted to reflect 12 months results of all subsidiaries, the PAT decreases by 3% compared to FY 2013/14.

PROFIT AFTER TAX (Rs. million)

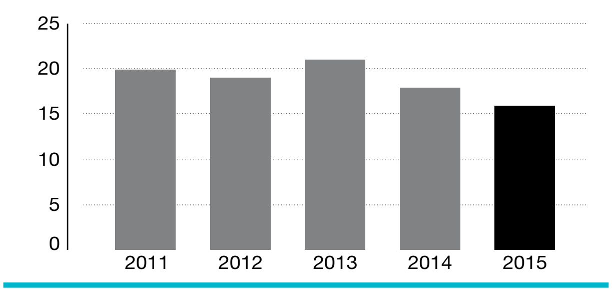


Working capital management

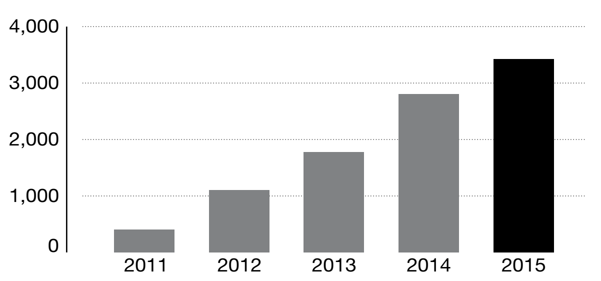
The Group continued its strategy to maintain sufficient buffer stocks of raw material at a level of 3 months. Haycarb Group has maintained current asset ratios at steady levels at 1.46 times and a healthy net operating cash flow position of Rs. 621 million.

Asset deployment

RETURN ON CAPITAL EMPLOYED (ROCE) (%)



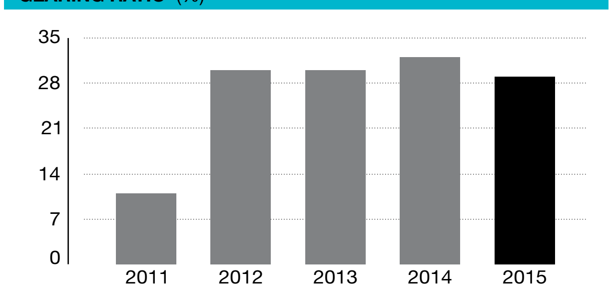
CUMULATIVE CAPEX (Rs. million)



Return on capital employed remained at a healthy level of 16% although lower than FY 2013/14. The average capital employed increased by 6% mainly due to the investments in the new plant in Indonesia and the enhancements in value adding operations that resulted in increasing overseas capacity and post activation capabilities.

Gearing position

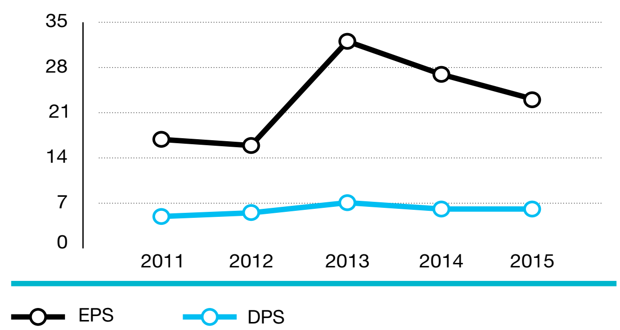
GEARING RATIO (%)



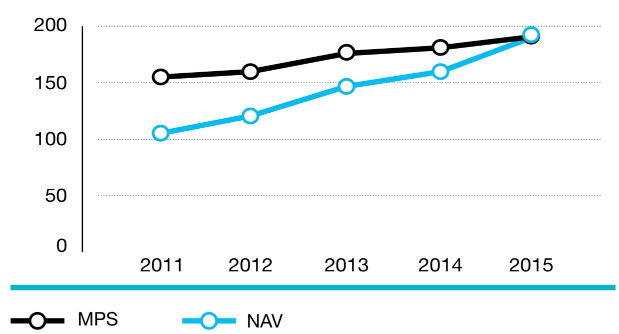
The gearing position adjusted to 29% compared to 32% in FY 2013/14 due to the infusion of external equity for overseas ventures and the increase in total asset base due to revaluation of land across the Group. This also resulted in a decrease in debt to equity ratio from 48% to 40%.

Shareholder value creation

EPS Vs DPS (Rs.)



NET ASSET VALUE PER SHARE VS MARKET PRICE PER SHARE (Rs.)



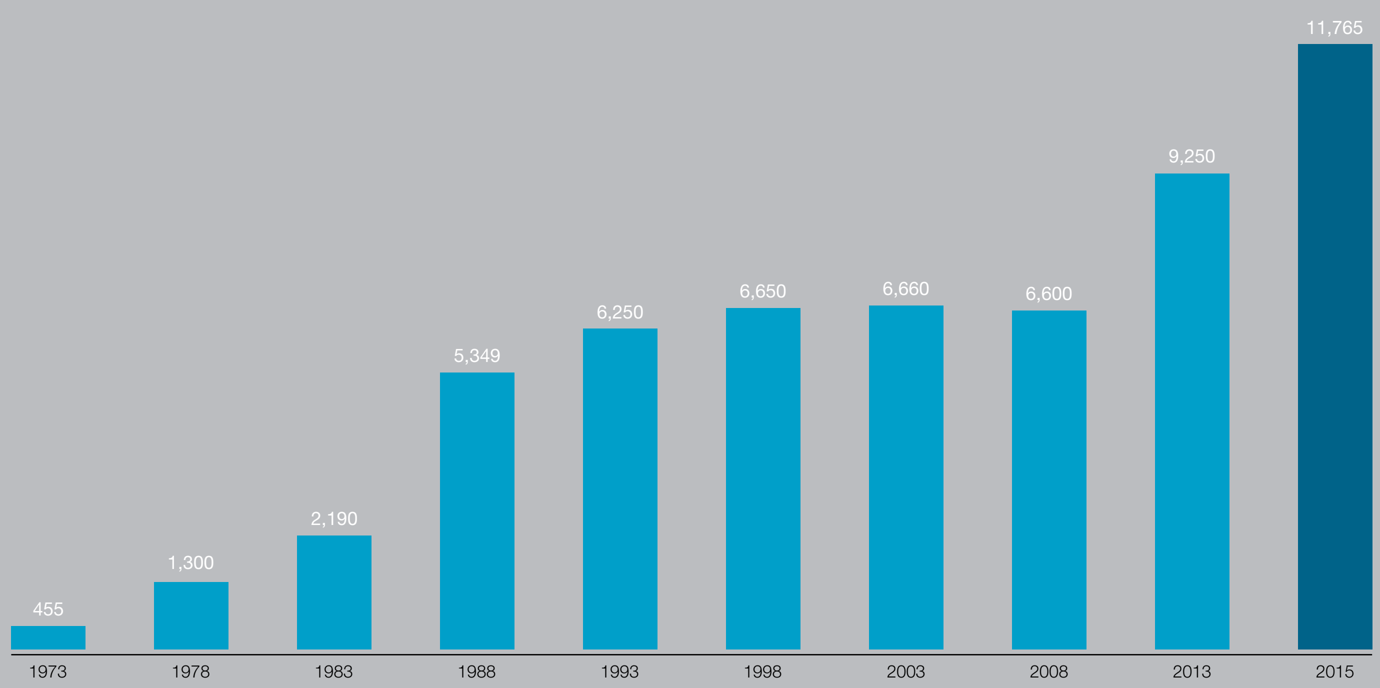
The earnings per share dropped from Rs. 27/- to Rs. 23/- due to the decline in Group profitability while the net assets per share presents an increase from Rs. 160/- to Rs. 191/- mainly due to the investments in fixed assets.

The dividend per share was Rs. 6/- with a payout ratio of 26%. Total dividends paid to shareholders throughout the last five years amount to Rs. 876 million.

Strongly in the Present

Haycarb maintains a strong presence in traditional application markets such as the gold mining industry. We began serving this segment over 40 years ago. The stability and maturity of the gold mining market has provided Haycarb with a rich vein of prosperity.

Haycarb Group Gold Carbon Sales Over Years (MT)



Puritas Sath Diyawara

& the three Ws

What...Why....Where

What is Puritas *Sath Diyawara*?

'Puritas *Sath Diyawara*' is an initiative to give hope to people affected by the deadly Chronic Kidney Disease (CKD) enriching their lives by provision of good quality water and facilitating their socio-economic needs. The flagship CSR initiative of the Haycarb group, Puritas *Sath Diyawara* was initiated and designed by Puritas (Pvt) Ltd.

Puritas has leveraged on its expertise and experience as a provider of purification systems having successfully implemented over 280 water and wastewater purification systems across a variety of industries in Sri Lanka and in the region. The purification systems implemented by Puritas, currently treat more than 24.5 million litres of effluent per day.

Primary objective of this initiative is to provide quality potable water to selected villages/communities through installation of a Reverse Osmosis Treatment Plant and water distribution system to mitigate the spreading of Chronic Kidney Disease (CKD) identified as a waterborne disease.

Whilst water is a key focus area of the Puritas *Sath Diyawara*, a more holistic approach is taken to eradicate CKD via initiatives for livelihood development, knowledge dissemination and sustainable environmental management. Library and internet access is provided, whilst conducting awareness sessions on livelihood development activities, best agricultural practices and entrepreneurship development. Further, health camps are conducted on a timely basis to improve health and sanitation practices of villagers. A model organic farm is also established in the village aiming to promote best agricultural practices, integrated farming concepts and organic agriculture.

The first Puritas *Sath Diyawara* project was commissioned on 15th August 2014 in Maithreepura, Padaviya funded by Haycarb and Puritas, with the design and construction being overseen by Puritas under the guidance of the National Water Supply and Drainage Board.

Why Puritas *Sath Diyawara*?

In the North Central Province of Sri Lanka, almost as many as 13 farmers, are dying every day of kidney failure due to CKD – whilst many others may go undiagnosed. The kidneys of the affected patients deteriorate without any notable symptoms or discomfort during the early stages. By the time CKD manifests clinically and is diagnosed at the latter stages, damage has already occurred to kidneys.

Todate no specific cause is identified for CKD in Sri Lanka, but a multitude of potential toxic pollutants have been suggested, including heavy metals, cadmium, arsenic and lead; fluoride and hard water; and ionic-concentration of water, chemical fertilizers and toxic agrochemicals.

More than 400,000 people are currently said to be affected (10% - 15% of residents) with 22,000 deaths almost all being males between the ages of 15 – 60 years. Consequently, in some families there are no surviving adult men - the primary breadwinners. In addition, it is estimated that approximately 2.8 million people are at the risk of contracting this deadly disease.

Puritas *Sath Diyawara* has recognised that, whilst access to pure drinking water is imperative, it is also vital to implement a broad spectrum of community

'Puritas *Sath Diyawara*' is an initiative to give hope to people affected by the deadly Chronic Kidney Disease (CKD) enriching their lives by provision of good quality water and facilitating their socio-economic needs.

development projects to break the vicious relationship of socio-economic parameters to uplift the living conditions of CKD affected people.

Where is the programme located?

Under Phase 1 of the Puritas *Sath Diyawara* programme, the first Reverse Osmosis Plant and water distribution system sponsored by Haycarb and Puritas was set up in Maithreepura, the third most severely affected village in the North Central Province.

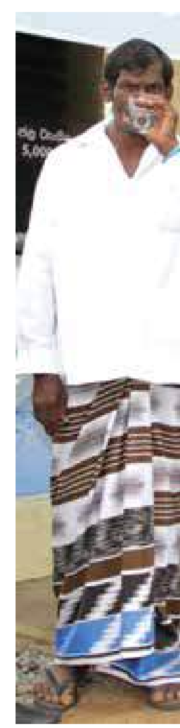
Puritas *Sath Diyawara* is to cover four more villages during 2015/2016 completing 10 projects with a cumulative investment of LKR 35 million serving more than 15,000 people in CKD affected villages by the end of the year.

The centralised water treatment plant provides approximately 10,000 litres of purified water per day. In addition to the main plant, five docking stations have been located across Maithreepura to ensure that purified water is accessible to everyone in the village. We were proud to be able to vest the ownership of the project with the people of Maithreepura on 15th August 2014.

Phase 2 will see the programme extending further afield to cover many more afflicted areas with other entities of the Hayleys Group having pledged to fund new projects. As of now three more projects have been commissioned in Balayawewa, Kiriketuwewa/Sinhala Ataweerawewa and Pihimbiyagollewa whilst two more projects are underway in Weli-oya and Mahawilachchiya under the sponsorship of Hayleys Group's business sectors.

Puritas Sath Diyawara is to cover four more villages during 2015/16 completing 10 projects with a cumulative investment of Rs. 35 million serving more than 15,000 people in CKD affected villages by the end of the year.

Haycarb is proud to announce that 'Puritas *Sath Diyawara*' project has won the Asia Responsible Entrepreneurship Awards 2015 in SME CSR Category from Enterprise Asia. The Asia Responsible Entrepreneurship Awards is the most prestigious award for CSR in the region, and it recognises the best philanthropic initiatives undertaken by corporates in the Asian Continent.



1 *Treatment plant house at Maithreepura*

2 *Villagers enjoying purified water*

3 *One of the many docking stations for purified water distribution*

4 *Library and information centre, Maithreepura*

1

2

3

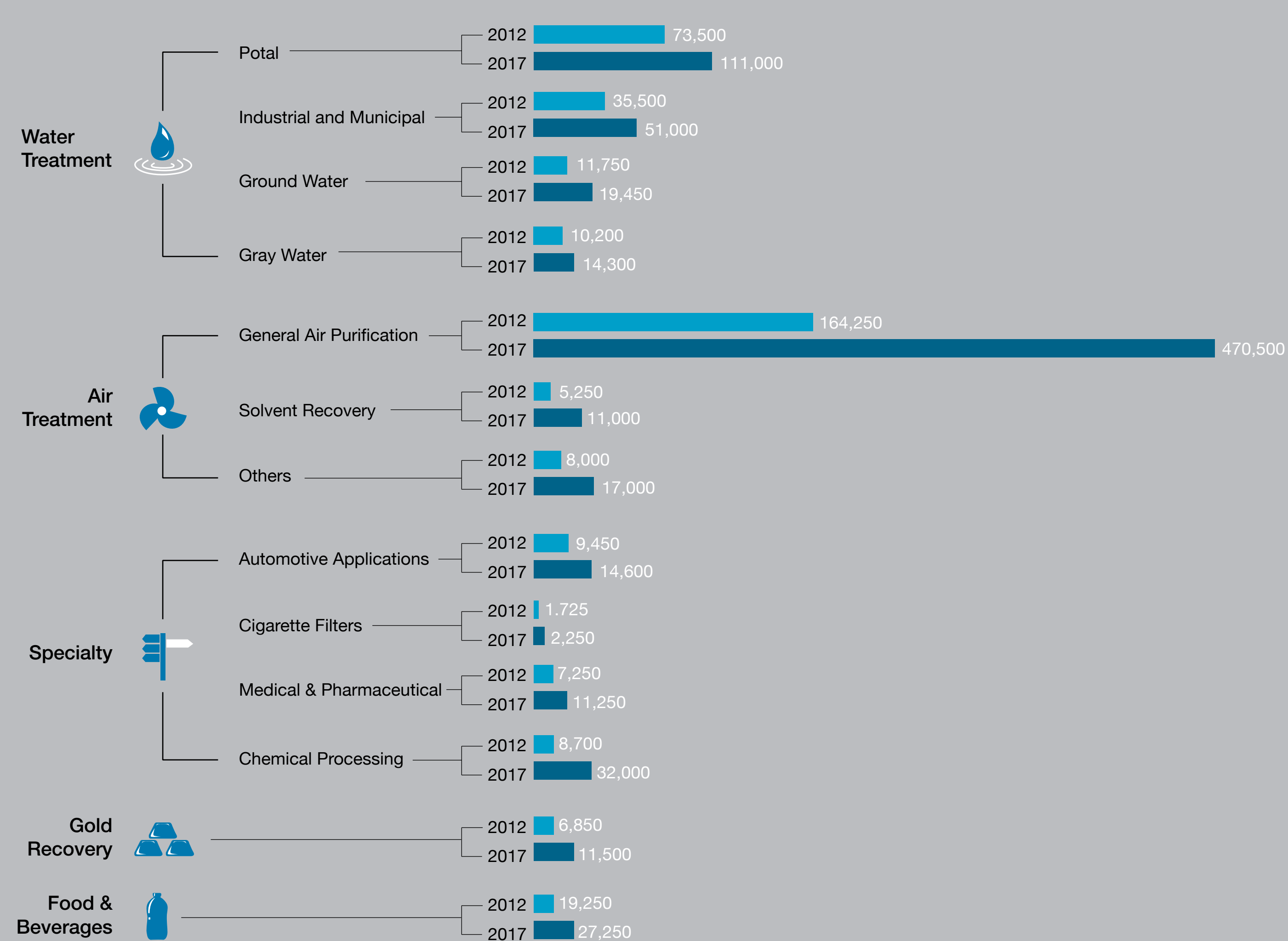
4

Haycarb is proud to announce that "Puritas Sath Diyawara" project has won the Asia Responsible Entrepreneurship Awards 2015 in SME CSR Category from Enterprise Asia.

Emergent Green

The emerging consciousness of the world towards environmental pollution is increasing the demand for activated carbon, as a fundamental agent in the purification processes of the world. Haycarb is at the forefront of this growing sector.

Activated Carbon Consumption by end Use (Tons)



Governance and Compliance

Haycarb PLC reposes exemplary governance, sustainability and ethics within its core and its every strategy and action is informed by these fundamentals.

BOARD OF DIRECTORS

Mohan Pandithage (Chairman)

Chairman and Chief Executive of Hayleys PLC. Appointed to the Haycarb Board in 2007 and its Chairman from July 2009. Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka, Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ship's Agents. Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers. Corporate Excellence Leadership Recognition, Institute of Chartered Accountants of Sri Lanka.

Rajitha Kariyawasan (Managing Director)

Joined Haycarb PLC in January 2010 as an Executive Director and was appointed as the Managing Director in February 2010. Appointed to the Hayleys Group Management Committee in February 2010 and to the Hayleys Board in June 2010. Holds a B.Sc. Engineering (Electronics and Telecommunications) Degree from the University of Moratuwa, Sri Lanka. Fellow Member (FCMA) of the CIMA, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, Certified by the Motorola University, Malaysia. Before joining Haycarb, held the position of Director/General Manager of Ansell Lanka (Pvt) Ltd. Served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama.

Dhammika Perera

Appointed to the Board in November 2009. He is a quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight.

He serves as the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Delmege Ltd. and Sun Tan Beach Resorts Ltd. He is the Co-Chairman of Hayleys PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC and Lanka Tiles PLC. He also serves on the Boards of Lanka Ceramic PLC, Amaya Leisure PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC and Dipped Products PLC.

Arjun Senaratna

Appointed to the Board in November 2005. Currently resides in Canada and provides services to companies globally. Previously held senior positions with Amsterdam based TNT/TPG as a member of the Global Business Development Board, as Vice-President Acquisitions, Vice-President and General Manager TNT Logistics, North America and President-designate TNT Indonesia. He has also been in senior/strategic roles with Celestica (former IBM Manufacturing) Ryder, Rockwell International and Canada Steamship Lines. Holds a B.Sc. Degree from the University of Ceylon, and is a Certified Management Accountant (CPA, CMA).

Sarath Ganegoda

Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in July 2007 and to the Board in September 2009. Appointed to the Haycarb Board in November 2009. Fellow, The Institute of Chartered Accountants of Sri Lanka and Member, Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys and Diesel & Motor Engineering Company between 1987 to 2002, ultimately as an Executive Director of the latter. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and Overseas. Has responsibility for the Hayleys Strategic Business Development Unit and the Consumer Sector.

Mrs. Jeevani Abeyratne

Served as the Chief Financial Officer of Haycarb Group from 2007 and was appointed to the Board in November 2009. Member of the Chartered Institute of Management Accountants (CIMA) - UK and holds a Masters in Law (LLM) from the University of West London. Prior to joining Haycarb, served as the Technical Manager of CIMA (Sri Lanka Division) and as Group Finance Manager of Dipped Products PLC.

Dushantha Ranaraja

Joined Haycarb PLC in 2008 as General Manager, International Business Development, and was appointed to the Board in November 2009. Holds a Diploma in Marketing from the Chartered Institute of Marketing - UK and is a Certified Professional Marketer of the Asia Pacific Marketing Federation. Has extensive international management experience, including extended overseas posting in senior positions, with Multinational companies.

Nimal Perera

Appointed to the Board in August 2011. He serves on Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, N P Capital Ltd. and N Capital (Pvt) Ltd., as the Chairman, Royal Ceramics Lanka PLC as the Managing Director, Vallibel One PLC as the Deputy Chairman, LB Finance PLC as an Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as an Alternate Director.

He also holds directorships in Hayleys PLC, The Kingsbury PLC, Talawakelle Tea Estates PLC and Amaya Leisure PLC.

He is a renowned business magnate, stock trader and shareholder of many companies in the country.

Dr. Sarath Abayawardana

A professional Engineer, with a PhD in Chemical Engineering from the University of London, he is a fellow of the institution of Engineers Sri Lanka as well as the Institution of Chemical Engineers London, and was felicitated in 2011 with the 'Excellence in Engineering' Award.

Had an extensive career at Unilever Sri Lanka including international postings, and finally as the National Technical Director and a Board Member. Headed the Sri Lanka Programme of the International Water Management Institute (IWMI) as a Senior International Researcher, and also acted as the Director of their Global Research Division. Was a consultant to the ADB project on Technical Education Development, and a key facilitator in Developing the National Science and Technology Policy for the National Science and Technology Commission. He then worked as the Director/CEO, and a Board Member of the National Science Foundation of Sri Lanka, the primary state institution supporting Science and Technology Development in the country, and recently retired as a Programme Director at the Co-ordinating Secretariat for Science, Technology and Innovation. Has held numerous governing Board positions both in the public and the private sector institutions.

Sujeewa Rajapakse

Appointed to the Board in January 2013. Managing Partner of BDO Partners, a firm of Chartered Accountants. Fellow of the Institute of Chartered Accountants of Sri Lanka and holds a Master's in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Immediate Past President of The Institute of Chartered Accountants of Sri Lanka (ICASL). Serves as a Non-Executive Independent Director of Asian Alliance PLC, and Dipped Products PLC. Deputy Chairman of The Finance Company PLC.

M. S. P. Udaya Kumara

Appointed to the Board in February 2015. Holds a B.Sc. (Hons.) First Class Degree from the University of Sri Jayewardenepura, Sri Lanka and is a corporate member of the Institute of Chemistry, Ceylon.

He joined Haycarb in 1988 and has served in Quality Control, Special Product Development and Research and Development Divisions. He was appointed as a General Manager in 2010, currently heads the Research and Development and Technical, Quality Assurance and Control functions of Haycarb Group.

Brahman Balaratnarajah

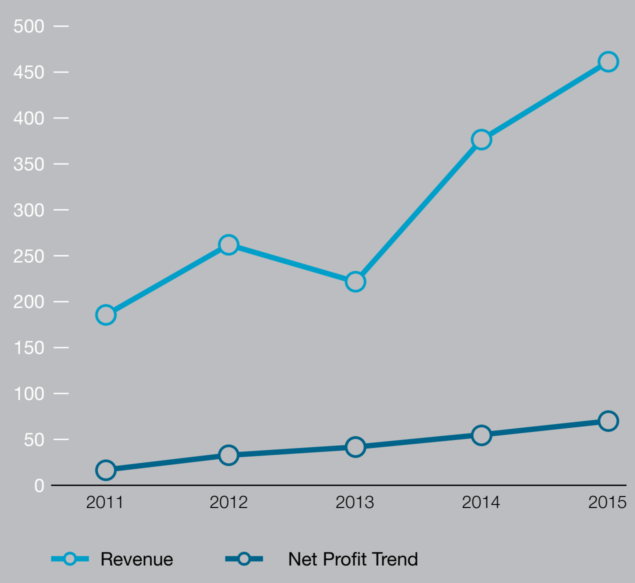
Appointed to the Board in April 2015. Holds a Mechanical Engineering Degree (First Class) from the National Institute of Technology in India and is an Alumnus of the Indian Institute of Management, Ahmadabad. He is also a member of the American Society of Mechanical Engineers.

Joined Haycarb in 1996 as a Maintenance Engineer, and the Haycarb Engineering Project Team in 1998 and appointed General Manager in 2010. He has headed the Recogen Operation from 2004 to 2010 and currently is responsible for Engineering Projects and all Manufacturing Operations of Haycarb Group.

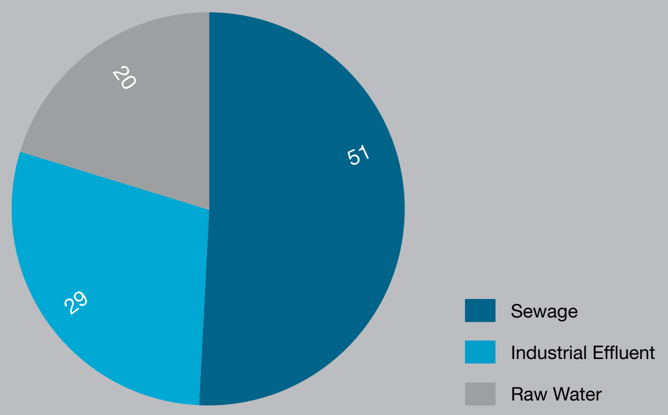
Joining the dots...
the Whole Picture

Haycarb has leveraged its strengths to provide optimal holistic solutions to its customers. Our environmental engineering arm Puritas (Pvt) Ltd., demonstrates a rapid growth in providing purification systems in local and regional landscapes.

Puritas - Revenue and Net Profit Trend (Rs. million)



Treated Waste Water Volume Per Day in 2014/15 (%)



MANAGEMENT TEAM

Haycarb (Sri Lanka)

Executive Directors (Haycarb Group)

A.M. Pandithage	- Chairman
H.S.R. Kariyawasan	- Managing Director
D.E. Ranaraja	- Director (Marketing and Business Development)
Ms. M.J.A.S. Abeyratne	- Director (Finance and IT)
M.S.P. Udaya Kumara	- Director (Research and Development and Technical Support)
B. Balaratnarajah	- Director (Manufacturing and Engineering)

General Managers

A.A.M. Caderbhoy	- Business Development (Haycarb Group)
Ms. S.S. Ragunathan	- Puritas (Pvt) Ltd.

Deputy General Managers

S.P. Weerawardana	- Production Planning
N.S. Perera	- Charcoal and Shell Procurement
M.A.H.R. Morais	- Finance
L.R.M.R.A.L. Karunaratne	- Customer Management
G.M.G. Gunawardhana	- Manufacturing (Sri Lanka)

Divisional Managers

A.S.D. Karunaratne	- Human Resource Management
P.S. Suraweera	- Project Engineering and Operations – Puritas (Pvt) Ltd.
W.M.A.C.N. Perera	- Engineering Projects
I.A.S.L. Athukorala	- R&D/Process Improvement – Puritas (Pvt) Ltd.

Departmental Managers

P.S. Liyanarachchi	- Information Technology and Customer Management
W.P.J.K. Wickramasinghe	- Engineering Projects
C.J.G.M. Korale	- Engineering Projects
A.D. Kularatne	- Engineering Procurement
M.M. Fernando	- Quality Assurance
R.K.L. Jinasiri	- Engineering Maintenance
N.U. Samaranayake	- Research and Development
J.D. Shishira	- Research and Development
L.P.S. Seneviratne	- Engineering Projects
W.G.A.P. Gamage	- Factory Manager - Badalgama
K.D. Perera	- Administration - Badalgama
P.M.S.M. Ranasinghe	- Production - Badalgama
K.U.S. Warnajith	- Customer Management
C.R. Kobbekaduwe	- Customer Management
L.I. Adhihetty	- Business Development
M.L. Wickramasinghe	- Project Engineering and Purification – Puritas (Pvt) Ltd.
H.H.B. Senanayake	- Business Development – Puritas (Pvt) Ltd.
L.A. Wickramasekara	- Charcoal and Shell Procurement

Overseas Subsidiaries

Marketing

Eurocarb Products Ltd.

J.D. Naylor	- Managing Director
R. Bittel	- Director (Sales)
S. Pickford	- Operations Manager

Haycarb Holdings Australia (Pty) Ltd.

D.J. Perera	- Director/Chief Operating Officer
M. Marques	- Director (Technical and Sales)

Haycarb U.S.A.

Neal E. Megonnell	- Senior Vice-President
D.M. Thomas	- Vice-President
A.S. Pathiratne	- Vice-President

Manufacturing

Carbokarn Co. Ltd.

P. Karnchanabatr	- Managing Director
B. Karnchanabatr	- Deputy Managing Director
K. Karnchanabatr	- Director
T. Karnchanabatr	- Director (Local Sales and Marketing)
D.S.R.B. Wijayasuriya	- General Manager
Ms. C. Techatipmanee	- Finance Manager
Ms. Y. Singhapoom	- Accounting Manager
W.A.M.C.K. Abayratna	- Plant Manager (Shizuka Co. Ltd.)

PT Mapalus Makawanua Charcoal Industry

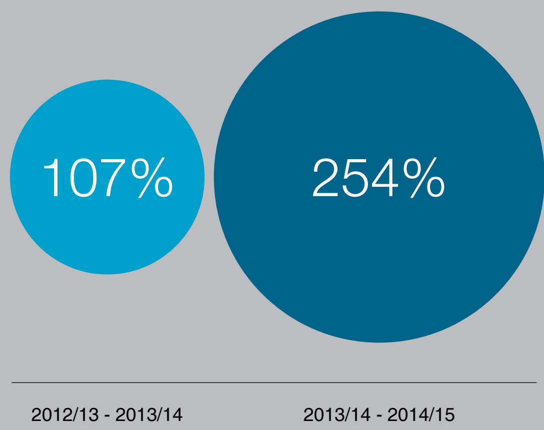
S.A.N.P.K. Athukorala	- General Manager
Ms. T. Ente	- Manager (Administration)

PT Haycarb Palu Mitra

H.S. Kumara	- Plant Manager

The Future Begins Now

Percentage Increment of Sales Volume
(Energy Storage Carbons)



Current Markets for Energy Storage Carbons

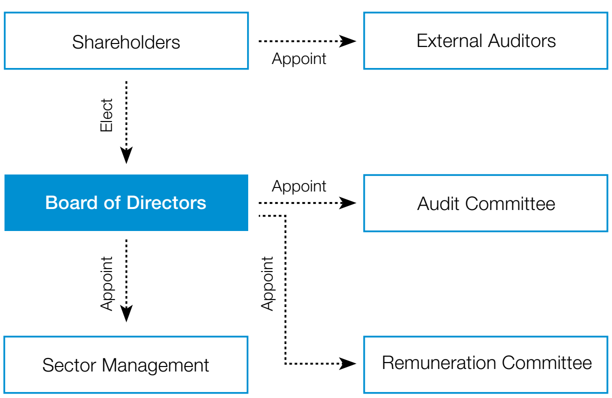
Haycarb thrives on innovation. As a world leader in the carbon industry, we are already fashioning new age applications to meet emerging market demands. For example our energy storage carbon is an integral component in new age sustainable energy solutions, providing answers to life and enterprise in the world of tomorrow.

CORPORATE GOVERNANCE

Corporate governance is at the heart of creation, protection and enhancement of shareholder value. The Company emphasises the need for transparency and accountability in all its dealings in order to protect the interests of the stakeholders. Haycarb PLC is committed to conducting its businesses within a framework that upholds highest standards of ethical conduct, business integrity, sustainability and good corporate governance practices.

The Company is a subsidiary of Hayleys PLC and is the Holding Company of Haycarb Group. The principal business of the Haycarb Group is given in page 112.

The Haycarb Governance Guidelines provide Directors and management with a clear road map of their respective responsibilities. These Guidelines are updated on a regular basis and indicate clearly, matters that require the review, advice and approval of the Board and Committees. The Governance framework is depicted in the following diagram:



The corporate governance practices adopted and practiced by Haycarb, with reference to the Code of Best Practice on Corporate Governance, published jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, The Companies Act No. 07 of 2007 and developing best practice is detailed below:

Board responsibility

The Board of Directors is responsible for the Group's performance and governance. In discharging its stewardship function, the Board is collectively responsible for upholding and ensuring the highest standards of corporate governance across the Company.

Composition and attendance at meetings

The Board comprised of twelve Directors; six Non-Executive Directors and six Executive Directors. The names of these Directors are given below and a short profile of each is given on page 24 and 25 of this Annual Report. The details of Directors' shareholding and directorates in other companies are given in pages 38 and 112 to 113 respectively.

The Board meets quarterly as a matter of routine and additional meetings are held where necessary. During the year the Board met 4 times and attendance at these meetings are given below:

Name of Director	Executive/Non-Executive	Attendance
Mr. A.M. Pandithage (Chairman)	Executive	4/4
Mr. H.S.R. Kariyawasan (Managing Director)	Executive	4/4
Mr. K.D.D. Perera	Non-Executive	1/4
Mr. A.M. Senaratna*	Independent Non-Executive	4/4*
Mr. R. Seevaratnam**	Independent Non-Executive	1/1
Mr. S.C. Ganegoda	Non-Executive	3/4
Ms. M.J.A.S. Abeyratne	Executive	4/4
Mr. D.E. Ranaraja	Executive	3/4
Mr. W.D.N.H. Perera	Non-Executive	1/4
Dr. S.A.K. Abayawardana	Independent Non-Executive	3/4
Mr. Sujeewa Rajapakse	Independent Non-Executive	4/4
Mr. M.S.P. Udaya Kumara****	Executive	–
Mr. B. Balaratnarajah*****	Executive	–

** Mr. Senaratna participated in three of these meetings via conference call facility*
*** Mr. Seevaratnam retired at the last AGM held on 25th June 2014*
***** Mr. M. S.P. Udaya Kumara was appointed to the Board on 15th February 2015*
****** Mr. B. Balaratnarajah was appointed to the Board on 01st April 2015*

Responsibilities of the Board

The Board is responsible to

a. Provide direction and guidance to the Company

b. Enhance shareholder value.

c. Ensure all stakeholder interests are considered in corporate decisions.

d. Formulate and communicate business policy and strategy to assure sustained growth and to monitor its implementation within a framework of sustainable business development.

e. Approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set.

f. Ensure Executive Directors have the skills, experience and knowledge to implement strategy effectively and adopting key management personal succession strategy.

g. Ensure effective remuneration, reward and recognition policies are in place to help employees give of their best

h. Promote an organisational culture that encourages ethical conduct

i. Set and communicate values and standards, with adequate attention being paid to accounting policies and practices.

j. Ensure effective information, control, risk management and audit systems are in place.

k. Ensure effective systems are in place for business continuity

l. Ensure compliance with laws, regulations and ethical standards.

m. Review and approve annual budgets and monitor performance

n. Adopt annual and interim results before publication

o. Exercise accountability to shareholders and be responsible to relevant stakeholders

In discharging their duties, the Directors:

- Bring independent judgment to bear and consider foremost the interests of the Company as a whole.
- Stay abreast of developments in management practice, the world and domestic economy and other matters relevant to the Company.
- May convey concerns to the Chairman or to a Non-Executive Director, if and when a need arises.
- May, where necessary and with the concurrence of the Chairman, consult and consider inputs from 'experts' in relevant areas.
- Declare their interests in contracts under discussion at a Board meeting and refrain from participating in such discussion.
- Possessing 'price-sensitive' information concerning the Company do not trade in the Company's shares until such information has been adequately disseminated in the market.

Company Secretary

The Company Secretary is responsible for co-ordination of all Board business including minutes, agendas, communication with regulatory bodies and all statutory and other filings .The services and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary is responsible to the Board in ensuring that Board procedures are followed and keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Supply of information to the Board of Directors

Directors are provided with quarterly reports on performance, minutes of committee meetings and such other reports and documents as necessary. The Chairman ensures that all Directors are adequately briefed on issues arising at meetings.

Board balance

The Chairman is responsible for the efficient conduct of Board meetings. He maintains close contact with all Directors and holds informal meetings with Non-Executive directors as and when necessary. The present Chairman of the Company is also the Chairman of Hayleys PLC. Executive authority is vested in the Managing Director. The distinction between the position of Chairman and officers wielding executive powers ensure balance of powers and authority.

The composition of Executive, Non-Executive and Independent Non-Executive Directors satisfies the requirements set down in the Listing Rules of the CSE. Three of the six Non-Executive Directors are Independent.

The balance of Executive and Independent Non-Executive Directors on the Board ensures no individual Director or small group of Directors dominate Board discussion and decision making.

The Board believes the independency of Mr. A.M. Senaratna is not compromised by being a Board member for more than nine years.

Remuneration committee

The Remuneration Committee is constituted as per the guidelines of the Listing Rules of the CSE as follows:

Mr. R. Seevaratnam (Chairman - Retired on 25.06.2014)

Dr. S. A.K. Abayawardana

Remuneration procedure

The remuneration policy is based on the need to attract and retain leaders, who have the capacity to deliver business priorities aligned with the interests of the shareholders.

The Remuneration Committee recommends the remuneration payable to the Managing Director and Executive Directors and sets the guidelines for the remuneration of the management staff of the Group. The Board makes the final determination after considering such recommendations and the performance of the senior staff.

Disclosure of remuneration

The Directors remuneration is disclosed in Note 9 (B) of the Financial Statement that appear in this Annual Report.

Haycarb Group consists of 14 subsidiaries and two associates. These companies, their core business and the names of their Directors appear on pages 112 and 113 of this Report.

The Board has in place an organisational structure detailing lines of reporting and appropriate limits of authority for different processes for each business unit. There are established procedures for budgeting and planning, investment evaluation and monitoring, performance review and other information and reporting systems to monitor Group's businesses.

The Board has delegated the primary executive authority to the Managing Director and Executive Directors to achieve the strategic objectives of the Group. This authority is exercised within the framework of ethical and sustainable business practices and good corporate governance practices. The processes established by the Board demands compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community.

Communication with shareholders and constructive use of Annual General Meeting (AGM)

The notice of meeting containing the agenda and instructions on voting, including appointment of proxies is enclosed with this Annual Report.

The active participation of shareholders at the AGM is encouraged. The Board clarifies and responds to concerns of shareholders over the content of Annual Report and other matters of importance to shareholders. At the AGM the shareholders adopt the audited Financial Statements for the year.

The shareholders are provided with quarterly Financial Statements. This is the principal communication with shareholders and other stakeholders during the year. These reports are also provided to the Colombo Stock Exchange. Shareholders may bring up their concerns as appropriate with the Managing Director or the Company Secretary as appropriate.

The Board strives to enhance shareholder value and provide a total return in excess of the market return. The Board policy is to distribute a reasonable dividend to the shareholders whilst considering funding requirements of future capital expenditure and new projects.

Major transactions

There were no major transactions as defined by section 185 of the Companies Act No. 07 of 2007 nor major and material transactions as defined in Section C 3 of the Code of Best Practice on Corporate Governance.

Internal control

The Board of Directors is responsible for the Group's system of internal financial controls. The system is designed to safeguard assets against unauthorised use or disposition, to ensure that accurate records are maintained and reliable financial information is generated. The system covers all controls including financial and operational control, compliance and risk management. These controls are designed to provide reasonable but not absolute assurance regarding the prevention and detection errors and irregularities.

In addition to the internal resources, the Group engages the Internal Audit resources of its Parent Hayleys PLC to carry out the internal audits and review its systems.

The important procedures in place are as follows:

- The Directors are responsible for the establishment and for reviewing the effectiveness of, the Company's system of internal controls including financial controls appropriate for the operation within the overall Group policies.
- The Board reviews the strategies of the divisions and constituent companies. Annual budgeting and regular forecasting processes are in place and the Directors review performance.
- The Board has established policies in areas of investment and treasury management and does not permit employment of complex financial risk management mechanisms.
- The Group is subjected to regular internal audits and system reviews.
- The Audit Committee reviews the plans and activities of the internal audits and interim issues memorandums and the management letters of External Auditors.
- The Group carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment.

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts.

Audit committee

The Audit Committee comprises of three Non-Executive Independent Directors and is chaired by a senior Chartered Accountant. The Chairman and Hayleys Group Chief Financial Officer, and the Managing Director of Haycarb PLC and Finance Director of Haycarb PLC attend its meetings by invitation. Other Executive Directors and Auditors attend the meeting as and when required. The Audit Committee plays a role to help the Group balance conformance and performance.

The Audit Committee has been delegated the responsibility of reviewing the Group's internal controls. The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Group and its internal and external audits. The Committee reviewed the Financial Statements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and other related functions that the Board required. It reviews the adequacy of systems for compliance with relevant legal, regulatory and ethical requirements.

The Audit Committee recommends the appointment and the fees of External Auditors, having considered their independence.

The Audit Committee's Report including names of the members of the Audit Committee appears on page 42 to 43 of this Report.

Disclosure of information

The Board places emphasis on complete disclosure of both financial and non-financial information, within the bounds of commercial reality and the early adoption of sound reporting practices. Due care is exercised with respect to price sensitive information.

The Annual Report includes descriptive non-financial content through which we attempt to provide stakeholders with information in order to assist them to make more informative and balanced decisions.

The Statement of Directors Responsibilities for the preparation of Financial Statements are given in page 41 of this Report.

Management review

There is an ongoing process to identify, evaluate and manage significant risks. The review of performance during the year, the review of potential risks, both external and internal and mitigatory actions instituted is reported in the Managing Director's, Review given in pages 6 to 9 of this Report.

IT Governance

The Company pays close attention to bringing the IT systems in line with its strategies and objectives. Upgrading of the IT systems are being undertaken based on the assessments undertaken. Dedicated IT staff and the services of the Hayleys Group IT Function are used to support this. .

IT value and alignment

Investment in IT projects and systems are made after consideration is given to their suitability to the related projects. Further aspects such as cost savings, improved customer satisfaction, timely information and the balance between cost of investment and scale of operations are also taken into account when these decisions are taken.

IT risk management

Risks associated with Information Technology are assessed in the process of Risk Management. Use of licensed software, close monitoring of internet usage and mail server operations and the use of antivirus and firewall software, are some of the practices in place.

Going concern

The Directors believe, after reviewing the financial position and the cash flow of the Group, that the Group has adequate resources to continue operations well into the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

Level of compliance with Section 7 of the CSE Listing Rules on corporate governance is given in the following table:

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
A.5.1	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors.	Compliant	Six of twelve Directors are Non-Executive Directors.
A.5.2	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be Independent.	Compliant	Three of the six Non-Executive Directors are Independent.
A.5.4	Independent Directors	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format.	Compliant	
A.5.5	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 32.
A.5.5	Disclosure relating to Directors	The basis for Board to determine a Director as independent, if specified criteria for independence is not met.	Compliant	Given in page 33 under the heading of Board balance.
	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of Expertise.	Compliant	Please refer page 24, 25.
A.7.3	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange.	Compliant	
B.1.1	Remuneration Committee	The Board of Directors should set up a Remuneration Committee to make recommendations to the Board on the Company's framework of remunerating Executive Directors.	Compliant	Please refer to page 33.
B.1.2	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors' a majority of whom will be independent.	Compliant	Comprises of two Non-Executive Independent Directors.
B.1.1	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors.	Compliant	Please refer to page 34.
B.3.1	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; Names of Directors comprising the Remuneration Committee.	Compliant	Please refer to page 33.
		Statement of Remuneration Policy	Compliant	Please refer to page 34.
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Compliant	Please refer to page 71.
D.2.1	Audit Committee	The Company shall have a Audit Committee	Compliant	The names of the members of the Audit Committee are stated on page 42.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
D.3.1	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Compliant	Audit Committee consists of three Independent Non-Executive Directors.
		A Non-Executive Director shall be appointed as the Chairman of the Committee.	Compliant	
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	Compliant	
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant	Chairman of the Audit Committee is a Chartered Accountant.
D.3.2	Audit Committee Functions	The Audit Committee functions shall include: a. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards. b. Overseeing the compliance with Financial Reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. c. Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. d. Assessment of the independence and performance of the External Auditors. e. Make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.	Compliant	The terms of reference of the Audit Committee has been agreed by the Board.
D.3.4	Disclosure in the Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant	Please refer Audit Committee Report on page 42.
		b The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Compliant	Please refer Audit Committee Report on page 42.
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance by the Company in relation to (a) and (b) above.	Compliant	Please refer Audit Committee Report on page 42.

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

The Directors of Haycarb PLC present their Annual Report together with the Audited Financial Statements of the Company and of the Group for the year ended 31st March 2015.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

Principal activities and business review of the year

The principal activities of the Group and its management team are shown on pages 112 and 113 respectively of this Report. The Chairman's Statement and the Managing Director's Review describe the Group's affairs and mention important events of the year. The results for the year are set out in the Consolidated Income Statement on page 47.

Financial Statements

The Financial Statements of the Company and the Group are given on pages 47 to 107.

Auditors report

Auditors' Report on the Financial Statements is given on page 46.

Accounting policies

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 52 to 69 There were no changes in the accounting policies adopted.

Interests register

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interests Register. Particulars of entries in the Interests Register and in the Interests Registers of Subsidiaries who maintain such Registers are detailed under the caption subsidiaries.

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. 07 of 2007. Note 32 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' interests in shares

There were no changes in the Directors' shareholdings during the year.

Directors' remuneration

Executive Directors' Remuneration is established within an established framework. The total remuneration of executive Directors for the year ended 31st March 2015 is Rs. 44,558,000/- (2013/14 - Rs. 29,481,046/-), which includes the value of perquisites granted to them as part of their term of service. The total remuneration of Non-Executive Directors for the year ended 31st March 2015 is Rs. 3,510,000/- (2013/14 – Rs. 3,600,000/-), determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Subsidiaries

The Shareholders of the following Subsidiaries, being private companies registered under Companies Act No. 07 of 2007, have unanimously agreed to dispense with the requirement to maintain an Interests Register.

Recogen (Pvt) Ltd.
Puritas (Pvt) Ltd.
Utracarb (Pvt) Ltd.
Haycarb Value Added Products (Pvt) Ltd.

Directors' Shareholdings

Name of the Director	**As at 31st March 2015**	As at 31st March 2014
Mr. A.M. Pandithage	**2,379**	2,379
Mr. H.S.R. Kariyawasan*	**15,500**	15,500
Mr. S.C. Ganegoda	**1,815**	1,815
Mr. D.E. Ranaraja	**10,000**	10,000
Mr. M.S.P. Udaya Kumara (appointed w.e.f. 15/02/2015)	**462**	462
Mr. B. Balaratnarajah (appointed w.e.f. 01/04/2015)	**1,004**	1,004

**Shares held jointly with Mrs. K.H.S. Kariyawasan*

Mr. Dhammika Perera held as at 31st March 2015, directly and indirectly, 49.71% of the total issued shares of Hayleys PLC which in turn held 20,125,103 shares in Haycarb PLC.

Donations

The donations made by the Company and the Group are disclosed in Note 9 (B) on page 71.

At the last Annual General Meeting shareholders approved a sum not exceeding Rs. 1, 500,000/- in respect of donations. The donations given during the year amounted to Rs. 1,181,445/- (2013/14 – Rs. 1,850,665/-).

No donations were made for political purpose.

Directorate

The names of the Directors who served during the year are given below and their brief profiles appear on pages 24 and 25 of this Report.

Mr. A.M. Pandithage (Chairman)

Mr. H.S.R. Kariyawasan (Managing Director)

Mr. Dhammika Perera*

Mr. A.M. Senaratna**

Mr. S.C. Ganegoda*

Mrs. M.J.A.S. Abeyratne

Mr. D.E. Ranaraja

Mr. Nimal Perera*

Dr. S.A.K. Abayawardana**

Mr. S. Rajapakse**

Mr. M.S.P. Udaya Kumara

Mr. B. Balaratnarajah

Ms. D.S.N. Weerasooriya (Alternate Director to Mr. Dhammika Perera) – (resigned on 31st May 2014)

Mr. R. Seevaratnam** (retired at the last AGM held on 25th June 2014)

** Non-Executive Directors*

*** Independent Non-Executive Directors*

Messrs M.S.P. Udaya Kumara and B. Balaratnarajah were appointed to the Board as Directors on 15th February 2015 and 1st April 2015 respectively. In terms of the Articles 27 (2) of the Articles of Association of the Company shareholders will be requested to re-elect them at the Annual General Meeting.

In terms of Article No. 29 (1) of the Articles of Association of the Company, Messrs A.M. Senaratna, Dhammika Perera and S.C. Ganegoda retire by rotation and being eligible, offer themselves for re-election.

The Directors of the Subsidiaries are given on pages 112 and 113.

Auditors

The Financial Statements for the year have been audited by Messrs Ernst & Young, Chartered Accountants.

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 1,436,000/- (2013/14 – Rs. 1,310,000/-) and Rs. 2,370,000/- (2013/14 – Rs. 2,034,000/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 1,025,000/- (2013/14 – Rs. 750,000/-) and Rs. 2,217,000/- (2013/14 – Rs. 1,093,000/-) by the Company and Group, for non-audit related work, which consisted mainly of tax advisory services.

As far as the Directors are aware, the Auditors of the Company and of the Subsidiaries do not have any relationships (other than that of an Auditor) with the Company or any of its Subsidiaries other than those disclosed above. The Auditors also do not have any interests in the Company or any of its Group companies.

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of Section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company.

A resolution proposing Directors be authorised to determine Auditors Remuneration will be submitted at the AGM.

Group revenue

The revenue of the Group was Rs. 11,933,848,000/- (2013/14 – Rs. 10,338,684,000/-) in the year under review. A detailed analysis of the Group's revenue is given in Note 5 to the Financial Statements.

The Group's revenue from international trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka amounted to Rs. 11,082,941,591 (2013/14 – Rs. 9,839,022,398/-). Trade between Group companies are conducted at fair market prices.

Profits

The Group's profit before tax amounted to Rs. 1,070,336,000/- (2013/14 – Rs. 1,044,083,000/-). After deducting Rs. 196,404,000/- (2013/14 – Rs. 152,106,000/-) for taxation, the profit was Rs. 873,932,000/- (2013/14 – Rs. 891,977,000/-). When non-controlling interest of Rs. 178,947,000/- (2013/14 – Rs. 104,197,000/-) was deducted, the profit attributable to the equity holders of the Company was Rs. 694,985,000/- (2013/14 – Rs. 787,780,000/-).

Insurance and indemnity

The Company is covered by Directors and officers (D & O) cover of the Parent Company, Hayleys PLC and a premium of Rs. 4.5 million and the limit on liability of the cover is USD 5 million.

Dividend

An Interim Dividend of Rs. 2.00 per share was declared by the Company and paid to the shareholders on 21st April 2015.

The Board of Directors has recommended the payment of a Final Dividend of Rs. 4/- per share payable on 6th July 2015 to the shareholders of the issued ordinary shares of the Company as at close of business on 25th June 2015. The proposed dividend is subject to shareholder approval at the forthcoming Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for both interim dividend paid and final dividend proposed. A solvency certificate was obtained from the Auditors in respect of the interim dividend paid and one has been sought in respect of the final dividend proposed.

The Twenty major shareholders as at 31st March 2015, are given on page 110 in this Report.

Annual general meeting

The Annual General Meeting will be held at 400, Deans Road, Colombo 10, Sri Lanka at 10.00 a.m. on 25th June , 2015.
The Notice of the Annual General Meeting appears on page 115.

For and on behalf of the Board,

A.M. Pandithage
Chairman

H.S.R. Kariyawasan
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries
No. 400, Deans Road
Colombo 10

15th May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) and 153 (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

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

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS). The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Group, and in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the Company Act No. 07 of 2007 for both interim dividend paid and final dividend proposed. A solvency certificate was obtained from the auditors in respect of the interim dividend paid and one has been sought in respect of the final dividend proposed.

The External Auditors, Messrs Ernst & Young, are deemed re-appointed in terms of Section 158 of the Companies Act No. 07 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 page 46 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 date of the Statement of Financial Position have been paid or where relevant, provided for.

By Order of the Board,

Hayleys Group Services (Pvt) Ltd.
Secretaries

15th May 2015

AUDIT COMMITTEE REPORT

Composition and role

The Audit Committee is appointed by and is responsible to the Board of Directors. The Audit Committee comprises of Messrs Sujeewa Rajapakse (Chairman), Arjun Senaratna and Dr. Sarath Abayawardana. The mandate of the Committee includes providing assistance to the Board in fulfilling its legal and fiduciary obligations with respect to the matters involving financial reporting and internal controls of the Company.
In executing its responsibilities the Committee has sought to balance independent oversight of the business with support and guidance to the management.

The Audit Committee was constituted in 2007 and comprises of three Non-Executive Independent Directors and is chaired by a Senior Chartered Accountant. The Chairman and the Chief Financial Officer of Hayleys PLC and the Managing Director and Finance Director of Haycarb PLC attend the meetings of the Committee by invitation.

The role of the Audit Committee with its specific terms of reference is described in the Corporate Governance Report on page 35.

The Audit Committee met four times during the year and the attendance is given below:

Name		Attendance
Mr. S. Rajapakse (Chairman)	Independent Non-Executive	4/4
Mr. R. Seevaratnam	Independent Non-Executive	1/1
Mr. A.M. Senaratna	Independent Non-Executive	4/4 **
Dr. S.A.K. Abayawardana	Independent Non-Executive	3/4

** Retired at the last AGM held on 25th June 2014.*

*** Mr. A.M. Senaratna attended three of the meetings through teleconference facility.*

A brief profile of each member is given on pages 24 and 25 of this Report. Their individual and collective financial knowledge, business acumen and the independence of the Committee are brought to bear on their deliberations and decisions on matters that come within the Committee's purview.

Other members of the Board of Directors, members of the Senior Management team of Haycarb PLC and members of the Hayleys PLC Finance and Internal Audit Team were present at the meetings of the Committee where appropriate. The External Auditors are also invited to be present where relevant. The proceedings of the Audit Committee are regularly reported to the Board.

Activities

Financial reporting system

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements in order to assess reliability of the process, consistency of accounting policies and their compliance with the Sri Lanka Accounting Standards (SLFRS's and LKAS's) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL). The Audit Committee obtained Statements of Compliance from the Business Unit Heads where appropriate. Having reviewed the financial reporting system, the Committee is satisfied that the system comply in all material respects with the regulatory and statutory requirements.

The Committee reviewed the adequacy of disclosure and the presentation formats of the published Financial Statements and adequacy of the content and quality of routine management information forwarded to its members.

The Committee engaged in discussion with the Company's External Auditors on the results of the External Auditors' examinations and their judgment on the acceptability of the accounting principles adopted by the Company.

The quarterly and annual Financial Statements are recommended to the Board of Directors for their deliberation and issuance by the Audit Committee.

Internal control systems

The Committee reviewed the business processes in order to evaluate the effectiveness of the internal controls. The internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material misstatement or loss.

During the year under review, the services of the Hayleys PLC Internal Audit Division was used to audit procurement process, inventory control and payment for services among others.
The key business processes involving Haycarb PLC and its subsidiaries are reported to the Hayleys Internal Audit and the Audit Committee for review and formulation of action plans for the ensuing year.

The Committee also reviewed the adequacy of provisions made for possible liabilities and compliance with relevant statutory requirements.

Risk management

The risk management framework which details risks and mitigatory plans is presented and reviewed at the Audit Committee meeting.

External audit

The Audit Committee discussed the audit plan and the scope of the external audit with Messrs Ernst & Young. The Audit Results Report and the Management Letters issued by the External Auditors with regard to the Financial Statements for the year was circulated and reviewed at the Audit Committee.

The Committee also reviewed the nature and value of non-audit work the External Auditors had undertaken, in order to ensure that it did not compromise their independence.

Appointment of External Auditors

The Audit Committee recommended to the Board that Messrs Ernst and Young be reappointed as External Auditors for the ensuing financial year subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

The Committee received the support of the management to discharge its responsibilities effectively.

The Audit Committee is satisfied that the operational controls of the Group provide a reasonable assurance that the assets are safeguarded, the policies of the Group are adhered to and the financial reporting system is effective and forms the basis for the preparation of reliable Financial Statements.

S. Rajapakse
Chairman
Audit Committee

12th May 2015

Financial Statements

Financial Calendar 2014/15

Interim Reports	
Quarter ended 30th June 2014	30th July 2014
Quarter ended 30th September 2014	28th October 2014
Quarter ended 31st December 2014	05th February 2015
Quarter ended 31st March 2015	15th May 2015
Annual Report	1st June 2015
Forty-Second Annual General Meeting	25th June 2015
Final dividend proposed	15th May 2015
Final dividend payable	6th July 2015

INDEPENDENT AUDITORS' REPORT

Building a better working world

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TO THE SHAREHOLDERS OF HAYCARB PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Haycarb PLC, ('the Company') and the Consolidated Financial Statements of the Company and its subsidiaries ('Group'), which comprise the Statement of Financial Position as at 31st March 2015, and the statement of income and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. (Set out on pages 47 to 107)

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

1. The basis of opinion and scope and limitations of the audit are as stated above.
2. In our opinion
   - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company
   - The Financial Statements of the Company, give a true and fair view of its financial position as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
   - The Financial Statements of the Company and the Group comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

15th May 2015
Colombo

INCOME STATEMENTS

For the year ended 31st March	Note	Consolidated 2015 Rs. '000	Consolidated 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Revenue	5	**11,933,848**	10,338,684	**4,639,496**	5,271,186
Cost of sales		**(8,919,658)**	(7,605,573)	**(3,916,043)**	(4,243,455)
Gross profit		**3,014,190**	2,733,111	**723,453**	1,027,731
Other operating income	6	**47,959**	28,504	**347,771**	227,063
Selling and distribution expenses		**(150,434)**	(123,081)	**(28,780)**	(52,693)
Administrative expenses		**(1,605,384)**	(1,369,418)	**(596,037)**	(584,085)
Other expenses	7	**(2,260)**	–	**–**	–
Results from operating activities		**1,304,071**	1,269,116	**446,407**	618,016
Finance income	8.1	**74,747**	92,657	**47,873**	73,325
Finance costs	8.2	**(319,939)**	(342,433)	**(113,719)**	(140,478)
Net Finance cost		**(245,192)**	(249,776)	**(65,846)**	(67,153)
Share of profit of equity accounted investees (net of tax)	16	**11,457**	24,743	**–**	–
Profit before income tax	9	**1,070,336**	1,044,083	**380,561**	550,863
Income tax expense	10	**(196,404)**	(152,106)	**(12,539)**	(27,630)
Profit for the year		**873,932**	891,977	**368,022**	523,233
Attributable to:					
Equity holders of the Company		**694,985**	787,780	**368,022**	523,233
Non-controlling interest		**178,947**	104,197	**–**	–
Profit for the year		**873,932**	891,977	**368,022**	523,233
Earnings per share					
Basic earnings per share (Rs.)	11	**23.39**	26.51	**12.39**	17.61
Dividend per share (Rs.)	12	**6.00**	6.00	**6.00**	6.00

The Notes to the Financial Statements on pages 52 to 107 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Profit for the year		**873,932**	891,977	**368,022**	523,233
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net exchange differences on translation of foreign entities		**(57,487)**	(144,675)	**–**	–
Net gain/(loss) on available-for-sale financial assets	22	**207,099**	(97,243)	**207,099**	(97,243)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains/(losses) on defined benefit plans	27	**(12,151)**	(18,000)	**(12,076)**	(18,075)
Revaluation of land	13	**223,595**	–	**101,244**	–
Tax effect on OCI adjustments		**1,469**	2,147	**1,449**	2,169
Other comprehensive income (loss) for the year (net of tax)		**362,525**	(257,771)	**297,716**	(113,149)
Total comprehensive income for the year (net of tax)		**1,236,457**	634,206	**665,738**	410,084
Attributable to:					
Equity holders of the Parent		**1,027,520**	562,709	**665,738**	410,084
Non-controlling interest		**208,937**	71,497	**–**	–
		1,236,457	634,206	**665,738**	410,084

The Notes to the Financial Statements on pages 52 to 107 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at 31st March	Note	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**4,029,455**	3,474,558	**1,174,938**	956,027
Investment property	14	**–**	36,846	**–**	36,846
Intangible assets	15	**260,903**	251,223	**43,190**	38,841
Investment in subsidiaries	18	**–**	–	**1,341,765**	1,341,765
Investment in equity accounted investees	16	**461,338**	393,297	**92,903**	92,903
Non-current receivables from subsidiaries	17C	**–**	–	**53,638**	33,446
Other non-current financial assets	22	**562,135**	354,972	**561,977**	354,878
Deferred tax assets	28A	**6,526**	15,860	**–**	–
Total non-current assets		**5,320,357**	4,526,756	**3,268,411**	2,854,706
Current assets					
Inventories	19	**3,022,580**	2,123,407	**1,261,613**	1,019,656
Trade and other receivables	20	**1,823,711**	1,883,475	**919,324**	1,073,519
Amounts due from subsidiaries	17C	**–**	–	**586,238**	524,324
Amounts due from other related parties	17D	**30,111**	16,126	**16,522**	9,908
Amounts due from equity accounted investees	17E	**16,892**	4,385	**–**	–
Other current assets	21	**280,031**	228,622	**89,572**	65,701
Cash and cash equivalents	23	**523,088**	730,734	**132,163**	381,030
Total current assets		**5,696,413**	4,986,749	**3,005,432**	3,074,138
Total assets		**11,016,770**	9,513,505	**6,273,843**	5,928,844
EQUITY AND LIABILITIES					
Equity					
Stated capital	24	**331,774**	331,774	**331,774**	331,774
Capital reserves	25.1	**570,848**	373,907	**309,253**	208,009
Revenue reserves	25.2	**4,800,584**	4,061,796	**3,169,499**	2,753,566
Equity attributable to equity holders of the Company		**5,703,206**	4,767,477	**3,810,526**	3,293,349
Non-controlling interest		**590,724**	468,418	**–**	–
Total equity		**6,293,930**	5,235,895	**3,810,526**	3,293,349
Non-current liabilities					
Interest-bearing loans and borrowings	26A	**501,134**	689,322	**366,138**	559,329
Retirement benefit obligations	27	**257,636**	209,577	**214,708**	186,739
Deferred tax liabilities	28B	**40,581**	21,219	**16,600**	8,100
Total non-current liabilities		**799,351**	920,118	**597,446**	754,168
Current liabilities					
Trade and other payables	29	**639,617**	596,247	**174,466**	175,601
Interest-bearing loans and borrowings	26B	**2,015,173**	1,773,281	**1,423,805**	1,446,122
Other current liabilities	30	**239,881**	261,463	**159,678**	223,574
Amounts due to subsidiaries	17A	**–**	–	**66,863**	36,030
Amounts due to other related parties	17B	**964,584**	659,132	**41,059**	–
Income tax payable		**64,234**	67,369	**–**	–
Total current liabilities		**3,923,489**	3,357,492	**1,865,871**	1,881,327
Total liabilities		**4,722,840**	4,277,610	**2,463,317**	2,635,495
Total equity and liabilities		**11,016,770**	9,513,505	**6,273,843**	5,928,844

I certify that the Financial Statements set out on pages 47 to 107 have been prepared in accordance with the Companies Act No. 07 of 2007.

Jeevani Abeyratne
Director - Finance

The Notes to the Financial Statements on pages 52 to 107 form an integral part of these Financial Statements.

The Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board,

Mohan Pandithage
Chairman
15th May 2015

Rajitha Kariyawasan
Managing Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31st March 2015

Consolidated

	Attributable to Equity Holders of the Company								
			Other Reserves						
	Stated Capital Rs. '000	Capital Reserve Rs. '000	Available-for-Sale Reserve Rs. '000	Exchange Fluctuation Reserve Rs. '000	General Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Non-Controlling Interest Rs. '000	Total Equity Rs. '000
Balance as at 31.03.2013	331,774	373,907	411,460	390,478	519,353	2,354,585	4,381,557	344,247	4,725,804
Profit for the period	–	–	–	–	–	787,780	787,780	104,197	891,977
Other comprehensive income for the year	–	–	(97,243)	(111,975)	–	(15,853)	(225,071)	(32,700)	(257,771)
Share issue expenses	–	–	–	–	–	(1,001)	(1,001)	–	(1,001)
Incorporation of subsidiary	–	–	–	–		–	–	110,388	110,388
Movement in reserve in equity accounted investee	–	–	–	–	–	2,486	2,486	–	2,486
Dividends	–	–	–	–	–	(178,274)	(178,274)	(57,714)	(235,988)
Balance as at 31.03.2014	331,774	373,907	314,217	278,503	519,353	2,949,723	4,767,477	468,418	5,235,895
Profit for the period	–	–	–	–	–	694,985	694,985	178,947	873,932
Other comprehensive income for the period	–	–	207,099	(60,823)	–	(10,682)	135,594	3,336	138,930
Revaluation during the year	–	196,941	–	–	–	–	196,941	26,654	223,595
Movement in reserve in equity accounted investee	–	–	–	–	–	56,770	56,770	–	56,770
Dividends	–	–	–	–	–	(148,561)	(148,561)	(86,631)	(235,192)
Balance as at 31.03.2015	**331,774**	**570,848**	**521,316**	**217,680**	**519,353**	**3,542,235**	**5,703,206**	**590,724**	**6,293,930**

Company

			Other Reserves			
	Stated Capital Rs. '000	Capital Reserve Rs. '000	General Reserve Rs. '000	Available-for-Sale Reserve Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Balance as at 01.04.2013	331,774	208,009	519,353	411,460	1,590,943	3,061,539
Profit for the year	–	–	–	–	523,233	523,233
Other comprehensive income for the period	–	–	–	(97,243)	(15,906)	(113,149)
Dividends	–	–	–	–	(178,274)	(178,274)
Balance as at 31.03.2014	331,774	208,009	519,353	314,217	1,919,996	3,293,349
Profit for the year	–	–	–	–	368,022	368,022
Other comprehensive income for the period	–	101,244	–	207,099	(10,627)	297,716
Dividends	–	–	–	–	(148,561)	(148,561)
Balance as at 31.03.2015	**331,774**	**309,253**	**519,353**	**521,316**	**2,128,830**	**3,810,526**

The Notes to the Financial Statements on pages 52 to 107 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the year ended 31st March	Note	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Profit before tax		**1,070,336**	1,044,083	**380,561**	550,863
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment		**308,045**	227,897	**79,055**	62,679
Amortisation and impairment of intangible assets		**15,226**	7,956	**12,975**	7,881
Revaluation loss charged to income statement		**2,260**	–	**–**	–
(Gain)/loss on disposal of property, plant and equipment		**(292)**	1,836	**(9)**	–
Gain/(loss) on translation of foreign currencies		**(93,580)**	(123,316)	**(9,658)**	(5,325)
Exchange difference on translation of foreign entities		**(24,527)**	(29,228)	**–**	–
Finance income		**(74,747)**	(92,657)	**(47,873)**	(73,325)
Finance costs		**319,939**	342,433	**113,719**	140,478
Dividend income - subsidiaries		**–**	–	**(184,192)**	(124,655)
Share of profit from equity accounted investees		**(11,457)**	(24,743)	**–**	–
Provision for slow moving inventories		**4,166**	(915)	**2,885**	(724)
Provision for unrealised profit on inventories		**24,765**	10,812	**–**	–
Write-off of debtors		**9,732**	–	**–**	–
Provision/(reversal) of bad and doubtful debts		**(2,139)**	3,351	**–**	–
Provision for retiring gratuity		**54,045**	30,153	**34,030**	30,051
Cash generated from operations before working capital changes		**1,601,772**	1,397,662	**381,493**	587,923
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		**15,383**	(255,131)	**144,946**	(208,766)
(Increase)/decrease in amounts receivable from related parties		**(26,492)**	24,158	**(88,720)**	(158,340)
(Increase)/decrease in inventories		**(928,104)**	44,741	**(244,842)**	25,584
Increase/(decrease) in trade and other payables		**21,787**	222,198	**(65,031)**	89,000
Increase/(decrease) in amounts due to related parties		**305,452**	(58,490)	**71,892**	(10,341)
		989,798	1,375,138	**199,738**	325,060
Interest paid		**(166,632)**	(136,452)	**(67,153)**	(74,213)
Income tax paid		**(183,995)**	(223,295)	**(17,212)**	(53,156)
Retiring gratuity paid		**(18,137)**	(14,633)	**(18,137)**	(14,633)
Net cash flows from operating activities		**621,034**	1,000,758	**97,236**	183,058
Investing activities:					
Proceeds from sale of property, plant and equipment		**2,044**	6,204	**93**	–
Purchase of property, plant and equipment		**(639,536)**	(1,023,667)	**(159,961)**	(193,199)
Investment in subsidiary shares		**–**	–	**–**	(318,268)
Acquisition of intangible assets		**(24,906)**	(19,161)	**(17,324)**	(8,746)
Interest received		**5,906**	12,915	**1,853**	10,545
Dividend received from equity accounted investee		**186**	929	**186**	929
Other dividends received		**24,414**	22,381	**208,418**	146,104
Net cash flows used in investing activities		**(631,892)**	(1,000,399)	**33,265**	(362,635)
Net cash inflow/(outflow) before financing activities		**(10,858)**	359	**130,501**	(179,577)
Financing activities:					
Transaction costs on issue of shares		**–**	(1,001)	**–**	–
Investment made by minority shareholders		**–**	110,388	**–**	–
Proceeds from borrowings		**131,000**	384,607	**–**	384,607
Repayment of borrowings		**(317,491)**	(215,238)	**(171,794)**	(122,942)
Dividends paid to equity holders of the Parent		**(148,561)**	(178,274)	**(148,561)**	(178,274)
Dividends paid to non-controlling interests		**(86,631)**	(57,714)	**–**	–
Net cash flows from/(used in) financing activities		**(421,683)**	42,768	**(320,355)**	83,391
Net increase/(decrease) in cash and cash equivalents		**(432,541)**	43,127	**(189,854)**	(96,186)
Cash and cash equivalents at the beginning of period		**(779,279)**	(822,406)	**(895,223)**	(799,037)
Cash and cash equivalents at the end of period	23	**(1,211,820)**	(779,279)	**(1,085,076)**	(895,223)
Analysis of cash and cash equivalents as at 31st March					
Bank and cash balances		**455,819**	627,541	**129,763**	253,647
Short-term deposits		**67,269**	103,193	**2,400**	127,382
		523,088	730,734	**132,163**	381,029
Bank overdrafts and short-term loans		**(1,734,908)**	(1,510,013)	**(1,217,239)**	(1,276,252)
Cash and cash equivalents		**(1,211,820)**	(779,279)	**(1,085,076)**	(895,223)

The Notes to the Financial Statements on pages 52 to 107 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS
ACCOUNTING POLICIES

1. Corporate information

1.1 Reporting entity

Haycarb PLC, is a company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at No. 400, Deans Road, Colombo 10.

All the companies in the Group are limited liability companies and of the seventeen companies, seven [viz., Haycarb PLC, Puritas (Pvt) Ltd., Recogen (Pvt) Ltd., Ultracarb (Pvt) Ltd., Lakdiyatha (Pvt) Ltd., Haycarb Value Added Products (Pvt) Ltd. and Carbotels (Pvt) Ltd.] are incorporated and domiciled in Sri Lanka. The information on incorporation and principal activities of these companies are given on page 112 of this Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Haycarb PLC, as at and for the year ended 31st March 2015 comprise the Company and its Subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in Associates.

1.3 Nature of operations and principal activities of the Company and the Group

Descriptions of the nature of the operations and principal activities of the Company, its Subsidiaries and Equity Accounted Investees are given on pages 112 and 113. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The Parent undertaking and controlling party of the Company is Hayleys PLC.

1.4 Approval of Financial Statements

The Financial Statements of all companies in the Group other than those mentioned in Note 40 to the Financial Statements are prepared to a common financial year, which ends 31st March. The subsidiaries with 31st December financial year ends prepare for Consolidation purpose, additional financial information as of the same date as the Financial Statements of the Parent.
The Financial Statements were authorised for issue by the Directors on 15th May 2015.

1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. Basis of preparation

2.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS and LKAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of measurement

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

- Lands which are recognised as property, plant and equipment are measured at cost at the time of acquisition and subsequently lands are carried at fair value.
- Financial instruments - fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

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

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

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency, except for certain subsidiaries whose functional currencies are different as they operate in different economic environments (see Note 41). All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

2.4 Materiality and aggregation

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

3. Significant accounting policies

3.1 Basis of consolidation

The Consolidated Financial Statements (referred to as the 'Group') comprise the Financial Statements of the Company and its subsidiaries and the Group's interest in equity accounted investees.

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and when it 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in Income Statement. Any investment retained is recognised at fair value.

3.1.2 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities, the Group incurs in connection with business combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss recognised in the Income Statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment for the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

3.1.3 Transactions with non-controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Parent, directly or indirectly through subsidiaries, is disclosed separately under the heading 'Non-Controlling Interest'.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

3.1.4 Equity accounted investees

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Income Statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each Reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit/loss of an associate and a joint venture' in the Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in Income Statement.

3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates applicable on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the Reporting date are retranslated at the functional currency spot rate of exchange ruling at the Reporting date. Foreign currency differences arising on retranslation are recognised in the Income Statement. All differences arising on settlement or translation of monetary items are taken to the Income Statement. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or Income Statement is also recognised in other comprehensive income or income statement, respectively).

3.2.2 Financial statements of foreign entities

The results and financial position of all Group entities that have a functional currency other than the Sri Lankan Rupee are translated into Sri Lankan Rupees as follows:

- Assets and liabilities for each Statement of Financial Position presented, including goodwill and fair value adjustments arising on the acquisition of a foreign entity, are translated to Sri Lankan Rupees at the exchange rate prevailing at the Reporting date.
- Income and expenses are translated at the average exchange rates for the period.

The exchange differences arising on translation for Consolidation are recognised in Other Comprehensive Income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to Income Statement as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to Income Statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation.

3.3 Consolidation of subsidiaries with different accounting periods

The Financial Statements of all subsidiaries in the Group other than those mentioned in Note 40 to the Financial Statements are prepared for a common financial year, which ends on 31st March. The subsidiaries with 31st December financial year ends prepare for Consolidation purpose, additional financial information as of the same date as the Financial Statements of the Parent.

3.4 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the Reporting period.
- All other assets are classified as non-current.

- A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

3.5 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as land, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed under relevant Notes:

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.6 Assets and bases of their valuation

3.6.1 Property, plant and equipment

The Group applies the requirements of LKAS 16 on 'Property, Plant and Equipment' in accounting for its owned assets which are held for and used in the provision of the services, for rental to others or for administration purposes and are expected to be used for more than one year.

3.6.1.1 Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.6.1.2 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, whilst land is measured at fair value.

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

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case, the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.6.1.4 Leased assets

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

IFRIC 4 seeks to identify the contractual terms and conditions of agreements that, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies, in such agreements, a lease that is then analysed and accounted for in accordance with the criteria laid down in LKAS 17, based on the allocation of the risks and rewards of ownership.

The contract operator therefore becomes the lessor vis-à-vis its customer. Where the lease transfers the risks and rewards of ownership of the asset in accordance with LKAS 17 criteria, the operator recognises a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

3.6.1.5 Group as a lessee

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

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

Operating lease payments are recognised as an operating expense in the Income Statement on a straight-line basis over the lease term.

3.6.1.6 Group as a lessor for operating lease

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

3.6.1.7 Subsequent costs

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

The costs of the repair and maintenance of property, plant and equipment are recognised in Income Statement as incurred.

3.6.1.8 Derecognition

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

3.6.1.9 Depreciation

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

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

Buildings	20 - 50 years
Software	05 years
Plant & machinery	05 - 50 years
Stores equipment	05 - 10 years
Motor vehicles	05 years
Furniture, fittings & office equipment	02 - 10 years
Data processing equipment	04 years
Laboratory equipment	05 years

Depreciation of an asset begins when it is available-for-use and ceases at the earlier of the dates on which the asset is classified as held-for-sale or when the asset is derecognised. The asset's residual value and useful lives are reviewed and adjusted if appropriate at each financial year-end.

3.6.1.10 Intangible assets

3.6.1.10.1 Basis of recognition

An intangible asset is recognised 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.

3.6.1.10.2 Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally-generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.6.1.10.3 Derecognition of intangible assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

3.6.1.11 Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.6.1.12 Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3.6.1.12.1 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in profit and loss as incurred.

3.6.1.13 Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date on which they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- ERP Systems – 5 years
- Product developments – 5 years

3.6.1.14 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at its cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Current assets

3.7.1 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.
- Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

3.7.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.7.3 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each Reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each Reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

3.7.4 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

3.7.5 Impairment/reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each Reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

3.8.1 Financial assets

3.8.1.1 Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, amounts due from subsidiaries, amounts due from equity accounted investees, quoted and unquoted financial instruments and derivative financial instruments.

3.8.1.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit/loss

Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by LKAS 39.

Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in finance income or finance costs in the Income Statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at the initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Group evaluates its financial assets held-for-trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the Income Statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to the Income Statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Income Statement.

3.8.1.3 Derecognition

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

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

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

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

3.8.1.4 Impairment of financial assets

The Group assesses, at each Reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

Available-for-sale financial investments

The Group assesses at each Reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement - is removed from other comprehensive income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

3.9 Financial liabilities

3.9.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, amounts due to equity accounted investees and derivative financial instruments.

3.9.2 Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in the Income Statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss are so designated at the initial date of recognition, only if criteria of LKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Fair values of corporate guarantees to Banks are measured on a periodic basis and the same is recognised as finance income through inter-company current account balances. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the Reporting date and the amount recognised less cumulative amortisation.

Derecognition

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

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

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 recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.9.3 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each Reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21.

3.9.4 Derivative financial instruments

3.9.4.1 Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Income Statement.

3.9.4.2 Non-current assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.10 Liabilities and provisions

3.10.1 Employee benefits

3.10.1.1 Defined contribution plans

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

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

3.10.1.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 27. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 - 'Employee Benefits'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

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

Length of service (Years)	No. of months salary for each completed year of service
Up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 ¼
Over 35	1 ½

Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

3.10.2 Short-term benefits

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

3.10.3 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.10.4 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Notes to the Financial Statements.

3.10.5 Warranties

A provision for warranties is recognised 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.

3.11 Stated capital

3.11.1 Ordinary shares

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

3.11.2 Income statement

For the purpose of presentation of the Income Statement, the function of expenses method is adopted, as it represents fairly the elements of Company performance.

3.11.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Rendering of services

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the Reporting date. The stage of completion is assessed by reference to surveys of work performed.

Rental income and dividend income

Rental income is recognised in profit and loss as it accrues. Dividend income is recognised in profit and loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the commission earned by the Group.

Grants

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit and loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

Gains and losses

Gains and losses on the disposal of investments held by the Group are recognised in profit and loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment and are recognised net within 'other operating income' in Income Statement.

Other income

Other income is recognised on an accrual basis.

3.11.4 Expenses

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

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

3.11.5 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

3.11.6 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

3.11.7 Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Income Statement. Interest income is recognised as it accrues in the Income Statement.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Income Statement. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

3.11.8 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Income Statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except -

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and equity accounted investees deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside the Income Statement is recognised outside the Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in Income Statement.

Tax withheld on dividend income from subsidiaries and equity accounted investees is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

3.12 General

3.12.1 Events occurring after the Reporting date

All material events occurring after the Statement of Financial Position date have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.12.2 Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period.

3.13 Cash flow statement

The cash flow statement has been prepared using the 'indirect method'.

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

Dividends paid are classified as financing cash flows. Dividends received by Haycarb PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

3.14 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All 'operating segments' operating results are reviewed regularly by the Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3.15 Use of estimates and judgments

The preparation of Financial Statements in conformity with SLFRS/LKAS 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.

3.15.1 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. 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.

3.15.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill has suffered any impairment. The basis of determining the recoverable amounts of cash-generating units and key assumptions used are given in Note 15.

3.15.3 Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequents of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

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

3.15.4 Measurement of the defined benefit obligations

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

3.15.5 Revaluation of land

The Group measures lands which are recognised as property, plant and equipment at revalued amount with change in value being recognised in the Statement of Other Comprehensive Income. The valuer has used valuation techniques such as open market value. Further details on revaluation of land are disclosed in Note 13 to the Financial Statements.

3.16 Changes in accounting policies and disclosures

The Group applied, for the first time, certain standards and amendments that require restatement of previous Financial Statements. These include SLFRS 10 – 'Consolidated Financial Statements', SLFRS 11 – 'Joint Arrangements', SLFRS 13 - 'Fair Value Measurement and Amendments' to LKAS 1 – 'Presentation of Financial Statements'. In addition, the application of SLFRS 12 – 'Disclosure of Interests in Other Entities' resulted in additional disclosures in the Consolidated Financial Statements.

SLFRS 10 – Consolidated Financial Statements

With the adoption of SLFRS 10 in Sri Lanka with effect from 1st January 2014, the Group changed its accounting policy for determining whether an investee is a subsidiary based on the definition of control. The Group considers that control exists when the Company has power over an investee; has exposure or rights to variable returns from its involvement with the investee and when it has ability to use its power over the investee to affect the amount of the Company's returns.

With the adoption of SLFRS 10, the Group reassessed the control conclusion for its investees and the application of this standard has not materially affected the Group

SLFRS 11 – Joint Arrangements

The application of SLFRS 11 impacted the Group's accounting of its interest in a Joint Venture, Lakdiyatha (Pvt) Ltd. The Group has a 49% interest in Lakdiyatha (Pvt) Ltd. Prior to the transition to SLFRS 11, Lakdiyatha (Pvt) Ltd. was classified as a jointly-controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the Consolidated Financial Statements.

Upon adoption of SLFRS 11, the Group has determined its interest in Lakdiyatha (Pvt) Ltd. to be classified as an associate under SLFRS 11 and it is required to be accounted for using the equity method (refer Note 3.1.4 above).

The transition was applied retrospectively as required by SLFRS 11 and the comparative information for the immediately preceding period (2014) is restated. The effect of applying SLFRS 11 on the Group's Financial Statements is in Note 33.

SLFRS 12 – Disclosure of Interests in Other Entities

SLFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in SLFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. SLFRS 12 disclosures are provided in Notes 31.

SLFRS 13 – Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS.

SLFRS 13 defines fair value as an exit price. As a result of the guidance in SLFRS 13, the Group reassessed its policies for measuring form fair values. Application of SLFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual Notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 22.

LKAS 1 – Presentation of Items of Other Comprehensive Income – Amendments to LKAS 1

The amendments to LKAS 1 introduce a grouping of items presented in Other Comprehensive Income. Items that will be reclassified ('recycled') to Income Statement at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land).

The amendments affect presentation only and have no impact on the Group's financial position or performance.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- SLFRS 9 - Financial Instruments: Classification and Measurement

  SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 1st January 2015. However, the effective date has been deferred subsequently and the revised effective date is yet to be announced.

- SLFRS 14 – Regulatory Deferral Accounts

  The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their Financial Statements. Consequently, the Financial Statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard.

  SLFRS 14 is effective for annual periods beginning on or after 1st January 2016. Since the Group is an existing SLFRS prepare, this standard would not apply.

- SLFRS 15 – Revenue from Contracts with Customers

  SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 - 'Revenue', LKAS 11 – 'Construction Contracts' and IFRIC 13 – 'Customer Loyalty Programmes'. This standard is effective for the annual periods beginning on or after 1st January 2017.

5. Revenue

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Sale of goods				
Haycarb PLC	**4,639,496**	5,271,186	**4,639,496**	5,271,186
Subsidiaries	**11,559,563**	7,716,565	**–**	–
	16,199,059	12,987,751	**4,639,496**	5,271,186
Intra-group sales	**(4,265,211)**	(2,649,067)	**–**	–
	11,933,848	10,338,684	**4,639,496**	5,271,186

6. Other operating income

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Government grants	**4,703**	2,714	**–**	–
Net gain on disposal of property, plant and equipment	**292**	(1,836)	**9**	–
Fees for marketing services	**2,039**	2,720	**33,355**	25,555
Sundry income	**39,725**	23,805	**9,932**	8,040
Rental income	**–**	1,101	**6,356**	3,519
Income from technical consultations	**1,200**	–	**108,628**	63,681
Fair valuation of inter-company guarantees	**–**	–	**5,299**	1,613
Dividend income – subsidiaries	**–**	–	**184,192**	124,655
	47,959	28,504	**347,771**	227,063

7. Other expenses

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Revaluation deficit	**2,260**	–	**–**	–
	2,260	–	**–**	–

8. Net finance cost

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
8.1 Finance income				
Dividend income – quoted	**24,414**	22,381	**24,412**	22,378
Interest income on loans and receivables	**5,906**	12,823	**1,853**	10,545
Gain on translation of foreign currency	**44,427**	57,453	**21,608**	40,402
Total finance income	**74,747**	92,657	**47,873**	73,325

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
8.2 Finance cost				
Interest cost – short-term borrowings	**82,123**	77,077	**39,020**	45,679
– long-term borrowings	**84,509**	61,688	**28,133**	28,534
Loss on translation of foreign currency	**153,307**	203,668	**46,566**	66,265
Total finance costs	**319,939**	342,433	**113,719**	140,478
Finance income/(cost)	**(245,192)**	(249,776)	**(65,846)**	(67,153)

9. Profit before income tax

(A)

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000
Haycarb PLC	**380,561**	550,863
Subsidiaries	**907,357**	610,028
Associates	**11,457**	24,743
	1,299,375	1,185,634
Unrealised profit on intra group sales	**(28,754)**	(15,379)
Intra group adjustments	**(200,285)**	(126,172)
	1,070,336	1,044,083

(B) Profit before tax is stated after charging all expenses including the following:

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Depreciation on property, plant and equipment	**308,045**	227,742	**79,055**	62,679
Directors' emoluments including Non-Executive Directors' consultation fees	**100,180**	79,223	**48,068**	33,081
Auditors' remuneration (fees and expenses)				
- Ernst & Young	**2,370**	2,034	**1,436**	1,310
- Others	**6,058**	6,213	**–**	–
Fees paid to auditors for non-audit work				
- Ernst & Young	**2,217**	1,093	**1,025**	750
- Others	**–**	238	**–**	52
Donations	**4,109**	4,570	**1,181**	1,851
Provision for slow moving inventories	**4,166**	(915)	**2,885**	(724)
Provision of unrealised profits in inventories	**24,765**	10,812	**–**	–
Provision/(reversal) for bad and doubtful debts	**(2,139)**	3,351	**–**	–
Staff costs (Note 9.1)	**928,222**	779,541	**348,401**	357,619

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
9.1 Staff costs				
Defined contribution plan cost	**69,815**	64,326	**60,274**	56,029
Defined benefit plan cost	**54,045**	30,078	**34,030**	30,051
Other staff cost	**804,362**	685,137	**254,097**	271,539
	928,222	779,541	**348,401**	357,619
Number of employees at year-end	**1,150**	1,118	**641**	712

10. Income tax expense

(A) In terms of Sections 51 and 52 of the Inland Revenue Act No. 10 of 2006 as amended, qualified export profits enjoy a concessionary rate of tax at 12%.

The corporate rate of tax applicable to Haycarb PLC and other local companies within the Group, excluding those which enjoy a concessionary rate of tax as referred to below is 28%.

Haycarb Value Added Products (Pvt) Ltd. and Ultracarb (Pvt) Ltd. is entitled for income tax exemption under the terms of the Inland Revenue Act Section 16C in respect of manufacturing of activated carbon commencing from the financial year 2013/14.

Shizuka Co.Ltd. is entitled for 8 years tax holiday from the year of commencement of operation. The operations commenced for this purpose in September 2011.

The overseas companies, namely Eurocarb Products Ltd., Haycarb Holding Australia (Pvt) Ltd., Haycarb USA Inc., Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., PT Mapalus Makawanua Charcoal Industry and PT Haycarb Palu Mitra are liable to tax at 24%, 30%, 34%, 23%, 23%, 25% and 25% respectively.

Haycarb Holdings Bitung Ltd. Is tax exempt.

(B) Income tax expense

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Sri Lanka taxes				
- Haycarb PLC	**–**	31,320	**–**	31,320
- Subsidiaries	**15,716**	17,820	**–**	–
	15,716	49,140	**–**	31,320
Overseas taxes				
- Subsidiaries	**141,007**	110,582	**–**	–
	156,723	159,722	**–**	31,320
Under/(over) provision in respect of previous years				
- Haycarb PLC	**–**	(8,359)	**–**	(8,259)
- Subsidiaries	**(1,022)**	31	**–**	–
	(1,022)	(8,328)	**–**	(8,259)
Deferred taxation				
- Haycarb PLC	**9,949**	4,569	**9,949**	4,569
- Subsidiaries	**20,244**	(11,515)	**–**	–
	30,193	(6,946)	**9,949**	4,569
Tax on dividend income	**10,510**	7,658	**2,590**	–
Tax expense for the year	**196,404**	152,106	**12,539**	27,630

(C) Tax reconciliation statement

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Profit before tax	**1,070,336**	1,044,083	**380,561**	550,863
Share of profit of equity accounted investee	**11,457**	24,743	**–**	–
Consolidation adjustments	**229,039**	141,551	**–**	–
	1,310,832	1,210,377	**380,561**	550,863
Tax exempt income	**(298,695)**	(296,659)	**(210,457)**	(152,501)
Disallowable expenses	**244,658**	280,480	**149,335**	139,228
Allowable expenses	**(432,942)**	(492,446)	**(319,439)**	(276,591)
Tax losses brought forward	**(221,868)**	(79,064)	**–**	–
Tax losses carried forward	**205,593**	221,868	**–**	–
Taxable profit	**807,578**	844,556	**–**	261,000
Tax @ 12%	**9,201**	37,434	**–**	31,320
Tax @ 28%	**6,516**	11,706	**–**	–
Tax @ other rates	**141,007**	110,582	**–**	–
	156,723	159,722	**–**	31,320
Under/(over) provision in previous year	**(1,022)**	(8,328)	**–**	(8,259)
Deferred tax charge/(credit)	**30,193**	(6,946)	**9,949**	4,569
Tax on dividend income	**10,509**	7,658	**2,590**	–
Tax expense for the year	**196,404**	152,106	**12,539**	27,630

11. Earnings per share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Profit attributable to ordinary shareholders (Rs. '000)	**694,985**	787,780	**368,022**	523,233
Weighted average number of ordinary shares*	**29,712,375**	29,712,375	**29,712,375**	29,712,375
Basic earnings per ordinary share (Rs.)	**23.39**	26.51	**12.39**	17.61

** There were no potentially dilutive ordinary shares outstanding at any time during the year.*

12. Dividend per share

	2015 Rs. '000	2014 Rs. '000
Interim dividend - Rs. 2.00 (2013/14 – Rs. 3.00 per share)	**59,425**	89,137
Final proposed Rs. 4.00 per share (2013/14 – Rs. 3.00 per share)	**118,849**	89,137
	178,274	178,274
Dividend per ordinary share (Rs.)	**6**	6

The Directors have recommended a Rs. 4.00 per share final dividend payment for the year ended 31st March 2015 to be approved at the Annual General Meeting on the 25th June 2015. In compliance with LKAS 12 – 'Events after the Balance Sheet Date' the final dividend recommended is not recognised as a liability in the Financial Statements as at 31st March 2015.

13. Property, plant and equipment

(A) Consolidated

	Land Rs. '000	Freehold Buildings Rs. '000	Machinery & Equipment Freehold Rs. '000	Vehicles Rs. '000	Furniture Fittings & Office Equipment Rs. '000	Data Processing Equipment Rs. '000	Total Rs. '000
Cost or valuation							
At 31st March 2013	372,634	690,694	2,635,028	85,494	88,365	53,180	3,925,395
Additions	64,081	163,826	313,742	7,893	13,599	2,313	565,453
Disposals	–	–	(13,821)	(418)	(4,046)	–	(18,285)
Exchange differences	(19,876)	(30,045)	(139,022)	(6,203)	(2,092)	–	(197,238)
At 31st March 2014	416,839	824,475	2,795,927	86,766	95,826	55,493	4,275,326
Additions	17,092	249,640	906,587	11,813	19,977	1,596	1,206,705
Disposals	–	–	–	(7,218)	(1,920)	(390)	(9,528)
Revaluation - surplus	223,595	–	–	–	–	–	223,595
Revaluation - deficit	(2,260)	–	–	–	–	–	(2,260)
Transfer*	31,100	7,764	–	–	–	–	38,864
Exchange differences	(2,372)	(5,454)	(20,167)	(1,537)	(2,214)	–	(31,743)
At 31st March 2015	**683,994**	**1,076,425**	**3,682,347**	**89,824**	**111,669**	**56,699**	**5,700,958**
Depreciation and impairment							
At 31st March 2013	–	148,617	1,378,412	31,312	55,467	34,070	1,647,878
Depreciation charge for the year	–	24,594	176,239	9,488	9,615	7,806	227,742
Disposals	–	–	(5,735)	(289)	(4,221)	–	(10,245)
Exchange differences	–	(8,528)	(68,645)	(3,415)	(1,203)	–	(81,791)
At 31st March 2014	–	164,683	1,480,271	37,096	59,658	41,876	1,783,584
Depreciation charge for the year	–	35,286	241,798	13,217	10,965	6,779	308,045
Disposals	–	–	–	(5,521)	(1,950)	(306)	(7,777)
Transfer*	–	2,018	–	–	–	–	2,018
Exchange differences	–	420	3,569	(1,244)	(1,465)	–	1,280
At 31st March 2015	**–**	**202,407**	**1,725,638**	**43,548**	**67,208**	**48,349**	**2,087,150**

**Transferred from investment property to owner occupied property.*

	Land	Freehold Buildings	Machinery & Equipment Freehold	Vehicles	Furniture Fittings & Office Equipment	Data Processing Equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capital work-in-progress							
At 31st March 2015	–	–	–	–	–	–	441,190
At 31st March 2014	–	–	–	–	–	–	1,008,359
Impairment Provision							
At 31st March 2015	–	–	–	–	–	–	(25,543)
At 31st March 2014	–	–	–	–	–	–	(25,543)
Net book value							
At 31st March 2015	683,994	874,018	1,956,709	46,276	44,461	8,350	4,029,455
At 31st March 2014	416,839	659,792	1,315,656	49,670	36,168	13,617	3,474,558

(a) Property, plant and equipment include fully depreciated assets, which are still in use as at 31st March 2015 amounted to Rs. 885,430,000/- (2014 – Rs. 871,987,606/-).

(b) Capital work-in-progress represents the amount of expenditure recognised under property, plant and equipment during the period of the construction of a capital asset.

(c) The Group revalued land situated in Sri Lanka owned by the Group companies by an independent, professional valuer Mr. P.B. Kalugalagedara, F.I.V (Sri Lanka) as at 31st December 2014. The lands have been revalued on the basis of current market value. There are no tax implications or tax liabilities due to revaluation of land. The Group's share of the revaluation of land of Sri Lankan companies in excess of Rs. 109,919,251/- over the net book values as at 31st March 2015 has been placed to the credit of the revaluation reserve.

(d) On reassessment of fair value of the Group's assets, it has been identified that there is no permanent impairment of property, plant and equipment other than disclosed above which requires provision in the Financial Statements.

(e) Freehold land carried at revalued amount:

Company	Location	Last Revaluation Date	Land Extent	**Unobservable Input**	**Carrying Value as at 31.03.2015 Freehold Land Rs. '000**	**Cost as at 31.03.2015 Rs. '000**
Haycarb PLC	Madampe Factory	31.03.2015	28A - 2R - 05.85P	Rs. 27,115 per perch	**108,596**	**39,820**
	Badalgama Factory	31.03.2015	12A - 3R - 20P	Rs. 25,000 per perch	**51,500**	**8,799**
	Wewalduwa Stores	31.03.2015	2A - 1R - 32.04P	Rs. 419,855 per perch	**164,600**	**4,309**
					324,696	**52,928**
Recogen (Pvt) Ltd.	Badalgama Factory	31.03.2015	10A - 3R - 15P	Rs. 25,000 per perch	**43,375**	**11,465**
Carbokarn Co. Ltd	Thailand	31.03.2015	15A - 2R - 22P	Rs. 43,131 per perch	**107,913**	**51,107**
Shizuka Co. Ltd.	Thailand	31.03.2015	14A - 2R - 24P	Rs. 22,055 per perch	**30,086**	**7,258**
PT Mapalus Makawanua Charcoal Industry	Indonesia	31.03.2015	8A - 3R - 28P	Rs. 68,386 per perch	**97,450**	**37,083**
PT Haycarb Palu Mitra	Indonesia	31.03.2015	12A - 2R - 24P	Rs. 25,096 per perch	**50,795**	**53,054**
					654,315	**212,895**

Fair Value hierarchy - Assets mesured at fair value.

Group	2015 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value	654,315	–	–	654,315

The Group carries freehold land classified as level 3 within the fair value hierarchy.

During the reporting period ended 31st March 2015, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

(f) There were no assets pledged by the Group as securities for facilities obtained from the Banks other than those disclosed in Note 26 (D).

(B) Company

	Land	Freehold Buildings	Machinery & Equipment Freehold	Vehicles	Furniture Fittings & Office Equipment	Data Processing Equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation							
At 31st March 2013	174,058	238,253	673,321	13,872	33,574	49,450	1,182,528
Additions	11,590	48,707	138,809	857	5,262	2,065	207,290
Disposals	–	–	–	(148)	–	–	(148)
At 31st March 2014	185,648	286,960	812,130	14,581	38,836	51,515	1,389,670
Additions	6,704	60,389	122,541	603	7,694	1,568	199,499
Disposals	–	–	–	–	–	(390)	(390)
Revaluations	101,244	–	–	–	–	–	101,244
Transfer*	31,100	7,764	–	–	–	–	38,864
At 31st March 2015	**324,696**	**355,113**	**934,671**	**15,184**	**46,530**	**52,693**	**1,728,887**
Depreciation and impairment							
At 31st March 2013	–	57,003	430,684	7,161	17,932	31,328	544,108
Depreciation charge for the year	–	5,011	44,746	2,731	2,600	7,436	62,524
Disposals	–	–	–	(148)	–	–	(148)
At 31st March 2014	–	62,014	475,430	9,744	20,532	38,764	606,484
Depreciation charge for the year*	–	6,144	60,374	3,215	2,963	6,359	79,055
Disposals	–	–	–	–	–	(306)	(306)
Transfer*	–	2,019	–	–	–	–	2,019
At 31st March 2015	**–**	**70,177**	**535,804**	**12,959**	**23,495**	**44,817**	**687,252**
Capital work-in-progress							
At 31st March 2015	–	–	–	–	–	–	158,846
At 31st March 2014	–	–	–	–	–	–	198,384
Impairment Provision							
At 31st March 2015	–	–	–	–	–	–	(25,543)
At 31st March 2014	–	–	–	–	–	–	(25,543)
Net book value							
At 31st March 2015	324,696	284,936	398,867	2,225	23,035	7,876	1,174,938
At 31st March 2014	185,648	224,946	336,700	4,837	18,304	12,751	956,027

(a) Property, plant and equipment include fully depreciated assets, which are still in use as at 31st March 2015 amounted to Rs. 362,394,377/- (2014 – Rs. 348,164,454/-).

(b) There were no assets pledged by the Company as securities for facilities obtained from the Banks.

**Transferred from investment property to owner occupied property.*

14. Investment property

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Cost				
Opening balance at 1st April	**38,864**	38,864	**38,864**	38,864
Transfered during the year	**(38,864)**	–	**(38,864)**	–
Closing balance at 31st March	**–**	38,864	**–**	38,864
Depreciation				
Opening balance at 1st April	**(2,018)**	(1,863)	**(2,018)**	(1,863)
Charge for the year	**–**	(155)	**–**	(155)
Transfered during the year	**2,018**	–	**2,018**	–
Closing balance at 31st March	**–**	(2,018)	**–**	(2,018)
Carrying amount	**–**	36,846	**–**	36,846

Investment property includes a land of 3 rood and 35.6 perches in extent including a building located at Wewelduwa, Hunupitiya. The Directors' assessment of the market value of this property as at 31st March 2014 was Rs. 60,360,709/-.

This property was reverted to owner-occupied status in the financial year 2014/15.

15. Intangible assets

	Group				Company		
	Software Rs.'000	Goodwill on Acquisition Rs. '000	Product Development Rs. '000	Total Rs. '000	Software Rs. '000	Product Development Rs. '000	Total Rs. '000
Cost							
At 31st March 2013	72,161	257,206	–	329,367	72,161	–	72,161
Additions	13,311	–	5,850	19,161	8,746	–	8,746
At 31st March 2014	85,472	257,206	5,850	348,528	80,907	–	80,907
Additions	1,044	–	23,862	24,906	144	17,180	17,324
At 31st March 2015	86,516	257,206	29,712	373,434	81,051	17,180	98,231
Amortisation and impairment							
At 1st April 2013	(34,185)	(55,164)	–	(89,349)	(34,185)	–	(34,185)
Amortisation	(7,956)	–	–	(7,956)	(7,881)	–	(7,881)
At 31st March 2014	(42,141)	(55,164)	–	(97,305)	(42,066)	–	(42,066)
Amortisation	(13,888)	–	(1,338)	(15,226)	(12,975)	–	(12,975)
At 31st March 2015	(56,029)	(55,164)	(1,338)	(112,531)	(55,041)	–	(55,041)
Net book value							
At 31st March 2015	30,487	202,042	28,374	260,903	26,010	17,180	43,190
At 31st March 2014	43,331	202,042	5,850	251,223	38,841	–	38,841

Goodwill

There have been no permanent impairment of intangible assets that require a provision during the year. The method used in estimating the recoverable amount of intangible assets of Haycarb USA Inc., PT Mapalus Makawanua Charcoal Industry and Shizuka were based on the value in use, which was determined by discounting the future cash flows generated for the continuing use of the unit.

The key assumptions used are given below:

- Business growth - based on historical growth rate and business plan.
- Inflation - based on the current inflation rate and the percentage of the total cost subjected to the inflation.
- Discount rate - average market borrowing rate adjusted for the risk premium which is 15% for PT Mapalus Makawanua Charcoal Industry, 7% for Haycarb USA Inc. and 10% for Shizuka Co. Ltd.
- Margin - based on current margin and business plan.

Software

- Software includes purchased software and licenses and is amortised over the period of the expected economic benefit.

Product development

The Group has recognised an intangible asset in respect of new product developments. The management is of the opinion that the Group is capable of generating future economic benefits through these products. This is being equally amortised over a period of 5 years.

16. Investment in equity accounted investee

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Carbotels (Pvt) Ltd. (16 a)	**384,978**	328,000	**92,903**	92,903
Lakdiyatha (Pvt) Ltd. (16 a)	**76,360**	65,297	**–**	–
	461,338	393,297	**92,903**	92,903

16 (A) Movement during the period

	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Group	
	2015 Rs. '000	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Balance at the beginning of the year	**65,297**	42,315	**328,000**	324,682	**393,297**	366,997
Share of profits	**11,063**	22,982	**394**	1,761	**11,457**	24,743
Movement in reserve	**–**	–	**56,770**	2,486	**56,770**	2,486
Dividends	**–**	–	**(186)**	(929)	**(186)**	(929)
Balance at the end of the year	**76,360**	65,297	**384,978**	328,000	**461,338**	393,297

16 (B) Summarised financial information of equity accounted investees

	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Group	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Statement of the financial position						
Total assets	**281,818**	250,495	**1,560,332**	1,335,890	**1,842,150**	1,586,385
Total liabilities	**(125,980)**	(117,236)	**(32,638)**	(34,301)	**(158,618)**	(151,537)
Net Assets	**155,838**	133,259	**1,527,694**	1,301,589	**1,683,532**	1,434,848
Group carrying amount of the investment	**76,360**	65,297	**384,978**	328,000	**461,338**	393,297
Profit after tax	**22,578**	46,902	**1,561**	6,988	**6,988**	3,438
Group share of profit for the year	**11,063**	22,982	**394**	1,761	**11,457**	24,743

17. Related party disclosures

17A. Amounts due to subsidiaries

As at 31st March	Company	
	2015 Rs. '000	2014 Rs. '000
Ultracarb (Pvt) Ltd.	**8,122**	–
Recogen (Pvt) Ltd.	**24,975**	36,030
Haycarb Value Aded Products (Pvt) Ltd.	**7,592**	–
PT Mapalus Makawanua Charcoal Industry	**26,174**	–
	66,863	36,030

17B. Amounts due to other related parties

As at 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Hayleys PLC	**81,052**	1,329	**38,620**	–
Key Management Personnel - Carbokarn Co. Ltd.*	**845,444**	645,885	**–**	–
Veolia Water India Ltd.	**–**	2,111	**–**	–
Chas P Hayleys & Co. Pvt Ltd.	**34,859**	9,807	**143**	–
Logiventure (Pvt) Ltd.	**743**	–	**743**	–
CIVARO Lanka (Pvt) Ltd.	**677**	–	**677**	–
Hayleys Business Solutions (Pvt) Ltd.	**287**	–	**287**	–
Hayleys Travels & Tours (Pvt) Ltd.	**448**	–	**448**	–
Hayleys Agriculture Holding Ltd.	**765**	–	**–**	–
Other Hayleys Companies	**309**	–	**141**	–
	964,584	659,132	**41,059**	–

**Equity partners of the Carbokarn Group have provided loans to these companies for working capital requirements at the current market rates prevailing in Thailand, which is in the range of 6% to 6.5% per annum during the financial year.*

17C. Amounts due from subsidiaries

As at 31st March	Company	
	2015 Rs. '000	2014 Rs. '000
Puritas (Pvt) Ltd.	**51,757**	8,670
Eurocarb Products Ltd.	**2,591**	205
Haycarb Holdings Bitung Ltd.	**189,143**	116,752
PT Mapalus Makawanua Charcoal Industry	**253,638**	121,477
Ultracarb (Pvt) Ltd.	**–**	127,459
Haycarb Value Added Products (Pvt) Ltd.	**30,000**	95,688
PT Haycarb Palu Mitra	**112,747**	87,519
	639,876	557,770
Amount classified as non-current receivables	**(53,638)**	(33,446)
	586,238	524,324

17D. Amounts due from other related parties

As at 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Dipped Products PLC	**12,206**	–	**12,206**	–
Chas P Hayleys & Co. (Pvt) Ltd.	**443**	8,687	**–**	8,687
Lakdiyatha (Pvt) Ltd.	**–**	–	**4,316**	546
Hayleys Agriculture Holdings	**159**	160	**–**	–
Thalawakelle Tea Estates PLC	**–**	62	**–**	–
Hayleys Consumer Products Ltd.	**10,745**	5,192	**–**	–
Lignocell (Pvt) Ltd.	**–**	675	**–**	675
The Kingsbury PLC	**–**	669	**–**	–
Kelani Valley Plantations PLC	**4,167**	–	**–**	–
Hayleys Industrial Solution Ltd.	**2,352**	–	**–**	–
Other Hayleys companies	**39**	681	**–**	–
	30,111	16,126	**16,522**	9,908
Less: Non-current receivables	**–**	–	**–**	–
	30,111	16,126	**16,522**	9,908

17E. Amounts due from equity accounted investee

As at 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Lakdiyatha (Pvt) Ltd.	**16,892**	4,385	**–**	–
	16,892	4,385	**–**	–

18. Investments

A. Company investment in subsidiaries

Investee As at 31st March	Company Holding % 2015	Company Holding % 2014	No. of Shares 2015	No. of Shares 2014	Value Rs. '000 2015	Value Rs. '000 2014
Unquoted investments						
Eurocarb Products Ltd. (GBP 1 each)	**100**	100	**100,000**	100,000	**4,064**	4,064
Haycarb Holdings Australia (Pty) Ltd. (Aus. $ 1 each)	**100**	100	**150,000**	150,000	**951**	951
Puritas (Pvt) Ltd.	**100**	100	**700,000**	700,000	**18,000**	18,000
Haycarb USA Inc.	**100**	100	**285,000**	285,000	**22,950**	22,950
PT Mapalus Makawanua Charcoal Industry*	**2**	2	**707**	707	**1,025**	1,025
Carbokarn Co. Ltd. (Baht 100 each)	**50**	50	**250,000**	250,000	**64,771**	64,771
Recogen (Pvt) Ltd.	**100**	100	**37,000,000**	37,000,000	**370,000**	370,000
Haycarb Holdings Bitung Ltd.	**100**	100	**1,400,000**	1,400,000	**141,736**	141,736
Ultracarb (Pvt) Ltd.	**100**	100	**25,000,000**	25,000,000	**250,000**	250,000
Haycarb Value Added Products (Pvt) Ltd.	**100**	100	**40,000,001**	40,000,001	**400,000**	400,000
PT Haycarb Palu Mitra	**60**	60	**1,290,000**	1,290,000	**168,268**	168,268
Company investment in subsidiaries (at cost)					**1,441,765**	1,441,765
Provision for fall in value of Recogen (Pvt) Ltd.					**(100,000)**	(100,000)
Company investment in subsidiaries					**1,341,765**	1,341,765

The countries of incorporation and the principal activities of the above companies are given on pages 112 and 113.

**The remaining 98% of PT Manpalus Makawanua Charcoal Industry is held by Haycarb Holding Bitung Ltd., which is a fully owned subsidiary of Haycarb PLC.*

19. Inventories

As at 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Raw materials and consumables	**1,389,200**	1,051,804	**724,192**	589,229
Finished goods	**1,716,138**	1,125,430	**552,824**	442,945
	3,105,338	2,177,234	**1,277,016**	1,032,174
Provision for slow-moving items	**(18,609)**	(14,443)	**(15,403)**	(12,518)
Provision for unrealised profits	**(64,149)**	(39,384)	**–**	–
Total inventories at the lower of cost and net realisable value	**3,022,580**	2,123,407	**1,261,613**	1,019,656

20. Trade and other receivables

As at 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
Trade receivables - External customers	**1,816,644**	1,887,214	**408,884**	594,597
- Inter company	**–**	–	**500,966**	468,510
Less: Provision for bad debts	**(2,280)**	(14,151)	**–**	–
	1,814,364	1,873,063	**909,850**	1,063,107
Loan to employees	**9,347**	8,275	**9,347**	8,275
Interest receivable	**–**	2,137	**127**	2,137
	1,823,711	1,883,475	**919,324**	1,073,519

The trade receivables as at 31st March 2015 – Rs. 1,816,644/- (31st March 2014 – Rs. 1,887,214/-) have been assessed for impairment and full provision made where appropriate.

The age analysis of trade receivables is as follows:

	Total Rs. '000	Neither past due nor impaired Rs. '000	Past due not impaired 0 – 60 days Rs. '000	Past due not impaired 61 – 120 days Rs. '000	Past due not impaired Above 120 days Rs. '000
Balance as at 31st March 2015	1,814,364	1,185,651	367,916	238,724	22,073

Loans to employees (over Rs. 20,000/- included above)

	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
At the beginning of the year	**3,255**	3,426	**3,255**	3,426
Granted during the year	**2,054**	1,153	**2,054**	1,153
	5,309	4,579	**5,309**	4,579
Repaid during the year	**(1,840)**	(1,324)	**(1,840)**	(1,324)
At the end of the year	**3,469**	3,255	**3,469**	3,255
Number of loans over Rs. 20,000/-	**37**	31	**37**	31

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

See Note 36 on credit risk of trade receivables, which details how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Fair value of the trade and other receivable of the Group is Rs. 1,823,711,000/- (31st March 2014 – Rs. 1,883,475,000/-), Company Rs. 919,324,000/- (31st March 2014 – Rs. 1,073,519,000/-)

21. Other current assets

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Deposits, payments in advance and other debtors	**230,707**	175,890	**70,673**	53,724
Tax recoverable	**49,324**	52,732	**18,899**	11,977
	280,031	228,622	**89,572**	65,701

22. Other non-current financial assets

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Available-for-sale investments				
Unquoted equity shares				
Quality Seed Co. Ltd.	**490**	490	**490**	490
Barrack Gold Corporation	**158**	94	**–**	–
Quoted equity shares				
Dipped Products PLC – opening balance	**354,388**	451,631	**354,388**	451,631
– Fair value adjustment	**207,099**	(97,243)	**207,099**	(97,243)
Total available-for-sale investments	**562,135**	354,972	**561,977**	354,878
Total financial instruments at fair value	**562,135**	354,972	**561,977**	354,878

Available-for-sale investments

A significant portion of the available-for-sale financial assets consist of an investment in shares of a listed company, which are valued, based on the published price quotations in the Colombo Stock Exchange.

The management assessed that the fair value of unquoted equity shares would not significantly vary with the carrying value. Changes in underlying assumptions can lead to adjustments in the fair value of the investment.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31st March 2015, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets measured at fair value

	31st March 2015 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 2 Rs. '000
Available-for-sale financial assets	561,487	561,487	–	–

During the reporting period ending 31st March 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

23. Cash and cash equivalents

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Cash in hand	**3,925**	5,477	**2,048**	3,451
Bank balances	**451,894**	551,347	**127,715**	250,197
Short-term deposits	**67,269**	173,910	**2,400**	127,382
	523,088	730,734	**132,163**	381,030

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31st March:

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2014 Rs. '000**	2014 Rs. '000
Cash at banks and on hand	**455,819**	556,824	**129,763**	253,647
Short-term deposits	**67,269**	173,910	**2,400**	127,382
Bank overdrafts and short-term borrowings	**(1,734,908)**	(1,510,013)	**(1,217,239)**	(1,276,252)
Cash and cash equivalents	**(1,211,820)**	(779,279)	**(1,085,076)**	(895,223)

24. Stated capital

Issued and fully-paid ordinary shares

	Company			
	2015		2014	
	Number	Rs.'000	Number	Rs.'000
At the beginning of the year	**29,712,375**	**331,774**	29,712,375	331,774
At the end of the year	**29,712,375**	**331,774**	29,712,375	331,774

25. Reserves

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Capital reserves (25.1)	**570,848**	373,907	**309,253**	208,009
Revenue reserves (25.2)	**4,800,584**	4,061,796	**3,169,499**	2,753,566

25.1 Capital reserves

	Revaluation Surplus Rs.'000	Reserve on Amalgamation Rs. '000	Legal Reserve Rs. '000	Total Rs. '000
Group				
Balance as at 31.03.2014	341,481	25,885	6,541	373,907
Revaluation surplus during the year	196,941	–	–	196,941
Balance as at 31.03.2015	**538,422**	**25,885**	**6,541**	**570,848**
Company				
Balance as at 31.03.2014	184,251	23,758	–	208,009
Revaluation surplus during the year	101,244	–	–	101,244
Balance as at 31.03.2015	**285,495**	**23,758**	**–**	**309,253**

The above revaluation surplus consists of net surplus resulting from the valuation of land. The unrealised gain on re-valuation cannot be distributed to shareholders.

25.2 Revenue reserves

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Available-for-sale reserve	**521,316**	314,217	**521,316**	314,217
Exchange fluctuation reserve	**217,680**	278,503	**–**	–
General reserve	**519,353**	519,353	**519,353**	519,353
Income statement				
Haycarb PLC	**2,128,830**	1,919,996	**2,128,830**	1,919,996
Subsidiaries	**1,187,270**	915,748	**–**	–
Associates	**226,135**	113,979	**–**	–
	3,542,235	2,949,723	**2,128,830**	1,919,996
	4,800,584	4,061,796	**3,169,499**	2,753,566

General reserve

General reserve which is a revenue reserve represents the amounts set aside by the Directors for general application.

Other reserves

Available-for-sale

SLFRS/LKAS requires available-for-sale investments to be measured at fair value. Difference between the fair value under SLFRS/LKAS and carrying value under previous SLAS has been recognised as a separate component of equity, in the available-for-sale reserve net of deferred tax.

26. Interest-bearing loans and borrowings

	Group		Company	
	2014/15 Rs. '000	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
(A) Non-current liabilities				
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	**952,590**	760,322	**729,198**	446,995
New loans obtained	**131,000**	384,607	**–**	384,607
Effect of movements in foreign exchange	**15,300**	22,899	**15,300**	20,538
	1,098,890	1,167,828	**744,498**	852,140
Repayments during the year	**(317,491)**	(215,238)	**(171,794)**	(122,942)
At the end of the year	**781,399**	952,590	**572,704**	729,198
Transferred to current liabilities	**(280,265)**	(263,268)	**(206,566)**	(169,869)
Repayable after one year	**501,134**	689,322	**366,138**	559,329
(B) Current liabilities				
Current interest-bearing loans and borrowings				
Short-term loans	**1,587,043**	1,278,176	**1,133,265**	1,071,098
Bank overdrafts	**147,865**	231,837	**83,974**	205,154
	1,734,908	1,510,013	**1,217,239**	1,276,253
Current portion of term loans	**280,265**	263,268	**206,566**	169,869
Total current interest-bearing loans and borrowings	**2,015,173**	1,773,281	**1,423,805**	1,446,122
(C) Analysis of secured term loans by year of repayment				
As at 31st March				
Repayable between 1-2 years from the year end	**264,369**	220,480	**206,566**	200,910
Repayable between 2-5 years from the year end	**236,765**	468,842	**159,572**	358,419
Repayable later than 5 years from the year end	**–**	–	**–**	–
Total non-current borrowings	**501,134**	689,322	**366,138**	559,329

(D) Secured term loans repayable after one year

Company	Lender	Rate of interest	31.03.2015 Rs. '000	Repayment terms	Security
Haycarb PLC	Commercial Bank of Ceylon PLC	Floating - LIBOR + 3.75%	27,691	Monthly instalments over five years commencing from June 2011	
	Commercial Bank of Ceylon PLC	Floating - LIBOR + 4%	22,670	47 equal monthly instalments commencing November 2013	
	HSBC	Floating - LIBOR + 3.5%	29,997	60 equal monthly instalments commencing July 2012	
	HSBC	Floating - LIBOR + 4.5%	36,396	60 equal monthly instalments commencing from June 2013	
	HSBC	Floating - LIBOR + 4.5%	38,707	60 equal monthly instalments commencing from July 2013	
	Standard Chartered Bank	Floating - LIBOR + 4%	79,853	12 months grace period plus+ 48 monthly instalments commencing September 2012	Mortgage over 40 million shares of Haycarb Value Added Products (Pvt) Ltd.
	Standard Chartered Bank	Floating - LIBOR + 4%	49,198	12 months grace period plus+ 48 monthly instalments commencing July 2014	
	Standard Chartered Bank	Floating - LIBOR + 4%	81,625	12 months grace period plus+ 48 monthly instalments commencing January 2015	
PT Mapalus Makawanua Charcoal Industry	Bank Panin	Fixed - 8%	9,865	Monthly instalments over five years commencing September 2011	Mortgage over Land & Building
PT Haycarb Palu Mitra	HSBC	Fixed - 5.25%	82,311	Payable in 16 quarterly instalments commencing from September 2014	Mortgage over Company land and buildings
Haycarb Holdings Bitung Ltd.	Commercial Bank of Ceylon PLC	1 month LIBOR + 4% p.a	42,821	Payable in 59 monthly instalments of US $ 13,300 each and a final instalment of US $ 15,300	Corporate guarantee for US $ 800,000 from Haycarb PLC
Total secured term loans repayable after one year			501,134		

Fair value of the interest-bearing loans and borrowings of the Group Rs. 2,516,307,000/- (31st March 2014 - Rs. 2,462,603,000/-) Company Rs. 1,789,943,000/- (31st March 2014 - Rs. 2,005,450,000/-).

27. Retirement benefit obligations

As at 31st March	Group 2015 Rs. '000	Group 2014 Rs. '000	Company 2015 Rs. '000	Company 2014 Rs. '000
(i) Expenses recognised in income statement				
Current service cost	**22,278**	12,862	**14,194**	12,787
Interest cost on benefit obligation	**31,767**	17,291	**19,836**	17,264
Total expense recognised in administrative expenses in the income statement	**54,045**	30,153	**34,030**	30,051
(ii) Acturial gains and losses recognised directly in OCI				
Actuarial (gains)/losses	**12,151**	18,000	**12,076**	18,075
	12,151	18,000	**12,076**	18,075
(iii) Present value of unfunded gratuity				
Present value of unfunded gratuity	**257,636**	209,577	**214,708**	186,739
Total present value of the obligation	**257,636**	209,577	**214,708**	186,739
(iv) Provision for retirement benefit obligations				
Defined benefit obligation at 1st April	**209,577**	176,057	**186,739**	153,246
Interest cost	**31,767**	17,291	**19,836**	17,264
Current service cost	**22,278**	12,862	**14,194**	12,787
Benefits paid	**(18,137)**	(14,633)	**(18,137)**	(14,633)
Actuarial losses/(gains) on obligation	**12,151**	18,000	**12,076**	18,075
Defined benefit obligation at 31st March	**257,636**	209,577	**214,708**	186,739
Legal Liability	**204,578**	171,641	**176,695**	148,802
Discount rate: (%)	**10**	11	**10**	11
Salary escalation rate (%)	**9**	10	**9**	10

Distribution of the defined benefit obligations over future working lifetime

As at 31st March	Group Rs. '000	Company Rs. '000
Less than or equal 1 year	**52,537**	43,862
Over 1 year and less than or equal 5 years	**46,341**	38,666
Over 5 years and less than or equal 10 years	**158,758**	132,180
	257,636	214,708

The expenses recognised is included in administration expenses in the Financial Statements. LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefits using the Projected Unit Credit Method in order to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables that will influence the cost of the benefit. As per LKAS 19 gain or loss arising from actuarial valuation is recognised in other comprehensive income.

The actuarial valuation was carried out by a professionally qualified Actuary, NMG Consulting as at 31st March 2015.

Sensitivity analysis salary/discount rate

	Group		Company	
	Increase to Rs. '000	Decrease to Rs. '000	Increase to Rs. '000	Decrease to Rs. '000
A one percentage point change in the assumed rate of increase in salaries cost would have the following effects:				
As at 31st March 2015				
Effect on the present value of defined benefit obligation	274,740	242,851	231,761	199,433
A one percentage point change in the assumed discount rate would have the following effects:				
As at 31st March 2015				
Effect on the present value of defined benefit obligation	242,531	274,787	199,649	231,808

28. Deferred tax assets/liabilities

28A. Deferred tax assets

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
At the beginning of the year	**15,860**	11,172	**–**	–
Origination and reversal of temporary differences	**(9,334)**	4,688	**–**	–
At the end of the year	**6,526**	15,860	**–**	–

Deferred tax assets are attributable to the following:

	Group	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000
Group		
Property, plant and equipment	**6,526**	10,503
Inventories	**–**	–
Tax loss carry-forward	**–**	5,357
Retirement benefit obligations	**–**	–
Net deferred tax asset	**6,526**	15,860
Company		
Property, plant and equipment	**–**	–
Inventories	**–**	–
Tax loss carry-forward	**–**	–
Retirement benefit obligations	**–**	–
Net deferred tax asset	**–**	–

	Balance as at 31.03.2014 Rs. '000	Recognised in Profit or loss Rs. '000	**Balance as at 31.03.2015 Rs. '000**
Group			
Property, plant and equipment	10,503	(3,977)	**6,526**
Inventories	–	–	**–**
Tax loss carry-forward	5,357	(5,357)	**–**
Retirement benefit obligations	–	–	**–**
Net deferred tax asset	15,860	(9,334)	**6,526**
Company			
Property, plant and equipment	–	–	**–**
Inventories	–	–	**–**
Tax loss carry-forward	–	–	**–**
Retirement benefit obligations	–	–	**–**
Net deferred tax asset	–	–	**–**

28B. Deferred tax liabilities

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
At the beginning of the year	**21,219**	19,632	**8,100**	5,700
Origination and reversal of temporary differences	**19,362**	1,587	**8,500**	2,400
At the end of the year	**40,581**	21,219	**16,600**	8,100

Deferred tax liabilities are attributable to the following:

	Group	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000
Group		
Property, plant and equipment	**(97,366)**	(45,130)
Inventories	**3,350**	1,502
Tax loss carry-forward	**27,599**	–
Retirement benefit obligations	**25,836**	22,409
Net deferred tax liabilities	**(40,581)**	(21,219)
Company		
Property, plant and equipment	**(45,715)**	(32,011)
Inventories	**3,350**	1,502
Retirement benefit obligations	**25,765**	22,409
Net deferred tax liabilities	**(16,600)**	(8,100)

	Balance as at 31.03.2014 Rs. '000	Recognised in Profit or loss Rs. '000	**Balance as at 31.03.2015 Rs. '000**
Group			
Property, plant and equipment	(45,130)	(52,236)	**(97,366)**
Inventories	1,502	1,848	**3,350**
Tax loss carry-forward	–	27,599	**27,599**
Retirement benefit obligations	22,409	3,427	**25,836**
Net deferred tax liabilities	(21,219)	(19,362)	**(40,581)**
Company			
Property, plant and equipment	(32,011)	(13,704)	**(45,715)**
Inventories	1,502	1,848	**3,350**
Tax loss carry - forward	–	–	**–**
Retirement benefit obligations	22,409	3,356	**25,765**
Net deferred tax liabilities	(8,100)	(8,500)	**(16,600)**

29. Trade and other payables

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Trade payables	**276,749**	246,469	**58,660**	52,936
Freight	**22,398**	44,514	**18,121**	34,566
Salaries and wages	**17,521**	15,102	**12,145**	13,653
Dividend payable	**27,187**	7,773	**27,187**	7,773
Accrued expenses	**295,762**	282,389	**58,353**	66,673
	639,617	596,247	**174,466**	175,601

Fair value of the trade and other payable of the Group Rs. 639,617,000/- (31st March 2014 – Rs. 596,247.000/-). Company Rs. 174,466,000/- (31st March 2014 – Rs. 175,601,000/-).

30. Other current liabilities

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Payments received in advance	**239,881**	261,463	**159,678**	223,574
	239,881	261,463	**159,678**	223,574

31. Interest in other entities

Haycarb PLC holds 50% of the issued share capital of Carbokarn Co Ltd., Thailand which in turn is the Parent Company of two fully-owned subsidiaries; CK Regen Systems Co. Ltd. and Shizuka Ltd. Although Haycarb PLC holds 50% of the issued capital of Carbokarn Co Ltd., it is considered a subsidiary for financial reporting after due consideration of the agreements with partners and the current operating method.

The significant figures extracted from the financials of the Carbokarn Co. Ltd. are:

As at 31st March	**2015 Rs. '000**	2014 Rs. '000
Total assets	**1,955,009**	1,868,795
Current assets	**1,006,755**	1,023,941
Current liabilities	**1,101,519**	1,387,649
Non-current assets	**948,254**	844,854
Non-current liabilities	**12,782**	21,988

32. Related party disclosures

Transactions with key management personnel

The Directors of the Company are considered the key management personnel of the Company.

Loans to Directors

No loans have been granted to Directors of the Company.

Transactions with parent, subsidiaries, equity accounted investees and other related companies

Relationship with subsidiaries and equity accounted investees are explained in Note 17 and also under Group companies in pages 112 and 113 Business segment classification is also given under Group companies.

(i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.

(ii) Companies of Haycarb group have paid charges to Hayleys PLC on obtained office space and other services such as export shipping, secretarial, data processing, personnel and administration functions.

(iii) Haycarb PLC provides factory space to its subsidiaries and charges rent. In addition the Company incurs common expenses such as administration and personnel. Such costs are allocated to subsidiaries.

32.1 Transactions with related parties

Year ended 31st March	Transactions with Group Companies 2015 Rs. '000	Transactions with Group Companies 2014 Rs. '000	Transactions with Haycarb PLC 2015 Rs. '000	Transactions with Haycarb PLC 2014 Rs. '000
Fully-owned subsidiaries				
Sales of goods and services				
- Sale of activated carbon to Eurocarb Products Ltd.	**263,046**	152,504	**793,308**	644,043
- Sale of activated carbon to Haycarb USA Inc.	**–**	–	**255,556**	246,404
- Sale of activated carbon to Haycarb Holdings Australia (Pty) Ltd.	**520,169**	107,923	**211,755**	275,892
- Sale of activated carbon to Puritas (Pvt) Ltd.	**–**	–	**38,137**	32,122
- Sale of activated carbon to Haycarb Holdings Bitung Ltd.	**902,872**	564,194	**–**	–
- Sales of activated carbon and charcoal to PT Mapalus M.C.I.	**246,392**	–	**12,476**	25,022
- Sales of activated carbon to Haycarb Value Added Products (Pvt) Ltd.	**–**	–	**248,894**	–
- Sales of activated carbon to Ultracarb (Pvt) Ltd.	**–**	–	**78,851**	–
Purchase of boiler chemicals, oxypura face mask and maintenance cost for sewage water treatment plant paid to Puritas (Pvt) Ltd.				
- Haycarb PLC from Puritas (Pvt) Ltd.	**–**	–	**14,254**	5,954
- Recogen (Pvt) Ltd. from Puritas (Pvt) Ltd.	**1,010**	1,007	**–**	–
- Lakdiyatha (Pvt) Ltd. from Puritas (Pvt) Ltd.	**7,084**	3,866	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. from Puritas (Pvt) Ltd.	**220**	2,589	**–**	–
- Ultracarb (Pvt) Ltd. from Puritas (Pvt) Ltd.	**15,601**	1,725	**–**	–
Import of spares and chemicals				
- Payments to Haycarb USA Inc.	**–**	–	**7,249**	13,024
Reimbursement of salaries				
- From Puritas (Pvt) Ltd.	**–**	–	**33,937**	33,197
- From Recogen (Pvt) Ltd.	**–**	–	**4,248**	5,970
- From Ultracarb (Pvt) Ltd.	**–**	–	**3,649**	345
- From Haycarb Value Added Products (Pvt) Ltd.	**–**	–	**4,800**	–
Payments to Recogen (Pvt) Ltd. for conversion of coconut shell charcoal	**–**	–	**65,444**	64,174
Payments to Ultracarb (Pvt) Ltd. for machine utilisation.	**–**	–	**–**	1,225
Payments to Haycarb Value Added Products (Pvt) Ltd. for machine utilisation	**–**	–	**35,889**	–
Payment of interest to Puritas (Pvt) Ltd. on outstanding current account balance	**–**	–	**–**	1,020
Payment of interest to Recogen (Pvt) Ltd. on outstanding current account balance	**–**	–	**4,704**	2,024
Payments to Recogen (Pvt) Ltd. for purchase of machinery spares and oil	**–**	–	**–**	3,670
Payments to Ultracarb (Pvt) Ltd. for purchase of Ex-Kiln Carbon material	**–**	–	**8,122**	188
Dividend				
- Received (net) from Puritas (Pvt) Ltd.	**–**	–	**53,396**	–
- Received (net) from Eurocarb Products Ltd.	**–**	–	**–**	27,814
- Received (net) from Haycarb Holdings Bitung Ltd.	**–**	–	**21,897**	45,756
- Received (net) from Haycarb Value Added Products (Pvt) Ltd.	**–**	–	**30,000**	–

Year ended 31st March	Transactions with Group Companies 2015 Rs. '000	Transactions with Group Companies 2014 Rs. '000	Transactions with Haycarb PLC 2015 Rs. '000	Transactions with Haycarb PLC 2014 Rs. '000
Receipt from Haycarb USA Inc. for R&D work carried out by Haycarb PLC	**–**	–	**13,988**	13,125
Receipt from Haycarb Value Added Products (Pvt) Ltd. for lease rental of premises at Badalgama	**–**	–	**2,580**	2,633
Receipt from Ultracarb (Pvt) Ltd. for lease rental of premises at Madampe and Badalgama	**–**	–	**3,213**	–
Receipt from Puritas (Pvt) Ltd. for lease rental of premises at Wewalduwa	**–**	–	**563**	–
Receipt from Eurocarb for service-related to marketing	**–**	–	**1,785**	–
Payment to Puritas (Pvt) Ltd. for professional fees on engineering consultation	**–**	21,133	**2,456**	4,575
Payments to Haycarb Holdings Australia (Pty) Ltd. for import of carbon	**–**	–	**–**	38,619
Payments to PT Mapalus Makawanua Charcoal Industry for import of charcoal/fabrics	**–**	–	**198,814**	65,074
Receipt from PT. Mapalus M.C.Ind for sale of spares, plant equipment & professional charges on engineering fabrications/consultations	**–**	–	**130,118**	78,391
Receipt from Ultracarb (Pvt) Ltd. for sale of raw material and machinery spares	**–**	–	**27,412**	38,960
Receipt from Haycarb Value Added Products (Pvt) Ltd. for sale of raw materials, carbon and machinery spares	**–**	–	**6,961**	40,739
Receipt from Haycarb Holdings Australia (Pty) Ltd. for provision of financial services	**–**	–	**1,496**	–
Receipt from Recogen (Pvt) Ltd. for sale of machinery spares	**–**	–	**3,276**	–
Partly-owned subsidiaries				
Sales of goods and services				
- Sale of activated carbon to Carbokarn Company Ltd.	**–**	–	**3,168**	1,606
Payments for import of raw material, carbon and spares				
- Payments to Carbokarn Co. Ltd for import of carbon/spares.	**1,577**	916	**7,171**	85,387
Fees received for marketing services from Carbokarn Co. Ltd.	**–**	–	**33,355**	25,554
Dividend				
- Dividends received to Carbokarn from CK Regen System.	**43,920**	47,851	**–**	–
- Dividend received to Haycarb PLC from Carbokarn Co. Ltd.	**–**	–	**78,713**	50,157
Receipt from PT Haycarb Palu Mitra for plant equipment and professional charges on engineering fabrications/consultations	**–**	–	**14,118**	87,519
Equity accounted investee				
Dividend				
- Dividend received from Carbotels (Pvt) Ltd.	**–**	–	**186**	929
Ultimate parent company service-related cost Haycarb PLC to Hayleys PLC	**–**	–	**121,309**	113,686

Year ended 31st March	Transactions with Group Companies 2015 Rs. '000	2014 Rs. '000	Transactions with Haycarb PLC 2015 Rs. '000	2014 Rs. '000
Other related companies				
Sales of goods and services				
- Provide warehouse space by Haycarb PLC to Hayleys PLC for their export shipping operations	**–**	–	**149**	167
- Purchases made by Haymark Inc from Lignocell (Pvt) Ltd.	**226,742**	60,863	**–**	–
- Sales of activated carbon to Haylex (Japan) Ltd.	**–**	242,966	**165,906**	306,531
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Hayleys Consumer Products.	**23,898**	16,401	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Hayleys MGT Knitting Mills PLC.	**–**	34	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Logiventures (Pvt) Ltd.	**321**	303	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Dipped Products PLC	**106**	106	**–**	–
- Sale of face mask & carbon products, chemicals and maintenance of Treatment plant by Puritas to Kingsbury PLC	**–**	1,781	**–**	–
- Sale of face mask & carbon products by Puritas (Pvt) Ltd. to Hayleys Agro Products (Pvt) Ltd.	**1,255**	1,756	**–**	–
- Provide Treatment plant maintenance services by Puritas (Pvt) Ltd. to Logiwiz (Pvt) Ltd.	**317**	192	**–**	–
- Provide Treatment plant maintenance services by Puritas (Pvt) Ltd. to Kelani Vally Plantations PLC	**20,086**	544	**–**	–
- Provide Treatment plant maintenance services by Puritas (Pvt) Ltd. to Hayleys Industrial Solutions (Pvt) Ltd.	**2,352**	–	**–**	–
Provision of office space and support services				
- Recogen (Pvt) Ltd. to Hayleys PLC	**588**	482	**–**	–
- Puritas (Pvt) Ltd. to Hayleys PLC	**8,754**	5,127	**–**	–
- Puritas (Pvt) Ltd. to Hayleys Industrial Solution (Pvt) Ltd.	**–**	304	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Hayleys PLC	**776**	274	**–**	–
- Ultracarb (Pvt) Ltd. to Hayleys PLC	**711**	465	**–**	–
- Haycarb Holdings Bitung Ltd. to Hayleys PLC	**–**	837	**–**	–
Courier charges, freight charges and import clearing expenses				
- Haycarb PLC to Mit Cargo (Pvt) Ltd.	**–**	–	**9,790**	12,125
- Haycarb PLC to Civaro Lanka (Pvt) Ltd.	**–**	–	**53,511**	30,258
- Ultracarb (Pvt) Ltd. to MTT Cargo (Pvt) Ltd.	**43**	176	**–**	–
- Recogen (Pvt) Ltd. to MTT Cargo (Pvt) Ltd.	**16**	11	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to MTT Cargo (Pvt) Ltd.	**59**	–	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Hayleys Business Solutions (Pvt) Ltd.	**16**	–	**–**	–
- Ultracarb (Pvt) Ltd. to Logiwiz (Pvt) Ltd.	**–**	68	**–**	–
- Haycarb PLC to Mountain Hawk Express (Pvt) Ltd.	**–**	–	**6,212**	6,856
- Haycarb PLC to Mountain Hawk (Pvt) Ltd.	**–**	–	**2,694**	3,674
- Haycarb PLC to Agility (Pvt) Ltd.	**–**	–	**116**	16,099
- Haycarb PLC to NYK Line Lanka (Pvt) Ltd.	**–**	–	**15,255**	–
- Haycarb PLC to Moceti Lanka (Pvt) Ltd.	**–**	–	**2,070**	–

Year ended 31st March	Transactions with Group Companies		Transactions with Haycarb PLC	
	2015 Rs. '000	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Travellers cheques and airfare paid to Hayleys Travels & Tours (Pvt) Ltd.				
- Haycarb PLC to Hayleys Travels & Tours (Pvt) Ltd.	**–**	–	**12,144**	27,240
- Puritas (Pvt) Ltd. to Hayleys Travels & Tours (Pvt) Ltd.	**1,396**	756	**–**	–
Purchase of container, container seals, packing materials, spares				
- Haycarb PLC to Hayleys Consumer Products Ltd.	**–**	–	**1,463**	1,976
- Haycarb PLC to Sunfrost Ltd.	**–**	–	**630**	800
- Haycarb PLC to Logiventures Ltd.	**–**	–	**10,613**	13,965
- Haycarb Value Added Products (Pvt) Ltd to Logiventures Ltd.	**158**	1,092	**–**	–
- Haycarb PLC to Dimo PLC	**–**	–	**2,842**	188
- Haycarb PLC to Hayleys Electronics Ltd.	**–**	–	**107**	–
Instalment and interest payments received from Chas P Hayley (Pvt) Ltd. on loan for sale of Lignocell (Pvt) Ltd.	**–**	–	**9,362**	29,992
Dividend				
- Dividend received from Dipped Products PLC	**–**	–	**24,412**	22,378
- Dividend paid to Hayleys PLC	**–**	–	**120,751**	120,751
Other Payments to related companies				
- Payments to Hayleys Industrial Solutions Ltd for purchase of generator & Installation of DVR	**616**	1,036	**6,167**	2,794
- Payments to Hayleys Business Solution (Pvt) for payroll processing fee	**100**	87	**3,325**	3,606
- Payments to Hotel Services (Ceylon) PLC/Kingsbury PLC for related services	**322**	–	**287**	2,047
- Interest payments to Sampath Bank PLC	**–**	–	**1,442**	531
- Lease payment to LB Finance PLC for lease of vehicle	**–**	–	**3,989**	3,998
- Loans from CK Director to the Company at market rates of interest	**197,448**	–	**–**	–
- Repayment of Loans from related party to CK and Shizuka at market rates of interest	**–**	66,067	**–**	–
- Payments to Chas P.Hayley & Company (Pvt) Ltd. for support services on Raw Material collection	**–**	–	**1,134**	2,321
- Payments to Hayleys AIG Insurance Co., Ltd. for Insurance premium	**–**	–	**–**	3,323
- Payments to Hayleys Lignocell (Pvt) Ltd. for Loan settlement on employees transfer	**–**	–	**31**	–
- Payments to Mabroc Teas (Pvt) Ltd. for Purchase of Tea Boxes	**–**	–	**48**	–
Other Receipts from related companies				
- Interest income from Sampath Bank PLC	**–**	–	**10**	14

33. Reconciliation of income statement

For the year ended	31st March 2014 With Proportionate Consolidation Rs. '000	Adjustment Rs. '000	With Equity Method Rs. '000
Revenue	10,348,066	(9,382)	10,338,684
Cost of sales	(7,608,179)	2,606	(7,605,573)
Gross profit	2,739,887	(6,776)	2,733,111
Other operating income	27,921	583	28,504
Selling and distribution expenses	(123,081)	–	(123,081)
Administrative expenses	(1,369,753)	335	(1,369,418)
Other operating expenses	–	–	–
Finance income	104,326	(11,669)	92,657
Finance costs	(347,631)	5,198	(342,433)
Net finance income/(cost)	(243,305)	(6,471)	(249,776)
Share of profit of equity accounted investees (net of tax)	1,761	22,982	24,743
Profit before income tax	1,033,430	10,653	1,044,083
Income tax expense	(141,453)	(10,653)	(152,106)
Profit for the period	891,977	–	891,977
Reconciliation of Statement of Comprehensive Income			
Profit for the period	891,977	–	891,977
Other comprehensive income			
Exchange differences on translation of foreign operations	(144,675)	–	(144,675)
Net gain/(loss) on available-for-sale financial assets	(97,243)	–	(97,243)
Acturial gains and (losses) on defined benefit plans	(18,000)	–	(18,000)
Income tax on other comprehensive income	2,147	–	2,147
Other comprehensive income for the period, net of tax	(257,771)	–	(257,771)
Total comprehensive income for the period, net of tax	634,206	–	634,206
Total Comprehensive income for the period attributable to			
Owners of the Company	562,709	–	562,709
Non-Controlling Interest	71,497	–	71,497
	634,206	–	634,206

Reconciliation of the Statement of Financial Position

As at 31st March	31st March 2014 With Proportionate Consolidation Rs. '000	Adjustment Rs. '000	With Equity Method Rs. '000
Assets			
Non-Current Assets			
Property, plant and equipment	3,474,558	–	3,474,558
Investment property	36,846	–	36,846
Intangible assets	251,223	–	251,223
Investments in subsidiaries	–	–	–
Investment in equity accounted investee	328,000	65,297	393,297
Non-current receivables from related parties	–	–	–
Non current receivables from subsidiaries	–	–	–
Other non-current financial assets	445,516	(90,544)	354,972
Deferred tax assets	31,889	(16,029)	15,860
	4,568,032	(41,276)	4,526,756
Current Assets			
Inventories	2,123,407	–	2,123,407
Trade & other receivables	1,899,386	(15,911)	1,883,475
Amounts due from subsidiaries	–	–	–
Amounts due from related parties	17,969	2,542	20,511
Other financial assets	–	–	–
Other current assets	230,042	(1,420)	228,622
Cash and cash equivalents	730,867	(133)	730,734
	5,001,671	(14,922)	4,986,749
Total Assets	9,569,703	(56,198)	9,513,505
Equity & Liabilities			
Equity			
Stated capital	331,774	–	331,774
Capital reserves	373,907	–	373,907
Revenue reserves	4,061,796	–	4,061,796
Total equity attributable to equity holders of the Company	4,767,477	–	4,767,477
Non-controlling interests	468,418	–	468,418
Total equity	5,235,895	–	5,235,895
Non-Current Liabilities			
Interest bearing loans & borrowings	732,717	(43,395)	689,322
Deferred tax liability	21,219	–	21,219
Retirement benefit obligations	209,577	–	209,577
Total non-current liabilities	963,513	(43,395)	920,118

As at 31st March	31st March 2014		
	With Proportionate Consolidation Rs. '000	Adjustment Rs. '000	With Equity Method Rs. '000
Current Liabilities			
Trade & other payables	597,397	(1,150)	596,247
Interest bearing loans & borrowings	1,782,152	(8,871)	1,773,281
Other current liabilities	262,133	(670)	261,463
Amounts due to related parties	661,244	(2,112)	659,132
Income tax payable	67,369	–	67,369
Total current liabilities	3,370,295	(12,803)	3,357,492
Total liabilities	4,333,808	(56,198)	4,277,610
Total equity and liabilities	9,569,703	(56,198)	9,513,505
Net assets per share (Rs.)	160.45	–	160.45

34. Commitments and contingencies

Capital expenditure commitments

The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2015, for, which no provision has been made in the Financial Statements amounts to Rs. 16,279,933/- (2013/14 - Rs. 51,181,699/-). Capital expenditure approved by the Directors but not contracted for was Rs. 67,877,209/- (2013/14 - Rs. 17,535,000/-).

35. Contingent liabilities

The contingent liability as at 31st March 2015, on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,250,994,815/- (2013/14 - Rs. 1,119,824,640/-). Of this sum, Rs. 1,835,622,400/- (2013/14 - Rs. 840,700,000/-) relate to facilities obtained by subsidiaries.

36. Financial risk management objectives and policies

The Group has exposure to the following risks from financial instruments:

1. Credit risk
2. Liquidity risk
3. 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 Consolidated Financial Statements.

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group's financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of financial risk management policies and procedures, the results of which are reported to the Group Audit Committee.

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 from trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group has established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Further, SLECIC cover or other forms of credit insurance is obtained for most exports.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers.

The maximum exposure to credit risk for trade and other receivables at the reporting date by currency wise was as follows:

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Sri Lankan Rupees	**211,819**	65,816	**58,690**	28,493
Australian Dollar	**133,606**	63,863	**–**	–
Sterling Pound	**106,402**	149,464	**68,408**	61,526
Euro	**159,603**	182,678	**–**	–
United States Dollar	**811,583**	1,157,493	**782,752**	973,088
Thai Baht	**137,547**	130,991	**–**	–
Indonesian Rupiah	**253,804**	122,758	**–**	–
	1,814,364	1,873,063	**909,850**	1,063,107

Investments

Credit risk from investments in equity market and balances with the financial institutions are managed by the Group. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 523,088,000/- at 31st March 2015, in recognised commercial banks approved by the Central/Federal Bank and/or Monetary Authority of the relevant country.

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 and bank loans. 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.

The table below summarises the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted payments.

Group

Year ended 31st March 2015	On Demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 5 Years Rs. '000	>5 Years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	147,865	1,115,830	751,480	501,132	–	2,516,307
Trade and other payables	17,521	622,096	–	–	–	639,617

Year ended 31st March 2014	On Demand Rs. '000	0-90 Rs. '000	90-365 Rs. '000	1 to 5 Years Rs. '000	>5 Years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	231,837	1,278,175	263,269	689,322	–	2,462,603
Trade and other payables	15,102	559,325	21,820	–	–	596,247

Company

Year ended 31st March 2014	On Demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 5 Years Rs. '000	>5 Years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	83,974	643,628	696,204	366,138	–	1,789,943
Trade and other payables	12,145	162,321	–	–	–	174,466

Year ended 31st March 2013	On Demand Rs. '000	0-90 Rs. '000	90-365 Rs. '000	1 to 5 Years Rs. '000	>5 Years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	205,154	1,071,098	169,869	559,329	–	2,005,450
Trade and other payables	13,653	140,128	21,820	–	–	175,601

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, available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The sensitivity analyses in the following sections relate to the position as at 31st March 2015.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The Statement of Financial Position sensitivity relates to derivatives and available-for-sale debt instruments.
- The sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March 2015.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of change in market interest rates relates to the Group's short-term obligations and long-term obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

Interest rate sensitivity

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

		Group Effect on Profit before Tax		Company Effect on Profit before Tax	
	Increase/Decrease in Basis Points %	**2014/15 Rs. '000**	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
US Dollar borrowings	0.5	**10,306**	12,574	**8,529**	10,027

Foreign currency risk

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

The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. The currencies in which these transactions primarily denominated are US Dollar, Australian Dollar, Sterling Pound, Thai Baht and Indonesian Rupiah.

The Group evaluate on a case by case basis and where required hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using forwards contracts wherever applicable.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant of the Group's and Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and Company's exposure to foreign currency changes for all other currencies is not material.

		Group		Company	
	Change in US$ Rate	Effect on Profit before tax		Effect on Profit before tax	
As at 31.03.2015	Increase/Decrease %	**2014/15 Rs. '000**	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
	0.5	**10,133**	3,275	**1,609**	2,576

		Change in Thai Baht Rate			
		Effect on Profit before tax		Effect on Profit before tax	
As at 31.03.2015	Increase/Decrease %	**2014/15 Rs. '000**	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
	0.5	432	326	–	–

		Change in Indonesian Rupiah Rate			
		Effect on Profit before tax		Effect on Profit before tax	
As at 31.03.2015	Increase/Decrease %	**2014/15 Rs. '000**	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
	0.5	1,064	600	–	–

		Change in GBP Rate			
		Effect on Profit before tax		Effect on Profit before tax	
As at 31.03.2015	Increase/Decrease %	**2014/15 Rs. '000**	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
	0.5	532	747	393	314

		Change in AUD Rate			
		Effect on Profit before tax		Effect on Profit before tax	
As at 31.03.2015	Increase/Decrease %	**2014/15 Rs. '000**	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
	0.5	789	249	–	–

		Change in Euro			
		Effect on Profit before tax		Effect on Profit before tax	
As at 31.03.2015	Increase/Decrease %	**2014/15 Rs. '000**	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
	0.5	798	913	–	–

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices.

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, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group has not given any collateral as at 31st March 2015 other than those disclosed in Note 26 (D).

The Group's and Company's gearing ratio at the reporting date was as follows:

	Group		Company	
As at 31st March	**2015 Rs. '000**	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
Total interest bearing borrowings	**2,516,307**	2,462,603	**1,789,943**	2,005,451
Total equity	**6,293,930**	5,235,895	**3,810,526**	3,293,349
Total equity and debt	**8,810,237**	7,698,498	**5,600,469**	5,298,800
Gearing ratio	**29%**	32%	**32%**	38%

37. Events occurring after the Statement of Financial Position

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment to or disclosure in the Financial Statements, except for the proposed final dividend as disclosed in the Note 12 to the Financial Statements.

38. Foreign currency translation

The principal exchange rates used for translation purposes were:

	Average		Year end	
	2014/15 Rs. '000	2013/14 Rs. '000	**2014/15 Rs. '000**	2013/14 Rs. '000
US Dollar	**131.253**	130.523	**133.320**	130.730
Australian Dollar	**114.739**	120.716	**101.935**	120.900
Sterling Pound	**211.091**	208.386	**197.240**	217.405
Thai Baht	**4.029**	4.126	**4.082**	4.030
Indonesian Rupiah	**0.0109**	0.0119	**0.0102**	0.0115

39. Segment analysis

Business Segment

The segmental information is based on two segment formats. The business segment is considered as primary format and based on the Management structure of the Group. The Group transfers products from one geographic region to another for resale. The geographic segment is considered as secondary format and based on the location of the office in which the business is recorded. Transfers are based on fair market prices.

Turnover - Net

For the year ended 31st March	External Rs. '000	Intra-group Rs. '000	Consolidated 2015 Rs. '000	Consolidated 2014 Rs. '000
Activated carbon	11,480,165	4,248,018	**15,728,183**	12,611,781
Environmental engineering	453,683	17,193	**470,876**	375,970
	11,933,848	4,265,211	**16,199,059**	12,987,751
Intra group sales			**(4,265,211)**	(2,649,067)
			11,933,848	10,338,684

Profit before tax

For the year ended 31st March	Consolidated 2015 Rs. '000	Consolidated 2014 Rs. '000
Activated carbon	**1,218,024**	1,105,611
Environmental engineering	**69,894**	55,281
Purification-associate	**11,063**	22,981
Leisure-associate	**394**	1,761
	1,299,375	1,185,634
Consolidation adjustments	**(200,285)**	(126,172)
Unrealised profit on intra group sales	**(28,754)**	(15,379)
	1,070,336	1,044,083

Assets and Liabilities

	Total Assets		Non-Interest-Bearing Liabilities			
			Provision for Liabilities & Charges		Trade & Other Payables	
	2014/15 Rs.'000	2013/14 Rs.'000	**2014/15 Rs.'000**	2013/14 Rs.'000	**2014/15 Rs.'000**	2013/14 Rs.'000
Activated carbon	**10,177,554**	8,859,765	**298,217**	230,796	**697,188**	769,197
Environmental engineering	**377,878**	260,443	**–**	–	**182,309**	88,513
	10,555,432	9,120,208	**298,217**	230,796	**879,497**	857,710
Investment in associates and others	**461,338**	393,297				
	11,016,770	9,513,505				

Capital Expenditure

For the year ended 31st March	Capital Expenditure 2015 Rs. '000	Capital Expenditure 2014 Rs. '000	Depreciation 2015 Rs. '000	Depreciation 2014 Rs. '000
Activated carbon	**637,840**	1,012,459	**307,095**	227,117
Environmental engineering	**1,696**	11,208	**950**	780
	639,536	1,023,667	**308,045**	227,897

Cash flows from

For the year ended 31st March	2015 Activated Carbon Rs. '000	2015 Environmental Engineering Rs. '000	2014 Activated Carbon Rs. '000	2014 Environmental Engineering Rs. '000
Operating activities	**590,941**	**30,093**	936,666	64,093
Investing activities	**(623,249)**	**(8,643)**	(1,001,474)	1,075
Financing activities	**(368,287)**	**(53,396)**	49,751	(6,983)
	(400,595)	**(31,946)**	(15,058)	58,185

Geographical segments

Turnover - Net

For the year ended 31st March	External Rs. '000	Intra group Rs. '000	Consolidated 2015 Rs. '000	Consolidated 2014 Rs. '000
USA	597,093	–	**597,093**	346,685
Europe	1,352,239	–	**1,352,239**	1,261,158
Australia	1,103,480	–	**1,103,480**	800,131
Sri Lanka	3,365,879	(2,421,380)	**5,787,259**	5,867,689
Other Asian Countries	5,515,157	(1,843,831)	**7,358,988**	4,712,088
	11,933,848	(4,265,211)	**16,199,059**	12,987,751
Intra group sales			**(4,265,211)**	(2,649,067)
			11,933,848	10,338,684

Profit before tax

For the year ended 31st March	Consolidated 2015 Rs. '000	Consolidated 2014 Rs. '000
USA	**(31,964)**	10,685
Europe	**9,964**	63,800
Australia	**19,755**	(12,981)
Sri Lanka	**599,707**	650,927
Other Asian Countries	**701,913**	473,203
	1,299,375	1,185,634
Consolidation adjustments	**(229,039)**	(141,551)
	1,070,336	1,044,083

Assets and Liabilities

As at 31st March	Total Assets		Non-Interest-Bearing Liabilities: Provision for Liabilities & Charges		Non-Interest-Bearing Liabilities: Trade & Other Payables	
	2015 Rs.'000	2014 Rs.'000	**2015 Rs.'000**	2014 Rs.'000	**2015 Rs.'000**	2014 Rs.'000
USA	**247,839**	195,601	**–**	–	**31,108**	37,887
Europe	**584,194**	594,740	**–**	–	**80,408**	78,064
Australia	**315,219**	363,180	**–**	–	**23,411**	28,832
Sri Lanka	**3,980,475**	4,148,794	**255,753**	208,232	**282,050**	499,840
Other Asian Countries	**5,427,705**	3,817,893	**42,464**	22,564	**201,834**	229,699
	10,555,432	9,120,208	**298,217**	230,796	**618,811**	874,322
Investments in associates and other	**461,338**	393,297				
	11,016,770	9,513,505				

Capital Expenditure

For the year ended 31st March	Capital Expenditure		Depreciation	
	2015 Rs. '000	2014 Rs. '000	**2015 Rs. '000**	2014 Rs. '000
USA	**–**	2,051	**–**	2,051
Europe	**6,640**	20,155	**5,851**	4,478
Australia	**781**	–	**2,472**	2,583
Sri Lanka	**269,690**	489,813	**145,332**	111,793
Other Asian Countries	**362,425**	511,648	**154,390**	108,907
	639,536	1,023,667	**308,045**	229,812

40. Companies with different accounting years

The Financial Statements of Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., Shizuka Co. Ltd., Thailand, Haycarb Holdings Australia (Pty) Ltd., Australia, Haycarb USA, PT Mapalus Makawanua Charcoal Industry, PT Haycarb Palu Mitra, Indonesia and Haycarb Holdings Bitung Ltd., British Virgin Islands, which have been drawn up to 31st December was consolidated in accordance with LKAS No. 27 in the Financial Statements for the year ended 31st March 2014. It is decided to bring these companies in to the same financial period which ends 31st March from the financial year 2014/15 in accordance with the SLFRS 10 which requires parent and subsidiaries to have same reporting dates for consolidation. Due to this change, Consolidated Financial Statements for the period ended 31st March 2015 contained 15 months results of these companies.

Revenue and the profit before tax of the above companies for the period 1st January 2015 to 31st March 2015 of Rs. 1,635 million and Rs. 49 million. respectively was taken in to the consolidated income statements for the year ended 31st March 2015.

41. Functional currency

The Group's functional currency is Sri Lanka Rupee, except in the following subsidiaries:

Company	Functional Currency
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah
PT Haycarb Palu Mitra	Indonesian Rupiah
Haycarb Holdings Bitung Ltd.	United States Dollar
Eurocarb Products Ltd.	Sterling Pounds
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Haycarb UAS Inc.	United States Dollar
Carbokarn Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
Shizuka Co. Ltd.	Thai Baht
Puricarb Pte. Ltd.	United States Dollar

STATEMENT OF GROUP VALUE ADDED

Group value added

	2014/15 Rs. '000	2013/14 Rs. '000
Group turnover	**11,933,848**	10,338,684
Other operating income	**47,959**	28,504
	11,981,807	10,367,188
Cost of materials and services brought in	**(9,477,494)**	(8,161,831)
Value added	**2,504,313**	2,205,357

Distribution of value added

	2014/15 %	2014/15 Rs. '000	2013/14 %	2013/14 Rs. '000
To Employees as remuneration	**38**	**940,373**	36	797,541
To Government revenue				
- Sri Lanka	**2**	**49,360**	3	56,750
- Overseas	**6**	**148,409**	5	110,582
To Providers of Capital	**14**	**345,579**	11	242,962
- Interest on Borrowings		**166,632**		138,765
- Minority Interest		**178,947**		104,197
To Shareholders as Dividends	**7**	**178,274**	8	178,274
Retained in the business	**34**	**842,318**	37	819,248
- Depreciation		**308,045**		227,742
- Profit retained		**534,273**		591,506
	100	**2,504,313**	**100**	2,205,357

INVESTOR INFORMATION

1. Stock Exchange Listing

The Interim Financial Statements for the fourth quarter ended 31st March 2015, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. Shareholders

Haycarb PLC - Ordinary shareholders as at 31st March 2015.

	Residents			Non-Residents			Total		
No. of Shares Held	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1,373	321,607	1.08	23	10,357	0.03	1,396	331,964	1.12
1,001 - 10,000	435	1,415,981	4.77	21	89,594	0.30	456	1,505,575	5.07
10,001 - 100,000	103	2,524,312	8.50	9	241,443	0.81	112	2,765,755	9.31
100,001 - 1,000,000	8	2,203,825	7.42	6	1,362,588	4.59	14	3,566,413	12.00
Over 1,000,000	2	21,542,668	72.50	–	–	–	2	21,542,668	72.50
Total	1,921	28,008,393	94.27	59	1,703,982	5.73	1,980	29,712,375	100.00
Category									
Individuals	1,772	3,436,549	11.57	56	1,186,299	3.99	1,828	4,622,848	15.56
Institutions	149	24,571,844	82.70	3	517,683	1.74	152	25,089,527	84.44
	1,921	28,008,393	94.27	59	1,703,982	5.73	1,980	29,712,375	100.00

3. Market value

The market value of Haycarb PLC, ordinary shares during the year:

	2014/15 Rs.	Date	2013/14 Rs.	Date
Highest price	**200.00**	(24.09.2014)	215.00	(05.06.2013)
Lowest price	**170.00**	(22.12.2014)	170.00	(05.03.2014)
Closing price	**183.00**	(31.03.2015)	181.00	(31.03.2014)
No. of transactions	**1,059**		1,335	
No. of shares traded	**796,963**		1,739,286	
Value of shares traded	**150,625,634**		338,289,042	

4. Quarterly financial data

	Unaudited		Audited	
	3 months ended 30.06.2014 Rs. '000	6 months ended 30.09.2014 Rs. '000	9 months ended 31.12.2014 Rs. '000	**12 months ended 31.03.2015 Rs. '000**
Revenue	2,429,032	5,210,824	8,008,336	**11,933,848**
Profit before tax from continuing operations	169,768	362,467	601,031	**1,070,336**
Profit for the period from continuing operations	142,599	303,764	507,950	**873,932**
Profit attributable to equity holders of the Company	130,671	261,101	415,535	**694,985**
Property, plant and equipment, investments and non-current assets	4,746,568	4,934,940	5,062,413	**5,320,357**
Current assets	4,969,142	5,345,846	5,495,747	**5,696,413**
Current liabilities	3,227,351	3,662,823	3,808,270	**3,923,489**
Shareholders' funds	4,937,317	5,154,757	5,344,620	**5,703,206**

5. Top 20 shareholders

	Name of the shareholder	**No. of Shares as at 31.03.2015**	**%**	No. of Shares as at 31.03.2014	%
1.	Hayleys PLC No. 3 Share Investment Account	**20,125,103**	**67.73**	20,125,103	67.73
2.	Employees' Provident Fund	**1,417,565**	**4.77**	1,417,565	4.77
3.	Employees' Trust Fund Board	**777,701**	**2.62**	777,701	2.62
4.	National Savings Bank	**447,491**	**1.51**	391,366	1.32
5.	Promar Overseas SA	**397,682**	**1.34**	397,682	1.34
6.	Mr. T. Ueda	**357,206**	**1.20**	250,000	0.84
7.	Bank of Ceylon No. 1 Account	**251,067**	**0.84**	251,067	0.84
8.	Mrs. J.K.P. Singh	**214,700**	**0.72**	214,700	0.72
9.	M. Radhakrishnan (Deceased)	**201,000**	**0.68**	201,000	0.68
10.	Dr. D. Jayanntha	**151,600**	**0.51**	119,500	0.40
11.	Dr. H.S.M. Singh and Mrs. J.K.P. Singh	**150,000**	**0.50**	160,000	0.54
12.	E.W. Balasuriya and Co. (Pvt) Ltd	**139,149**	**0.47**	77,393	0.26
13.	Mr. S. Krishnananthan	**128,717**	**0.43**	128,717	0.43
14.	Mr. H.S. Gill	**123,000**	**0.41**	123,000	0.41
15.	Hallsville Trading Group Inc.	**120,000**	**0.40**	49,764	0.17
16.	Commercial Bank of Ceylon PLC A/C No. 04	**107,100**	**0.36**	107,100	0.36
17.	Mr. J.S.A.B. Singh and Mrs. G.K.A.H. Singh	**100,000**	**0.34**	150,000	0.50
18.	Mr. M.A.H. Esufally	**72,747**	**0.24**	61,000	0.21
19.	Mr. H.N. Esufally	**72,290**	**0.24**	60,540	0.20
20.	Mr. A. Arulthakshanan	**71,078**	**0.24**	71,078	0.24
	Total	**25,425,196**	**85.55**	25,084,276	84.58

The percentage of shares held by the public as per Colombo Stock Exchange Listing Rules as at 31st March 2015 was 32.17%.

TEN YEAR FINANCIAL REVIEW

Year ended 31st March	2006 Rs. '000	2007 Rs. '000	2008 Rs. '000	2009 Rs. '000	2010 Rs. '000	2011 Rs. '000	2012 Rs. '000	2013 Rs. '000	2014 Rs. '000	**2015 Rs. '000**
Trading Results										
Group Turnover	2,762,838	3,122,274	4,187,768	4,526,310	5,075,968	6,400,233	8,508,896	10,149,637	10,338,684	**11,933,848**
Profit before taxation	(167,736)	169,615	308,136	358,694	819,809	724,197	656,822	1,227,707	1,044,083	**1,070,336**
Group taxation	(15,601)	(15,976)	(34,152)	(86,375)	(134,166)	(149,853)	(133,808)	(192,708)	(152,106)	**(196,404)**
Profit after taxation (Continuing operations)	(183,337)	153,639	273,984	272,319	685,643	574,344	523,014	1,034,999	891,977	**873,932**
Minority Interest	(30,936)	(27,121)	(47,733)	(54,196)	(52,716)	(69,259)	(51,822)	(89,691)	(104,197)	**(178,947)**
Profit/(loss) from discontinued operations	–	(63,056)	(46,623)	6,890	–	–	–	–	–	**–**
Profit attributable to Haycarb PLC	(214,273)	63,462	179,628	225,013	632,927	505,085	471,192	945,308	787,780	**694,985**
Statement of Financial Position										
Share capital	297,124	331,774	331,774	331,774	331,774	331,774	331,774	331,774	331,774	**331,774**
Capital reserves	129,824	117,938	117,938	117,938	213,330	213,330	296,707	373,907	373,907	**570,848**
Revenue reserves	799,106	948,904	1,077,075	1,203,766	1,753,964	2,587,343	2,961,061	3,675,876	4,061,796	**4,800,584**
Negative Goodwill on acquisition	–	–	–	–	–	–	–	–	–	**–**
Preliminary and pre operational expenditure	–	–	–	–	–	–	–	–	–	**–**
Minority interest	116,227	146,211	172,235	192,850	223,577	260,786	270,721	344,247	468,418	**590,724**
	1,342,281	1,544,827	1,699,022	1,846,328	2,522,645	3,393,233	3,860,263	4,725,804	5,235,895	**6,293,930**
Property, plant and equipment, investments and non-current assets	1,116,043	1,099,391	1,260,923	1,207,660	1,318,321	2,009,828	2,616,262	3,724,931	4,275,533	**5,059,453**
Intangible assets	72,209	72,210	72,210	63,447	63,447	63,447	132,000	240,018	251,223	**260,903**
Current assets	1,762,776	1,852,680	1,579,099	1,689,416	2,183,165	2,504,592	3,710,435	4,466,440	4,986,749	**5,696,413**
Non-current assets held for disposal	–	73,652	84,895	–	–	–	–	–	–	**–**
Current liabilities	(1,084,234)	(1,200,592)	(976,467)	(915,413)	(905,443)	(1,072,575)	(2,083,981)	(2,907,846)	(3,357,492)	**(3,923,488)**
Provisions and creditors due after one year	(524,513)	(352,514)	(321,638)	(198,782)	(136,845)	(112,059)	(514,453)	(797,739)	(920,118)	**(799,351)**
	1,342,281	1,544,827	1,699,022	1,846,328	2,522,645	3,393,233	3,860,263	4,725,804	5,235,895	**6,293,930**
Ratios & Statistics										
Return on shareholders' equity (%)	(17)	5	12	14	28	16	13	21	17	**12**
Dividend (Rs. '000)	–	29,712	74,282	81,709	148,562	148,562	163,418	207,986	178,274	**178,274**
Dividend per share	–	1.00	2.50	2.75	5.00	5.00	5.50	7.00	6.00	**6.00**
Annual sales growth index (Base - 2005) (%)	107	121	162	175	196	247	329	392	400	**461**
Earnings per share at year end* (Rs.)	(7.21)	2.14	6.05	7.57	21.30	17.00	15.86	31.82	26.51	**23.39**
Net assets per share at year end * (Rs.)	41.26	47.07	51.39	55.65	77.38	105.42	120.81	147.89	160.45	**191.95**
Market price per share (Rs.)	38.50	35.00	58.25	46.50	160.00	155.40	160.00	176.00	181.00	**183.00**
Current ratio (Times)	1.63	1.60	1.70	1.85	2.41	2.33	1.78	1.54	1.47	**1.45**
Liquidity ratio (Times)	0.93	0.89	1.07	1.17	1.31	1.37	0.84	0.79	0.85	**0.68**

Figures in brackets indicate deductions.

* *Earnings and net assets per share are based on the 29,712,375 shares in issue as at 31st March 2015. Previous year's figures have accordingly been adjusted.*

GROUP PROFILE

	Incorporation	Stated/Share Capital	Group Interest
Haycarb PLC **Manufacturing and Marketing of Activated Carbon**			Parent Company
Eurocarb Products Ltd. Distributors of Activated Carbon Adsorption Products and Technology in Europe	1986 in UK (Bristol, England)	£ 100,000	100% (Subsidiary)
Haycarb Holdings Australia (Pty) Ltd. Distributors of Activated Carbon Adsorption Products and Technology in Australia	1989 in Australia (Victoria, Australia)	AU$ 150,000	100% (Subsidiary)
Carbokarn Co. Ltd. Manufacture and sale of Activated Carbon	1993 in Thailand (Bangkok, Thailand)	THB 50,000,000	50% (Subsidiary)
CK Regen Systems Co. Ltd. Regeneration of Spent Carbon	2002, in Thailand (Bangkok, Thailand)	THB 15,000,000	50% (Subsidiary)
Haycarb USA Inc. Distributors of Carbon Adsorption Products & Technology and coir fibre pith in the USA	1983 in USA (Woodlands, Texas, USA)	US$ 287,900	100% (Subsidiary)
Puritas (Pvt) Ltd. Environmental engineering	1995 in Sri Lanka	Rs. 18,000,000	100% (Subsidiary)
Recogen (Pvt) Ltd. Charcoal making and power generation	1997 in Sri Lanka	Rs. 370,000,000	100% (Subsidiary)
PT Mapalus Makawanua Charcoal Industry Manufacture and export of Activated Carbon	1985 in Indonesia (Bitung, Indonesia)	IDR. 37,102,000,000	100% (Subsidiary)
Haycarb Holdings Bitung Ltd. Investment	2005 in British Virgin Islands	US$ 1,400,000	100% (Subsidiary)
Carbotels (Pvt) Ltd. Investor in tourist resorts	1991 in Sri Lanka	Rs. 368,665,000	25.2% (Associate)
Ultracarb (Pvt) Ltd. Manufacture and sale of Value Added Carbon	2010 in Sri Lanka	Rs. 250,000,000	100% (Subsidiary)
Lakdiyatha (Pvt) Ltd. Sewage and waste-water treatment plant	2011 in Sri Lanka	Rs. 50,000,000	49% (Associate)
Shizuka Co. Ltd. Manufacture and sale of Activated Carbon	2012 in Thailand (Ratchaburi Province, Thailand)	THB 20,000,000	50% (Subsidiary)
Haycarb Value Added Products (Pvt) Ltd. Manufacture and sale of Value Added Activated Carbon	2012 in Sri Lanka	Rs. 400,000,010	100% (Subsidiary)
PT Haycarb Palu Mitra Manufacture and sale of Activated Carbon	2012 in Indonesia (Palu, Indonesia)	IDR 20,508,850,000	60% (Subsidiary)
Puricarb Pte. Ltd. Engineering Consultancy Services	2014 in Singapore	US$ 50,001	100% (Subsidiary)

Directors		
A.M. Pandithage (Chairman) H.S.R. Kariyawasan (Managing Director) A.M. Senaratna	S.C. Ganegoda Dhammika Perera Ms. M.J.A.S. Abeyratne D.E. Ranaraja	Nimal Perera Dr. S.A.K. Abayawardana S. Rajapakse M.S.P. Udaya Kumara (w.e.f. 15th February 2015) B. Balaratnarajah (w.e.f. 1st April 2015)
A.M. Pandithage (Chairman) J.D. Naylor (Managing Director) H.S.R. Kariyawasan	D.E. Ranaraja R. Bittel (w.e.f. 12th May 2014)	
A.M. Pandithage (Chairman) H.S.R. Kariyawasan D.J. Perera	Ms. M.J.A.S. Abeyratne M. Marques	
A.M. Pandithage (Chairman) P. Karnchanabatr (Managing Director) H.S.R. Kariyawasan	B. Karnchanabatr, K. Karnchanabatr, Y.P.A.S. Pathirathne	Ms. C. Karnchanabatr Ms. M.J.A.S. Abeyratne B. Balaratnarajah (w.e.f. 30th June 2014) T. Karnchanabatr (w.e.f. 30th June 2014)
A.M. Pandithage (Chairman) P. Karnchanabatr (Managing Director)	H.S.R. Kariyawasan B. Karnchanabatr, K. Karnchanabatr	Y.P.A.S. Pathirathne Ms. C. Karnchanabatr Ms. M.J.A.S. Abeyratne
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	D.M. Thomas (w.e.f. 12th May 2014) Ms. M.J.A.S. Abeyratne (w.e.f. 30th July 2014) Neal E. Megonnell (w.e.f. 30th July 2014) Y.P.A.S. Pathirathne (w.e.f. 30th July 2014)	
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	A.A.M. Caderbhoy	Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	R. De Silva	B. Balaratnarajah
A.M. Pandithage (President Commissioner) S.C. Ganegoda (Vice-President Commissioner)	H.S.R. Kariyawasan (President Director) B. Balaratnarajah E. Senduk	M.S.P. Udaya Kumara A.A.M. Caderbhoy
A.M. Pandithage (Chairman) A.M. Senaratna	H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	
A.M. Pandithage (Chairman) S.C. Ganegoda		
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	D.E. Ranaraja B. Balaratnarajah M.S.P. Udaya Kumara A.A.M. Caderbhoy	S.P. Weerawardane
A.M. Pandithage H.S.R. Kariyawasan Patrick Roussean	Bodhisattwa Dasgupta Fabrice Brochet	Ms. S.S. Ragunathan
A.M. Pandithage (Chairman) H.S.R. Kariyawasan P. Karnchanabatr	Y.P.A.S. Pathirathne Ms. M.J.A.S. Abeyratne	Ms. C. Karnchanabatr B. Karnchanabatr K. Karnchanabatr
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne		
J. Yaurai (President Commissioner) Ms. M.J.A.S. Abeyratne (Commissioner) D.E. Ranaraja (Commissioner)	A.M. Pandithage (President Director) H.S.R. Kariyawasan A.A.M. Caderbhoy	B. Balaratnarajah Ronny K.A. Karim
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan S.H.C. Winston		

GLOSSARY

Accounting policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Borrowings
Bank loans, overdrafts and finance lease obligations.

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

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

Cash equivalents
Liquid investments with original maturities of three months or less.

Contingent liabilities
Conditions or situations at the Reporting date, the financial effect of which are to be determined by future events which may or may not occur.

Current ratio
Current assets divided by current liabilities.

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.

Dividend cover
Post-tax profit divided by gross dividend. Measures the number of times dividend is covered by distributed profit.

Dividend yield
Gross dividend per share as a percentage of the market price.

Earnings per share
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue and ranking for dividend.

Equity
Shareholders funds i.e., stated capital and reserves.

Gearing ratio
Proportion of total interest-bearing borrowing from financial institutions to capital employed.

Gross dividend
Portion of profits inclusive of tax withheld distributed to shareholders.

Liquidity ratio
Current assets less inventories divided by current liabilities. A measure of the Company's ability to settle its debts as they fall due.

Net assets per share
Shareholders' funds divided by the weighted average number of ordinary shares in issue.

Price earnings ratio
Market price of a share divided by earnings per share.

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

Return on shareholder equity
Attributable profits divided by average shareholders' funds.

Revenue reserves
Reserves considered as being available for distributions and investments.

Segment
Constituent business units grouped in terms of nature and similarity of operations.

Value addition
The quantum of wealth generated by the activities of the Group and its distribution.

Working capital
Capital required to finance the day-to-day operations (current assets minus current liabilities).

NOTICE OF MEETING

Haycarb PLC
Company No. PQ 59

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of Haycarb PLC, will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka, on Thursday, 25th June 2015 at 10.00 a.m. and the business to be brought before the Meeting will be:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2015, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. M.S.P. Udaya Kumara, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Mr. B. Balaratnarajah, who has been appointed by the Board, since the last Annual General Meeting, a Director.
5. To re-elect Mr. A.M. Senaratna, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mr. Dhammika Perera, who retires by rotation at the Annual General Meeting, a Director.
7. To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
8. To authorise the Directors to determine contributions to charities.
9. To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.
10. To consider any other business of which due notice has been given.

Note:

(i) A member is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a 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, by 10.00 a.m. on 23rd June 2015.

(ii) It is proposed to post ordinary dividend warrants on 6th July 2015 and in accordance with the Rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 26th June 2015.

By Order of the Board,

Haycarb PLC
Hayleys Group Services (Private) Limited
Secretaries

Colombo
25th May 2015

FORM OF PROXY

Haycarb PLC
Company No. PQ 59

I/We* ....

of ....

being a shareholder/shareholders* of **HAYCARB PLC** hereby appoint:

1. ....

of ....or

failing him/them*.

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Forty-Second Annual General Meeting of the Company to be held on Thursday, 25th June 2015 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

		For	Against
1.	To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2015, with the Report of the Auditors thereon.		
2.	To declare a dividend as recommended by the Directors.		
3.	To re-elect Mr. M.S.P. Udaya Kumara, who has been appointed by the Board, since the last Annual General Meeting, a Director.		
4.	To re-elect Mr. B. Balaratnarajah, who has been appointed by the Board, since the last Annual General Meeting, a Director.		
5.	To re-elect Mr. A.M. Senaratna who retires by rotation at the Annual General Meeting, a Director.		
6.	To re-elect, Mr. Dhammika Perera, who retires by rotation at the Annual General Meeting, a Director.		
7.	To re-elect, Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.		
8.	To authorise the Directors to determine contributions to charities.		
9.	To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been re-appointed as Auditors.		

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our* hands this .... day of .... 2015.

Witnesses
....
....
....

Signature of Shareholder

Note: ** Please delete the inappropriate words.*

1. A proxy need not be a shareholder of the Company.
2. Instructions as to completion appear on the reverse.

Instructions as to Completion

1. To be valid, this Form of Proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10, Sri Lanka by 10.00 a.m. on 23rd June 2015.
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors of the Company) as your proxy, please insert the relevant details at (1) overleaf and initial against this entry.
4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original (POA) together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

CORPORATE INFORMATION

Name of Company

Haycarb PLC

Legal Form

A Quoted Public Company with limited liability. Incorporated in Sri Lanka in 1973

Company Number

PQ 59

Stock Exchange Listing

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

Secretaries

Hayleys Group Services (Pvt) Ltd.
400, Deans Road, Colombo 10, Sri Lanka
Telephone: +94 11 2627650

Registered Office

400, Deans Road, Colombo 10, Sri Lanka.
Telephone: +94 11 2627000, 2677364
Fax: +94 11 2699630
E-mail: haycarbgroup@haycarb.com
www.haycarb.com

Bankers

Bank of Ceylon
Citibank N.A.
Commercial Bank
Deutsche Bank
Hatton National Bank
Hongkong & Shanghai Banking Corporation
NDB Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Auditors

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

Parent Company

Hayleys PLC

Accounting Year End

31st March

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www.smart.lk www.carbonfund.org

“Better living through Carbon”

Leading edge Activated Carbon Technology
for every industry and purpose

Our Vision

To be the leading global brand for Activated Carbon Products and Solutions, renowned for excellence, innovation and lasting relationships

Haycarb PLC

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