HAYCARB
Activated carbon solutions

Haycarb PLC - Annual Report 2015/16

HAYCARB
Activated carbon solutions

Sustainable Differentiation

Haycarb PLC continues to be one of the world's leading manufacturers of coconut shell based activated carbon with a 16% share of the global market. The Company's rapid diversification into water purification systems and carbon regeneration has added to its reputation as a trusted specialist in its field. We believe Haycarb to be 'ahead of the curve' because years of specialisation in our field have helped us offer a discerning clientele with superior product differentiation augmented by a total solution approach. We have achieved this within a strict regime of sustainability – an aspect we've maintained since inception. In tandem we live our brand values of innovation, technical excellence and customer centricity.

The 'whole' Haycarb experience is really second to none!

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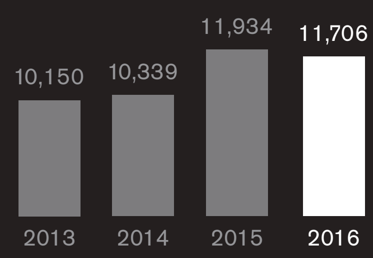
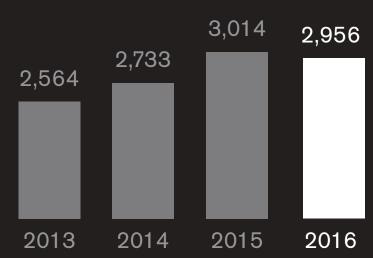
Key Performance Indicators

Statement of Income

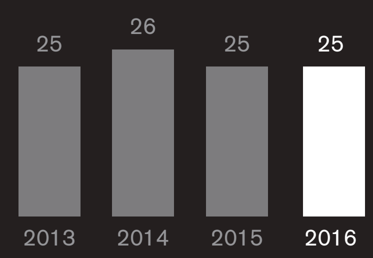
Revenue
Rs. million



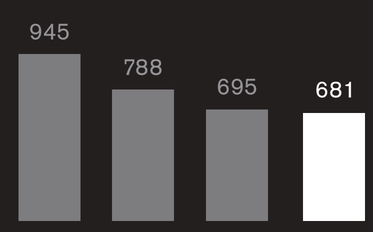
Gross Profit
Rs. million



Gross Profit Margin
%

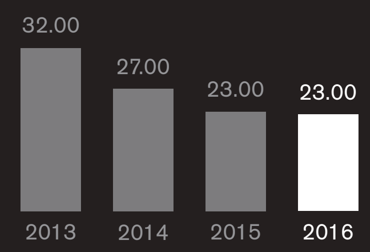


Profit Attributable to Equity Shareholders
Rs. million

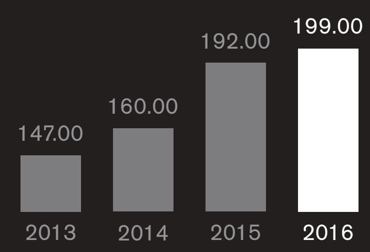


Return to Shareholders

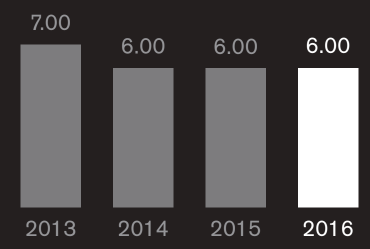
EPS
Rs.



NAV per Share
Rs.

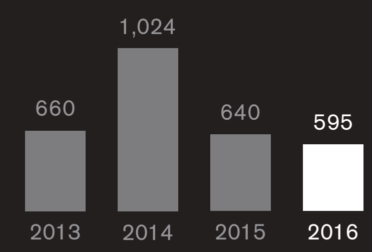


DPS
Rs.

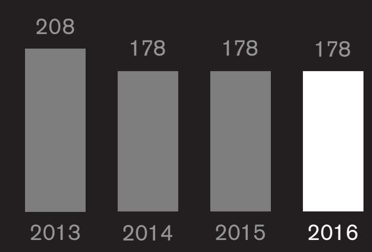


Cash Flows

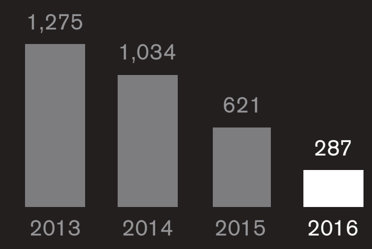
Capital Expenditure
Rs. million



Dividend Payment
Rs. million

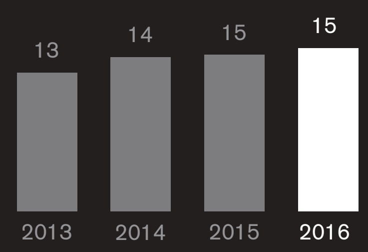


Operating Cash Flow
Rs. million

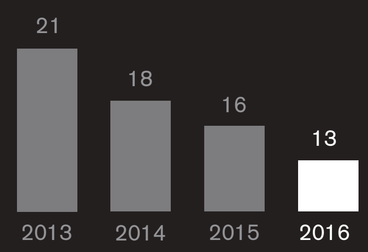


Ratios

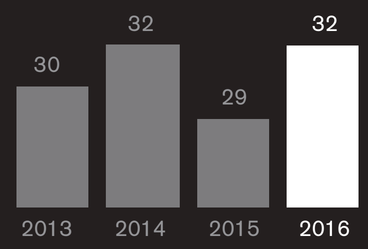
Overheads Cost to Income Ratio
%



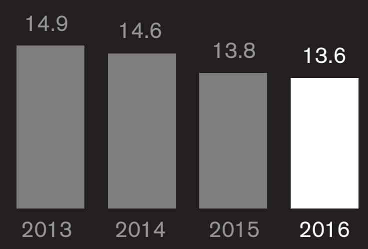
ROCE
%



Gearing Ratio
%

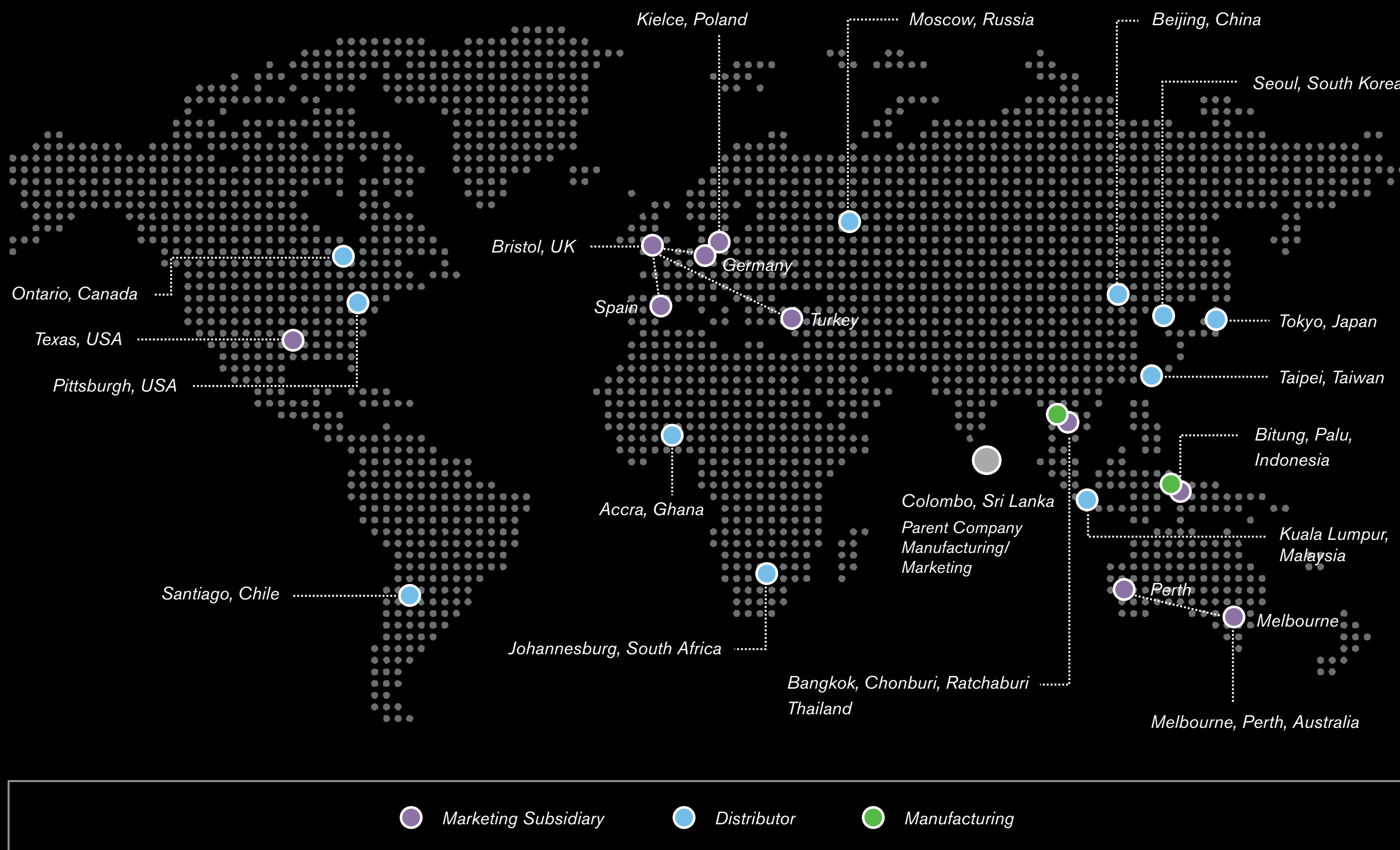


EBITDA to Sales
%

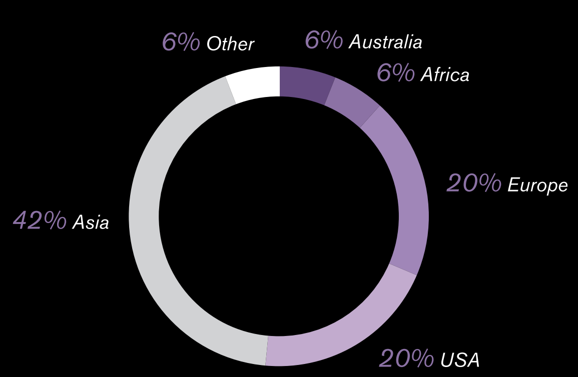


2014/15 Report 15 months results of some of the subsidiary companies due to transitional adjustments made last year to comply with Sri Lanka Financial Reporting Standards (SLFRS 10) 'Consolidated Financial Statements' – Refer Note 1 of page 15.

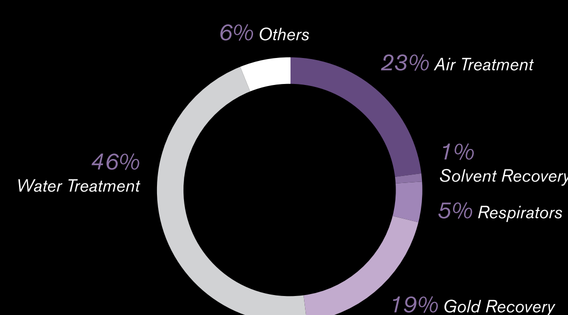
Global Presence



TURNOVER BY GEOGRAPHICAL LOCATION



TURNOVER BY APPLICATION



42,500 Metric Tons

Activated Carbon manufacturing capacity per annum 2015/16.

Strategy

Formulating and following a well-engineered strategic plan has provided us with sustained growth in the past; this year was no different. We took an aggressive approach to positioning our products in emerging markets where we have traditionally enjoyed a strong position. In addition we reinforced our status in developed markets, particularly in key application and customer segments. Further we focused our attention to expand our Environmental Engineering business to have selective regional presence and growth in water/wastewater treatment systems.

The sustained development in key markets was achieved through upgrading the technology and quality systems of our manufacturing plants to ensure we continued to be customer-centric industry leaders. Our focus on Research and Development, Marketing and Business Development and Manufacturing Technologies resulted in a range of innovative, new, high-value products expanding and enhancing our existing portfolio. These products include special grades of Chloramine Removal Carbon, Cabin Air Carbon, Heavy Metal Removal Carbon, Super Capacitor Carbon and Respirator Carbons.

Our sustainability initiatives gathered further momentum through additional projects to reduce fossil fuel usage in all manufacturing facilities, expansion in environmental friendly charcoaling in Thailand and Sri Lanka and the execution of the flagship Corporate Social Responsibility Initiative 'Puritas *Sath Diyawara*' to provide much needed purified drinking water to villages affected by Chronic Kidney Disease.

By continuing to focus on our core product portfolio, implementing lean initiatives, adopting new technology and machinery, successfully enhancing capacity and aggressively expanding our market reach whilst enlarging our footprint in Environmental Engineering business segment, we were able to maintain our position as a world leader in the manufacture of coconut shell based activated carbon and provider of innovative purification solutions.

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

"We reiterate our confidence that was elaborated in the last year's report that along with the emphasis that is placed on environmental sustainability across the world, that the activated carbon industry and environmental engineering services of Haycarb Group is in a position of strength and stability to experience good progress and growth in the years ahead."

We are pleased to present the Annual Report of Haycarb PLC for the financial year 2015/16.

Haycarb Group surpassed the Rs. 1 billion PBT mark for the fourth consecutive year in spite of a challenging external environment, signalling the stability of our business model suitably backed by the long-term strategic direction.

Review of operations 2015/16

Financial performance

Haycarb recorded a turnover of Rs. 11,705 million, profit before tax of Rs. 1,119 million and profit after tax of Rs. 898 million for the year under review. Even though the turnover signifies a decrease of 2% in comparison with the previous year, when the effects of the transitional adjustments effected last year to comply with Sri Lanka Financial Reporting Standards (SLFRS 10 - Consolidated Financial Statements) are excluded, the turnover has increased by 14% over the comparable 12-month period. Similarly when the effects of transitional entries are removed, the profit before tax has increased by 10% compared to the previous period. The earnings per share stood at Rs. 22.93 and net assets per share increased to Rs. 199.11.

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 2016, will add to a total dividend of Rs. 6/- per share.

Activated carbon operation

The coconut shell based activated carbon operation continued to be affected by challenging conditions in the global activated carbon markets and dynamics of the raw material supply chain.

Haycarb Group encountered challenges in the global marketing environment due to the slowdown in gold mining industry, economic downturn and currency fluctuations in its major markets and competition from low cost manufacturers from countries such as India, Indonesia and Philippines. Key changes in our distributorship arrangement in the USA market presented not only longer term opportunities but a myriad of challenges in the short to medium term. The higher cost of coconut shell charcoal in Sri Lanka and Thailand as well as inadequacy of supplies that necessitated importation of the raw material at higher landed prices continued to impact the bottom line of manufacturing operations. The strategies and action plans that were put into effect to retain profitability in spite of these challenges are discussed in more detail below.

The global prices of gold stagnated for the 3rd year, exerting downward pressure on prices and demand, impacting the profitability of this sizable product portfolio whilst increasing the credit risk. The situation was worsened by the increased competition encountered from low cost competitors from India, Indonesia and Philippines which led to further lowering of market prices. As volumes dropped in the gold mining industry the resultant under-utilisation of production facilities drove up total cost of production per unit. In all product segments the volatility and depreciation of currencies such as the Euro, Japanese Yen, Russian Rouble and Australian Dollar resulted in customers seeking price reductions in USD equivalent. The expectation for longer credit periods and stock holding from new customers compelled Haycarb to invest additional funds in working capital.

From the manufacturing perspective, the movements in Sri Lankan Rupees (LKR) and Thai Baht (Baht) failed to offset the adverse effects in global markets. In addition, the extreme volatility of the Indonesian Rupiah (IDR) made it increasingly difficult to estimate and manage currency risk while the rapid depreciation of the IDR caused alternative inroads to our raw material sources, due to the opening of the Indonesian charcoal market to China as a competitively priced charcoal destination. Sri Lanka and Thailand continued to experience supply and demand dynamics that held the raw material prices at high levels throughout the year. In addition to the impact of raw material prices that exerted upward pressure on manufacturing costs, the shortages of skilled operators and technical grades in our countries of manufacture and inflationary pressures required upward adjustments to salaries, allowances and amenities for factory personnel posed further challenges to the supply chain. Although, the world fossil fuel prices plummeted, this was not reflected adequately in the oil and electricity price revisions in the countries of our manufacturing facilities, adding further pressure in managing our cost of production.

In order to mitigate the dual effect of downward pressure on product pricing and escalating production costs Haycarb focussed on lean and cost saving initiatives. These included energy saving initiatives that further channelled waste heat to production processes, reduction of by products and waste through process improvements and automation. Integrated teams drawn from Research and Development, Engineering Projects, Manufacturing, Engineering Maintenance and Production Planning continuously endeavoured to improve productivity and efficiency in processes.

We continued to enhance the capabilities of Research and Development, Marketing/Business Development and Manufacturing Technologies backed by our commitment to upgrade our R&D and manufacturing facilities. This has added new products to our portfolio as the Company focussed on development and commercialisation of specialised, high value products. Electric Double Layer Capacity (EDLC) carbons under Ultracarb showed significant improvement in performance and growth in sales volumes. The new products that were developed and/or commercialised during the year include special grades of Chloramine Removal Carbon, Cabin Air Carbon, Heavy Metal Removal Carbon, Super Capacitor Carbon and Respirator Carbons.

Haycarb endeavours to upgrade technologies and quality systems of our manufacturing plants to stay ahead of the requirements of our valued customers and industry norms. In the year under review we have invested significantly in both increase and enhancement of technology, flexibility and quality systems as a continuing journey towards manufacturing excellence.

Haycarb's efforts to strengthen the coconut shell and coconut shell-based charcoal collection network in Sri Lanka through both traditional and non-traditional sources combined with the Haritha Angara initiative produced positive results that increased the charcoal intake from Sri Lanka, helping the Company to reduce its dependence on imported charcoal sources.

Carbokarn Group Thailand, reported creditable performance recording a significant growth in its turnover and profit before tax. The robust performance was the outcome of a better sales mix, lean initiatives that increased efficiencies in processes and energy consumption, utilisation of value adding equipment installed in the last two years that facilitated a higher value product offering and the maximum utilisation of capacities. Extensive work was undertaken during the year to strengthen the charcoal supply network in Thailand. The newly installed environment friendly vertical charcoaling facility that is capable of supplying one third of its raw material requirement is the result of innovative ideas, commitment and execution of our Carbokarn management team. CK Regen Systems Co. Ltd., which offers regeneration services to industrial customers, also recorded creditable growth contributing to the overall performance.

The Indonesian operation was augmented with additional kiln capacity in Q2 whilst processing equipment were upgraded to facilitate the manufacture of more value added grades. As mentioned previously the volatility of the Indonesian Rupiah that depreciated as much as 13% by the month of September 2015, prior to its partial recovery by end of the financial year, posed challenges in managing currency risk. Though the depreciation helped to protect export margins, it also caused setbacks in the local sales segment. It must be noted that the strength of the charcoal supply network that has been developed in Indonesia in the last 24 months, stood in good stead to support Haycarb operations as a significant quantity of charcoal was sourced for the Sri Lanka and Thailand operations from this network.

Haycarb continues to be one of the world's leading manufacturers of coconut shell-based activated carbon in the year under review due to the successes of capacity enhancement measures that was achieved through lean initiatives last year and the significant additions of new machinery/enhancement of technology, value additions and aggressive marketing efforts that were implemented in the current year.

The marketing and business development initiatives expanded the market share in existing geographies such as Europe, China, Korea and Indonesia and entry into new markets such as Russia, Eastern Europe and the Middle East. The successful commercialisation of a number of new value added products which enabled entry to new application segments enabled the Company to protect profit margins.

The downturn in the gold industry directly impacted performance of Haycarb Holdings Australia where sales volumes contracted while gross margins also eroded. In this backdrop the operation was remodelled to a leaner structure to improve cost efficiency.

Eurocarb recorded growth in sales volumes, revenues and profitability due to wider market reach and expansion. The successful launch of premium cabin carbon products which was closely supported by Research and Development teams also bolstered this growth.

Beginning from last year, we have strategically invested in restructuring, resourcing and expanding the reach of Haycarb USA Inc., to facilitate the change in the distributorship model that existed for many years. Whilst this transition has indeed been a high impact risk that had to be managed carefully with a long-term strategy, it also presented many opportunities which included the launch and promotion of the Haycarb brand in USA whilst engaging in many marketing initiatives. In spite of certain setbacks in the regulatory environment affecting the activated carbon market, we are pleased to announce the steady progress made in this important market, having established a number of important customers, new non-exclusive distributorships and long-term impactful strategic collaborations. The gross profit of Haycarb USA increased significantly as top-line growth of both activated carbon and coir fibre pith sales showed steady growth in comparison to the last 12 months. The outlook for Haycarb USA remains positive as it works with a number of new customers and distributors to consolidate and grow its position in the USA.

Environmental engineering

Haycarb's environmental engineering arm, Puritas (Pvt.) Ltd. that specialises in water and wastewater treatment systems across a variety of industries recorded significant growth and performance in turnover and profit before tax in the year under review. The small to medium scale purification systems and solutions expanded significantly in Sri Lanka and in the region, with notable growth in water treatment systems business in the Maldives.

The Company also shows steady progress in the activated carbon end products having grown this business significantly in the current year.

Puritas will continue to leverage on its technical excellence, expertise and wide experience of implementing over 300 purification plants to date, and is confident of stability and growth in markets that they have penetrated. The business has strategies to widen its reach regionally and has plans to market the water and wastewater treatment systems in countries such as Myanmar and Seychelles. The Company continues to work through the strategic collaboration with Veolia Water Systems for participation in large scale water treatment projects.

CSR Initiatives

Puritas *Sath Diyawara*

Haycarb remains committed to play the leading role in Puritas *Sath Diyawara* which was launched by Haycarb Group and was adopted as the flagship CSR initiative of our Parent Company Hayleys PLC, to provide purified drinking water to families in Chronic Kidney Disease (CKD) affected villages in the North and North Central Provinces in Sri Lanka.

A single project comprises of a centralised Reverse Osmosis (RO) Water Treatment Plant, with a capacity to purify up to 10,000 water litres a day, 5 to 10 docking stations in and around the village to ensure easy access to purified water and a tractor with a mounted water bowser to distribute the water from the central location. The projects are coupled with community development work to uplift the quality of life of the villagers.

We reported that the initiative was launched last year with the installation of the first water purification plant in Maithreepura, Padaviya and that under phase two of the project, other sectors under the umbrella of Hayleys Group sponsored three more projects. Up to date six additional projects have been sponsored by the Hayleys Group – it is with great satisfaction that we report that 10 Puritas *Sath Diyawara* projects commissioned at a cost of Rs. 44 million under the patronage of key sectors of Hayleys Group, now purify and supply over 100,000 litres of safe drinking water per day across 13 villages serving approximately 21,000 people. Out of the projects executed this year, Haycarb Group sponsored the purification plant provided to Anandapuram, Siva Nagar and Iranapalai villages in Mullaitivu.

'Going Beyond', the additional CSR initiatives in villages provided with the RO plants aims to empower communities through access to livelihood skills, awareness of waste management and training in organic and value added agricultural products.

Environmental friendly charcoaling projects

Haycarb continued the Haritha Angara Project, providing technical and financial assistance to promote environmental friendly charcoaling processes in Sri Lanka through selected charcoal suppliers.

In Thailand a new technology was tested and introduced to manufacture coconut shell-based charcoal using environmentally friendly vertical kilns. Carbokarn has funded the kilns which have now been assigned and are operated by charcoal manufacturers who have been offered ownership of the kilns through a part payment scheme.

Health

Haycarb PLC continues to donate medical grade activated carbon to the Ministry of Health of Sri Lanka to be distributed among the National Hospitals to treat patients who have ingested poisonous substances.

PT Mapalus Makawanua Charcoal Industry in Indonesia also focussed on improving health facilities in its locality for the second consecutive year through upgrading the facilities of a Community Health/Maternity Clinic in Bitung, Sulawesi in Indonesia.

Conclusion – Performance 2015/16

In our communications last year, we presented a strategy of growth, consolidation and continuous development of specialised value added products. Even as the success of this approach and our focus on lean initiatives produced positive outcomes, the Group had to absorb the impact of our inability to utilise the full capacity of the Sri Lanka factories due to challenges in export markets discussed above. Therefore, the Company has focussed on enhancing capacity in existing overseas plants, improving quality and efficiencies of all manufacturing locations and increasing value adding capabilities.

We have taken a series of concrete steps to enhance marketing presence in key and growing markets globally with the strengthening of our own subsidiaries and resourcing of our existing and new distributors. Major initiatives were launched to enhance the application knowledge and market intelligence and expand into new areas of activated carbon and services markets whilst driving rapid expansion of our Environmental Engineering Division.

In spite of challenges that were discussed above, we are pleased to note that Haycarb Group has successfully completed the year with a creditable performance which was made possible by the continuous innovation and commitment that was channelled through lean initiatives, contribution from value added products, expansion in activated carbon market segments and the growth of the environmental engineering business segment.

Way forward

Haycarb Group is in the phase of finalising a growth strategy to embark on a further journey of consolidation and growth to excel in all spheres we operate in today along with further diversification of our business model.

We reiterate our confidence that was elaborated in the last year's report that along with the emphasis that is placed on environmental sustainability across the world, that the activated carbon industry and environmental engineering services of Haycarb Group is in a position of strength and stability to experience good progress and growth in the years ahead.

Even though the Group concentrated on increasing capacity and capabilities of existing plants, we will continue to pursue our plans to substantially grow the manufacturing capacities in selected locations depending on raw material availability and the preferred geographical spread for the Group.

Noting the successes of marketing initiatives globally that helped to make inroads into important customer accounts and geographies we will continue with marketing promotions and brand building whilst leveraging on our technical excellence and knowledge base to move up the value chain. In all markets we will seek to create new win-win partnerships with strategic customers whilst strengthening the relationships with all customers, distributors and agents that have continued to add value over the years.

There will be further focus on product development and lean initiatives, improving technical excellence and investing continually on technology enhancements and quality system upgrades to ensure manufacturing excellence to stay ahead of our customer expectations to be a leading player in each market segment we operate in.

Leveraging on our expertise in providing state-of-the-art regeneration services in Thailand, Haycarb is seeking opportunities to expand regeneration services in other geographical locations through new ventures as a further step in our quest to diversify the business portfolio.

Puritas will continue to be a key driver for growth and diversification for the Group. Last year, we gained invaluable exposure and experience as the Team provided expert solutions for water and wastewater treatment systems in Sri Lanka and Maldives, further establishing its position as one of the best companies in its chosen segment. Puritas will strengthen its Expert Teams along with investments in new ERP systems to ensure continuation of excellence in service and delivery and to successfully handle the planned growth in small to medium scale projects in Sri Lanka and in the region. It is expected that significant growth in both top and bottom line would be enabled through the strategic partnership with Veolia Water Systems in the medium-term.

In conclusion, we place on record our appreciation to our customers who have continued to place their trust on Haycarb Group's quality and reliability of products and services. We thank our shareholders and joint venture partners who have shared our risks and returns and for the insight with which they have backed the long-term strategies of the business in challenging environments. We extend our appreciation also to the suppliers of raw material and services who have placed trust in Haycarb's long standing track record and its future direction. We thank the Board of Directors for their strategic direction and invaluable support. Finally we thank the Haycarb Team, who has worked with commitment and passion under the most difficult and challenging circumstances, contributing immensely to our current year's performance and future strategic direction. We look forward to realising our growth strategy through the support and contribution of all our stakeholders by leveraging our strengths to capture opportunities ahead of us to excel globally in the field of Purification products and solutions.

Mohan Pandithage
Chairman

Rajitha Kariyawasan
Managing Director

17th May 2016

Purer Drinking Water

Chloramines and Chlorine are widely used as disinfectant agents of potable water. Their residuals after disinfectant action tends to affect the taste and odour of water and constitute a health hazard in high concentrations. Removing chloramines at point-of-use has proved difficult with general dechlorination carbons. Haycarb has developed distinctive and specialised catalytic carbon products, with a very high reaction kinetic with chloramines for complete removal of residual chloramines together with chlorine. These carbons are specially designed to react with and remove different types of chloramines including monochloramine.

Product Specialties

- Surface modified carbon product to attract impurities from gas and liquid phase applications. Specialised for treating amines, Hydrogen sulphide, heavy metal compounds and many organics in water.
- In comparison with others, Haycarb product offers better thermal stability even at 300˚c, which places it at an advantage over the competition.
- It could be used to address many water treatment applications such as dechlorination, dechloramination, removal of heavy metal and organic removal.
- The product could be supplied in a range of Granular, Fine and Powder mesh sizes.

Emphasising Our Brand Values

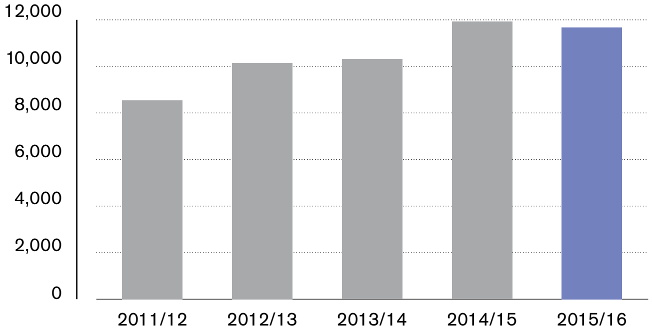
- *Technical Excellence* – Establishing the process of manufacture required a high level of technical acumen and competence on the part of the Haycarb team.
- *Customer Centric* – The unique qualities of this product; its multifarious uses; its varied range have all been developed with the customer requirement at the epicentre.


SEDIMENT

Financial Review

Group turnover

TURNOVER
Rs. million

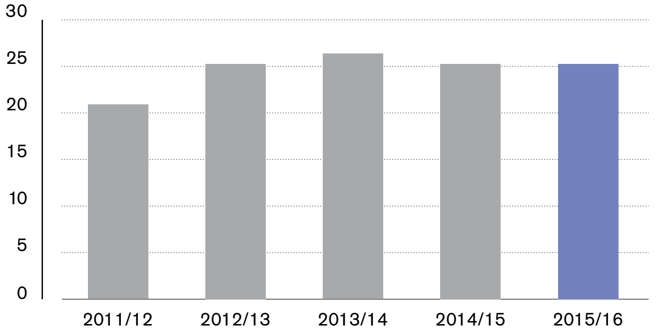


2014/15 depicts 15 months. The comparative 12 months turnover was Rs. 10.3 billion (Refer Note 1 on page 15).

Haycarb Group recorded revenue of Rs. 11.7 billion for 2015/16. The increase in revenue (12-month comparison) by 14% in 2015/16 was an outcome of strong marketing efforts that resulted in the expansion of existing markets, significant revenue generation from enhancing the value added product portfolio, entry into new markets in terms of new geographies and applications and commendable growth in water and wastewater systems in Sri Lanka and in the region by Puritas. The revenue was also impacted adversely by the downturn in the gold industry, increased competition from low cost competitors in India, Indonesia and Philippines exerting pressure on selling prices and the challenges in the USA marketing distribution network.

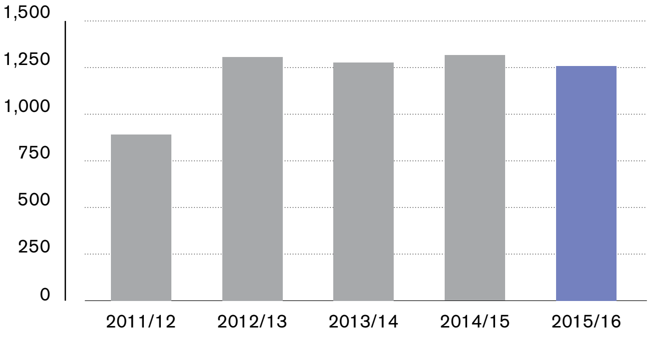
Group profitability

GROSS PROFIT MARGIN
%



In spite of the negative impact of market conditions and the increase in costs of production, Haycarb maintained a healthy gross profit margin of 25% for 2015/16. This is the result of continuous efforts on lean initiatives and productivity improvements, maintaining optimum capacity utilization and effective raw material supply chain management. Contribution from the value added segment was also significant whilst 'Puritas' the environmental engineering arm of Haycarb contributed 8% of the Group gross profit, supporting the Group's potential to improve profitability through growth opportunities both locally and regionally.

EBIT
Rs. million

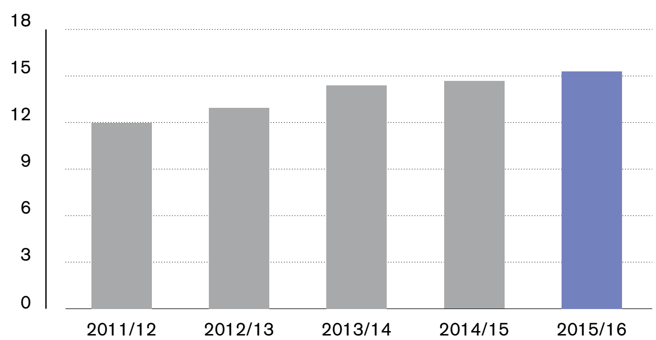


2014/15 depicts 15 months. The comparative 12 months EBIT was Rs. 1.26 billion (Refer Note 1 on page 15).

The Group reported a PBT in excess of 1 billion and earnings before interest and tax in excess of 1.2 billion for the 4th consecutive year, signalling that Haycarb has consolidated its performance. The PBT for the Group show a profit of Rs. 1.1 billion and the earnings before interest and tax at Rs. 1.3 billion depicting an increase of 10% and 2% respectively over 12 months of 2014/15.

The general overheads increased by 15% over 12 months of 2014/15. This is mainly due to strengthening of Haycarb USA Inc. to accommodate the change in USA distribution network, increase in marketing expenditure, additional warehousing capacities in the markets we operate, growth in Puritas and overall increases due to inflationary pressures. It should be also noted that the overhead to income ratio remained constant at 15% compared to FY 2014/15.

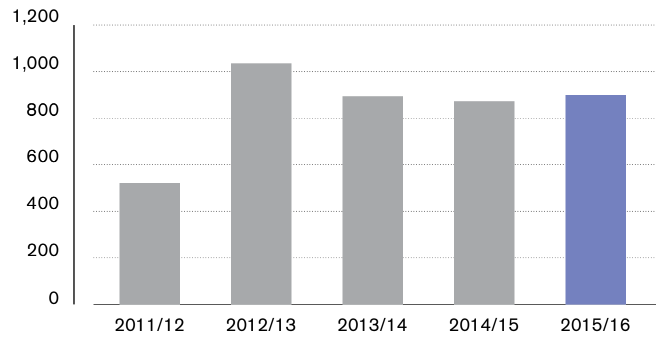
OVERHEADS COST TO INCOME RATIO
%



Despite the increase in borrowing, negotiating and contracting for lower interest costs supported to control the interest cost of the Group for 2015/16. The exchange losses absorbed mainly from the IDR and AUD depreciation was offset by the appreciation of other currencies resulting in a slight overall gain in exchange rate movements. The adverse impact of the Euro volatility was mitigated by obtaining forward contracts at appropriate times.

The Haycarb Group recorded a profit after tax of Rs. 898 million which is 7% higher over 12 months of 2014/15.

PROFIT AFTER TAX
Rs. million



2014/15 depicts 15 months. The comparative 12 months PAT was Rs. 839 million (Refer Note 1 on page 15).

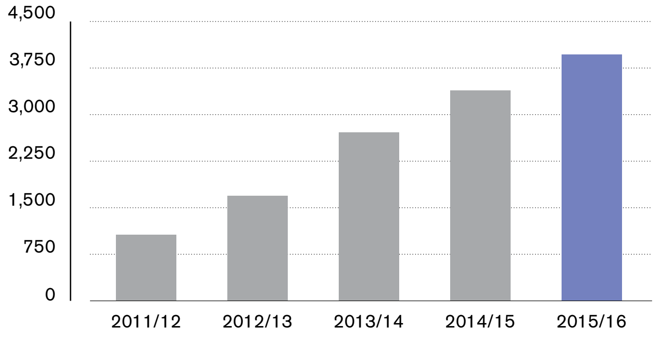
Working capital management

Haycarb Group has maintained current asset ratios at 1.4 times. The net operating cash flow dropped to Rs. 286 million due to increase in working capital requirements, which increased by over Rs. 1 billion. Debtors increased due to longer credit periods offered to new customers and change in the distribution channels in the USA whilst larger inventories were maintained to service our customers better.

Asset deployment

CUMULATIVE CAPEX – 5 YEARS

Rs. million

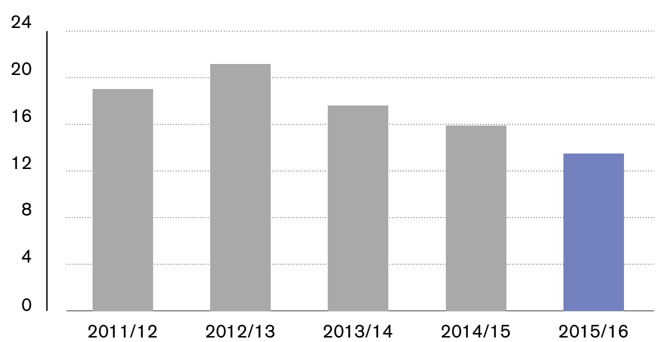


Haycarb remains committed to be a leading and technologically superior manufacturer through focused investments on capacity expansions and improvements to the processes over the years.

Addition of new machinery for enhancement of value adding capabilities, enhancement of process efficiencies and investment in support services including warehousing are key areas which contributed to the investments of Rs. 595 million in 2015/16.

RETURN ON CAPITAL EMPLOYED (ROCE)

%

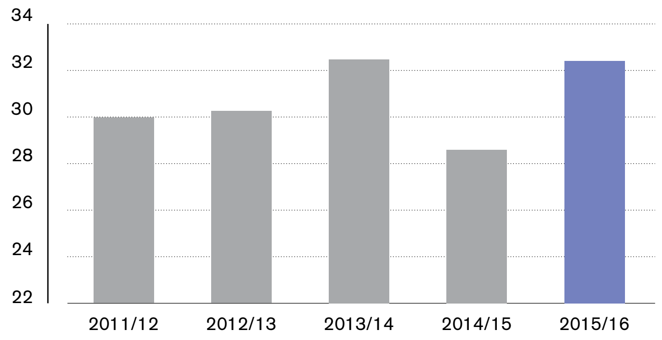


While the operations continued to generate EBIT in excess of Rs. 1.2 billion and strong cash flows, the ROCE decreased in the current year due to our investment in working capital and additional investment in process improvements and value addition processes which are expected to yield returns in the coming years.

Gearing position

GEARING RATIO

%

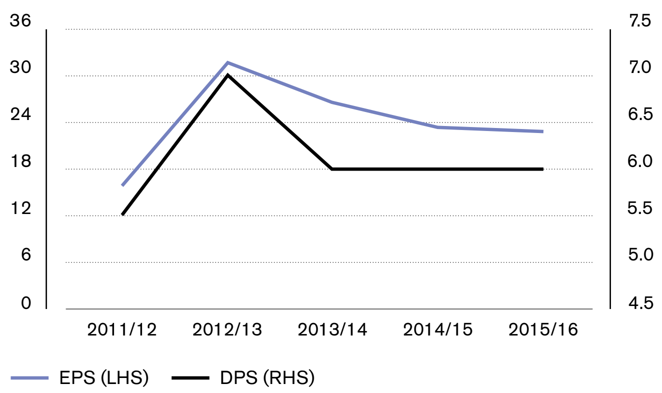


The gearing position increased to 32% compared to 29% in FY 2014/15 due to the increased borrowings to finance the increase in total asset base.

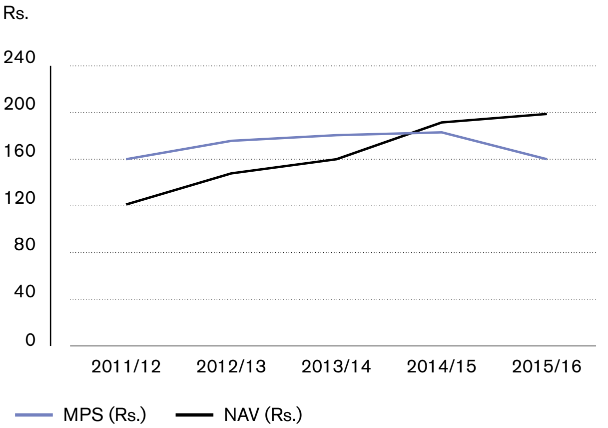
Shareholder value creation

EPS VS DPS

Rs.



NET ASSET VALUE PER SHARE VS MARKET PRICE PER SHARE



The earnings per share remained constant at Rs. 23 due to the stable Group profitability while the net assets per share presents an increase from Rs. 192 to Rs. 199.

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. 906 million.

Note 1:
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 was decided to bring these companies into 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.

Pristine Cabin Air

Haycarb's advanced range of activated carbons, with their superior butane and toluene capacities are highly effective in ridding passenger cabin areas of unpleasant odours, organics, sulphur dioxide, vehicle exhaust fumes and other gaseous pollutants that enter through ventilation and air conditioning systems. Our carbons are precision manufactured products with stringent adherence to required particle size distributions and negligible dust levels that are much sought after by the world's leading manufacturers of cabin air filters.

Product Specialties

- Miniaturising of automobile systems by converting many vehicle systems into HV & EV. Power consumption of cabin filter blowers are one of the main concerns.
- Higher pollutant adsorption capacity as tested by n-butane capacity; enhanced sulphur dioxide, and cyclohexane adsorption capacity achieved.
- Whilst our carbons are developed to meet 490+mg n-butane capacity thus dominating the market, this premium cabin purification product has the added advantage of being hydrophobic (no adsorption of humidity from atmosphere), with no impregnation of chemicals.

Emphasising Our Brand Values

- *Innovation* – The research and development of a product with higher n-butane capacity than most other products available has allowed Haycarb to be a leader in this market segment.


PASSENGER
AIRBAG
ON/OFF

Puritas *Sath Diyawara*

Giving hope to people

'Puritas Sath Diyawara' is an initiative that aims to give hope to people affected by the deadly Chronic Kidney Disease (CKD). It enriches their lives by providing clean drinking water and facilitating their socio-economic needs. The flagship CSR initiative of the Hayleys Group, Puritas Sath Diyawara was initiated and designed by Puritas (Private) Ltd.

PURITAS SATHDIYAWARA
Water for Life-Hayleys Group's Initiative for Healing CKD

Puritas has used its expertise and experience as a purification systems provider to add value to this project. It has successfully implemented over 300 water and wastewater purification systems across a variety of industries in Sri Lanka in general and the region in particular. The purification systems implemented by Puritas, currently treat more than 27 million litres of effluent per day.

The primary objective of this initiative is to provide good quality potable water to needy villages or communities through the installation of a Reverse Osmosis (RO) Water Treatment Facility and distribution system.

Chronic Kidney Disease (CKD)

In the North-Central Province of Sri Lanka, as many as 13 farmers die daily from kidney failure due to CKD. 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. In fact, many patients die undiagnosed.

Although no specific cause has been identified for CKD in Sri Lanka, a multitude of potential toxic pollutants have been suggested as possible causes, including heavy metals like cadmium, arsenic and lead, fluoride, hard water, the ionic-concentration of water, chemical fertilisers and toxic agrochemicals.

More than 400,000 people are currently said to be affected (approximately 10-15% of the population in the area) and 22,000 deaths of males between the ages of 15-60 years have been reported so far. In some families, there are no surviving adult men. In addition to these losses of life, it is estimated that approximately 2.8 million people are at risk of contracting this deadly disease.

'Puritas *Sath Diyawara*' has recognised that access to purified drinking water is imperative. For this reason it is vital to implement a broad spectrum of community development projects to break the lethal relationship between socio-economic restrictions and the lack of awareness and access to clean drinking water in order to uplift the living conditions of people affected by CKD.

After the launch of the first project in Padaviya in 2014, Puritas *Sath Diyawara* has reached fourteen villages (11 projects), helping over 25,000 people in CKD affected areas in the North and North Central provinces including one project sponsored by a corporate external to Hayleys Group. Under this initiative, a centralised water treatment facility which purifies 10,000 water litres a day is established in the village. In addition, multiple docking stations (around 5 - 10) are located in and around the village to ensure that villagers have equal access to purified water. A bowser-mounted two wheel tractor is also provided to enable distribution of water from the centralised facility to the docking stations.

People in the North and North Central Provinces now have access to 110,000 litres of purified water per day through 11 such projects. With the support of Hayleys Group, villages such as Maithreepura, Balayawewa, Kiriketuwewa, Sinhala Ataweerawewa, Pihimbiyagollewa, Billewa, Nikawewa, Thanthrimale, Parangiyawadiya, Ananthapuram, Sivanagar, Iranapalai, Nelumwewa and Neriyakulam now have the access to clean drinking water. Two more projects are underway in Rathmalgahawewa and Ulukkulama (Anuradhapura) and are scheduled for launch in mid-2016.

We are pleased to inform that completion of above two projects would bring the total number of projects to 13 which includes 11 projects by Hayleys Group and two projects by other reputed corporates, at a total investment of Rs. 49 million.

Haycarb is proud to announce that the 'Puritas *Sath Diyawara*' project has been awarded the Asia Responsible Entrepreneurship Awards 2016 for the second consecutive year from Enterprise Asia in the Health Promotion Category. 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.

Further, Puritas *Sath Diyawara* emerged the 'overall winner' at the Hayleys Chairman's Awards Ceremony 2015 , assessed on innovation, service excellence, quality management, leadership and environmental stewardship.

While water is a key focus area for the Puritas *Sath Diyawara* initiative, a more holistic approach has also been taken to eradicate CKD through initiatives aimed at livelihood development, knowledge dissemination and sustainable environmental management. Access to a library and the internet is provided whilst conducting awareness sessions on livelihood development activities, the best agricultural practices and entrepreneurship development. In addition, health camps are conducted on a timely basis to improve the health and sanitation practices of villagers. Model organic farms have also been established in selected villages, to promote best agricultural practices, integrated farming concepts and organic agriculture.

'Going Beyond'

There is also a need to address the socio-economic needs of people living in the affected villages. In order to break the vicious cycle of a lack of resources, awareness and access to clean water which leads to ill health, a new vehicle is required to address the next level needs of these communities, while boosting the effectiveness of earlier efforts to provide purified drinking water. This new initiative will give rural communities the opportunity to contribute towards the economic production in the country and be recognised by the wider society.

'Going Beyond' will provide facilities for school children, youth, and adults (with a special focus on empowering women) to improve their access to knowledge and livelihood skills. Whilst creating employment opportunities to improve their living standards, it will also broaden awareness on waste management at the village level. There will be initiatives implemented to reduce polythene and plastic usage among the people, promote proper waste disposal and implement recycling mechanisms with the objective of regreening the villages. Domestic entrepreneurship will be encouraged in the form of production of value added goods using agricultural outputs and natural resources in the region. A stable market will be provided for these products to guarantee an income that will strengthen the lives of the farming community in the country.

2

1. School Children from Parangiyawadiya at the opening ceremony.
2. Mr. Mohan Pandithage, Chairman and CEO of Hayleys Group offering a glass of water to a CKD patient.
3. 10m³ RO Water Treatment System.
4. Talented 'Bharatha Naatayam' dancer identified from Ananthapuram.
5. Three talented kids identified from Sath Diyawara villages, performed at the Hayleys Chairman's Awards Ceremony 2015.
6. Puritas Team receiving the Overall Award for Puritas Sath Diyawara Project
7. Eight-year old Kandyan Dancer from Pihimbiyagollewa.

Island Infrastructure Development – The Republic of Maldives

Puritas is currently engaged in seven island projects that are dedicated to developing water and wastewater infrastructure in the Republic of Maldives. These projects are carried-out on behalf of the Government of Maldives. Project in Thaa Atoll is carried-out as per the guidelines set-out by Integrated Water Resources Management (IWRM) which focuses on Social Equity, Economic Efficiency and Ecological Sustainability covering multiple stakeholders. Under the IWRM approach, the project takes a holistic approach covering land survey, construction of seawater Reverse Osmosis plant, distribution system etc. and rain water harvesting system and connecting renewable energy sources for the treatment facility.

Selected Islands in Seenu Atoll

Project - 1
Area: 102 ha
Network Length: 11.5km

This project consists of water pipe laying works for distribution of water to individual entities. It also facilitates a total of 350 households, commercial establishments and other public entities.

Our Environmental Engineering arm, Puritas (Private) Ltd., gained valuable specific experience related to Island Infrastructure development in the Republic of Maldives.

Project - 2
Area: 92 ha
Network Length: 21.5km

The project consists of water pipe laying works for distribution of water to individual entities from the Reverse Osmosis plant. It has a total network length of 21,500m.

Project - 3
Network Length: 7.7km

Designing and building a sea outfall for discharging of sewage collected in the island. It has a total network length of 7,700m.

Project - 4

Network Length: 11.2km

The project involves water pipe laying works for distribution of water to individual entities from the reverse osmosis plant. It facilitates a total of 700 households, commercial establishments and other public entities and has a total network length of 11,200m.

Project - 5

Area: 526 ha
Network Length: 29.5km

This project consists of water pipe laying works for distribution of water to individual entities.

The population served will be approximately 18,000 residents and the total network length covered will be 29,500 m.

Selected Island in Laamu Atoll

Project - 1

Area: 19 ha
Flow Rate: 157m3/day

Designing and building of the sewerage system for collection and disposal of sewage generated in the island, to collect and direct the wastewater from the individual sources up to the sea outfall. The population served is 1,183.

Selected Island in Thaa Atoll

Project - 1

Network Length: 7.7km

Designing and building of the water supply network, water storage tanks, Reverse Osmosis plant and allied works based on Integrated Water Resources Management approach.

Exceptional Odour Elimination

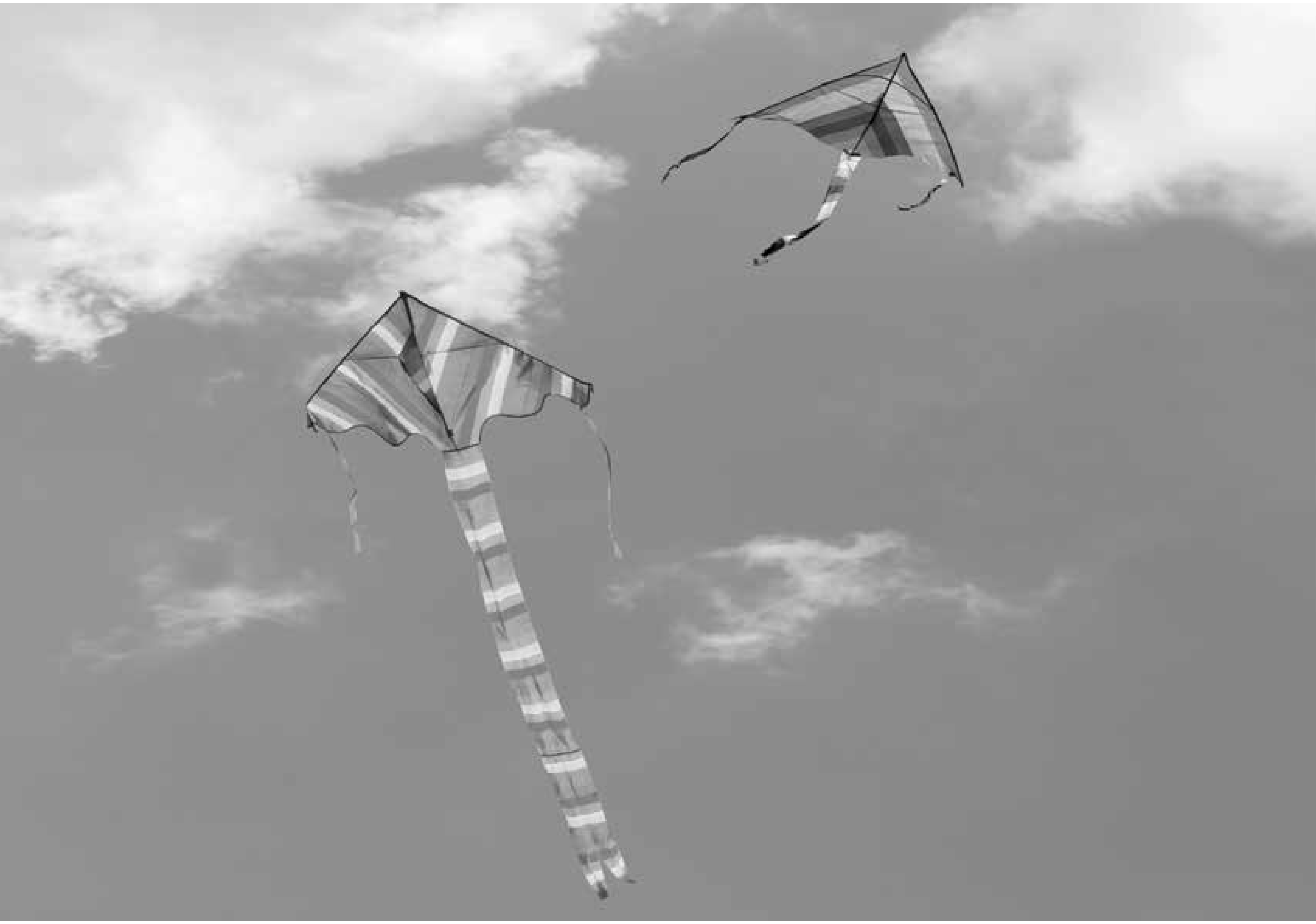
Haycarb's range of activated carbons for sewage air treatment have been designed to remove the highly malodorous and pungent gaseous emissions emanating from pumping stations, primary clarifiers and filter press rooms of sewage treatment plants. Our carbon is manufactured using a proprietary process that ensures the best hydrogen sulfide removal capacity at different process conditions while eliminating the risk of bed fire caused by heat released during chemisorption. Haycarb carbon will not disintegrate in wet conditions and therefore is a better choice for sewage treatment applications. Being a coconut shell derived product it also offers an increased capacity to adsorb organic compounds.

Product Specialties

- This product incorporates MGO into pellet formation with a high hydrogen sulfide adsorption capacity (over 0.3g/cc). With a higher capacity than most for adsorbing sulphides and mercaptans, ours is a market preferred product used worldwide.

Emphasising Our Brand Values

- *Technical Excellence* – Its complex manufacturing regime calls for great technical research and skill as well as the acumen to place our product above the competition.
- *Green* – It is an environmental-friendly product which can be regenerated for reuse by the customer.



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 Board of Haycarb PLC in November 2007. 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 Maritime Advisory Council of the Ministry of Ports and Shipping. Member of the Advisory Council of the Ceylon Association of Ship's Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning. Corporate Excellence Leadership Recognition by The Institute of Chartered Accountants of Sri Lanka in 2015.

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 BSc 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 is with over 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC and Delmege 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 Ceramics PLC. He is the Executive Director of Vallibel Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Hayleys Fabric PLC, The Kingsbury PLC , Sun Tan Beach Resorts Ltd, Dipped Products PLC and Hayleys Global Beverages (Pvt) Ltd.

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 BSc Degree from the University of Ceylon and is a Certified Management Accountant (CPA, CMA).

Sarath Ganegoda
Joined Hayleys in March 2007 and was appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Hayleys Board in September 2009 and to the Haycarb Board in November 2009. Fellow of The Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Management Accountants of Australia. Holds a MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002. Subsequently he held several Senior Management Positions in large private sector entities in Sri Lanka and Overseas. Has responsibility for the Strategic Business Development Unit of the Hayleys Group and the Fentons Group.

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 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, Swisstek Aluminium Limited, Vallibel Plantations Limited, Uni Dil Packaging Ltd., 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 is a Director of Hayleys PLC, The Kingsbury PLC, Talawakelle Tea Estates PLC, Amaya Leisure PLC and Tangalle Bay Hotels Pvt Ltd.

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 Masters in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

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.

M.S.P. Udaya Kumara

Appointed to the Board in February 2015. Holds a BSc (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.

Ms. Sharmila Ragunathan

Appointed to the Board in 2016. Holds a B.Eng (Hons.) in Electronics Systems Engineering (UK) and an MBA from the University of Colombo.

Joined Hayleys Group in October 1996 as a Management Trainee working in Hayleys Electronics, Hayleys Electronics (Lighting) and Hayleys Industrial Solutions. She joined Haycarb PLC in 2010 and was appointed as a Director of Puritas (Pvt) Ltd., in the same year. Head of Environmental Engineering arm of Haycarb Group.

Mr. Ali Asgar Munaver Caderbhoy

Appointed to the Board in 2016. Holds a Master of Arts (Honours) in Economics and Management from the University of Aberdeen (UK).

Joined Haycarb PLC in 1997 as a Management Trainee and was appointed General Manager – Business Development for the Haycarb Group in 2010. He has led a number of new projects, including the Recogen Charcoal and Power Generation Venture, Acquisition and Operation of PT MMCI (Indonesia) and setting up of PT Haycarb Palu Mitra (Indonesia). Mr. Caderbhoy currently heads the Business Development Division of Haycarb Group.

Mr. James Naylor

Appointed to the Board in 2016. Holds a BSc in Physics and Astrophysics from the University of Birmingham.

Joined Eurocarb Products Ltd. (UK) as the Commercial Director/ Chief Operating Officer in 2008. Prior to his appointment, he has held senior marketing positions in Avon Rubber PLC and Scott Safety. Mr. Naylor is a former Board Director of the International Society for Respiratory Protection and also a former Board member of the Industry Group NBC UK. He was appointed as the Managing Director of Eurocarb Products Ltd. in 2010.

Ms. Yogadinusha Bhaskaran

Alternate Director to Mr. Dhammika Perera

Ms. Yogadinusha Bhaskaran is a financial and accounting professional currently serving as the Chief Operating Officer of Vallibel One Holdings. She also presently serves on the Board of Delmege Group. Ms. Yogadinusha has previously worked as a Financial Controller with several Australian companies in Melbourne for a number of years. She has in the past served as the Assistant General Manager (Finance and Planning) at Pan Asia Banking Corporation. She is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and an Associate Member of the Institute of Bankers, Sri Lanka.

Superior Respirator Carbons

The Haycarb Activated Carbon Air series consists of a range of products designed to offer personal protection against a variety of toxic fumes and gases. This range offers standard and impregnated grades of carbon for A, B, E, K, ABE and ABEK types of respirators widely used in industrial operations as well as in military and consumer applications, including face masks. These products are designed and manufactured to remove organic contaminants, volatile organic compounds (VOC), hydrogen sulphide, chlorine, hydrogen cyanide, sulphur dioxide, arsine, phosphine and formaldehyde. Additionally, this carbon also removes other acidic as well as alkaline gases including ammonia and amine through both physisorption and chemisorption showing enhanced capacity to remove contaminants from air pathways.

Product Specialties

- The dual adsorption feature of Haycarb activated carbon combined with carefully controlled and consistent particle size distribution and pore structure are industry recognised.
- ABEK carbon is used in industrial gas masks offering multipurpose gas adsorption such as Hydrogen sulphide, Sulphur dioxide, Hydrogen cyanide, Ammonia, and Cyclohexane.
- These carbons also serve as a raw material for CBRN (Chemical, Biological, Radiological and Nuclear) defence product manufacture.
- It complies with international standards such as NIOSH (National Institute for Occupational Safety and Health), BSEN 14387, among others.

Emphasising Our Brand Values

- *Technical Excellence* – Meticulous manufacturing and product standards places this Haycarb product shoulder to shoulder with the best.
- *Customer Centric* – These products afford direct protection to a wide cross section of customers, from military to the general public.

Management Team

Haycarb (Sri Lanka)

Executive Directors

A.M. Pandithage	- Chairman
H.S.R. Kariyawasan	- Managing Director
D.E. Ranaraja	- Director (Marketing)
Ms. M.J.A.S. Abeyratne	- Director (Finance and IT)
M.S.P. Udayakumara	- Director (Research & Development and Technical Support)
B. Balarathnarajah	- Director (Manufacturing & Engineering)
A.A.M. Caderbhoy	- Director (Business Development)
Ms. S.S. Ragunathan	- Director (Environmental Engineering/Puritas)
J.D. Naylor	- Director (Head of Eurocarb Products Ltd. – UK)

Deputy General Managers

S.P. Weerawardhana	- Production Planning
N.S. Perera	- Charcoal & 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	- Raw Material Procurement & Warehouse Operations
I.A.S.L. Athukorala	- R&D/Process Improvement [Puritas (Pvt) Ltd.]
W.P.J.K. Wickramasinghe	- Engineering Projects
C.J.G.M. Korale	- Engineering Projects
J.D. Shishira	- Research and Development
N.U. Samaranayake	- Research and Development
P.M.S.M. Ranasinghe	- Quality Assurance

Departmental Managers

P.S. Liyanarachchi	- Information Technology & Customer Management
A.D. Kularatne	- Engineering Procurement
R.K.L. Jinasiri	- Engineering Maintenance
L.P.S. Senaviratne	- Engineering Projects
W.G.A.P. Gamage	- Factory Manager (Badalgama)
K.U.S. Warnajith	- Customer Management
C.R. Kobbakaduwa	- Customer Management
L.I. Adhihetty	- Business Development
M.L. Wickramasinghe	- Project Engineering & Purification - Puritas (Pvt) Ltd.
H.H.B. Senanayake	- Business Development - Puritas (Pvt) Ltd.
L.A. Wickramasekara	- Charcoal & Shell Procurement
H.S. Kumara	- Production (Badalgama)
U.S.S. Udugampola	- Quality Assurance
D.M.S. Senaratne	- Engineering Projects
U.A.N.D. Rupasinghe	- Production (Badalgama)
M.S.L. Moraes	- Production Planning
R.M.G. Ranatunge	- Engineering Maintenance (Badalgama)
S.A.N.P.K. Athukorala	- Human Resource Management

Overseas Subsidiaries

Marketing

Eurocarb Products Ltd.

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

Haycarb Holdings Australia (Pty) Ltd.

M. Marques	- Director/Chief Operating Officer
D.J. Perera	- Director

Haycarb USA

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

PT Mapalus Makawanua Charcoal Industry

P.T.R. Dharshana	- General Manager
Ms. T. Ente	- Administration Manager

PT Haycarb Palu Mitra

Chetiya Dharmadasa	- Plant Manager

Cleaner Condensate Water

Given that water used as condensate boiler feed needs to be of the purest standards and also that most sources of water may contain chlorine and other contaminants, Haycarb offers a range of activated carbons that successfully remove various contaminants from both fresh and recycled water, de-oiling the condensate and purifying the water flow. These carbons are extremely effective in protecting the ion exchange resins and other sensitive equipment from damage and deterioration.

Product Specialties

- Our carbons for boiler feed water treatment are designed to have the lowest silica and ash levels in the industry, rendering superior performance. This results in significant improvement of machinery lifetime rending reduction of maintenance costs.
- Excellent product for condensate de-oiling even at 85˚c.

Emphasising Our Brand Values

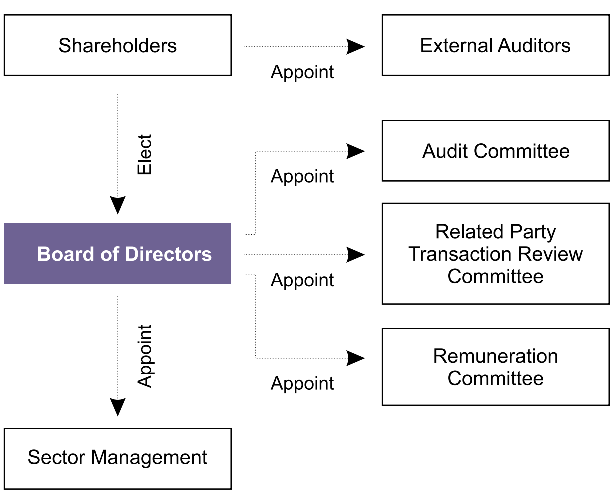
- *Technical Excellence* – Many hours of R & D and the skill and acumen of the Haycarb team has placed this product ahead of the competition.
- *Green* – Product can be regenerated for reuse by the customer.

Corporate Governance

Corporate governance at Haycarb is designed to support the Company in its efforts to create and foster sustainable value for all its stakeholders. 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 term 'Corporate Governance' encompasses the entirety of principles, structures, processes and practices aimed at safeguarding the sustainable interests of the Company and its stakeholders.

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 122.

The Haycarb Governance Guidelines provide Directors and management with a clear road map of their respective responsibilities. The Board of Directors gives highest priority to the corporate governance framework by proactively and continuously implementing, improving and disclosing best corporate governance practices and guidelines. These guidelines are updated on a regular basis and indicate clearly matters that require review, advice and approval of the Board and Committees. The governance framework is depicted in the following diagram:



The Related Parties Review Committee of the Parent Company, Hayleys PLC acts as the Committee for Haycarb PLC as well and the members of the Committee are given in page 46 of this Report.

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

As at 31st March 2016, the Board comprised of fifteen Directors; six Non-Executive Directors and nine Executive Directors. The names of these Directors are given on page 37 and a short profile of each is given in pages 28 and 29 of this Annual Report. The details of Directors' shareholding and Directorates in other companies are given in pages 120 and 122 to 123 respectively.

The Board meets quarterly as a matter of routine and additional meetings are held where necessary. During the year, the Board met four 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. Dhammika Perera	Non-Executive	2/4
Mr. A.M. Senaratna*	Independent Non-Executive	4/4
Mr. S.C. Ganegoda	Non-Executive	3/4
Ms. M.J.A.S. Abeyratne	Executive	4/4
Mr. D.E. Ranaraja	Executive	4/4
Mr. W.D.N.H. Perera	Non-Executive	1/4
Dr. S.A.K. Abayawardana	Independent Non-Executive	4/4
Mr. S. Rajapakse	Independent Non-Executive	4/4
Mr. M.S.P. Udaya Kumara	Executive	4/4
Mr. B. Balaratnarajah	Executive	4/4
Mr. A.A.M. Caderbhoy	Executive	–
Ms. S. Ragunathan	Executive	–
Mr. J. Naylor	Executive	–
Ms. Y. Bhaskaran** (alternate for Mr. Dhammika Perera)		

* *Mr. Senaratna participated in three of these of meetings via conference call facility.*
Mr. Ali Asgar Munaver Caderbhoy, Ms. Sharmila Ragunathan and Mr. James Naylor were appointed to the Board with effect from 1st April 2016.

** *Mrs. Yogadinusha Bhaskaran was appointed to the Board as an alternate Director for Mr. Dhammika Perera on 1st June 2015.*

Responsibilities of the Board

The Board is responsible to-

a. Provide direction and guidance to the Company.
b. Enhance shareholder value.
c. Fiduciary duty to protect the assets of the Company.
d. Ensure all stakeholder interests are considered in corporate decisions.
e. Formulate and communicate business policy and strategy to assure sustained growth and to monitor its implementation within a framework of sustainable business development.
f. Approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set.
g. Ensure Executive Directors have the skills, experience and knowledge to implement strategy effectively and adopt key management personnel succession strategy.
h. Ensure effective remuneration, reward and recognition policies are in place to help employees give of their best.
i. Promote an organisational culture that encourages ethical conduct.
j. Set and communicate values and standards, with adequate attention being paid to accounting policies and practices.
k. Ensure effective information, control, risk management and audit systems are in place.
l. Ensure effective systems are in place for business continuity.
m. Ensure compliance with laws, regulations and ethical standards.
n. Review and approve annual budgets and monitor performance.
o. Adopt annual and interim results before publication.
p. Exercise accountability to shareholders and 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 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.

Remuneration committee

The Remuneration Committee is constituted as per the guidelines of the Listing Rules of the CSE and comprises of two Independent Non-Excutive Directors as below:

Mr. S. Rajapakse – *Chairman*

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 of the Financial Statement that appear in this Annual Report. Haycarb Group consists of 15 subsidiaries and two associates. These companies, their core business and the names of their Directors appear on pages 122 and 123 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 CFO and the Managing Director 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 52 to 53 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 50 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 and mitigatory actions instituted is reported in the Joint Report of the Chairman and the Managing Director given in pages 4 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 undertaken based on the assessments of business requirements. The IT function is supported by dedicated IT staff and the services of the Hayleys Group IT team.

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 anti-virus and firewall software, are some of the practices in place.

Level of compliance with Section 7.10 of the CSE Listing Rules on corporate governance is given in the following table:

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10 a/b	Compliance	Compliance with Corporate Government rules	Compliant	
7.10.1 a	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors.	Compliant	Six of Fifteen Directors are Non-Executive Directors.
7.10.2 a	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher shall be Independent.	Compliant	Three of the six Non-Executive Directors are Independent.
7.10.2 b	Independent Directors	Each Non-Executive Director shall submit a declaration of independence/non-independence in the prescribed format.	Compliant	All Independent Non-Executive Directors have submitted signed confirmations of their independence as at 31st March 2016.
7.10.3 a	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Please refer page 47.
7.10.3 b	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 pages 28 and 29.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.3 d	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange.	Compliant	Résumés of all new Directors appointed during the year submitted to the CSE.
7.10.5 a	Remuneration Committee	The Board of Directors should set up a Remuneration Committee with a Non-Execiutive Director as the Chairman.	Compliant	Please refer page 38.
7.10.5 c	Remuneration Committee	The names of the members of the Remuneration Committee.	Compliant	Comprises two Non-Executive Independent Directors. Refer page 38.
7.10.6 a	Audit Committee	The listed company shall have an Audit Committee comprising of Non-Executive Directors.	Compliant	The names of the members of the Audit Committee are stated on page 52.
		The Chairman or one member of the Audit Committee should be a member of a recognised professional accounting body.	Compliant	The Chairman of the Audit Committee is a Senior Chartered Accountant.
7.10.6 b	Audit Committee	The names of the Directors comprising the Audit Committee to be disclosed.	Compliant	Please refer page 52.
		The Annual Report shall contain a Report by the Audit Committee setting out the manner of compliance by the entity.	Compliant	Please refer page 52.
		Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings.	Compliant	The Chief Executive Officer and the Chief Financial Officer attend Audit Committee meetings.

Level of compliance with Section 9.2 of the CSE Listing Rules on Related Party Transactions Review Committee is given in the following table:

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2.3	Related Party Transactions Review Committee	Mandatory from 01.01.2016. If the parent Company and the Subsidiary Company are both listed entities, the Related Party Transactions Review Committee of the Parent Company may be permitted to function as such Committee of the subsidiary.	Compliant	The Committee of the Parent Company which was formed on 10th February 2015 functions as the Committee of the Company.
9.2.2	Composition	2 Independent Non-Executive Directors and 1 Executive Director.	Compliant	As above
9.2	Related Party Transactions Review Committee Functions	To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties. To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. To review the economic and commercial substance of both recurrent/non-recurrent related party transactions. To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.	Compliant	As above

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2.4	Related Party Transactions Review Committee Meetings	Shall meet once a calendar quarter.	Compliant	As above
9.3.2	Related Party Transactions Review Committee-disclosure in the Annual Report	Non-recurrent Related Party Transactions – if aggregate value exceeds 10% of the equity or 5% total assets whichever is lower.	Compliant	None
		Recurrent related party transactions – If aggregate value exceeds 10% gross revenue/income as per the latest audited accounts.		None
		Report by the Related Party Transactions Review Committee.		Page No. 51
		A declaration by the Board of Directors.		Page No. 46

Higher Energy Storage

The increasing demand and application of stored energy devices such as batteries and particularly capacitors, is a growing trend today. A revolutionary device in this trend is the electrical double-layer capacitor (EDLC) or ultracapacitor/supercapacitor found in a diverse array of electronic equipment from laptops, hybrid and electric vehicles to windmills. Haycarb is one of the leading suppliers to this industry with our Haycarb Activated Carbon Energy series; a special carbon series manufactured for both ultracapacitors and battery applications. The extensive pore network of these specialised products gives a very high specific surface area contributing to high double-layer capacity for EDLC products. The consistent particle size distribution coupled with high purity and optimal functional groups ensure low internal resistance (ESR), high efficiency, electrode stability and longer life with little degradation over thousands of charge – discharge cycles across a range of voltage levels and temperatures.

Product Specialties

- Higher stability and high voltage capability.
- Extremely high purity product.
- Manufactured from charcoal obtained using Haycarb's patented charcoaling process.

Emphasising Our Brand Values

- *Technical Excellence* – We are one of the key manufacturers in the world to supply this product. Through our in-house R & D talent we have been able to attain world-class quality. Our technical and engineering expertise has enabled to build a dedicated and superior manufacturing facility that has world-class quality systems and standards to ensure very consistent product quality to position our EDLC carbon range with the world's leading customers.
- *Innovation* – Continual product development to stay on top of the technological needs of the super capacitor industry in terms of providing high voltage features and a market competitive product range to lower the cost/F of capacitance of high quality carbons.
- *Green* - The 'green' aspect of this product range is reinforced by the fact that it is an integral contributor as a renewable energy source.

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 2016.

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 122 and 123 respectively of this Report. The Joint Statement from the Chairman and the Managing Director describes 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 57.

Financial Statements

The Financial Statements of the Company and the Group are given on pages 57 to 117.

Auditors' report

Auditors' Report on the Financial Statements is given on page 56.

Accounting policies

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 62 to 80 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' shareholdings

Details relating to shareholdings of Directors are given on page 120.

Directors' remuneration

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2016 is Rs. 67,127,180/- (2014/15 - Rs. 44,558,000/-), 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 2016 is Rs. 3,330,000/- (2014/15 – Rs. 3,510,000/-), 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.

Related party transactions

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

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC and are in compliance with the Section 09 of the CSE Listing Rules.

The Committee met Two (02) times in the Financial year 2015/16.

Attendance

Meetings held on 22nd January 2016 and 23rd March 2016.

Dr. H. Cabral**	2/2
Mr. M.D.S. Goonetilleke** (resigned on 12.05.2016)	2/2
Mr. S.C. Ganegoda*	2/2

**Executive*

***Independent Non-Executive*

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.

Donations

The donations made by the Company and the Group are disclosed in Note 9 on page 82.

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. 1,395,995/- (2014/15 – Rs. 1,181,445/-).

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 28 and 29 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. Y. Bhaskaran* (Alternate to Mr. Dhammika Perera – appointed on 1st June 2015)

** Non-Executive Directors*

*** Independent Non-Executive Directors*

Ms. S.S. Ragunathan, Messrs A.A.M. Caderbhoy and J.D. Naylor were appointed to the Board as Directors with effect from 1st April 2016. In terms of Article 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, Ms. M.J.A.S. Abeyratne, Messrs. D.E. Ranaraja and S. Rajapakse retire by rotation and being eligible offer themselves for re-election.

The Directors of the Subsidiaries are given on pages 121 and 123.

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. 1,529,000/- (2014/15 – Rs. 1,436,000/-) and Rs. 2,546,000/- (2014/15 – Rs. 2,370,000/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 1,049,000/- (2014/15 – Rs. 2,370,000/-) and Rs. 1,880,000/- (2014/15 – Rs. 2,217,000/-) 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 relationship (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. 11,705,825,000/- (2014/15 – Rs. 11,933,848,000/-) in the year under review. A detailed analysis of the Group's revenue is given in Note 38 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. 10,889,151,521/- (2014/15 – Rs. 11,082,941,591/-). Trade between Group companies are conducted at fair market prices.

Profits

The Group's profit before tax amounted to Rs. 1,119,078,000/- (2014/15 – Rs. 1,070,336,000/-). After a deducting Rs. 220,910,000/- (2014/15 – Rs. 196,404,000/-) for taxation, the profit was Rs. 898,168,000/- (2014/15 – 873,932,000/-. When non-controlling interest of Rs. 216,950,000/- (2014/15 – Rs. 178,947,000/- was deducted, the profit attributable to the equity holders of the Company was Rs. 681,218,000/-. (2014/15 – Rs. 694,985,000/-).

Stated capital and reserves

The stated capital of the Company, consisting of 29,712,375 ordinary shares, amounts to Rs. 331,774,000/-. There was no change in stated capital during the year.

Total Group reserves as at 31st March 2016 amount to Rs. 5,584,211,000/- comprising of Capital Reserves of Rs. 570 848 000/- and Revenue Reserves of Rs. 5,013,363,000/-. The Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

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. 4.7 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 8th April 2016.

The Board of Directors has recommended the payment of a Final Dividend of Rs. 4/- per share payable on 7th July 2016 to the shareholders of the issued ordinary shares of the Company as at close of business on 28th June 2016. 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 the 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.

Statutory payments

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 50.

Capital expenditure

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 594,879,000/- (2014/15 – Rs.639,536,000/-) and Rs. 195,326,000/- (2014/15 – Rs.159,961,000/-) respectively. Information relating to movements in property, plant and equipment is given in Note 13 to the Financial Statements.

Market value of properties

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers.The most recent revaluations in respect of the Group were carried out as at 31st March 2015.

Details of revaluations, carrying values and market values are provided in Note 13 to the Financial Statements. The statement on the value of real estate on page 86 gives details of freehold land held by the Group.

Events after the reporting period

No circumstances have arisen since the Balance Sheet date that would require adjustments, other than those disclosed in Note 36 to the Financial Statements.

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.

Share information

Information relating to earnings, dividends, net asset, market value per share and share trading is given on page 119 and 121.

Major shareholdings

The twenty major shareholders as at 31st March 2016 are given on page 120 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 28th June 2016. The Notice of the Annual General Meeting appears on page 125.

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

17th May 2016

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 Companies Act No. 07 for the 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 56 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 end of financial year.

By Order of the Board,

Hayleys Group Services (Pvt) Ltd.
Secretaries

17th May 2016

Related Party Transactions Review Committee Report

Hayleys PLC, the Parent Company established the Related Party Transactions Review Committee with effect from 10th February 2015 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange. As permitted under Section 9.2.3 of the said code, the Committee functions as the Related Party Transactions Review Committee of Haycarb PLC.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprised the Following members:

Dr. H. Cabral, PC (IND/NED) – *Chairman*
M.D.S. Goonatilleke (IND/NED) – (resigned w.e.f. 12.5.2016)
Mr. S.C. Ganegoda (ED)

(ED – Executive Director, IND – Independent Director, NED – Non-Executive Director)

The duties of the Committee

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

Task of the Committee

The Committee reviewed the related party transactions and their compliance by Haycarb PLC and communicated the same to the Board.

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.

Meetings

The Committee met two times during the year under review. The attendance at the meetings given in table on page 46 of the Annual Report.

Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review Committee of Hayleys PLC

18th May 2016

Audit Committee Report

Composition and role

The Audit Committee is appointed by and is responsible to the Board of Directors. The Audit Committee comprises 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 its work the Committee has sought to balance independent oversight of the business with support and guidance to the management. It was constituted in 2007 and comprises three Non-Executive Independent Directors and is chaired by a Senior Chartered Accountant. The Chairman and Finance Director 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 39.

The Committee meets as often as may be deemed necessary. 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. A. Senaratna*	Independent Non-Executive	3/4
Dr. S.A.K. Abayawardana	Independent Non-Executive	4/4

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

A brief profile of each member is given on pages 28 and 29 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 and presentation 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 (CA Sri Lanka). 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 complies in all material respects with the regulatory and statutory requirements.

The Committee reviewed the adequacy of disclosure and the presentation formats of the draft annual and interim Financial Statements before recommending their publication to the Board 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.

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 Group is reported to 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 impairments, liabilities and compliance with relevant statutory and regulatory requirements.

Risk management

The Committee reviewed the risk management process and discussed the inherent risks faced by the business. The risk management framework which includes risks and mitigatory plans is presented and reviewed at Audit Committee meetings.

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.

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

17th May 2016

Financial Statements

Financial Calendar 2015/16

Interim Reports	
Quarter ended 30th June 2015	30th July 2015
Quarter ended 30th September 2015	28th October 2015
Quarter ended 31st December 2015	1st February 2016
Quarter ended 31st March 2016	17th May 2016
Interim Dividend Paid	25th April 2016
Annual Report	3rd June 2016
Forty-Third Annual General Meeting	28th June 2016
Final dividend proposed	17th May 2016
Final dividend payable	7th July 2016

INDEPENDENT AUDITORS' REPORT

EY
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 31 March 2016, and the Statement of Total Comprehensive Income, Statement of Changes in Equity and, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (Set out on pages 57 to 117).

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.

Auditors' 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 Auditors' 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 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 31 March 2016, 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:

a. The basis of opinion and scope and limitations of the audit are as stated above.

b. 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 2016, 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

17 May 2016
Colombo

INCOME STATEMENT

For the year ended 31st March	Note	Group Audited 2016 Rs. '000	Group Audited 2015 Rs. '000	Company Audited 2016 Rs. '000	Company Audited 2015 Rs. '000
Revenue	5	**11,705,825**	11,933,848	**4,281,408**	4,639,496
Cost of sales		**(8,749,792)**	(8,919,658)	**(3,527,194)**	(3,916,043)
Gross profit		**2,956,033**	3,014,190	**754,214**	723,453
Other operating income	6	**54,368**	47,959	**456,897**	347,771
Selling and distribution expenses		**(144,884)**	(150,434)	**(39,116)**	(28,780)
Administrative expenses		**(1,649,139)**	(1,605,384)	**(677,947)**	(596,037)
Other expenses	7	**–**	(2,260)	**–**	–
Results from operating activities		**1,216,378**	1,304,071	**494,048**	446,407
Finance income	8.1	**203,311**	74,747	**129,705**	47,873
Finance costs	8.2	**(339,631)**	(319,939)	**(178,038)**	(113,719)
Net Finance cost		**(136,320)**	(245,192)	**(48,333)**	(65,846)
Share of profit of equity accounted investees (net of tax)		**39,020**	11,457	**–**	–
Profit before income tax	9	**1,119,078**	1,070,336	**445,715**	380,561
Income tax expense	10	**(220,910)**	(196,404)	**(28,119)**	(12,539)
Profit for the year		**898,168**	873,932	**417,596**	368,022
Attributable to:					
Equity holders of the Company		**681,218**	694,985	**417,596**	368,022
Non-controlling interest		**216,950**	178,947	**–**	–
Profit for the year		**898,168**	873,932	**417,596**	368,022
Earnings per share					
Basic earnings per share (Rs.)	11	**22.93**	23.39	**14.05**	12.39
Dividend per share (Rs.)	12	**6.00**	6.00	**6.00**	6.00

The Notes to the Financial Statements on pages 62 to 117 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
Profit for the year		**898,168**	873,932	**417,596**	368,022
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net exchange differences on translation of foreign entities		**111,885**	(57,487)	**–**	–
Net gain and (loss) on available-for-sale financial assets	21	**(264,468)**	207,099	**(264,468)**	207,099
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains/(losses) on defined benefit plans	27	**(20,782)**	(12,151)	**(29,344)**	(12,076)
Revaluation of land and buildings	13	**–**	223,596	**–**	101,244
Tax effect on OCI adjustments		**3,521**	1,469	**3,521**	1,449
Other comprehensive income (loss) for the year (net of tax)		**(169,844)**	362,525	**(290,291)**	297,716
Total comprehensive income for the year (net of tax)		**728,324**	1,236,457	**127,305**	665,738
Attributable to:					
Equity holders of the Parent		**496,614**	1,027,520	**127,305**	665,738
Non-controlling interest		**231,710**	208,937	**–**	–
		728,324	1,236,457	**127,305**	665,738

The Notes to the Financial Statements on pages 62 to 117 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at 31st March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**4,357,544**	4,029,455	**1,283,054**	1,174,938
Investment property	14	**–**	–	**–**	–
Intangible assets	15	**263,598**	260,903	**26,793**	43,190
Investments in subsidiaries	18	**–**	–	**1,486,895**	1,341,765
Investment in equity accounted investees	16	**459,511**	461,338	**92,903**	92,903
Non-current receivables from subsidiaries	17C	**–**	–	**97,386**	53,638
Other non-current financial assets	21	**330,415**	562,135	**297,509**	561,977
Deferred tax assets	28A	**14,005**	6,526	**–**	–
Total non-current assets		**5,425,073**	5,320,357	**3,284,540**	3,268,411
Current assets					
Inventories	19	**3,525,543**	3,022,580	**1,304,833**	1,261,613
Trade and other receivables	20	**2,789,880**	1,823,711	**1,135,185**	919,324
Amounts due from subsidiaries	17C	**–**	–	**715,115**	586,238
Amounts due from other related parties	17D	**32,452**	30,111	**–**	16,522
Amounts due from equity accounted investees	17E	**3,353**	16,892	**7**	–
Other current assets	22	**337,849**	280,031	**78,362**	89,572
Cash and cash equivalents	23	**515,908**	523,088	**99,976**	132,163
Total current assets		**7,204,985**	5,696,413	**3,333,478**	3,005,432
Total assets		**12,630,058**	11,016,770	**6,618,018**	6,273,843
EQUITY AND LIABILITIES					
Equity					
Stated capital	24	**331,774**	331,774	**331,774**	331,774
Capital reserves	25.1	**570,848**	570,848	**309,253**	309,253
Revenue reserves	25.2	**5,013,363**	4,800,584	**3,073,773**	3,169,499
Equity attributable to equity holders of the Company		**5,915,985**	5,703,206	**3,714,800**	3,810,526
Non-controlling interest		**710,435**	590,724	**–**	–
Total equity		**6,626,420**	6,293,930	**3,714,800**	3,810,526
Non-current liabilities					
Interest-bearing loans and borrowings	26A	**394,381**	501,134	**228,755**	366,138
Retirement benefit obligations	27	**289,052**	257,636	**249,467**	214,708
Deferred tax liabilities	28B	**76,126**	40,581	**33,944**	16,600
Total non-current liabilities		**759,559**	799,351	**512,166**	597,446
Current liabilities					
Trade and other payables	29	**1,243,251**	639,617	**219,213**	174,466
Interest-bearing loans and borrowings	26B	**2,779,869**	2,015,173	**1,908,163**	1,423,805
Other current liabilities	30	**233,952**	239,881	**122,755**	159,678
Amounts due to subsidiaries	17A	**–**	–	**96,922**	66,863
Amounts due to other related parties	17B	**917,261**	964,584	**43,999**	41,059
Income tax payable		**69,746**	64,234	**–**	–
Total current liabilities		**5,244,079**	3,923,489	**2,391,052**	1,865,871
Total liabilities		**6,003,638**	4,722,840	**2,903,218**	2,463,317
Total equity and liabilities		**12,630,058**	11,016,770	**6,618,018**	6,273,843

I certify that the Financial Statements set out on pages 57 to 117 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 62 to 117 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

Rajitha Kariyawasan
Managing Director

17th May 2016

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31st March

Group

	Attributable to Equity Holders of the Parent								
			Other Reserves						
	Stated Capital Rs. '000	Capital Reserve Rs. '000	Available-for-Sale Reserve Rs. '000	Exchange Fluctuation on 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 31.03.2014	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
Translation of foreign entities	–	–	–	(60,823)	–	–	(60,823)	3,336	(57,487)
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	–	(12,151)	(12,151)	–	(12,151)
Income tax on other comprehensive income	–	–	–	–	–	1,469	1,469	–	1,469
Net gain on available-for-sale financial assets	–	–	207,099	–	–	–	207,099	–	207,099
Revaluation during the year	–	196,941	–	–	–	–	196,941	26,654	223,595
Other comprehensive income for the period	–	196,941	207,099	(60,823)	–	(10,682)	332,535	29,990	362,525
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**
Super gain tax	–	–	–	–	–	(64,900)	(64,900)	–	(64,900)
Profit for the period	–	–	–	–	–	681,218	681,218	216,950	898,168
Translation of foreign entities	–	–	–	101,431	–	–	101,431	10,454	111,885
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	–	(25,088)	(25,088)	4,306	(20,782)
Income tax on other comprehensive income	–	–	–	–	–	3,521	3,521	–	3,521
Net gain/(loss) on available-for-sale financial assets	–	–	(264,468)	–	–	–	(264,468)	–	(264,468)
Other comprehensive income for the period	–	–	(264,468)	101,431	–	(21,567)	(184,604)	14,760	(169,844)
Movement in reserve in equity accounted investee	–	–	–	–	–	(40,661)	(40,661)	–	(40,661)
Dividends	–	–	–	–	–	(178,274)	(178,274)	(111,999)	(290,273)
Balance as at 31.03.2016	**331,774**	**570,848**	**256,848**	**319,111**	**519,353**	**3,918,051**	**5,915,985**	**710,435**	**6,626,420**

Company

	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 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
Revaluation during the year	–	101,244	–	–	–	101,244
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	(12,076)	(12,076)
Income tax on other comprehensive income	–	–	–	–	1,449	1,449
Net gain on available-for-sale financial asset	–	–	–	207,099	–	207,099
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**
Super gain tax	–	–	–	–	(44,757)	(44,757)
Profit for the year	–	–	–	–	417,596	417,596
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	(29,344)	(29,344)
Income tax on other comprehensive income	–	–	–	–	3,521	3,521
Net gain/(loss) on available-for-sale financial assets	–	–	–	(264,468)	–	(264,468)
Other comprehensive income for the period	–	–	–	(264,468)	(25,823)	(290,291)
Dividends	–	–	–	–	(178,274)	(178,274)
Balance as at 31.03.2016	**331,774**	**309,253**	**519,353**	**256,848**	**2,297,573**	**3,714,800**

The Notes to the Financial Statements on pages 62 to 117 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENTS OF CASH FLOW

For the year ended 31st March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
Profit before tax		**1,119,078**	1,070,336	**445,715**	380,561
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment		**314,678**	308,045	**84,987**	79,055
Amortisation and impairment of intangible assets		**20,020**	15,226	**16,397**	12,975
Revaluation loss charged to income statement		**–**	2,260	**–**	–
Gain on disposal of property, plant and equipment		**(12,073)**	(292)	**(15,950)**	(9)
Gain/(loss) on translation of foreign currencies		**50,122**	(93,580)	**12,435**	(9,658)
Exchange difference on translation of foreign entities		**55,152**	(24,527)	**–**	–
Finance income		**(203,311)**	(74,747)	**(129,705)**	(47,873)
Finance costs		**339,631**	319,939	**178,038**	113,719
Dividend income – subsidiaries		**–**	–	**(286,323)**	(184,192)
Share of profit of an associate		**(39,020)**	(11,457)	**–**	–
Provision for slow moving inventory		**14,116**	4,166	**12,220**	2,885
Provision for unrealised profit on inventories		**43,480**	24,765	**–**	–
Write-off of debtors		**–**	9,732	**–**	–
Provision/(reversal) of bad and doubtful debts		**21,816**	(2,139)	**–**	–
Provision for retiring gratuity		**33,277**	54,045	**27,185**	34,030
Cash generated from operations before working capital changes		**1,756,966**	1,601,772	**344,999**	381,493
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		**(1,045,803)**	15,383	**(204,652)**	144,946
(Increase)/decrease in amounts receivable from related parties		**11,198**	(26,492)	**(156,110)**	(88,720)
(Increase)/decrease in inventories		**(560,559)**	(928,104)	**(55,440)**	(244,842)
Increase/(decrease) in trade and other payables		**597,705**	21,787	**7,825**	(65,031)
Increase/(decrease) in amounts due to related parties		**(47,323)**	305,452	**32,999**	71,892
		712,184	989,797	**(30,378)**	199,738
Interest paid		**(154,246)**	(166,632)	**(55,525)**	(67,153)
Income tax paid		**(248,712)**	(183,995)	**(52,011)**	(17,212)
Retiring gratuity paid		**(22,632)**	(18,137)	**(21,770)**	(18,137)
Net cash flows from operating activities		**286,594**	621,034	**(159,684)**	97,236
Investing activities:					
Proceeds from sale of property, plant and equipment		**20,918**	2,044	**18,172**	93
Purchase of property, plant and equipment		**(594,879)**	(639,536)	**(195,326)**	(159,961)
Investment in subsidiary shares		**–**	–	**(145,130)**	–
Purchase/construction of asset available-for-sale		**(32,735)**	–	**–**	–
Acquisition of intangible assets		**(22,715)**	(24,906)	**–**	(17,324)
Interest received		**3,435**	5,906	**18,697**	1,853
Dividend received from equity accounted investee		**186**	186	**186**	186
Other dividends received		**16,276**	24,414	**302,412**	208,418
Net cash flows used in investing activities		**(609,514)**	(631,892)	**(989)**	33,265
Net cash inflow/(outflow) before financing activities		**(322,920)**	(10,858)	**(160,673)**	130,501
Financing activities:					
Proceeds from borrowings		**251,031**	131,000	**72,345**	–
Repayment of borrowings		**(326,697)**	(317,491)	**(211,656)**	(171,794)
Dividends paid to equity holders of the parent		**(178,274)**	(148,561)	**(178,274)**	(148,561)
Dividends paid to non-controlling interests		**(111,999)**	(86,631)	**–**	–
Net cash flows from/(used in) financing activities		**(365,939)**	(421,683)	**(317,585)**	(320,355)
Net increase/(decrease) in cash and cash equivalents		**(688,859)**	(432,541)	**(478,258)**	(189,854)
Cash and cash equivalents at the beginning of the period		**(1,211,820)**	(779,279)	**(1,085,076)**	(895,223)
Cash and cash equivalents at the end of the period	23	**(1,900,679)**	(1,211,820)	**(1,563,334)**	(1,085,076)
Analysis of cash and cash equivalents as at 31st March					
B. Bank and cash balances		**472,926**	455,819	**97,570**	129,763
Short-term deposits		**42,982**	67,269	**2,406**	2,400
		515,908	523,088	**99,976**	132,163
Bank overdrafts and short-term loans		**(2,416,587)**	(1,734,908)	**(1,663,310)**	(1,217,239)
Cash and cash equivalents		**(1,900,679)**	(1,211,820)	**(1,563,334)**	(1,085,076)

The Notes to the Financial Statements on pages 62 to 117 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 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 122 of the Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Haycarb PLC, as at and for the year ended 31st March 2016 encompasses the Company, its Subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in Equity Accounted Investees (Associates and Joint Ventures).

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 122 and 123 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 39 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 Consolidated Financial Statements of Haycarb PLC and its subsidiaries for the year ended 31st March 2016 were authorised for issue by the Directors on 17th May 2016.

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 reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as available-for-sale financial assets which are measured at fair value.

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

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

2.3 Functional and presentation currency

The Financial Statements are presented in 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 40). All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs. '000), except when otherwise indicated.

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.

Subsidiaries and Equity Accounted Investees are disclosed in pages 122 and 123.

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee.

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting right

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.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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 the 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 interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain 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 has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion the cash-generating unit retained.

3.1.3 Transactions with non-controlling interests

Profit or loss and each component of OCI are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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 the Income Statement.

3.1.5 Transactions eliminated on consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 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).

3.2.2 Foreign Operations

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 the 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 39 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 the 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, are summarised in the 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 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 the Income Statement.

3.6.1.5 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. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Income Statement. Gains are not classified as revenue.

3.6.1.6 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, in reflecting 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:

Leasehold right to land	Over the lease period
Buildings	20 - 50 years
Software	05 years
Plant and machinery	10 - 40 years
Stores equipment	05 - 10 years
Motor vehicles	05 years
Furniture, fittings and 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 is derecognised. The asset's residual values, useful lives are reviewed and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

3.6.1.7 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.

These financial assets are recorded in the Consolidated Statement of Financial Position under the 'Financial assets' line item. They are initially recognised at the lower of fair value and the sum of future flows and subsequently recognised at amortised cost using the effective interest rate of the contract.

The portion falling due within less than one year is presented in 'Current financial assets', while the portion falling due within more than one year is presented under the 'Non-current' line item.

During the construction phase, a financial receivable is recognised in the Consolidated Statement of Financial Position to offset revenue from ordinary activities, in accordance with the percentage of completion method laid down in LKAS 11 for construction contracts. The financial receivables resulting from this analysis are initially measured at the present value of lease payments and then amortised using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and/or the borrowing rate associated with the contract.

3.6.1.8 Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a Finance Lease,

Finance leases 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.

3.6.1.9 Group as a lessor for operating lease

Leases in which the Group does not transfer substantially all 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.

3.6.2 Intangible assets

3.6.2.1 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.

3.6.2.2 Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination 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.

3.6.2.3 Useful economic lives and amortisation

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.

3.6.2.4 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.

3.6.2.5 Leasehold rights

In respect of operating leases acquired under a business combination where the Group is lessee, Group determines whether the terms of each operating lease are favourable or unfavourable relative to market terms. The Group recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms. Leasehold rights represent value of favourable lease terms.

3.6.2.6 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.

3.6.2.7 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.

3.6.2.8 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.

3.6.2.9 Amortisation

Amortisation is recognised in Income Statement 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

3.7 Current assets

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the Reporting Date, whichever is shorter.

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.
- Project in progress consists of labour and other cost of personnel directly engaged in providing the service, including supervisory personnel and attributable overheads.

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 Impairment of non-financial assets

The Group assesses, at each Reporting Date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

Impairment losses of continuing operations are recognised in the Income Statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

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.

Goodwill is tested for impairment annually as at 31st March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31st March at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.7.3 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.

3.7.4 Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

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. Re-assessment 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.

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.

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 risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all 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 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.

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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.10.4 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

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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 the Income Statement 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 the Income Statement.

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 the 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 the Income Statement 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 the Income Statement 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 income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the Reporting Date in the countries where the Group operates and generates taxable income.

Current tax relating to items 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, equity accounted investee and interests in joint ventures, 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.13 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'indirect method'.

Interest paid is classified as an operating cash flow. Grants received, which are related to purchase and construction of property, plant and equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

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

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 Critical accounting 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.

Estimates and underlying assumptions are necessary to match them to the costs to which it is intended to compensate on a systematic basis.

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.

Management has used its judgment on the application of tax laws relating to transfer pricing regulations involving identification of associated undertaking, estimation of respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

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 Impairment of property, plant and equipment and intangible assets other than goodwill

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Further details are disclosed in Note 13.

3.15.6 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.

3.15.7 Consolidation of entities with the Group holds 50% of the voting rights

Group 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 Ltd. and Shizuka Co. Ltd. Although Group PLC holds 50% of the issued capital of CK, it is considered as a subsidiary for financial reporting after due consideration of the agreements with partners and the current operating method.

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**

  SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

  SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

- **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.

  SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

  Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the Reporting Date.

  The following amendments and improvements are not expected to have a significant impact on the Company's/Group's Consolidated Financial Statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38)
- Equity Method in Separate Financial Statements (Amendments to LKAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Annual Improvements to SLFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28)
- Disclosure Initiative (Amendments to LKAS 1)

5. Revenue

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Sale of goods				
Haycarb PLC	**4,281,408**	4,639,496	**4,281,408**	4,639,496
Subsidiaries	**11,464,890**	11,559,563	**–**	–
	15,746,298	16,199,059	**4,281,408**	4,639,496
Intra group sales	**(4,040,473)**	(4,265,211)	**–**	–
	11,705,825	11,933,848	**4,281,408**	4,639,496

6. Other operating income

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Government grants	**3,941**	4,703	**–**	–
Net gain on disposal of property, plant and equipment	**12,073**	292	**15,950**	9
Fees for marketing services	**1,659**	2,039	**29,123**	33,355
Sundry income	**35,375**	39,725	**4,336**	9,932
Rental income	**–**	–	**8,032**	6,356
Income from technical consultations	**1,320**	1,200	**113,133**	108,628
Fair valuation of inter-company guarantees	**–**	–	**–**	5,299
Dividend income – subsidiaries	**–**	–	**286,323**	184,192
	54,368	47,959	**456,897**	347,771

7. Other expenses and losses

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Impairment of property, plant and equipment	**–**	2,260	**–**	–
	–	2,260	**–**	–

8. Net finance cost

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
8.1 Finance income				
Dividend income – quoted	**16,276**	24,414	**16,275**	24,412
Interest income on loans and receivables	**3,435**	5,906	**18,697**	1,853
Gain on translation of foreign currency	**183,600**	44,427	**94,733**	21,608
Total finance income	**203,311**	74,747	**129,705**	47,873

For the year ended 31st March	Group		Company	
	2015/16 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000
8.2 Finance cost				
Interest cost – short-term borrowings	**86,265**	82,123	**29,458**	39,020
– long-term borrowings	**67,981**	84,509	**26,066**	28,133
Loss on translation of foreign currency	**185,385**	153,307	**122,514**	46,566
Total finance costs	**339,631**	319,939	**178,038**	113,719
Finance income/(cost)	**(136,320)**	(245,192)	**(48,333)**	(65,846)

9. Profit before income tax

(A)

For the year ended 31st March	Group	
	2015/16 Rs. '000	2014/15 Rs. '000
Haycarb PLC	**445,715**	380,561
Subsidiaries	**966,405**	907,357
Associates	**39,020**	11,457
	1,451,140	1,299,375
Unrealised profit on intra group sales	**(43,479)**	(28,754)
Intra group adjustments	**(288,583)**	(200,285)
	1,119,078	1,070,336

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

For the year ended 31st March	Group		Company	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Depreciation on property, plant and equipment	**314,678**	308,045	**84,987**	79,055
Directors' emoluments including Non-Executive Directors' consultation fees	**106,204**	100,180	**70,457**	48,068
Auditors' remuneration (fees and expenses)				
- Ernst & Young	**2,546**	2,370	**1,529**	1,436
- Others	**6,136**	6,058	**–**	–
Fees paid to auditors for non-audit work				
- Ernst & Young	**1,880**	2,217	**1,049**	1,025
- Others	**–**	–	**–**	–
Donations	**4,063**	4,109	**2,333**	1,181
Provision for slow moving inventories	**14,116**	4,166	**12,220**	2,885
Provision of unrealised profits in inventories	**43,480**	24,765	**–**	–
Provision/(reversal) for bad and doubtful debts	**21,816**	(2,139)	**–**	–
Staff costs (Note 9.1)	**941,366**	928,222	**429,715**	348,401

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
9.1 Staff costs				
Defined contribution plan cost	**79,401**	69,815	**64,139**	60,274
Defined benefit plan cost	**33,277**	54,045	**27,185**	34,030
Other staff cost	**828,688**	804,362	**338,391**	254,097
	941,366	928,222	**429,715**	348,401
Number of employees at year end	**1,210**	1,150	**693**	641

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. are 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 20%, 30%, 34%, 20%, 20%, 25% and 25% respectively.

Haycarb Holdings Bitung Ltd. is tax exempt.

As per the provisions of part III of the Finance Act No. 10 of 2015 which was certified on 30th October 2015, the Company is liable for Super Gain Tax of Rs. 64.9 million. According to the Act, the Super Gain Tax shall be deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expenses of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by The Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

(B) Income tax expense

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Sri Lanka taxes				
- Haycarb PLC	**–**	–	**–**	–
- Subsidiaries	**30,192**	15,716	**–**	–
	30,192	15,716	**–**	–
Overseas taxes				
- Subsidiaries	**132,426**	141,007	**–**	–
	162,618	156,723	**–**	–
Under/(over) provision in respect of previous years				
- Haycarb PLC	**4,504**	–	**4,504**	–
- Subsidiaries	**526**	(1,022)	**–**	–
	5,030	(1,022)	**4,504**	–
Deferred taxation				
- Haycarb PLC	**17,344**	9,949	**17,344**	9,949
- Subsidiaries	**10,808**	20,244	**–**	–
	28,152	30,193	**17,344**	9,949
Tax on actuarial gains/(losses)	**3,521**	–	**3,521**	–
Tax on dividend income	**21,589**	10,510	**2,750**	2,590
	220,910	196,404	**28,119**	12,539

(C) Tax reconciliation statement

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Profit before tax	**1,119,078**	1,070,336	**445,715**	380,561
Share of profit of equity accounted investee	**39,020**	11,457	**–**	–
Consolidation adjustments	**327,542**	229,039	**–**	–
	1,485,640	1,310,832	**445,715**	380,561
Tax exempt income	**(611,451)**	(298,695)	**(342,220)**	(210,457)
Disallowable expenses	**367,308**	244,658	**182,983**	149,335
Allowable expenses	**(517,516)**	(432,942)	**(286,478)**	(319,439)
Tax losses brought forward	**(205,593)**	(221,868)	**–**	–
Tax losses carried forward	**267,537**	205,593	**–**	–
Taxable profit	**785,925**	807,578	**–**	–
Tax @ 12%	**8,625**	9,201	**–**	–
Tax @ 28%	**11,866**	6,516	**–**	–
Tax @ other rates	**142,127**	141,007	**–**	–
	162,618	156,723	**–**	–
Under/(over) provision in previous year	**5,030**	(1,022)	**4,504**	–
Deferred tax charge/(credit)	**31,673**	30,193	**20,865**	9,949
Tax on dividend income	**21,589**	10,509	**2,750**	2,590
Tax expense for the year	**220,910**	196,404	**28,119**	12,539

11. Earnings per share/Net asset

11.1 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 2015/16	Group 2014/15	Company 2015/16	Company 2014/15
Profit attributable to ordinary shareholders (Rs. '000)	**681,218**	694,985	**417,596**	368,022
Weighted average number of ordinary shares*	**29,712,375**	29,712,375	**29,712,375**	29,712,375
Basic earnings per ordinary share (Rs.)	**22.93**	23.39	**14.05**	12.39

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

11.2 Net assets per share

For the year ended 31st March	Group 2015/16	Group 2014/15	Company 2015/16	Company 2014/15
Net assets attributable to ordinary shareholders (Rs '000)	**5,915,985**	5,703,206	**3,714,800**	3,810,526
Number of ordinary shares as at 31st March	**29,712,375**	29,712,375	**29,712,375**	29,712,375
Net assets per share (Rs.)	**199.11**	191.95	**125.03**	128.25

12. Dividend per share

For the year ended 31st March	2015/16 Rs. '000	2014/15 Rs. '000
Interim dividend - Rs. 2.00 (2014/15 – Rs. 2.00 per share)	**59,425**	59,425
Final proposed Rs. 4.00 per share (2014/15 – Rs. 4.00 per share)	**118,849**	118,849
	178,274	178,274
Dividend per ordinary share (Rs.)	**6.00**	6.00
Dividend payout ratio	**26%**	26%

The Directors have recommended a Rs. 4/- per share final dividend payment for the year ended 31st March 2016 to be approved at the Annual General Meeting on the 28th June 2016. In compliance with Sri Lanka Accounting Standard, LKAS 10 – 'Events after the Reporting Period' the final dividend recommended is not recognised as a liability in the Financial Statements as at 31st March 2016.

13. Property, plant and equipment

(A) Consolidated

	Freehold 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 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)
Revaluations	223,595	–	–	–	–	–	223,595
Impairment provision	(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
Additions	38,953	105,335	420,864	71,309	19,219	8,551	664,230
Disposals	–	–	(9,112)	(19,656)	(6,195)	–	(34,963)
Exchange differences	6,042	16,250	58,538	1,717	2,336	–	84,883
At 31st March 2016	**728,989**	**1,198,010**	**4,152,637**	**143,194**	**127,029**	**65,250**	**6,415,108**
Depreciation and impairment							
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
Depreciation charge for the year	–	32,477	252,776	13,191	10,621	5,613	314,678
Disposals	–	–	(2,995)	(17,136)	(5,987)	–	(26,118)
Exchange differences	–	6,824	18,753	1,157	1,417	–	28,150
At 31st March 2016	**–**	**241,708**	**1,994,172**	**40,760**	**73,259**	**53,962**	**2,403,860**
Capital work-in-progress							
At 31st March 2016							371,839
At 31st March 2015							441,190
Impairment Provision							
At 31st March 2016							(25,543)
At 31st March 2015							(25,543)
Net book value							
At 31st March 2016	728,989	956,301	2,158,465	102,434	53,770	11,288	4,357,544
At 31st March 2015	683,994	874,018	1,956,709	46,276	44,461	8,350	4,029,455

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

(a) Property, plant and equipment include fully depreciated assets, which are still in use as at 31st March 2016 amounted to Rs. 1,092,481,241/- (2015 – Rs. 885,430,000/-).

(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 land 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 31.03.2016 Freehold Land Rs. '000**	**Cost as at 31.03.2016 Rs. '000**
Haycarb PLC	Madampe Factory	31.03.2015	28 A - 3R - 0.85 P	Rs. 28,357 per perch	**113,570**	**44,794**
	Badalgama Factory	31.03.2015	12 A - 3R - 20 P	Rs. 25,000 per perch	**51,500**	**8,799**
	Wewalduwa Stores	31.03.2015	2 A - 1R - 32.04 P	Rs. 419,855 per perch	**164,600**	**4,309**
					329,670	**57,902**
Recogen (Pvt) Ltd.	Badalgama Factory - Badalgama	31.03.2015	10 A - 3R - 15 P	Rs. 25,000 per perch	**43,375**	**11,465**
Carbokarn Co. Ltd	Thailand	31.03.2015	15 A - 2R - 22 P	Rs. 52,159 per perch	**130,501**	**74,299**
Shizuka Co. Ltd.	Thailand	31.03.2015	14 A - 2R - 24 P	Rs. 22,131 per perch	**51,876**	**28,140**
PT Mapalus Makawanua Charcoal Industry	Indonesia	31.03.2015	8A - 3R - 28 P	Rs. 69,917 per perch	**99,632**	**37,083**
PT Haycarb Palu Mitra	Indonesia	31.03.2015	11A - 3R - 25.9P	Rs. 27,754 per perch	**56,175**	**53,054**
					711,229	**261,943**

Fair Value hierarchy - Assets measured at fair value.

Group	**2016 Rs. '000**	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value	**728,989**			728,989

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

During the Reporting Period ended 31st March 2016, 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

	Free 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 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
Additions	16,924	22,120	86,865	62,560	4,012	2,357	194,837
Disposals	–	–	(15,319)	(14,374)	–		(29,693)
At 31st March 2016	**341,620**	**377,233**	**1,006,217**	**63,370**	**50,542**	**55,050**	**1,894,031**
Depreciation and impairment							
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
Depreciation charge for the year*	–	7,046	62,693	6,790	3,536	4,923	84,987
Disposals	–	–	(15,270)	(12,201)	–		(27,471)
At 31st March 2016	**–**	**77,223**	**583,227**	**7,548**	**27,031**	**49,740**	**744,768**
Capital work-in-progress							
At 31st March 2016							159,335
At 31st March 2015							158,846
Impairment Provision							
At 31st March 2016							(25,543)
At 31st March 2015							(25,543)
Net book value							
At 31st March 2016	341,620	300,010	422,990	55,822	23,511	5,309	1,283,054
At 31st March 2015	324,696	284,936	398,867	2,225	23,035	7,876	1,174,938

(a) Property, plant and equipment include fully depreciated assets, amounting to Rs. 381,355,269/- (2015 – Rs. 362,394,377/-), which are still in use as at 31st March 2016 .

(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

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Cost				
Opening balance at 1st April	–	38,864	–	38,864
Transferred during the year	–	(38,864)	–	(38,864)
Closing balance at 31st March	–	–	–	–
Amortisation				
Opening balance at 1st April	–	(2,018)	–	(2,018)
Transferred during the year	–	2,018	–	2,018
Closing balance at 31st March	–	–	–	–
Carrying amount	–	–	–	–

15. Intangible assets

	Group				Company		
	Software Rs. '000	Goodwill on Acquisition Rs. '000	Product Development Rs. '000	Group Total Rs. '000	Software Rs. '000	Product Development Rs. '000	Company Total Rs. '000
Cost							
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
Additions	–	–	22,715	22,715	–	–	–
At 31st March 2016	**86,516**	**257,206**	**52,427**	**396,149**	**81,051**	**17,180**	**98,231**
Amortisation and impairment							
At 1st April 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)
Amortisation	(14,078)	–	(5,942)	(20,020)	(12,961)	(3,436)	(16,397)
At 31st March 2016	**(70,107)**	**(55,164)**	**(7,280)**	**(132,551)**	**(68,002)**	**(3,436)**	**(71,438)**
Net book value							
At 31st March 2016	16,409	202,042	45,147	263,598	13,049	13,744	26,793
At 31st March 2015	30,487	202,042	28,374	260,903	26,010	17,180	43,190

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, 8% 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 3 to 5 years.

16. Investment in equity accounted investee

	Group		Company	
As at 31st March	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Carbotels (Pvt) Ltd. (16 A)	**372,799**	384,978	**92,903**	92,903
Lakdiyatha (Pvt) Ltd.	**86,712**	76,360	**–**	–
	459,511	461,338	**92,903**	92,903

16 (A)

	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Group	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Balance at the beginning of the year	**76,360**	65,297	**384,978**	328,000	**461,338**	393,297
Share of profits	**10,352**	11,063	**28,668**	394	**39,020**	11,457
Movement in reserve	**–**	–	**(40,661)**	56,770	**(40,661)**	56,770
Dividends	**–**	–	**(186)**	(186)	**(186)**	(186)
Balance at the end of the year	**86,712**	76,360	**372,799**	384,978	**459,511**	461,338

16 (B) Summarised financial

As at 31st March	Lakdiyatha (Pvt) Ltd. 2015/16 Rs. '000	Lakdiyatha (Pvt) Ltd. 2014/15 Rs. '000	Carbotels (Pvt) Ltd. 2015/16 Rs. '000	Carbotels (Pvt) Ltd. 2014/15 Rs. '000	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000
Balance sheet						
Total assets	**281,782**	281,818	**1,506,113**	1,560,332	**1,787,895**	1,842,150
Total liabilities	**(104,818)**	(125,980)	**(25,788)**	(32,638)	**(79,030)**	(158,618)
Net Assets	**176,964**	155,838	**1,480,325**	1,527,694	**1,708,865**	1,683,532
Group carrying amount of the investment	**86,713**	76,360	**279,896**	384,978	**366,609**	461,338
Profit after tax	**21,126**	22,578	**113,764**	1,561	**134,890**	6,988
Group share of profit for the year	**10,352**	11,063	**28,668**	394	**39,020**	11,457

17. Related party disclosures

17A. Amounts due to subsidiaries

As at 31st March	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Ultracarb (Pvt) Ltd.	**–**	8,122
Recogen (Pvt) Ltd.	**53,302**	24,975
Haycarb Value Added Products (Pvt) Ltd.	**43,620**	7,592
PT Mapalus Makawanua Charcoal Industry	**–**	26,174
	96,922	66,863

17B. Amounts due to other related parties

As at 31st March	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
Hayleys PLC	**66,034**	81,052	**40,250**	38,620
MIT Cargo (Pvt) Ltd.	**30**	–	**22**	–
Mountain Hawk Express (Pvt) Ltd.	**386**	–	**386**	–
Mountain Hawk (Pvt) Ltd.	**1,051**	–	**1,051**	–
Hayleys Industrial Solutions (Pvt) Ltd.	**589**	–	**473**	–
Civaro Lanka (Pvt) Ltd.	**488**	–	**–**	–
Key Management Personnel – Carbokarn Co. Ltd.	**830,686**	845,444	**–**	–
Chas P Hayleys & Co. Pvt Ltd.	**16,193**	34,859	**134**	143
Logiventure (Pvt) Ltd.	**–**	743	**–**	743
Civaro Lanka (Pvt) Ltd.	**488**	677	**488**	677
Hayleys Business Solutions (Pvt) Ltd.	**359**	287	**359**	287
Hayleys Travels & Tours (Pvt) Ltd.	**836**	448	**836**	448
Hayleys Agriculture Holding Ltd.	**–**	765	**–**	–
Other Hayleys Companies	**121**	309	**–**	141
	917,261	964,584	**43,999**	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 5.2% to 6.2% per annum during the financial year.*

17C. Amounts due from subsidiaries

As at 31st March	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Puritas (Pvt) Ltd.	**54,984**	51,757
Eurocarb Products Ltd.	**–**	2,591
Haycarb Holdings Bitung Ltd.	**181,577**	189,143
PT Mapalus Makawanua Charcoal Industry	**327,881**	253,638
Ultracarb (Pvt) Ltd.	**73,363**	–
Carbokarn Co. Ltd.	**938**	–
Haycarb Value Added Products (Pvt) Ltd.	**36,000**	30,000
PT Haycarb Palu Mitra	**137,758**	112,747
	812,501	639,876
Amount classified as non-current receivables	**(97,386)**	(53,638)
	715,115	586,238

17D. Amounts due from other related parties

As at 31st March	Group		Company	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Hayleys Consumer Products Ltd.	**8,863**	10,745	**–**	–
Dipped Products PLC	**–**	12,206	**–**	12,206
Hayleys Agriculture Holding Ltd.	**1,221**	159	**–**	–
Hayleys Global Beverages (Pvt) Ltd.	**12,840**	–	**–**	–
Logiwiz Ltd.	**21**	–	**–**	–
Kelani Valley Plantations PLC	**8,482**	4,167	**–**	–
Royal Ceramics Lanka PLC	**71**	–	**–**	–
Lakdiyatha (Pvt) Ltd.	**–**	–	**–**	4,316
Ravi Industries Ltd	**37**	–	**–**	–
Amaya Beach (Pvt) Ltd.	**493**	–	**–**	–
Kandyan Resort (Pvt) Ltd.	**25**	–	**–**	–
Chas P Hayley & Company	**368**	443	**–**	–
Hayleys Industrial Solutions Ltd.	**–**	2,352	**–**	
Hayleys Group Other Companies	**31**	39	**–**	–
	32,452	30,111	**–**	16,522
Less: Non-current receivables	**–**	–	**–**	–
	32,452	30,111	**–**	16,522

17E. Amounts due from equity accounted investee

As at 31st March	Group		Company	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Lakdiyatha (Pvt) Ltd.	**3,353**	16,892	**7**	–
	3,353	16,892	**7**	–

18. Investments

A. Company investment in subsidiaries

Investee As at 31st March	Company Holding % 2015/16	Company Holding % 2014/15	No. of Shares 2015/16	No. of Shares 2014/15	Value Rs. '000 2015/16	Value Rs. '000 2014/15
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	**1,285,000**	285,000	**168,080**	22,950
PT Mapalus Makawanua Charcoal Industry*	**2**	2	**707**	707	**1,025**	1,025
Carbokarn Co. Ltd. (Baht 100 each 100% paid up)	**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	**40,000,000**	40,000,000	**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)					**1,586,895**	1,441,765
Provision for fall in value of Recogen (Pvt) Ltd.					**(100,000)**	(100,000)
Company investment in subsidiaries					**1,486,895**	1,341,765

The countries of incorporation and the principal activities of the above companies are given on pages 122 and 123

**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

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Raw materials and consumables	**1,372,215**	1,389,200	**782,166**	724,192
Finished/semi-finished goods	**2,212,874**	1,688,869	**550,290**	552,824
Projects in progress	**80,808**	27,269	**–**	–
	3,665,897	3,105,338	**1,332,456**	1,277,016
Provision for slow-moving items	**(32,725)**	(18,609)	**(27,623)**	(15,403)
Provision for unrealised profits	**(107,629)**	(64,149)		
Total inventories at the lower of cost and net realisable value	**3,525,543**	3,022,580	**1,304,833**	1,261,613

20. Trade and other receivables

For the year ended 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Trade receivables - External customers	**2,805,380**	1,816,644	**520,603**	408,884
- Inter-company			**605,986**	500,966
Less: Provision for bad debts	**(24,096)**	(2,280)		
	2,781,284	1,814,364	**1,126,589**	909,850
Loan to employees	**8,596**	9,347	**8,596**	9,347
Interest receivable	**–**	–	**–**	127
	2,789,880	1,823,711	**1,135,185**	919,324

The age analysis of trade receivables is as follows:

			Past due not impaired		
	Total	Neither past due nor impaired	0-60 Days	61-120 Days	Above 120 Days
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March 2016	**2,781,284**	**2,112,293**	**460,611**	**60,655**	**147,725**

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

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
At the beginning of the year	**3,470**	3,255	**3,470**	3,255
Granted during the year	**1,002**	2,054	**1,002**	2,054
	4,472	5,309	**4,472**	5,309
Repaid during the year	**(1,524)**	(1,840)	**(1,524)**	(1,840)
At the end of the year	**2,948**	3,470	**2,948**	3,470
Number of loans over Rs. 20,000/-	**39**	37	**39**	37

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

See Note 35 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. 2,789,880,000/- (31st March 2015 – Rs. 1,823,711,000/-), Company Rs. 1,135,185,000/- (31st March 2015 – Rs. 919,324,000/-). The management has assessed that the fair value of trade and other receivables approximate their carrying amount largely due to short-term maturities of these instruments.

21. Other non-current financial assets

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Available-for-sale investments				
Unquoted equity shares				
Quality Seed Co. Ltd.	**490**	490	**490**	490
Barrack Gold Corporation	**171**	158	**–**	–
Quoted equity shares				
Dipped Products PLC	**561,487**	354,388	**561,487**	354,388
Fair value adjustment	**(264,468)**	207,099	**(264,468)**	207,099
Fair value of quoted equity shares	**297,019**	561,487	**297,019**	561,487
Loans and receivables				
Receivable from finance lease	**32,735**	–	**–**	–
Total loans and receivables	**32,735**	–	**–**	–
Total other non-current financial assets	**330,415**	562,135	**297,509**	561,977

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.

As at 31st March 2016, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets measured at fair value

	31st March 2016 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 2 Rs. '000
Available-for-sale financial assets	**297,019**	297,019	**–**	–

During the Reporting Period ending 31st March 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

22. Other current assets

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Deposits, payments in advance and other debtors	**291,138**	230,707	**68,217**	70,673
Tax recoverable	**46,711**	49,324	**10,145**	18,899
	337,849	280,031	**78,362**	89,572

The management has assessed that the fair value of other current assets approximate their carrying amount largely due to short-term maturities of these instruments.

23. Cash and short-term deposits

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Cash in hand	**6,815**	3,925	**4,894**	2,048
Bank balances	**466,111**	451,894	**92,676**	127,715
Short-term deposits	**42,982**	67,269	**2,406**	2,400
	515,908	523,088	**99,976**	132,163

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31st March:

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Cash at banks and on hand	**472,926**	455,819	**97,570**	129,763
Short-term deposits	**42,982**	67,269	**2,406**	2,400
Bank overdrafts and short-term borrowings (Note 26)	**(2,416,587)**	(1,734,908)	**(1,663,310)**	(1,217,239)
Cash and cash equivalents	**(1,900,679)**	(1,211,820)	**(1,563,334)**	(1,085,076)

24. Stated capital

	Company 2015/16 Number	Company 2015/16 Rs. '000	Company 2014/15 Number	Company 2014/15 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

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Capital reserves (Note 25.1)	**570,848**	570,848	**309,253**	309,253
Revenue reserves (Note 25.2)	**5,013,363**	4,800,584	**3,073,773**	3,169,499

25.1 Capital reserves

	Revaluation Surplus Rs. '000	Reserve on Amalgamation Rs. '000	Legal Reserve Rs. '000	Total Rs. '000
Group				
Balance as at 31st March 2015	538,422	25,885	6,541	570,848
Revaluation surplus during the year	–	–	–	–
Balance as at 31st March 2016	**538,422**	**25,885**	**6,541**	**570,848**
Company				
Balance as at 31st March 2015	285,495	23,758	–	309,253
Revaluation surplus during the year	–	–	–	–
Balance as at 31st March 2016	**285,495**	**23,758**	**–**	**309,253**

The above revaluation surplus consists of net surplus resulting from the valuation of property, plant and equipment. The unrealised amount cannot be distributed to shareholders.

25.2 Revenue reserves

	Group		Company	
As at 31st March	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Available-for-sale reserve	**256,848**	521,316	**256,848**	521,316
Exchange fluctuation reserve	**319,111**	217,680	**–**	–
General reserve	**519,353**	519,353	**519,353**	519,353
Retained earnings				
Haycarb PLC	**2,297,572**	2,128,830	**2,297,572**	2,128,830
Subsidiaries	**1,394,344**	1,187,270	**–**	–
Associates	**226,135**	226,135	**–**	–
	3,918,051	3,542,235	**2,297,572**	2,128,830
	5,013,363	4,800,584	**3,073,773**	3,169,499

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	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
(A) Non-current liabilities				
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	**781,399**	952,590	**572,704**	729,198
On acquisition	**–**	–		
New loans obtained	**251,031**	131,000	**72,345**	–
Effect of movements in foreign exchange	**51,930**	15,300	**40,215**	15,300
	1,084,360	1,098,890	**685,264**	744,498
Repayments during the year	**(326,697)**	(317,491)	**(211,656)**	(171,794)
At the end of the year	**757,663**	781,399	**473,608**	572,704
Transferred to current liabilities	**(363,282)**	(280,265)	**(244,853)**	(206,566)
Repayable after one year	**394,381**	501,134	**228,755**	366,138
(B) Current liabilities				
Current interest-bearing loans and borrowings				
Short-term loans	**2,274,071**	1,587,043	**1,537,099**	1,133,265
Bank overdrafts	**142,516**	147,865	**126,211**	83,974
Other current loans – term loans – short-term	**2,416,587**	1,734,908	**1,663,310**	1,217,239
Current portion of term loans	**363,282**	280,265	**244,853**	206,566
Total current interest-bearing loans and borrowings	**2,779,869**	2,015,173	**1,908,163**	1,423,805
(C) Analysis of secured term loans by year of repayment				
As at 31st March				
Repayable between 1-2 years from the year end	**304,470**	264,369	**191,480**	206,566
Repayable between 2-5 years from the year end	**89,911**	236,765	**37,275**	159,572
Repayable later than 5 years from the year end	**–**	–	**–**	–
Total non-current borrowings	**394,381**	501,134	**228,755**	366,138

(D) Secured term loans repayable after one year

Company	Lender	Rate of interest	31.03.2016 Rs. '000	Repayment terms	Security
Haycarb PLC	Commercial Bank of Ceylon PLC	Floating - LIBOR + 3.75%	**7,929**	Monthly instalments over five years commencing from June 2011	
	Commercial Bank of Ceylon PLC	Floating - LIBOR + 3.75%	**9,130**	47 equal monthly instalments commencing from November 2013	
	HSBC	1 month - LIBOR+ 3.15%	**6,511**	60 equal monthly instalments commencing from July 2012	
	HSBC	1 month - LIBOR + 3.15%	**21,269**	60 equal monthly instalments commencing from June 2013	
	HSBC	1 month - LIBOR + 3.15%	**22,620**	60 equal monthly instalments commencing from July 2013	
	HSBC	1 month - LIBOR + 2.75%	**51,675**	60 equal monthly instalments commencing from March 2016	
	Standard Chartered Bank	1 month - LIBOR + 4%	**41,448**	60 equal monthly instalments commencing September 2012	Mortgage over 40 million shares of Haycarb Value Added Products (Pvt) Ltd.
	Standard Chartered Bank	1 month - LIBOR + 4%	**25,537**	12 months grace period plus+ 60 Monthly instalments commencing July 2014	
	Standard Chartered Bank	1 month - LIBOR + 4%	**42,638**	12 months grace period plus+ 60 Monthly instalments commencing July 2015	
PT Mapalus Makawanua Charcoal Industry	HSBC	Fixed – 6.78%	**46,796**	Monthly instalments over three years commencing June -2015	Mortgage over Company land and buildings
PT Haycarb Palu Mitra	HSBC	Fixed – 5.25%	**52,046**	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	**23,380**	Payable in 59 monthly instalments of US$ 13,300/- each and a final instalments of US$ 15,300/-	Corporate guarantee for US$ 800,000/- from Haycarb PLC
Haycarb USA Inc	Hatton National Bank PLC	3 month - LIBOR + 3.75%	**43,402**	Payable in 60 quarterly instalments commencing from September 2015	Corporate guarantee for US$ 1,750,000/- from Haycarb PLC
Total secured term loans repayable after one year			**394,381**		

Fair value of the interest-bearing loans and borrowings of the Group Rs. 3,174,251,000/- (31st March 2015 – Rs. 2,516,307,000/-) Company Rs. 2,136,918,000/- (31st March 2015 – Rs. 1,789,943,000/-).

27. Retirement benefit obligations

	Group		Company	
As at 31st March	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
(i) Expenses recognised in profit and loss				
Current service cost	**11,706**	22,278	**7,445**	14,194
Interest cost on benefit obligation	**21,571**	31,767	**19,740**	19,836
Total expense recognised in administrative expenses in the income statement	**33,277**	54,045	**27,185**	34,030

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
(ii) Acturial gains and losses recognised directly in OCI				
Actuarial (gains)/losses	**20,604**	12,151	**29,344**	12,076
	20,604	12,151	**29,344**	12,076
(iii) Present value of unfunded gratuity				
Present value of unfunded gratuity	**289,052**	257,636	**249,467**	214,708
Total present value of the obligation	**289,052**	257,636	**249,467**	214,708
(iv) Provision for retirement benefit obligations				
Defined benefit obligation at 1st April	**257,636**	209,577	**214,708**	186,739
Interest cost	**21,571**	31,767	**19,740**	19,836
Current service cost	**11,706**	22,278	**7,445**	14,194
Benefits paid	**(22,632)**	(18,137)	**(21,770)**	(18,137)
Actuarial losses/(gains) on obligation	**20,604**	12,151	**29,344**	12,076
Exchange differences	**167**	–	**–**	–
Defined benefit obligation at 31st March	**289,052**	257,636	**249,467**	214,708
Legal Liability	**222,052**	204,578	**188,929**	176,695
Sri Lanka				
Discount rate: (%)	**11**	10	**11**	10
Salary escalation rate (%)	**10**	9	**10**	9
Indonesia				
Discount rate: (%)	**8**	8		
Salary escalation rate (%)	**5**	6		
Thailand				
Discount rate: (%)	**4.8**	4.6		
Salary escalation rate (%)	**3**	3		

Distribution of the defined benefit obligations over future working lifetime

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
Less than or equal 1 year	**34,304**	52,537	**20,931**	43,862
Over 1 year and less than or equal 5 years	**84,736**	46,341	**68,230**	38,666
Over 5 years and less than or equal 10 years	**84,824**	158758	**77,069**	132,180
Over 10 years	**85,188**	–	**83,237**	–
	289,052	257,636	**249,467**	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. According to 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 2016. The Actuarial Valuation for the Indonesian and Thailand Subsidiaries were carried out by Actuarial and Management Consultants (Pvt) Ltd.

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 2016				
Effect on the present value of defined benefit obligation	306,787	264,219	269,727	231,274
A one percentage point change in the assumed discount rate would have the following effects:				
As at 31st March 2016				
Effect on the present value of defined benefit obligation	264,640	306,714	231,562	269,746

28. Deferred tax assets/liabilities

28A. Deferred tax assets

	Group		Company	
As at 31st March 2016	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
At the beginning of the year	**6,526**	15,860	**–**	–
Origination and reversal of temporary differences	**7,479**	(9,334)	**–**	–
At the end of the year	**14,005**	6,526	**–**	–

Deferred tax assets are attributable to the following:

	Group		Company	
As at 31st March	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Property, plant and equipment	**–**	6,526	**–**	–
Tax loss carry forward	**10,249**	–	**–**	–
Retirement benefit obligations	**3,756**	–	**–**	–
Net deferred tax asset	**14,005**	6,526	**–**	–

	Balance as at 31.03.2015 Rs. '000	Recognised in Profit or loss Rs. '000	**Balance as at 31.03.2016 Rs. '000**
Group			
Property, plant and equipment	6,526	(6,526)	**–**
Inventories	–	–	**–**
Tax loss carry forward	–	10,249	**10,249**
Retirement benefit obligations	–	3,756	**3,756**
Net deferred tax asset	6,526	7,479	**14,005**
Company			
Property, plant and equipment	–	–	**–**
Inventories	–	–	**–**
Tax loss carry forward	–	–	**–**
Retirement benefit obligations	–	–	**–**
Net deferred tax asset	–	–	**–**

28B. Deferred tax liabilities

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000	Company 2015/16 Rs. '000	Company 2014/15 Rs. '000
At the beginning of the year	**40,581**	21,219	**16,600**	8,100
Origination and reversal of temporary differences	**35,545**	19,362	**17,344**	8,500
At the end of the year	**76,126**	40,581	**33,944**	16,600

Deferred tax liabilities are attributable to the following:

As at 31st March	Group 2015/16 Rs. '000	Group 2014/15 Rs. '000
Group		
Property, plant and equipment	**(147,769)**	(97,366)
Inventories	**2,244**	3,350
Tax loss carry forward	**39,177**	27,599
Retirement benefit obligations	**30,103**	25,836
Provisions	**119**	
Net deferred tax liabilities	**(76,126)**	(40,581)
Company		
Property, plant and equipment	**(66,031)**	(45,715)
Inventories	**2,151**	3,350
Retirement benefit obligations	**29,936**	25,765
Net deferred tax liabilities	**(33,944)**	(16,600)

	Balance as at 31.03.2015 Rs. '000	Recognised in Profit or loss Rs. '000	Balance as at 31.03.2016 Rs. '000
Group			
Property, plant and equipment	(97,366)	(50,403)	**(147,769)**
Inventories	3,350	(1,106)	**2,244**
Tax loss carry-forward	27,599	11,578	**39,177**
Retirement benefit obligations	25,836	4,267	**30,103**
Provisions	–	119	**119**
Net deferred tax liabilities	(40,581)	(35,545)	**(76,126)**
Company			
Property, plant and equipment	(45,715)	(20,316)	**(66,031)**
Inventories	3,350	(1,199)	**2,151**
Retirement benefit obligations	25,765	4,171	**29,936**
Net deferred tax liabilities	(16,600)	(17,344)	**(33,944)**

29. Trade and other payables

As at 31st March	Group		Company	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Trade payables	**382,457**	276,749	**19,771**	58,660
Freight	**32,218**	22,398	**31,751**	18,121
Salaries and wages	**14,007**	17,521	**10,544**	12,145
Dividend payable	**19,175**	27,187	**59,424**	27,187
Accrued expenses	**795,394**	295,762	**97,723**	58,353
	1,243,251	639,617	**219,213**	174,466

Fair value of the trade and other payable of the Group Rs. 1,243,251,000/- (31st March 2015 – Rs. 639,617,000/-). Company Rs. 219,213,000/- (31st March 2015 – Rs. 174,466,000/-).

30. Other current liabilities

As at 31st March	Group		Company	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Payments received in advance	**233,952**	239,881	**122,755**	159,678
	233,952	239,881	**122,755**	159,678

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	**2016 Rs. '000**	2015 Rs. '000
Revenue	**2,726,949**	3,110,609
Total assets	**2,396,167**	1,955,009
Current assets	**1,313,268**	1,006,755
Current liabilities	**1,367,670**	1,101,519
Non-current assets	**1,082,899**	948,254
Non-current liabilities	**14,329**	12,782

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 page 122 and also under Group companies in pages 122 and 123 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

	Transactions with Group Companies		Transactions with Haycarb PLC	
Year ended 31st March	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Fully-owned subsidiaries				
Sales of goods and services				
- Sale of activated carbon to Eurocarb Products Ltd.	**349,853**	263,046	**885,965**	793,308
- Sale of activated carbon to Haycarb USA Inc.	**353,314**	–	**362,984**	255,556
- Sale of activated carbon to Haycarb Holdings Australia (Pty) Ltd.	**492,612**	520,169	**57,586**	211,755
- Sale of activated carbon to Puritas (Pvt) Ltd.	**–**	–	**14,712**	38,137
- Sale of activated carbon to Haycarb Holdings Bitung Ltd.	**–**	902,872	**–**	–
- Sales of activated carbon to PT Mapalus M.C.I.	**387,236**	246,392	**3,193**	12,476
- Sales of activated carbon to Haycarb Value Added Products (Pvt) Ltd.	**–**	–	**136,367**	248,894
- Sales of activated carbon to Ultracarb (Pvt) Ltd.	**–**	–	**118,840**	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.	**–**	–	**13,375**	14,254
- Recogen (Pvt) Ltd. from Puritas (Pvt) Ltd.	**634**	1,010	**–**	–
- Lakdiyatha (Pvt) Ltd. from Puritas (Pvt) Ltd.	**1,234**	7,084	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. from Puritas (Pvt) Ltd.	**220**	220	**–**	–
- Ultracarb (Pvt) Ltd. from Puritas (Pvt) Ltd.	**–**	15,601	**–**	–
Import of spares and chemicals				
- Payments to Haycarb USA Inc.	**–**	–	**47,590**	7,249
Reimbursement of salaries				
- From Puritas (Pvt) Ltd.	**–**	–	**52,600**	33,937
- From Recogen (Pvt) Ltd.	**–**	–	**6,328**	4,248
- From Ultracarb (Pvt) Ltd.	**–**	–	**5,587**	3,649
- From Haycarb Value Added Products (Pvt) Ltd.	**–**	–	**6,959**	4,800

Year ended 31st March	Transactions with Group Companies 2015/16 Rs. '000	Transactions with Group Companies 2014/15 Rs. '000	Transactions with Haycarb PLC 2015/16 Rs. '000	Transactions with Haycarb PLC 2014/15 Rs. '000
Payments to Recogen (Pvt) Ltd. for conversion of coconut shell charcoal	**–**	–	**48,262**	65,444
Payments to Haycarb Value Added Products (Pvt) Ltd. for machine utilisation	**–**	–	**34,498**	35,889
Payment of interest to Recogen (Pvt) Ltd. on outstanding current account balance	**–**	–	**2,999**	4,704
Payment of interest to Haycarb Value Added Products (Pvt) Ltd. on outstanding current account balance	**–**	–	**2,059**	–
Payments to Ultracarb (Pvt) Ltd. for purchase of Ex-Kiln Carbon material	**–**	–	**9,900**	8,122
Payment to Eurocarb Products Ltd. for service related to marketing	**–**	–	**2,548**	–
Dividend				
- Received (net) from Puritas (Pvt) Ltd.	**–**	–	**76,501**	53,396
- Received (net) from Eurocarb Products Ltd.	**–**	–	**–**	–
- Received (net) from Haycarb Holdings Bitung Ltd.	**–**	–	**14,180**	21,897
- Received (net) from Haycarb Value Added Products (Pvt) Ltd.	**–**	–	**36,000**	30,000
- Received (net) from Ultracarb (Pvt) Ltd.	**–**	–	**55,000**	–
- Received (net) from PT Mapalus Makawanua Charcoal Industry	**11,825**	–	**244**	–
Receipt from Haycarb USA Inc. for R&D work carried out by Haycarb PLC	**–**	–	**–**	13,988
Receipt from Haycarb Value Added Products (Pvt) Ltd. for lease rental of premises at Badalgama	**–**	–	**2,633**	2,580
Receipt from Ultracarb (Pvt) Ltd. for lease rental of premises at Madampe and Badalgama	**–**	–	**3,265**	3,213
Receipt from Puritas (Pvt) Ltd. for lease rental of premises at Weweldhuwa	**–**	–	**2,298**	563
Receipt from Eurocarb for service related to marketing	**–**	–	**–**	1,785
Payment to Puritas (Pvt) Ltd. for professional fees on engineering consultation	**–**	–	**–**	2,456
Payments to PT Mapalus Makawanua Charcoal Industry for import of carbon/charcoal/fabrics		–	**163,072**	198,814
Receipt from PT Mapalus M.C. Ind. for sale of spares, plant equipment and professional charges on engineering fabrications/consultations	**12,734**	–	**139,426**	130,118
Receipt from Hayleys PLC to Puritas (Pvt) Ltd. for Engineering consultancy on CSR projects	**2,930**	–	**–**	–
Receipt from Ultracarb (Pvt) Ltd. for sale of raw material and machinery spares	**–**	–	**7,373**	27,412
Receipt from Haycarb Value Added Products (Pvt) Ltd. for sale of raw materials, carbon and machinery spares	**–**	–	**6,554**	6,961
Receipt from Haycarb Holdings (Pty) Ltd. for provide financial services	**–**	–	**3,659**	1,496
Receipt from Recogen (Pvt) Ltd. for sale of machinery spares	**–**	–	**15,765**	3,276
Receipt from Puritas (Pvt) Ltd. as interest income on outstanding current account balance	**–**	–	**2,027**	–

Year ended 31st March	Transactions with Group Companies 2015/16 Rs. '000	Transactions with Group Companies 2014/15 Rs. '000	Transactions with Haycarb PLC 2015/16 Rs. '000	Transactions with Haycarb PLC 2014/15 Rs. '000
Receipt from Ultracarb (Pvt) Ltd. as interest income on outstanding current account balance	**–**	–	**2,307**	–
Receipt from Haycarb Holdings Bitung Ltd. as interest income on outstanding current account balance	**–**	–	**4,536**	–
Receipt from Lakdiyata (Pvt) Ltd. as interest income on outstanding current account balance	**–**	–	**94**	–
Receipt from PT Haycarb Palu Mitra as interest income on outstanding current account balance	**–**	–	**2,744**	–
Receipt from PT Mapalus Makawanua Charcoal Industry as interest income on outstanding current account balance	**–**	–	**6,200**	–
Partly-owned subsidiaries				
Sales of goods and services				
- Sale of activated carbon to Carbokarn Company Ltd.	**648,360**	–	**3,887**	3,168
Payments for import of raw material, carbon and spares				
- Payments to Carbokarn Co. Ltd for import of carbon/spares	**240**	1,577	**24,917**	7,171
Fees received for marketing services from Carbokarn Co. Ltd.	**–**	–	**29,123**	33,355
Dividend				
- Dividends received to Carbokarn from CK Regen System	**71,280**	43,920	**–**	–
- Dividend received to Haycarb PLC from Carbokarn Co. Ltd.	**–**	–	**104,212**	78,713
Receipt from PT Haycarb Palu Mitra for state of plant equipment and Air Travel cost and professional charges on engineering fabrications/consultations	**–**	–	**15,396**	14,118
Equity accounted investee				
Dividend				
- Dividend received from Carbotels (Pvt) Ltd.	**–**	–	**186**	186
Ultimate parent company service-related cost Haycarb PLC to Hayleys PLC	**–**	–	**140,738**	121,309
Ultimate parent company service-related cost Lakdiyatha (Pvt) Ltd. to Hayleys PLC	**242**	–	**–**	–
Investment in Veolia Water India (Pvt) Ltd. by Lakdiyatha (Pvt) Ltd.	**4,300**	–	**–**	–
Other related companies				
Sales of goods and services				
- Provide warehouse space by Haycarb PLC to Hayleys PLC for their export shipping operations	**–**	–	**147**	149
- Purchases made by Haycarb USA Inc. from Lignocell (Pvt) Ltd.	**772,208**	226,742	**–**	–
- Sales of activated carbon to Haylex (Japan) Ltd.	**–**	–	**227,179**	165,906
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Hayleys Consumer Products	**28,474**	23,898	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Hayleys Fabrics PLC	**56**	–	**–**	–

Year ended 31st March	Transactions with Group Companies		Transactions with Haycarb PLC	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Royal Ceramics PLC	**147**	–	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Logiventures (Pvt) Ltd.	**41**	321	**–**	–
- Sale of face mask and carbon products and consultancy services by Puritas (Pvt) Ltd. to Dipped Products PLC.	**3,565**	106	**–**	–
- Sale of face mask and carbon products and consultancy services by Puritas (Pvt) Ltd. to Hayleys Global Beverages Ltd.	**19,737**	–	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Ravi Industries Ltd.	**68**	–	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Kingsbury PLC	**17**	–	**–**	–
- Sale of face mask and carbon products, chemicals and maintenance of treatment plant by Puritas to Amaya Leisure PLC	**493**	–	**–**	–
- Sale of face mask and carbon products and consultancy services by Puritas (Pvt) Ltd. to Hayleys Agriculture Holdings Ltd.	**3,473**	1,255	**–**	–
- Provide treatment plant maintenance services by Puritas (Pvt) Ltd. to Logiwiz Ltd.	**44**	317	**–**	–
- Provide treatment plant maintenance services by Puritas (Pvt) Ltd. to Kelanivelly Plantations PLC	**31,862**	20,086	**–**	–
- Provide treatment plant maintenance services by Puritas (Pvt) Ltd. to Hayleys Industrial Solutions (Pvt) Ltd.	**1,708**	2,352	**–**	–
- Provide treatment plant maintenance services by Puritas (Pvt) Ltd. to Lakdiyatha (Pvt) Ltd.	**2,627**	–	**–**	–
Provision of office space and support services				
- Recogen (Pvt) Ltd. to Hayleys PLC	**878**	588	**–**	–
- Puritas (Pvt) Ltd. to Hayleys PLC	**9,337**	8,754	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Hayleys PLC	**760**	776	**–**	–
- Ultracarb (Pvt) Ltd. to Hayleys PLC	**810**	711	**–**	–
Courier charges, freight charges and import clearing expenses				
- Haycarb PLC to Mit Cargo (Pvt) Ltd.	**–**	–	**8,208**	9,790
- Haycarb PLC to Civaro Lanka (Pvt) Ltd.	**–**	–	**14,399**	53,511
- Ultracarb (Pvt) Ltd. to Civaro Lanka (Pvt) Ltd.	**328**	–	**–**	–
- Ultracarb (Pvt) Ltd. to Mit Cargo (Pvt) Ltd.	**63**	43	**–**	–
- Ultracarb (Pvt) Ltd. to Mountain Hawk (Pvt) Ltd.	**775**	–	**–**	–
- Recogen (Pvt) Ltd. to Mit Cargo (Pvt) Ltd.	**64**	16	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Mit Cargo (Pvt) Ltd.	**42**	59	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Hayleys Business Solutions (Pvt) Ltd.	**60**	16	**–**	–
- Haycarb PLC to Mountain Hawk Express (Pvt) Ltd.	**–**	–	**6,317**	6,212
- Haycarb PLC to Mountain Hawk (Pvt) Ltd.	**–**	–	**2,662**	2,694
- Haycarb PLC to Agility (Pvt) Ltd.	**–**	–	**17,056**	116
- Haycarb PLC to NYK Line Lanka (Pvt) Ltd.	**–**	–	**5,132**	15,255
- Haycarb PLC to Moceti Lanka (Pvt) Ltd.	**–**	–	**17**	2,070

Year ended 31st March	Transactions with Group Companies 2015/16 Rs. '000	2014/15 Rs. '000	Transactions with Haycarb PLC 2015/16 Rs. '000	2014/15 Rs. '000
Travellers cheques and airfare paid to Hayleys Travels & Tours (Pvt) Ltd.				
- Haycarb PLC to Hayleys Travels & Tours (Pvt) Ltd.	**–**	–	**15,133**	12,144
- Puritas (Pvt) Ltd. to Hayleys Travels & Tours (Pvt) Ltd.	**3,009**	1,396	**–**	–
Purchase of container/vehicle, container seals, packing materials, spares				
- Haycarb PLC to Hayleys Consumer Products Ltd.	**–**	–	**22**	1,463
- Haycarb PLC to Sunfrost Ltd.	**–**	–	**–**	630
- Haycarb PLC to Logiventures Ltd.	**–**	–	**17,321**	10,613
- Ultracarb (Pvt) Ltd. to Logiventures Ltd.	**237**	–	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Logiventures Ltd.	**–**	158	**–**	–
- Haycarb PLC to Dimo PLC	**–**	–	**27,219**	2,842
- Haycarb PLC to Hayleys Electronics Ltd.	**–**	–	**406**	107
Instalment and interest payments received from Chas P. Hayley (Pvt) Ltd. on loan for sale of Lignocell (Pvt) Ltd.	**–**	–	**–**	9,362
Dividend				
- Dividend received from Dipped Products PLC	**–**	–	**16,275**	24,412
- Dividend paid to Hayleys PLC	**–**	–	**120,751**	120,751
Other payments to related companies				
- Payments to Hayleys Industrial Solutions Ltd. for purchase of generator and other acessories	**1,896**	616	**220**	6,167
- Payments to Hayleys Business Solution (Pvt) Ltd. for payroll processing fee	**104**	100	**3,690**	3,325
- Payments to Kingsbury PLC for related services	**–**	322	**191**	287
- Payments to Hayleys Agriculture Holdings Ltd. for purchase of agriculture equipment	**1,279**	–	**–**	–
- Interest payments to Sampath Bank PLC	**–**	–	**–**	1,442
- Lease payment to LB Finance PLC for lease of vehicle	**–**	–	**4,411**	3,989
- Loans from CK Director to the Company at market rates of interest	**830,686**	197,448	**–**	–
- Payments to Chas P. Hayley & Company (Pvt) Ltd. for support services on raw material collection	**–**	–	**1,243**	1,134
- Payments to Lignocell (Pvt) Ltd. for loan settlement on employees transfer	**–**	–	**–**	31
- Payments to Mabroc Teas (Pvt) Ltd. for purchase of tea boxes	**–**	–	**47**	48
Other Receipts from related companies				
- Interest income from Sampath Bank PLC	**–**	–	**9**	10

33. Commitments and contingencies

Capital expenditure commitments

The approximate amount of capital expenditure approved by the Directors and contracted for – as at 31st March 2016, for, which no provision has been made in the Financial Statements amounts to Rs. 5,102,019/- (2014/15 – Rs. 16,279,933/-). Capital expenditure approved by the Directors but not contracted for was Rs. 42,514,526/- (2014/15 – Rs. 67,877,209/-).

34. Contingent liabilities

The contingent liability as at 31st March 2016 on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,321,584,793/- (2014/15 – Rs. 2,250,994,815/-). Of this sum, Rs. 2,113,349,950/- (2014/15 – Rs. 1,835,622,400/-) relate to facilities obtained by subsidiaries.

35. 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	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Sri Lankan Rupees	**168,845**	211,817	**4,127**	58,690
Australian Dollar	**62,999**	133,606	**–**	–
Sterling Pound	**21,117**	106,402	**44,573**	68,408
Euro	**228,872**	159,603	**–**	–
United States Dollar	**1,826,860**	811,583	**1,071,774**	782,752
Thai Baht	**115,965**	137,547	**–**	–
Japanese Yen	**6,115**	–	**6,115**	–
Indonesian Rupiah	**350,511**	253,804	**–**	–
	2,781,284	1,814,364	**1,126,589**	909,850

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. 515,908,000/- at 31st March 2016, 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 2016	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	**141,822**	**2,175,776**	**462,270**	**394,382**	**–**	**3,174,250**
Trade and other payables	**14,077**	**971,453**	**238,546**	**–**	**–**	**1,224.076**

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	751,478	501,134	–	2,516,307
Trade and other payables	17,521	622,096	–	–	–	639,617

Company

Year ended 31st March 2016	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	**126,210**	**1,598,312**	**183,640**	**228,757**	**–**	**2,136,919**
Trade and other payables	**10,543**	**170,026**	**38,644**	**–**	**–**	**219,213**

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	83,974	643,628	696,204	366,137	–	1,789,943
Trade and other payables	12,145	162,321	–	–	–	174,466

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 2016.

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 2016.

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 %	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
US Dollar borrowings	0.5	**8,590**	10,306	**7,685**	8,529

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 forward 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 the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and the Company's exposure to foreign currency changes for all other currencies is not material.

As at 31.03.2016	Change in US$ Rate Increase/Decrease %	Group Effect on profit before tax 2015/16 Rs. '000	Group Effect on profit before tax 2014/15 Rs. '000	Company Effect on profit before tax 2015/16 Rs. '000	Company Effect on profit before tax 2014/15 Rs. '000
	0.5	**3,823**	10,133	**441**	1,609

As at 31.03.2016	Increase/Decrease %	Change in Thai Baht Rate Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000	Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000
	0.5	442	432	–	–

As at 31.03.2016	Increase/Decrease %	Change in Indonesian Rupiah Rate Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000	Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000
	0.5	295	1,064	–	–

As at 31.03.2016	Increase/Decrease %	Change in GBP Rate Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000	Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000
	0.5	558	532	53	393

As at 31.03.2016	Increase/Decrease %	Change in AUD Rate Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000	Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000
	0.5	392	789	–	–

As at 31.03.2016	Increase/Decrease %	Change in Euro Rate Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000	Effect on profit before tax 2015/16 Rs. '000	Effect on profit before tax 2014/15 Rs. '000
	0.5	1,144	798	–	–

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 2016 other than those disclosed in Note 26 D.

The Group's and the Company's gearing ratio at the Reporting Date was as follows:

	Group		Company	
As at 31st March	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Total interest bearing borrowings	**3,174,250**	2,516,307	**2,136,918**	1,789,943
Total equity	**6,926,420**	6,293,930	**3,714,799**	3,810,526
Total equity and debt	**10,100,670**	8,810,238	**5,851,717**	5,600,469
Gearing ratio (%)	**31%**	29%	**37%**	32%

36. Events after the reporting period

No circumstances have arisen since the Balance Sheet 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.

37. Foreign currency translation

The principal exchange rates used for translation purposes were:

	Average		Year end	
	2015/16	2014/15	**2015/16**	2014/15
US Dollar	**139.576**	131.253	**144.685**	133.320
Australian Dollar	**102.546**	114.739	**110.865**	101.935
Pound Sterling	**209.635**	211.091	**207.895**	197.240
Thai Baht	**3.958**	4.029	**4.084**	4.082
Indonesian Rupiah	**0.0102**	0.0109	**0.0108**	0.0102

38. 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 2015/16 Rs. '000	Consolidated 2014/15 Rs. '000
Activated carbon	10,700,391	4,028,773	**14,729,164**	15,728,183
Environmental engineering	1,005,434	11,700	**1,017,134**	470,876
	11,705,825	4,040,473	**15,746,298**	16,199,059
Intra group sales			**(4,040,473)**	(4,265,211)
			11,705,825	11,933,848

Profit before tax

For the year ended 31st March	Consolidated 2015/16 Rs. '000	Consolidated 2014/15 Rs. '000
Activated carbon	**1,271,942**	1,218,024
Environmental engineering	**140,178**	69,894
Purification - associate	**10,352**	11,063
Leisure - associate	**28,668**	394
	1,451,140	1,299,375
Consolidation adjustments	**(288,583)**	(200,285)
Unrealised profit on intra group sales	**(43,479)**	(28,754)
	1,119,078	1,070,336

Assets and Liabilities

	Total Assets		Provision for Liabilities and Charges		Trade and Other Payables	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Activated carbon	**11,403,138**	10,177,554	**364,799**	298,217	**942,066**	697,188
Environmental engineering	**767,409**	377,878	**379**	–	**535,137**	182,309
	12,170,547	10,555,432	**365,178**	298,217	**1,477,203**	879,497
Investment in associates and others	**459,511**	461,338				
	12,630,058	11,016,770				

Capital Expenditure

For the year ended 31st March	Capital Expenditure		Depreciation	
	2015/16 Rs. '000	2014/15 Rs. '000	**2015/16 Rs. '000**	2014/15 Rs. '000
Activated carbon	**586,423**	637,840	**313,233**	307,095
Environmental engineering	**8,456**	1,696	**1,445**	950
	594,879	639,536	**314,678**	308,045

Cash flows from

For the year ended 31st March	**2016**		2015	
	Activated Carbon Rs. '000	**Environmental Engineering Rs. '000**	Activated Carbon Rs. '000	Environmental Engineering Rs. '000
Operating activities	**73,959**	**212,636**	590,941	30,093
Investing activities	**(602,217)**	**(7,298)**	(623,249)	(8,643)
Financing activities	**(280,938)**	**(85,001)**	(368,287)	(53,396)
	(809,196)	**120,337**	(400,596)	(31,946)

Geographical segments

Turnover – Net

For the year ended 31st March	External Rs. '000	Intra group Rs. '000	Consolidated **2015/16 Rs. '000**	Consolidated 2014/15 Rs. '000
USA	1,610,353	–	**1,610,353**	597,093
Europe	1,487,905	–	**1,487,905**	1,352,239
Australia	722,073	–	**722,073**	1,103,480
Sri Lanka	3,775,162	(2,196,642)	**5,971,804**	5,787,259
Other Asian Countries	4,110,332	(1,843,831)	**5,954,163**	7,358,988
	11,705,825	(4,040,473)	**15,746,298**	16,199,059
Intra group sales			**(4,040,473)**	(4,265,211)
			11,705,825	11,933,848

Profit before tax

For the year ended 31st March	Consolidated 2015/16 Rs. '000	Consolidated 2014/15 Rs. '000
USA	**(12,898)**	(31,964)
Europe	**25,300**	9,964
Australia	**(20,749)**	19,755
Sri Lanka	**797,696**	599,707
Other Asian Countries	**661,791**	701,913
	1,451,140	1,299,375
Consolidation adjustments	**(332,062)**	(229,039)
	1,119,078	1,070,336

Assets and Liabilities

	Total Assets		Non-Interest-bearing Liabilities			
			Provision for Liabilities and Charges		Trade and Other Payables	
As at 31st March	2015/16 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000
USA	**670,172**	247,839	**–**	–	**112,938**	31,108
Europe	**757,570**	584,194	**–**	–	**110,560**	80,408
Australia	**292,614**	315,219	**–**	–	**25,140**	23,411
Sri Lanka	**4,664,440**	3,980,475	**326,194**	255,753	**682,015**	282,050
Other Asian Countries	**5,785,751**	5,427,705	**38,984**	42,464	**312,600**	201,834
	12,170,547	10,555,432	**365,178**	**298,217**	**1,243,253**	**618,811**
Investments in associates and other	**459,511**	461,338				
	12,630,058	11,016,770				

Capital Expenditure

	Capital Expenditure		Depreciation	
For the year ended 31st March	2015/16 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	2015 Rs. '000
USA	**–**	–	**–**	–
Europe	**2,533**	6,640	**5,968**	5,851
Australia	**387**	781	**1,545**	2,472
Sri Lanka	**235,891**	269,690	**165,053**	145,332
Other Asian Countries	**356,068**	362,425	**142,112**	154,390
	594,879	639,536	**314,678**	308,045

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 thease companies into 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.

41. Functional currency

The Group's functional currency is Sri Lankan 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 USA Inc.	United States Dollar
Carbokarn Co. 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

	2015/16 Rs. '000	2014/15 Rs. '000
Group turnover	**11,705,825**	11,933,848
Other operating income	**54,368**	47,959
	11,760,193	11,981,807
Cost of materials and services brought in	**(9,164,569)**	(9,477,494)
Value added	**2,595,624**	2,504,313

Distribution of value added

	2015/16 %	2015/16 Rs. '000	2014/15 %	2014/15 Rs. '000
To Employees as remuneration	**37**	**962,148**	38	940,373
To Government revenue				
- Sri Lanka	**6**	**143,482**	2	49,360
- Overseas	**5**	**136,891**	6	148,409
To Providers of capital	**14**	**371,196**	14	345,579
- Interest on borrowings		**154,246**		166,632
- Minority interest		**216,950**		178,947
To Shareholders as dividends	**7**	**178,274**	7	178,274
Retained in the business	**31**	**796,840**	34	842,318
- Depreciation		**314,678**		308,045
- Profit retained		**482,162**		534,273
	100	**2,588,830**	100	2,504,313

INVESTOR INFORMATION

1. Stock Exchange Listing

The Interim Financial Statements for the fourth quarter ended 31st March 2016, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. Shareholders

Haycarb PLC – Ordinary shareholders as at 31st March 2016.

	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	1,411	331,179	1.1146	21	8,058	0.0270	1,432	339,237	1.14160
1,001 - 10,000	427	1,407,146	4.7359	19	82,294	0.2770	446	1,489,440	5.01290
10,001 - 100,000	97	2,311,776	7.7805	9	258,433	0.8698	106	2,570,209	8.65030
100,001 - 1,000,000	9	2,348,233	7.9032	6	1,422,588	4.7879	15	3,770,821	12.69110
Over 1,000,000	2	21,542,668	72.5041	0			2	21,542,668	72.50410
Total	1,946	27,941,002	94.0383	55	1,771,373	5.9617	2,001	29,712,375	100.0000
Category									
Individuals	1,799	3,896,796	13.1151	52	1,253,690	4.2194	1,849	5,150,486	17.3345
Institutions	147	24,044,206	80.9232	3	517,683	1.7423	152	24,561,889	82.6655
	1,946	27,941,002	94.0383	55	1,771,373	5.9617	2,001	29,712,375	100.0000

As at 31st March 2016, there were 2,001 (31st March 2015 - 1,980/-) registered shareholders.

The percentage of share held by public as per the Colombo Stock Exchange Rules as at 31st March 2016, was 32.16% (2015 - 32.17%) held by 1994 orderly shareholders (2015-1974) .

3. Share trading information

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

	2015/16 Rs.	Date	2014/15 Rs.	Date
Highest price	**195.00**	(18.06.2015 & 04.08.2015)	200.00	(24.09.2014)
Lowest price	**150.10**	(16.03.2016)	170.00	(22.12.2014)
Closing price	**160.00**	(31.03.2016)	183.00	(31.03.2015)
No. of transactions	**827**		1,059	
No. of shares traded	**434,421**		796,963	
Value of shares traded	**78,109,865**		150,625,634	

4. Quarterly financial data

	Unaudited			**Audited**
	3 months ended 30.06.2015 Rs. '000	6 months ended 30.09.2015 Rs. '000	9 months ended 31.12.2015 Rs. '000	**12 months ended 31.03.2016 Rs. '000**
Revenue	2,911,128	5,509,743	8,381,571	**11,705,825**
Profit before tax from continuing operations	219,660	417,401	702,355	**1,119,078**
Profit for the period from continuing operations	190,865	351,278	600,133	**898,168**
Profit attributable to equity holders of the Company	135,328	257,613	428,110	**681,218**
Property, plant and equipment, investments and non-current assets	5,361,888	5,378,098	5,466,224	**5,425,073**
Current assets	5,903,719	5,615,381	6,511,120	**7,204,985**
Current liabilities	4,148,199	3,695,301	4,549,695	**5,244,079**
Shareholders' funds	5,758,299	5,825,134	5,928,557	**5,915,985**

5. Top 20 shareholders

	Name of the shareholder	No. of Shares as at 31.03.2016	%	No. of Shares as at 31.03.2015	%
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	**780,829**	**2.63**	777,701	2.62
4.	National Savings Bank	**447,211**	**1.51**	447,491	1.51
5.	Mr. T. Ueda	**417,206**	**1.40**	357,206	1.20
6.	Promar Overseas SA	**397,682**	**1.34**	397,682	1.34
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. Jayantha	**175,000**	**0.59**	151,600	0.51
11.	Dr. H.S.M. Singh and Mrs. J.K.P. Singh	**150,000**	**0.50**	150,000	0.50
12.	E.W. Balasuriya and Co. (Pvt) Ltd.	**142,089**	**0.48**	139,149	0.47
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**	120,000	0.40
16.	Mr. Z.G. Carimjee	**115,220**	**0.39**	68,224	0.23
17.	Commercial Bank of Ceylon PLC A/C No. 04	**107,100**	**0.36**	107,100	0.36
18.	Mr. J.S.A.B. Singh and Mrs. G.K.A.H. Singh	**100,000**	**0.34**	100,000	0.34
19.	Mr. M.A.H. Esufally	**72,747**	**0.24**	72,747	0.24
20.	Mr. A. Arulthakshanan	**71,078**	**0.24**	71,078	0.24
	Total	**25,557,314**	**86.02**	25,421,130	85.56

6. Directors' Shareholdings

Name of the Director	As at 31.03.2016	As at 01.04.2015
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	**462**	462
Mr. B. Balaratnarajah	**1,004**	1,004
	31,160	31,160

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

*** Mr. Dhammika Perera holds directly and indirectly 50.44% of the total issued shares of Hayleys PLC which has 20,125,103 shares in Haycarb PLC.*

TEN YEAR FINANCIAL REVIEW

Year ended 31st March	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	**2016 Rs. '000**
Trading Results										
Group turnover	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	**11,705,825**
Profit before taxation	169,615	308,136	358,694	819,809	724,197	656,822	1,227,707	1,044,083	1,070,336	**1,119,078**
Group taxation	(15,976)	(34,152)	(86,375)	(134,166)	(149,853)	(133,808)	(192,708)	(152,106)	(196,404)	**(220,910)**
Profit after taxation (Continuing operations)	153,639	273,984	272,319	685,643	574,344	523,014	1,034,999	891,977	873,932	**898,168**
Minority Interest	(27,121)	(47,733)	(54,196)	(52,716)	(69,259)	(51,822)	(89,691)	(104,197)	(178,947)	**(216,950)**
Profit/(loss) from discontinued operations	(63,056)	(46,623)	6,890	–	–	–	–	–	–	**–**
Profit attributable to Haycarb PLC	63,462	179,628	225,013	632,927	505,085	471,192	945,308	787,780	694,985	**681,218**
Statement of Financial Position										
Stated capital	331,774	331,774	331,774	331,774	331,774	331,774	331,774	331,774	331,774	**331,774**
Capital reserves	117,938	117,938	117,938	213,330	213,330	296,707	373,907	373,907	570,848	**570,848**
Revenue reserves	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	**5,013,363**
Negative Goodwill on acquisition	–	–	–	–	–	–	–	–	–	**–**
Preliminary and pre-operational expenditure	–	–	–	–	–	–	–	–	–	**–**
Minority interest	146,211	172,235	192,850	223,577	260,786	270,721	344,247	468,418	590,724	**710,435**
	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	**6,626,420**
Property, plant and equipment, investments and non-current assets	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	**5,161,474**
Intangible assets	72,210	72,210	63,447	63,447	63,447	132,000	240,018	251,223	260,903	**263,598**
Current assets	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	**7,204,985**
Non-current assets held for disposal	73,652	84,895	–	–	–	–	–	–	–	**–**
Current liabilities	(1,200,592)	(976,467)	(915,413)	(905,443)	(1,072,575)	(2,083,981)	(2,907,846)	(3,357,492)	(3,923,488)	**(5,244,079)**
Provisions and creditors due after one year	(352,514)	(321,638)	(198,782)	(136,845)	(112,059)	(514,453)	(797,739)	(920,118)	(799,351)	**(759,558)**
	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	**6,626,420**
Ratios and Statistics										
Return on shareholders' equity (%)	5	12	14	28	16	13	21	17	12	**12**
Dividend (Rs. '000)	29,712	74,282	81,709	148,562	148,562	163,418	207,986	178,274	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	**6.00**
Annual sales growth index (Base – 2006) (%)	113	152	164	184	232	308	367	374	432	**424**
Earnings per share at year end* (Rs.)	2.14	6.05	7.57	21.30	17.00	15.86	31.82	26.51	23.39	**22.93**
Net assets per share at year end * (Rs.)	47.07	51.39	55.65	77.38	105.42	120.81	147.89	160.45	191.95	**199.11**
Market price per share (Rs.)	35.00	58.25	46.50	160.00	155.40	160.00	176.00	181.00	183.00	**160.00**
Current ratio (Times)	1.60	1.70	1.85	2.41	2.33	1.78	1.54	1.47	1.45	**1.37**
Liquidity ratio (Times)	0.89	1.07	1.17	1.31	1.37	0.84	0.79	0.85	0.68	**0.70**

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 2016. 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 and Technology and Coir Fibre Pith in the USA	1983 in USA (Woodlands, Texas, USA)	US$ 1,287,900	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 Wastewater 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) Dhammika Perera A.M. Senaratna	S.C. Ganegoda Ms. M.J.A.S. Abeyratne D.E. Ranaraja	Nimal Perera Dr. S.A.K. Abayawardana S. Rajapakse M.S.P. Udaya Kumara B. Balaratnarajah (w.e.f. 1st April 2015) A.A.M. Caderbhoy Ms. S.S. Ragunathan J.D. Naylor Ms. Yogadinusha Bhaskaran (Alternate Director to Mr. Dhammika Perera)
A.M. Pandithage (Chairman) J.D. Naylor (Managing Director) H.S.R. Kariyawasan	D.E. Ranaraja R. Bittel	
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 T. Karnchanabatr
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 Neal E. Megonnell	D.M. Thomas Ms. M.J.A.S. Abeyratne Y.P.A.S. Pathirathne	
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan A.A.M. Caderbhoy up to 30th April 2016 P.S. Suraweera (w.e.f. 1st May 2016)	
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		Ms. S.S. Ragunathan Mr. Ashok Parashar (w.e.f 30th November 2015) Ms. Melanie Grignon (w.e.f 30th November 2015)
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.

Dividend payout
The dividend payout ratio is the percentage of earnings paid out to shareholders in dividend.

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-Third 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 Tuesday, 28th June 2016 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 2016, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Ms. S.S. Ragunathan, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Mr. A.A.M. Caderbhoy, who has been appointed by the Board, since the last Annual General Meeting, a Director.
5. To re-elect Mr. J. Naylor, who has been appointed by the Board, since the last Annual General Meeting, a Director.
6. To re-elect Mrs. M.J.A.S. Abeyratne, who retires by rotation at the Annual General Meeting, a Director.
7. To re-elect Mr. D.E. Ranaraja, who retires by rotation at the Annual General Meeting, a Director.
8. To re-elect Mr. S. Rajapakse, who retires by rotation at the Annual General Meeting, a Director.
9. To authorise the Directors to determine contributions to charities for the year 2016/17.
10. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 7 of 2007 for the year 2016/17.
11. 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 26th June 2016.

(ii) It is proposed to post ordinary dividend warrants on 7th July 2016 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 29th June 2016.

By Order of the Board,

Haycarb PLC
Hayleys Group Services (Pvt) Ltd.
Secretaries

Colombo
20th May 2016

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 of at the Forty-Third Annual General Meeting of the Company to be held on Tuesday, 28th June 2016 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 2016 with the Report of the Auditors thereon.		
2. To declare a dividend as recommended by the Directors.		
3. To re-elect Ms. S.S. Ragunathan, who has been appointed by the Board, since the last Annual General Meeting, a Director.		
4. To re-elect Mr. A.A.M. Caderbhoy, who has been appointed by the Board, since the last Annual General Meeting, a Director.		
5. To re-elect Mr. J. Naylor, has been appointed by the Board, since the last Annual General Meeting, a Director.		
6. To re-elect Mrs. M.J.A.S. Abeyratne, who retires by rotation at the Annual General Meeting, a Director.		
7. To re-elect Mr. D.E. Ranaraja, who retires by rotation at the Annual General Meeting, a Director.		
8. To re-elect Mr. S. Rajapakse, who retires by rotation at the Annual General Meeting, a Director.		
9. To authorise the Directors to determine contributions to charities for the year 2016/17.		
10. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been reappointed as Auditors for the year 2016/17.		

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

As witness my/our* hands this .... day of .... 2016.

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 26th June 2016.
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
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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
Nations Trust Bank
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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“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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The World Of Hayleys Since 1878