Haycarb PLC

Annual Report 2016/17

Tomorrows' Today

Tomorrows' Today...or the present moment...has been spent in laying a firm foundation and gearing Haycarb to forge a confident future as a sustainable enterprise. A shift in strategy has taken the Company from a predominantly manufacturing-based organisation to one that now offers a suite of premium services leveraging our core businesses of activated carbon and environmental engineering solutions.

A great example of this change can be seen in the significant growth, both in numbers and scale, of the water and wastewater treatment projects undertaken by us, locally and in the region.

In tandem we have further diversified our product portfolio to support a wider range of specialised applications addressing the growing needs of global markets.

Our enterprise embeds within its core the pillars of sustainability enhancing the vibrancy of our responses to environmental and social factors.

Tomorrows' today ensures the Company is geared for the future.

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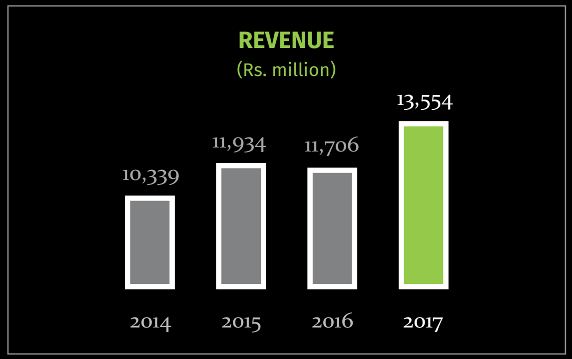
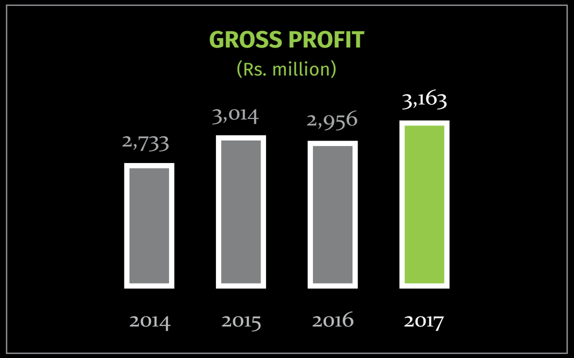
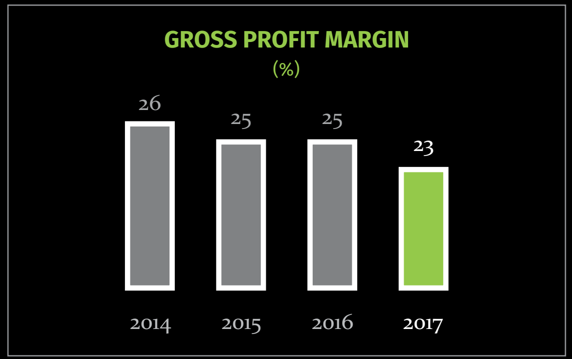
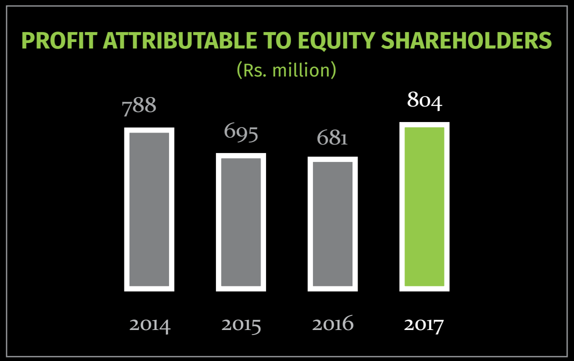
Key Performance Indicators

STATEMENT OF INCOME

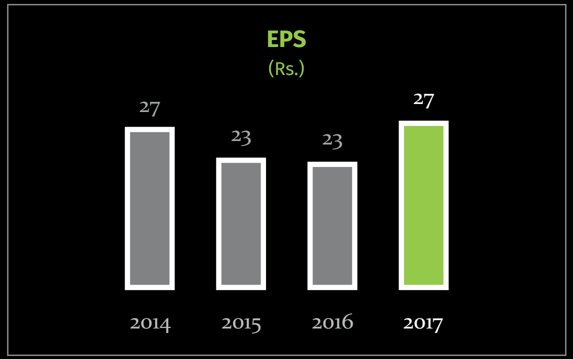


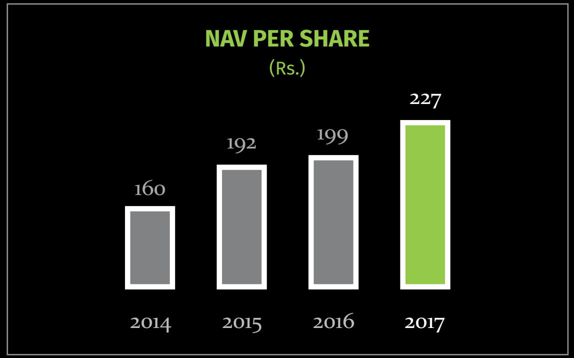


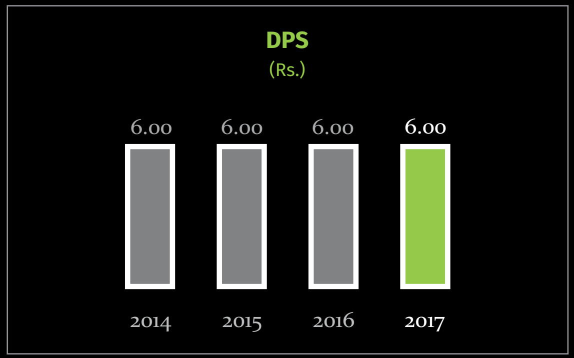




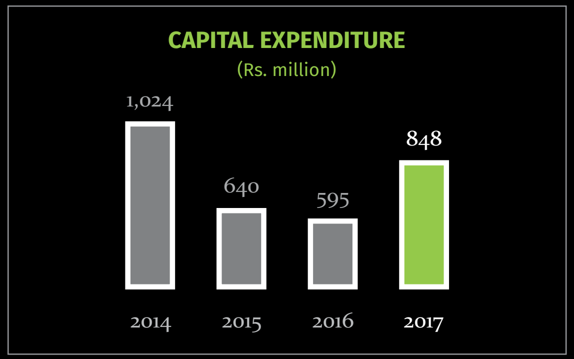
RETURN TO SHAREHOLDERS

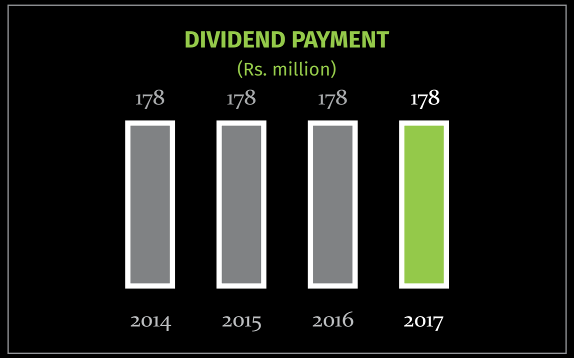


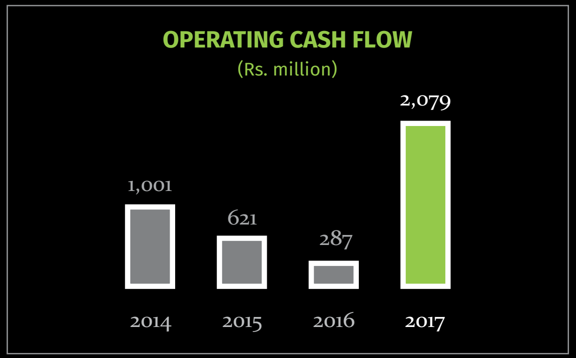




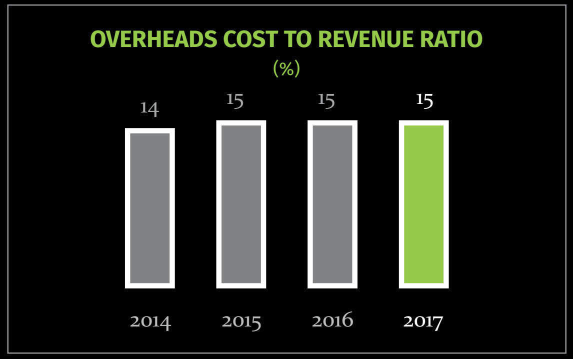
CASH FLOWS

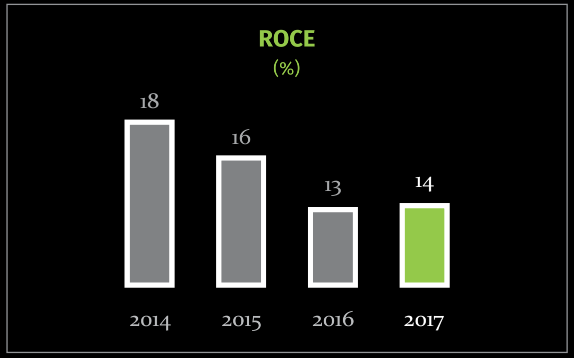


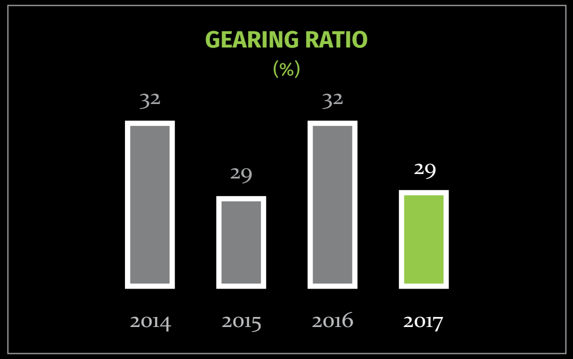




RATIOS

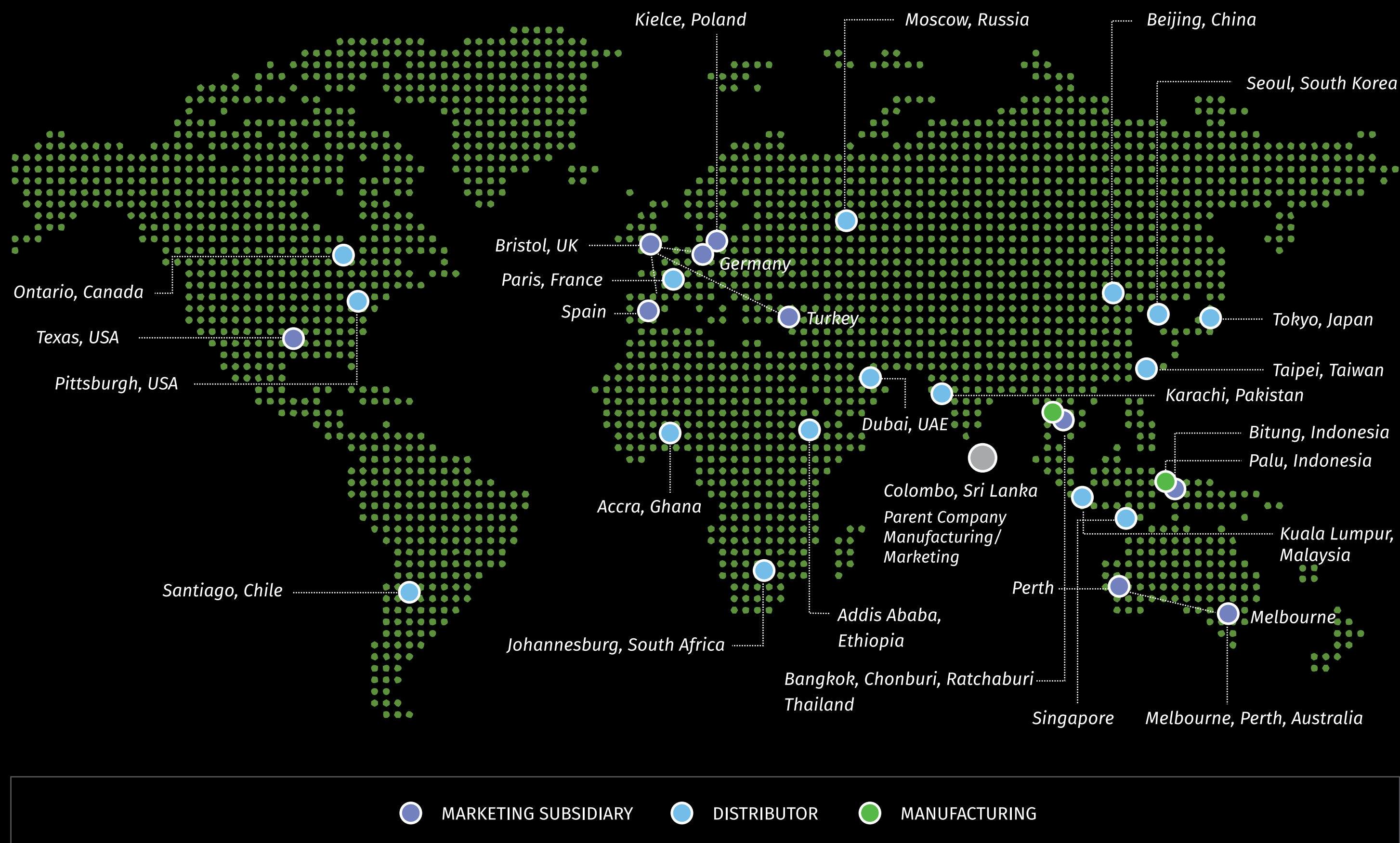


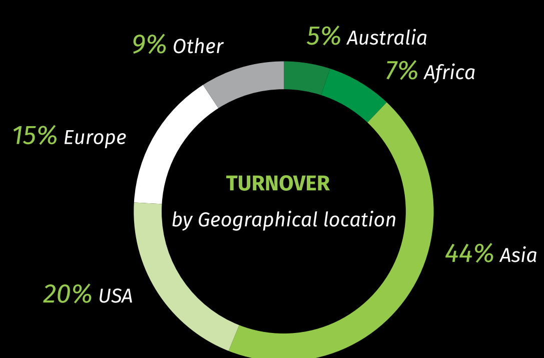


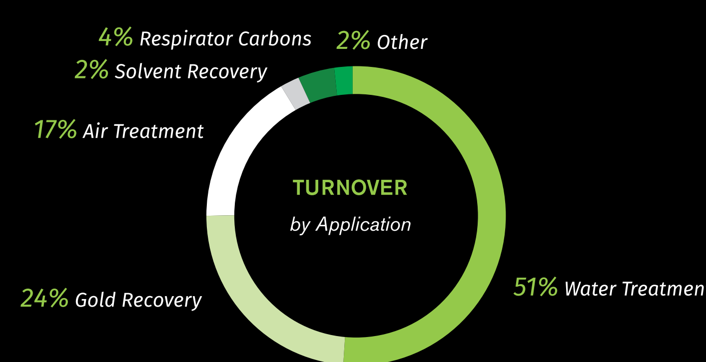


2014/15 Report 15 months results of some of the subsidiary companies due to transitional adjustments made to comply with Sri Lanka Financial Reporting Standards (SLFRS 10) 'Consolidated Financial Statements' – Refer Note 1 of page 15.

Global Presence







45,000 Metric Tons

Activated Carbon manufacturing capacity per annum 2016/17

Formulating and following a well-engineered strategic plan has provided us with sustained growth in the past; this year was no different. In accordance with key outcomes we wished to achieve via our plan, we took an aggressive approach to positioning our products in emerging markets. We also reinforced our status in developed markets, particularly in key application and customer segments. Attention was also directed towards the expansion of our Environmental Engineering business to achieve selective regional presence and growth in water/wastewater treatment systems, while focusing on large scale infrastructure projects in Sri Lanka.

The Company's sustained development in key markets was achieved through the upgrade of technology and quality systems of our manufacturing plants. This also ensured we maintained our positioning as customer-centric industry leaders. Our focus on Research and Development, Marketing and Business Development and Manufacturing Technologies resulted in a range of new, innovative, high-value products, which enhanced as well as expanded 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 our manufacturing facilities, via facilitating of the operation of vertical kilns for environmental friendly charcoaling in Thailand and the expansion of *Haritha Angara* project in Sri Lanka. Our flagship Corporate Social Responsibility initiative 'Puritas *Sath Diyawara*' provides much needed purified drinking water to villages afflicted 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 the Environmental Engineering business segment, we were able to maintain our position as a world leader in the manufacture of coconut shellbased activated carbon and the provision of innovative purification solutions.

Strategy

Joint Statement from the Chairman and the Managing Director

“The global focus and ever growing needs on environmental sustainability that enforces tighter regulations will be a catalyst for growth”

We are pleased to present the Annual Report of Haycarb PLC for the financial year 2016/17.

Haycarb PLC surpassed Rs. 1 billion in profit before tax for the 5th consecutive year signaling the stability of the core business and the success of the long-term strategies as it navigated a year of turbulence in the raw material supply chain and challenges in the external markets.

REVIEW OF OPERATIONS

Financial Performance

Haycarb Group's turnover increased by 16% to Rs. 13,553 million while the profit before tax and profit after tax stood at Rs. 1,189 million and Rs. 939 million respectively for the financial year 2016/17. The earnings per share increased to Rs. 27.07 per share compared to Rs. 22.93 in the previous year, while the net assets per share increased by 14% to Rs. 227.04.

Having reviewed the noteworthy performance of the Company and future prospects, the Board recommends a second interim dividend of Rs. 3/- per share which together with the interim dividend disbursed in April 2017, will total to a dividend of Rs. 6/- per share.

Activated Carbon Operation

The revenue from the activated-carbon operation increased by 15% to Rs. 12,297 million driven by the improvements in sales volumes and the sales mix while the net margins declined by 2% to complete the year with a profit before tax of Rs. 880 million as this segment was adversely affected by the challenges in the global marketing environment and the raw material supply situation in Indonesia.

As discussed in previous years the demand for activated carbon across the world continues to be strong, which coupled with the strength of Haycarb Group, ensured that the Company's order books remained healthy through the year under review. The productivity improvements that enhanced throughput of activation kilns during the year paved the foundation to manufacture and successfully market over 40,000 MT of activated carbon – a notable achievement that helped the Group to offset the adversarial influences in the external environment that are fully discussed below.

In the gold recovery segment, the demand in regional markets remained strong even though product pricing to retain margins proved challenging due to the depressed gold prices that prevailed for the fourth consecutive year. The situation was exacerbated by the intense competition from the significant carbon supply volumes from India and Philippines and the resultant over supply in major markets. This operational environment caused Haycarb's attempts to pass on the cost increases to the customers extremely challenging. The strategies initiated to strengthen the capabilities of the Group's marketing subsidiary Haycarb USA Inc., showed positive results as the Company achieved notable growth specially in water and air application segments during the year, reaching nearly 80% growth in its sales volumes. The growth of Haycarb USA and the continued relationship with our key distributors in the USA ensured that Haycarb retained a considerable portion of market share for its products in the USA. The marketing subsidiary, Haycarb Holdings Australia which primarily supplies to the gold recovery market in Australasia secured important long-term tenders providing order book security to the Group. Eurocarb, the marketing arm in the UK, achieved turnover growth and increase in profitability, which together with the increases in volumes contracted for important strategic customer accounts in Europe by the Central Marketing team brought in creditable growth in the European market. However, the bottom line of Eurocarb and other direct sales to Europe was impacted by the volatility and the downward trend of the Euro. The Company recorded notable increase of sales to Russia and continued steady growth in key markets in Asia and other regions.

The Research and Development arm performed commendably to develop carbons for new applications and product performance enhancements in chloramine removal, standard and specialised respirator applications and in heavy metal removal applications. Also the Group R&D continued to enhance its product and application offering in the energy storage carbon segment in line with Haycarb's long-term strategic direction. Haycarb continued its investment in the human capital and research facilities to strengthen the R&D teams.

The raw material supply situation improved in Sri Lanka with the concerted efforts in the last few years to expand and strengthen the supply network through initiatives such as '*Haritha Angara*'. Under this initiative Haycarb stepped into provide technology and financing to initiate environment friendly charcoaling pits to a wide range of suppliers as a major CSR initiative. This initiative enabled us to procure raw material at competitive market prices and to significantly improve our supply foot print in Sri Lanka. Currently, over 75 *'Haritha Angara'* charcoaling pits supply a significant portion of Haycarb Sri Lanka's local supplies. It is noteworthy that while this programme helped us to strengthen the charcoal supply network, it is also ensuring the continuity of the charcoaling industry in the face of growing consciousness on environment friendly processes. We continue to strengthen new collection centres in locations outside the Coconut Triangle encouraging the sourcing of coconut shells from domestic users in addition to the coconut based industries. Along with this initiative, Haycarb continued to import charcoal from India to meet its capacity needs and to build its strategic inventory.

Operations in Thailand continued to face pressure on charcoal supplies and prices necessitating it to import part of the requirement at higher landed cost from India. The environment friendly vertical charcoaling kilns constructed in 2015 were operated successfully during the year and played a key role in securing charcoal supplies for the factories. The activated carbon factories operated under Carbokarn Company Ltd. and Shizuka Ltd., operated at maximum capacity during the year. The upgrades in manufacturing capabilities that have been initiated in the last few years have made Carbokarn Group an important manufacturing facility with the ability to manufacture standard and value added carbons.

CK Regen Systems Ltd., the fully-owned subsidiary of Carbokarn that is engaged in the regeneration of spent carbon concluded the year exceeding revenue and profit targets, making a noteworthy contribution to the reported results of the activated carbon segment.

The Indonesian operations faced a severe shortage in raw material supplies due to the significant coconut crop reduction it experienced in Indonesia by as much as 50% during the 2nd half of the year. As a result our overall sales volumes and revenue declined by 11% and 16% respectively. The impact of the shortage in production of coconut shell based charcoal was exacerbated by the increase in competition to procure charcoal for other industries and the increased export of raw coconuts from Indonesia. While the shortage in material restricted the utilisation of activation kilns in this major location of manufacture for the Group, the results were further affected by the unprecedented increase in raw material prices. The price of raw material on average increased by 25% in comparison with the previous year while year end point to point increase in charcoal prices in this location was over 35%. While the oversupply of coconut shell-based activated carbon in global markets that was detailed above made it impossible to pass the resulting cost increases to the export customers, the revision of sales prices in the local market was restricted due to the ability of customers to switch to lower cost imports from the

Philippines. Therefore, it was inevitable that the Indonesian operations were not able to fully recoup the fixed costs and overheads and ended the year with operational losses. To cushion this impact to some extent, the two Indonesian manufacturing facilities achieved significant cost reductions through lean initiatives, rationalising operations of post activation processes and reductions in personnel without compromising on operational capabilities.

Meantime, the currencies in our base countries of manufacture did not adjust adequately to cover the inflationary impact on cost of manufacture to retain the competitiveness in export markets. The local inflation and shortage of skilled and technical employees necessitated adjustments and revisions to salary scales. The fuel prices increased in Thailand and in Indonesia in spite of the stability of oil prices in the world market. The finance cost increased as the Group was affected by the upward revision of US Dollar and Sri Lankan Rupees interest rates and the requirement to offer increased credit terms to end customers. All above factors worked in tandem to increase cost of manufacture which could not be passed on to the end customers.

In this challenging environment, Haycarb focused steadily on lean initiatives and are pleased to record that significant savings and efficiencies were achieved through improvement in yields and reduction of re-work in important product segments. During the year, the technical and manufacturing teams worked together to introduce processes to add value and reduce the generation of finer sizes of carbon. The lean project teams also successfully increased the throughput of activation kilns in Sri Lanka and Thailand plants with marginal investments that increased the overall manufacturing capacity of the Group by 6%. We continued to upgrade technologies and improve processes in manufacturing plants backed by robust quality assurance systems to ensure customer requirements are satisfied and exceeded. The manufacturing entities work within a framework that gives priority to improving Safety , Health and Environment (SHE) practices and concentrated on training skilled and unskilled operators and technical staff on manufacturing processes, activated carbon properties and its relationship to end applications apart from intense training on SHE aspects.

Environmental Engineering

Haycarb's Environmental Engineering arm, Puritas (Pvt) Ltd., concluded yet another year of growth recording significant increases in top and bottom line. Puritas specialises in water and wastewater treatment systems across a wide range of industries in Sri Lanka and in the Maldives. The Company is focused on extending its reach within the region and has invested resources to expand its treatment solutions to Myanmar. During the year, it also successfully bid for five water supply schemes under the Water Supply and Sanitation Improvement Project (WASSIP) carried out by the Ministry of City Planning and Water Supply of Sri Lanka funded by the World Bank. WASSIP will establish 450 medium and small scale township water supply projects through 2020. Puritas also enhanced its presence in the Maldives with successful project expansions.

The significant growth demonstrated by the Environmental Engineering arm comes from the strategy to enhance its capabilities regionally whilst working with strategic collaborations to participate in larger water treatment solutions. The successful execution of this strategy has enabled this key business segment of the Group to demonstrate strong growth helping to cushion some of the major challenges we face in our activated carbon business.

The business division of Puritas that cover manufacture and marketing of activated carbon end products and activated carbon in Sri Lanka also showed satisfactory progress having achieved nearly 25% growth in revenue and profitability.

Puritas continues to work through the strategic collaboration with Veolia Water for participation in large and medium scale water treatment projects.

CSR Initiatives

Social Empowerment

Haycarb remains committed to extend its unstinted support to the key CSR initiative of Hayleys Group – the *'Puritas Sath Diyawara'* programme that provides purified drinking water to families residing in villages that are affected by the Chronic Kidney Disease (CKD) in the Central and North Central Provinces in Sri Lanka. Four new projects were commissioned during the year. Currently *'Puritas Sath Diyawara'* provides 130,000 litres of clean drinking water per day to nearly 25,500 persons in 6,370 families covering 16 villages. Three more projects are under way to provide drinking water to 8,000 persons in CKD affected villages by June 2017. Haycarb and Puritas take immense satisfaction in being the primary partner in facilitating this CSR initiative of the parent company. A single *'Sath Diyawara'* project consists of a centralised Reverse Osmosis (RO) plant and filteration system with a capacity to purify up to 10,000 litres of water per day, 5 to 10 docking stations in the village to facilitate easy access to purified water and a bowser mounted on a tractor to distribute the water from the central plant.

Under the 'Going Beyond' initiative that was launched as an extension of *'Sath Diyawara'* distribution of school books are provided as a Social Empowerment programme in villages where the RO systems are installed. Hayleys Group and its valued business partners continued to sponsor, school books and other essential items to 2,270 children for the academic year 2017.

Health

Haycarb continues to donate medical grade activated carbon to the National/Regional Hospitals of Sri Lanka through the Ministry of Health for the treatment of patients that have ingested poisonous substances. This initiative helps to save thousands of lives every year.

Haycarb also facilitated the annual blood donation campaign for the 9th consecutive year, with the participation of Haycarb employees and members from the community. This worthy cause, which was held at the Madampe factory this year is organised alternatively in one of the two manufacturing locations in Sri Lanka – Madampe or Badalgama. Over the years almost 1,000 pints of blood have been donated to the Blood Bank of the Chilaw General Hospital through this initiative.

Environment

Haycarb promotes environment friendly charcoaling practices as described elsewhere in this Report through the *'Haritha Angara'* charcoaling pits that continue to progress successfully in Sri Lanka. This has created a significant impact on the Sri Lankan charcoaling industry demonstrating Haycarb's 'Green' leadership whilst socially empowering many in this industry to build a successful enterprise. Haycarb plans to extend this model in Indonesia.

Carbokarn facilitates the operation of 26 environment friendly charcoaling vertical kilns and is looking for an opportunity to introduce this technology in other suitable locations as well.

Recogen continues to operate as our flagship charcoaling plant that generates charcoal with zero environmental impact whilst generating electricity to the National Grid.

Haycarb has implemented many initiatives to reduce the carbon foot print in its manufacturing facilities achieving significant reductions in fuel and electricity usage. Water reuse and recycling initiatives were brought to the forefront this year, whilst looking at additional opportunities to efficiently use the excess steam and heat our manufacturing processes generate to reduce fuel and electricity. ISO 14001 related projects were also given high priority in the year under review.

Way Forward

Haycarb Group's short to medium term strategy includes consolidating and growing the main businesses of coconut shell-based activated carbon and environmental engineering solutions for water and wastewater treatment systems whilst extending its presence in carbon-related services business. The global focus and ever growing needs on environmental sustainability that enforces tighter regulations will be a catalyst for the growth in our major markets/applications which Haycarb can leverage through its technical expertise, innovative culture and strong customer relationships to achieve its business expansion plans. As the Group will invest and work towards enhancing throughput, yields and capacity utilisation of existing facilities the medium-term strategy is to expand manufacturing capacity depending on raw material availability and preferred geographical spread for the Group. Having laid the initial ground work and foundation for the outsourcing platform for semi-finished activated carbon products during the year, Haycarb will explore opportunities to set up value adding post activation processing and packaging facilities in geographies closer to the activated carbon supply sources.

During the year the marketing initiatives that were backed by strengthening of the marketing teams showed creditable performance in expanding markets and procuring new customer accounts. We will continue with our focus on the marketing initiatives that include participation in key industrial trade shows and leveraging our technical excellence and manufacturing network across three countries to win and maintain customer accounts.

The R&D capabilities will further be enhanced to ensure Haycarb stays ahead as a technically superior activated carbon company with emphasis on new products and enhancing the performance of key application areas. Both water and air purification requirements are becoming more complex requiring leading customers to have joint development platforms combining the strengths of carbon expertise and end application expertise to find faster and better solutions. The needs of the energy storage applications demand high power, high energy devices with better durability with significantly lower costs which position Haycarb on an advantageous footing having worked almost a decade on these developments.

Activated carbon segment has already begun to focus on expanding the regeneration services for spent carbon in Thailand using the existing facilities as well as establishing new facilities in other regions.

During the short-term, addressing the Indonesian charcoal supply issue is a key focus and a priority. Based on rainfall received during 2016 and 2017, charcoal supplies are expected to return to acceptable levels by October to November 2017. Currently a dedicated team spread across charcoal manufacturing areas is managing short-term procurement whilst the Company is moving forward towards introducing environment friendly charcoaling pits in line with the *'Haritha Angara'* initiative in order to strengthen the network through robust relationships and improved raw material quality. Building adequate buffer stocks in these locations will be key to operating the factories without interruption in the medium to long term.

Whilst we will continue our focus on strengthening the charcoal networks within the framework of initiatives already commenced in Sri Lanka and Thailand in the coming year, we will continue to maintain our relationships and supply sources in India. However, the short-term outlook for charcoal availability and prices in India and Sri Lanka are negative due to significant drop expected in the coconut crop as a result of the prolonged droughts in both countries. On the positive side, our expansion into charcoal networks through *'Haritha Angara'* should broaden our supply network providing some level of insulation from this adverse trend, in terms of ensuring supply security even at a higher price.

The environmental engineering business (Puritas) is expected to achieve further significant growth in the short to medium term. The Company is confident that it will be able to leverage on its know-how and competitive pricing to considerably augment the local project portfolio through new water supply schemes that is to be initiated under WASSIP. Puritas has plans to consolidate its position as a key supplier of water and wastewater treatment solutions in the Maldives and expects a positive outcome on new business development initiatives in the region and notably in Myanmar. Strategic partnership with Veolia Water in the future will provide more opportunities to participate in the large scale water and wastewater treatment projects. At the same time Puritas will further look at diversifying beyond water-based applications within the environmental engineering sphere to secure additional business lines.

We will continue to embrace triple bottom line philosophy ensuring our business model is imbued with sustainability principles. Our economic growth model has natural and purposeful inclusion of both the social and environmental pillars that will be strengthened through the expansion of 'Puritas *Sath Diyawara*', *'Haritha Angara'* and other key green and social responsibility projects as a way of life.

Appreciation

The Board of Directors join us as we record our appreciation of the contribution and services of Mr. Dushantha Ranaraja, Marketing Director of Haycarb PLC, who passed away in January this year after a brief illness. Dushantha joined Haycarb in 2008, was appointed to the Board in November 2009 and spearheaded the Marketing Division. He will be remembered for his committed work ethics, professionalism and great qualities he brought into the business.

Mr. Nimal Perera resigned from the Board of Directors on 8th March 2017 having served as a Non-Executive Director. The members of the Board join us in thanking him for his contribution and wish him success and fulfilment in the future.

We welcome Mr. M.H. Jamaldeen, who was appointed to the Board as an Independent Non-Executive Director with effect from 15th March 2017.

Our colleagues on the Board join us in thanking our valued customers, business partners, shareholders and suppliers for their support and loyalty extended throughout the year.

It is with pride we appreciate the commitment of Team Haycarb, whose resilience and the passion to win enabled us to report encouraging performance in a very challenging fiscal year. We strategised to achieve sustainable growth with the passion of our team leveraging on our key brand values of technical excellence, innovative spirit and customer centric approach in a much greener product-solution-process offering.

Mohan Pandithage
Chairman

Rajitha Kariyawasan
Managing Director

16th May 2017

Economically Viable

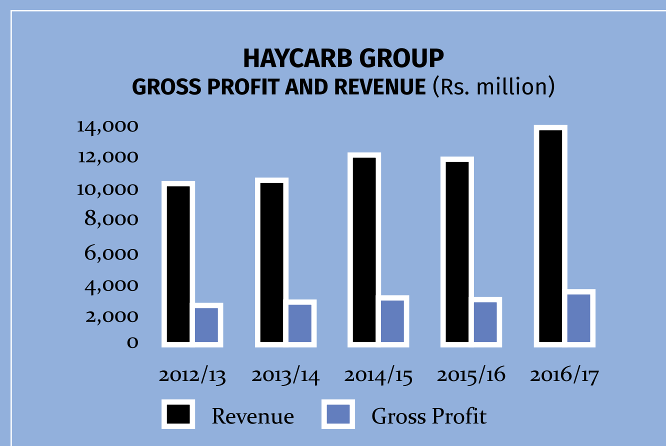
This is the defining outcome of the Company's commercial operations...and the measure of its success

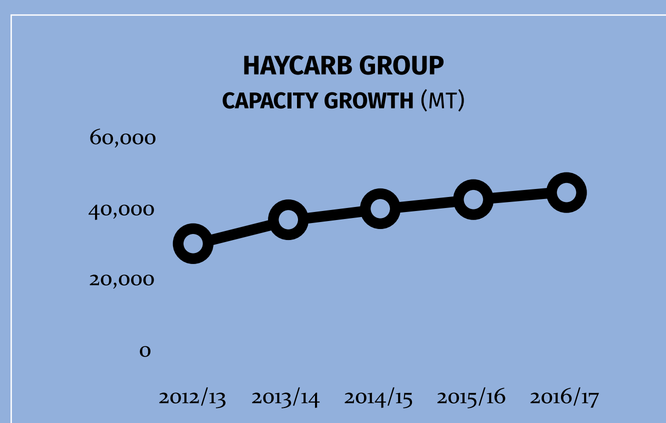
Haycarb has performed extremely well financially, and have established a strong financial foundation for the Company to support its future growth.

Innovation as a core driving principle at Haycarb, we have invested our resources in developing products for new age applications such as Monochloramine Removal from Drinking Water, Respirator Carbon Technologies, Energy Storage and Odour Removal Applications.

Investing in our production capacity, we have steadily expanded our capacity to meet the market demands, as well as strengthened and expanded our distribution networks globally, especially in emerging markets.

Our technology and know-how has been constantly directed to in developing a superior product, thus increasing our value added products for better performance.





Global Activated Carbon Market Growth

CAGR OF

9.4%

From 2016 to 2021

Source: Freedonia

Marketing subsidiaries

03

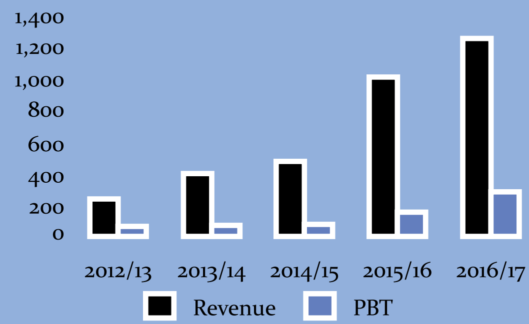
Production locations

06

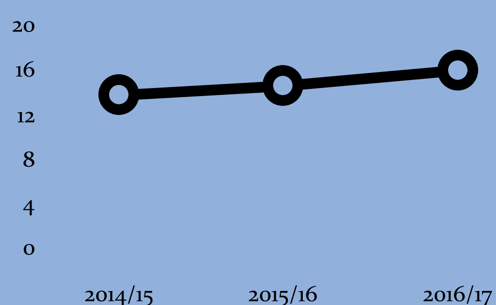
Total number of water and wastewater treatment projects completed

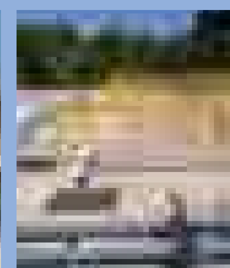
Local	Overseas
341	**20**

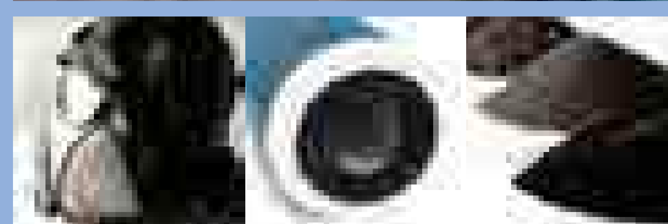
PURITAS GROUP
REVENUE AND PBT (Rs. million)

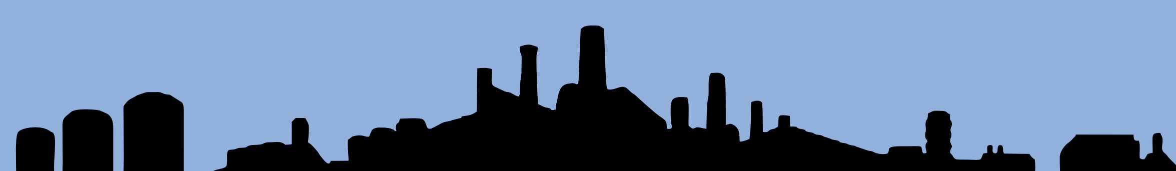


YEAR ON YEAR GROWTH OF REGENERATED QUANTITIES (%)









Daily Water Treatment (up to now)

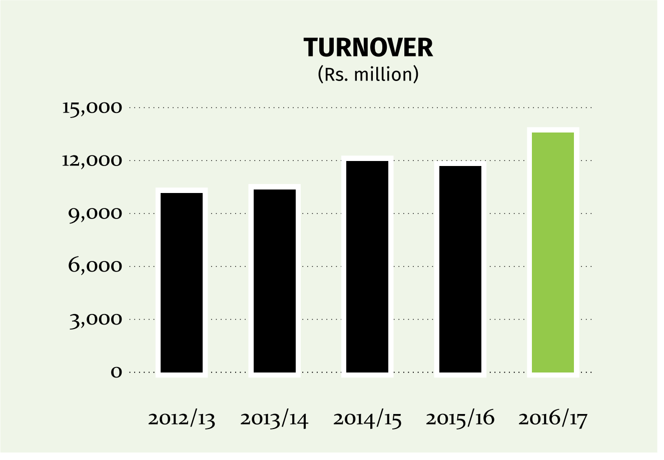
Raw Water	Waste Water	Sewage Water
4,545,000	**8,607,500**	**15,712,000**
Litres/day	**Litres/day**	**Litres/day**

Overall growth of Regeneration Services since 2013/14

45.3%

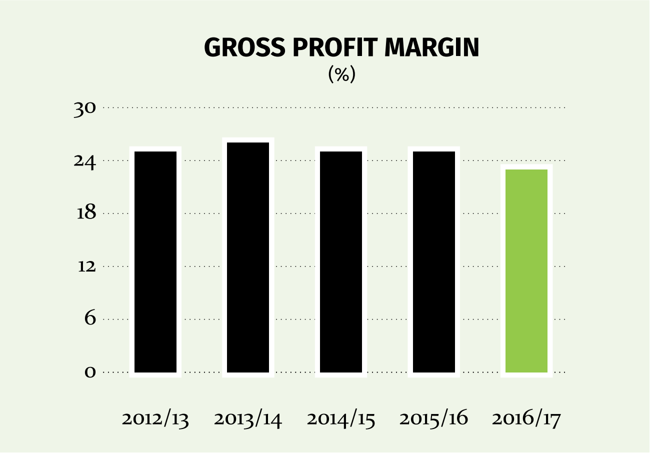
Financial Review

TURNOVER

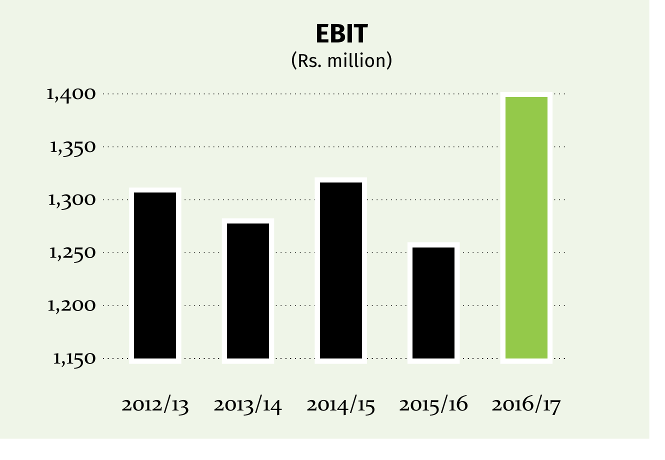


The Haycarb Group recorded a significant increase in revenue of 16% to Rs. 13.6 billion (2015/16 – Rs. 11.7 billion). When discounted for the depreciation of the reporting currency, revenue has grown by 8% in USD terms. The growth in activated carbon segment is attributable to expansion of the market base in terms of both geographical and higher value added application segments. It is noteworthy that the increase was achieved in spite of the intense price competition from the manufacturers of coconut shell-based activated carbon in India and Philippines, and the continued depressed conditions in the gold recovery market. The revenue of the Environmental Engineering sector recorded a growth of 25% over the last year, due to the growth in water and wastewater treatment projects in Sri Lanka and in the region.

GROUP PROFITABILITY

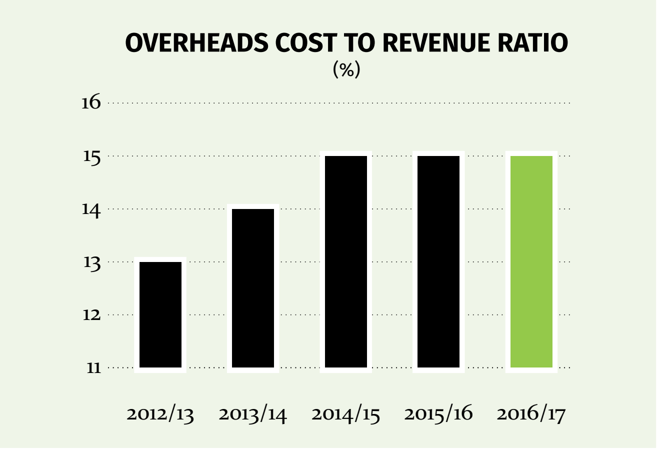


Despite the increase in the turnover, the GP margin eroded by 2% compared to 2015/16. The acute shortage of charcoal in Indonesia impacted margins with the escalation of raw material prices driving-up cost of production. In addition, the resultant underutilisation of capacity in this location increased the cost of production per unit as the fixed overheads were absorbed over a lesser number of units. The oversupply of activated carbon from low cost manufacturers in India and Philippines prevented the transfer of these cost escalations to customers. The volatility and depreciation of the Euro also resulted in drop in margins in the European segment. These negative conditions were offset to some extent through R&D and marketing initiatives that developed and commercialised a number of value added products, continued focus on lean initiatives and the improvements in the Sri Lanka raw material supply chain.



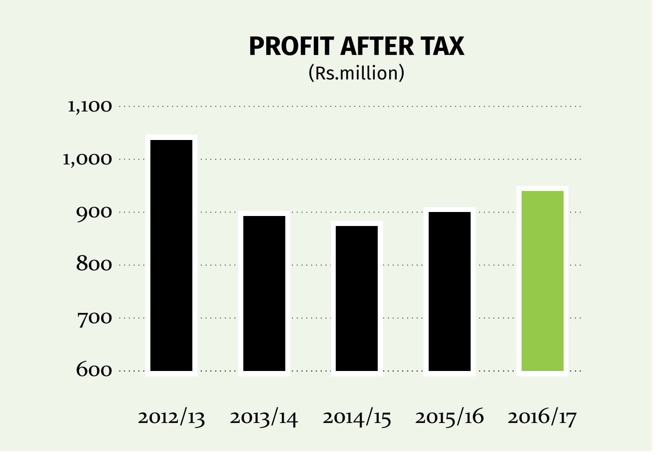
Haycarb Group reported a profit before tax of Rs.1.2 billion and earnings before interest and tax of Rs. 1.4 billion indicating a 6% and 11% growth respectively over the last year.

General overheads increased by 14% year on year due to strengthening of marketing and R&D resources in Sri Lanka and overseas, additions to Puritas human resource base and the inflationary impact. Approximately 2% of the above increase is attributable to exchange rate fluctuations. The overhead to revenue ratio remained at 15%.



The overall interest cost increased by 31% due to the increase in USD and LKR interest rates and increase in borrowings to fund the working capital requirements especially during the 2nd and the 3rd quarter of the financial year.

Other income increased by 351% compared to the previous year as a result of compensation received under a trade agreement.

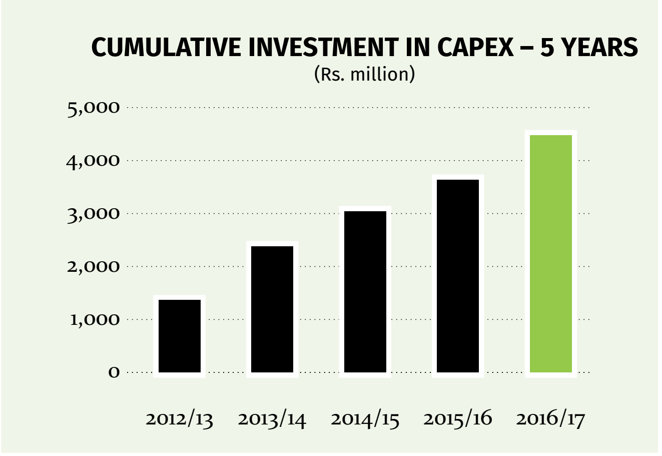


The profit after tax recorded a growth of 5% reporting Rs. 940 million for FY 2016/17 compared to Rs. 898 million recorded in FY 2015/16.

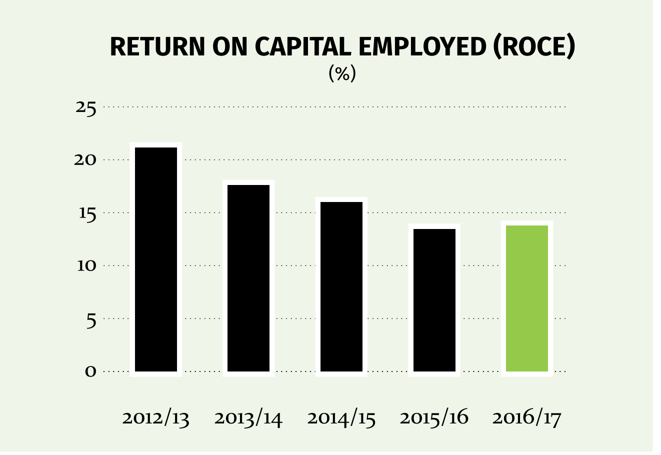
WORKING CAPITAL MANAGEMENT

Haycarb Group has maintained the current asset ratio at 1.4 times. The net operating cash flow increased by Rs. 1.8 billion as the Company successfully managed the trade receivables at reasonable levels by maintaining a sharp focus on collecting trade receivables on a timely manner in spite of longer credit periods extended to customers. Even though the raw material inventories decreased due to the supply chain challenges especially in Indonesia, the finished goods inventories were maintained at higher levels to service end customers.

ASSET DEPLOYMENT

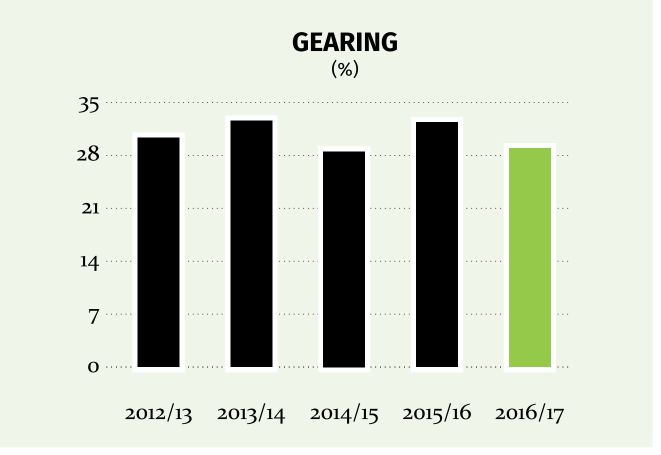


Over the five years Haycarb has invested approximately Rs. 4.5 billion in property, plant and equipment. Haycarb Group increased its manufacturing capacity from 28,000 MT to 45,000 MT per annum during the same period. In the year under review the Company incurred capital expenditure to develop its capacity to manufacture value added products, enhance efficiency and upgrade its manufacturing plants. These investments helped Haycarb to maintain its position as a leading manufacturer of activated carbon globally.



ROCE increased to 14% during the year under review. The investment in process and equipment improvements together with product development initiatives are expected to yield additional returns in the coming years.

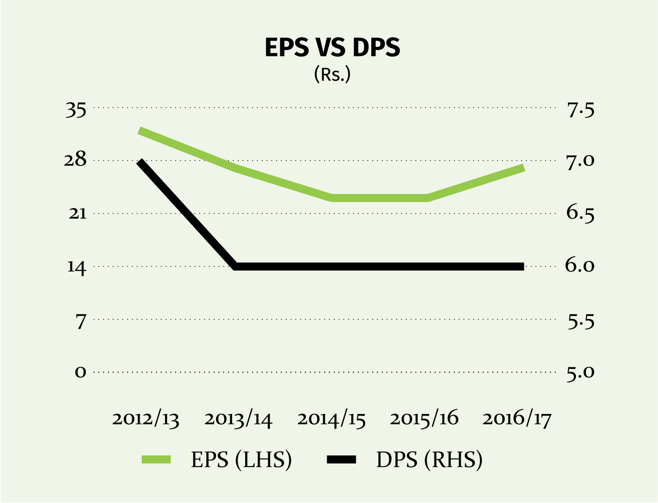
GEARING POSITION

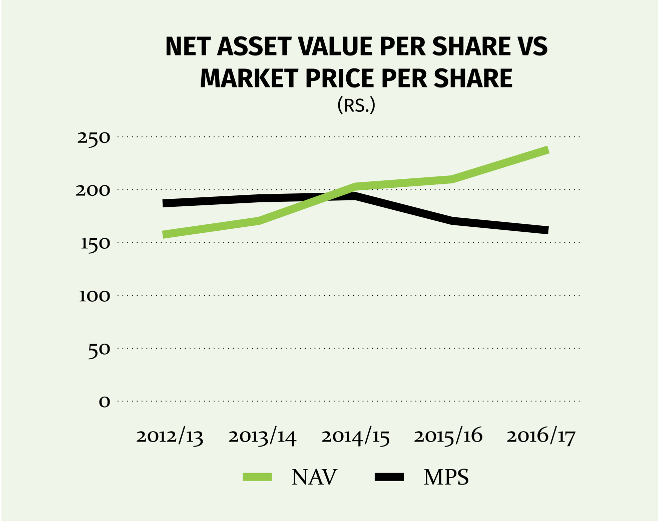


Group borrowings reduced by Rs. 126 million due to profits earned during 2016/17 and the efficiencies gained in working capital management.

The decrease in borrowings, coupled with the improvements in the shareholders equity during the year helped to improve the overall Group's gearing ratio to 29% from 32% compared to the previous year.

SHAREHOLDER VALUE CREATION





The earnings per share increased by 18% to Rs. 27.07 compared to the FY 2015/16 in line with the increase in the Group profitability during the year under review. The dividend payout ratio is 22%. The total dividend payout over the last five years amounted to Rs. 921 million. The net assets per share presents an increase from Rs. 199 to Rs. 227.

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 in to the same financial period which ends 31st March from the financial year 2014/15 in accordance with the SLFRS 10, which requires Parent and subsidiaries to have same Reporting dates for consolidation. Due to this change, consolidated Financial Statements for the period ended 31st March 2015 contained 15 months results of these companies.

Socially Responsible

Caring for and empowering people...be they our own or the community at large...the cause lies within the very core of the Company

PURITAS *SATH DIYAWARA*

'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 socioeconomic needs. The project was initiated and designed by Puritas (Pvt.) Ltd.

Total investment facilitated by Puritas for *Sath Diyawara* Project as of FY 2016/17

(Including investment made by companies in Hayleys Group and two entities outside Hayleys Group)

Rs. 49.8 million

Total number of people served

25,496

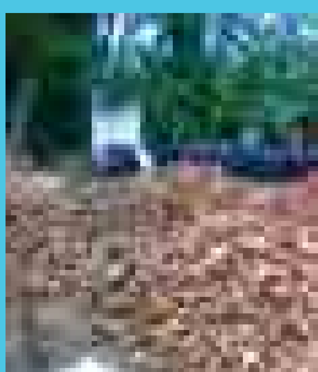
Number of litres of water purified per day

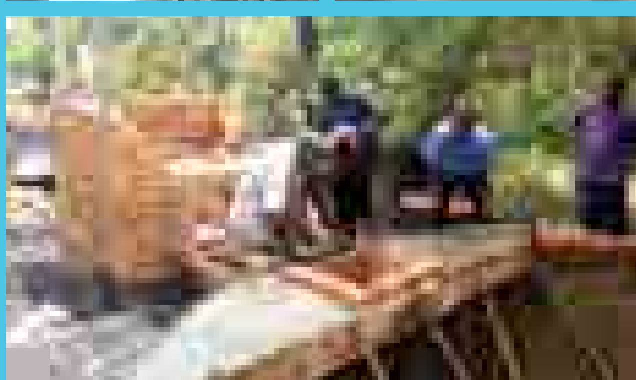
130,000

HARITHA ANGARA

To propagate and empower the existing and new charcoal makers to adopt pollution free charcoaling in Sri Lanka, Haycarb embarked on '*Haritha Angara*' in 2014. The programme encourages converting traditional open pit charcoaling sites into environment-friendly manufacturing which eliminates the release of harmful gaseous emissions such as Carbon Dioxide (CO_2), Methane and smoke to the environment, which are otherwise emitted during the traditional charcoaling process. Haycarb provides technical support and interest free, long-term loans to build new pits with combustion chambers and improve existing pits. This initiative has been wholeheartedly accepted by our suppliers.

Haritha Angara facilitates the minimisation of the carbon footprint of Haycarb Group and adherence to GRI (Global Reporting Initiative) guidelines.



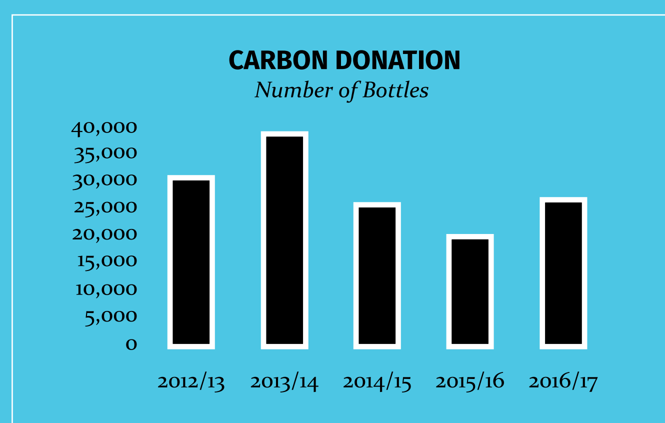


DONATION OF ACTIVATED CARBON TO TREAT POISONED VICTIMS AT LOCAL HOSPITALS

Sri Lanka has one of the world's highest suicide rates, where people attempt to take their lives by swallowing various poisonous substances such as pesticides and Yellow Oleander *(Kaneru)* seeds. Activated carbon adsorbs numerous chemical substances, including acidic, basic and neutral drugs and other toxic chemicals, both organic and inorganic. Therefore, activated carbon is used as a treatment of many poisonings to prevent absorption of toxic substances in the gastro-intestinal tract. Powdered activated carbon is mixed with potable water to form a suspension and administered orally to the victims, the carbon works as an effective antidote that adsorbs the poison in the stomach.

Haycarb has been donating powdered activated carbon for decades to use as a first treatment for suicide victims through the Medical Supplies Department of Ministry of Health, directly to Government and private hospitals and various pharmacies free of charge.

Haycarb's activated carbon has saved many thousands of lives in Sri Lanka over the years via this worthy cause.



Total number of people served through *Haritha Angara:*

Direct: **800**

Indirect: **4,000**

Total number of pits built through *Haritha Angara:*

In operation: **78**

Under construction: **13**

Proposed to build: **12**

Total number of carbon bottles donated since 2008: **222,813**

'Puritas *Sath Diyawara*' is an initiative that aims to give hope to people affected by the 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.

25,496
Number of People Served

6,370
Number of Families Benefited

16
Number of Villages Catered

965
Number of CKD Patients Benefited

130,000
Number of Litres of Water Purified/Day

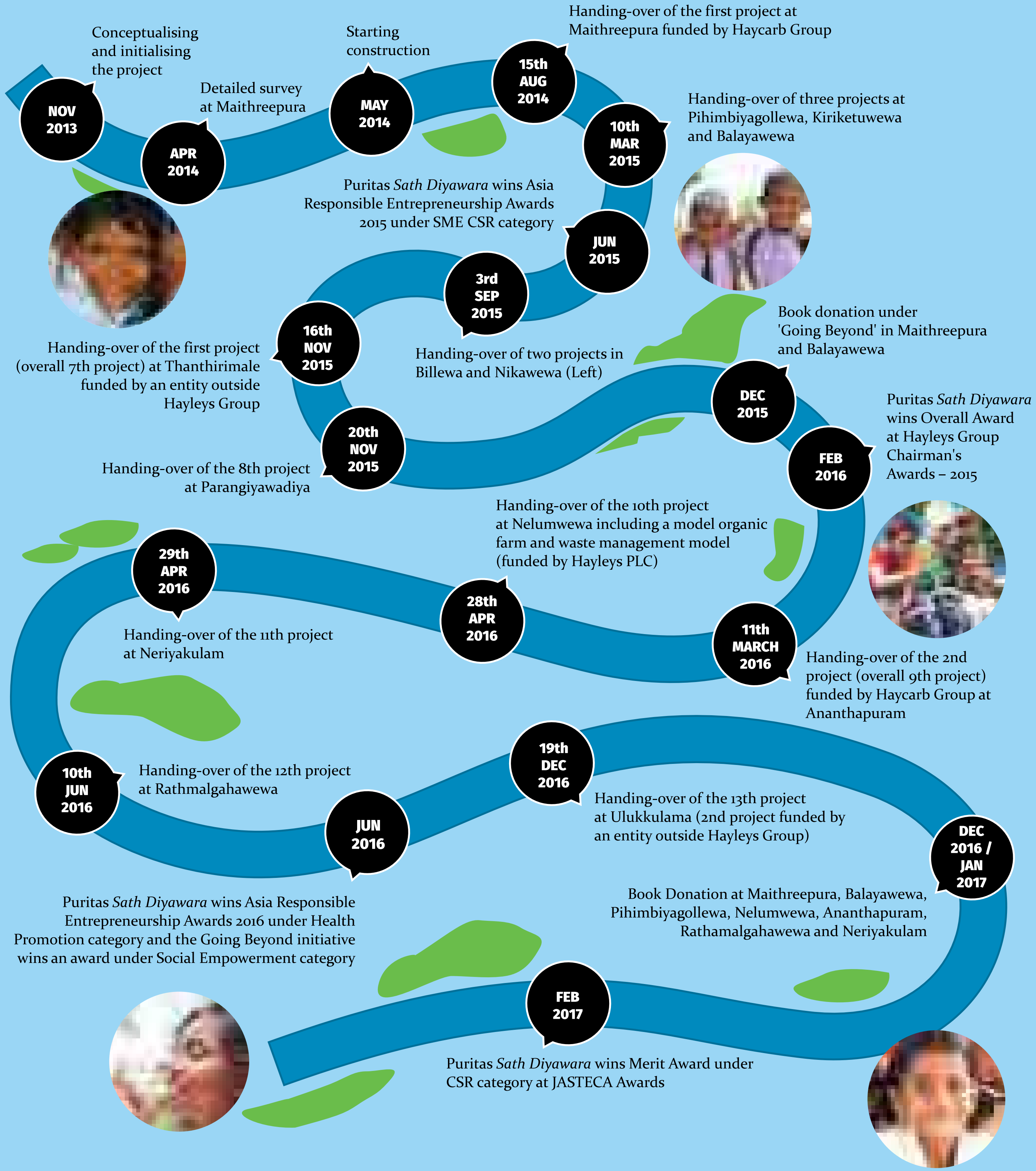
13
Number of Projects

145
Number of Water Collection Points

Investment
Rs. 49.8 million
(Including investment made by companies in Hayleys Group and two entities outside Hayleys Group)

Village	No. of Families Benefited	No. of People Benefited	Investment	Status
D10, Maithreepura	500	1,542	Rs. 3.2 million	Opened on 15th August 2014
Balayawewa	350	1,557	Rs. 3.5 million	Opened on 10th March 2015
Kiriketuwewa and Sinhala Ataweerawewa	600	2,495	Rs. 3.6 million	
Pihimbiyagollewa	300	2,153	Rs. 3.6 million	
Nikawewa – Left	320	1,691	Rs. 4.2 million	Opened on 3rd September 2015
Billewa	450	1,953	Rs. 3.5 million	
Thanthrimale	600	2,476	Rs. 3.9 million	Opened on 16th November 2015
Parangiyawadiya	300	1,250	Rs. 3.5 million	Opened on 20th November 2015
Ananthapuram, Sivanagar, Iranapalai	900	3,004	Rs. 4.3 million	Opened on 11th March 2016
Neriyakulam	700	2,243	Rs. 4.3 million	Opened on 30th April 2016
Nelumwewa	350	1,442	Rs. 4.3 million	Opened on 29th April 2016
Rathmalgahawewa	700	2,112	Rs. 3.9 million	Opened on 10th June 2016
Ulukkulama	300	1,579	Rs. 3.9 million	Opened on 7th January 2017
Total	**6,370**	**25,496**	Rs. **49.8 million**	

Key Milestones

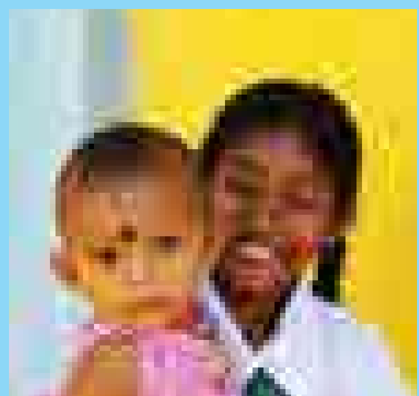


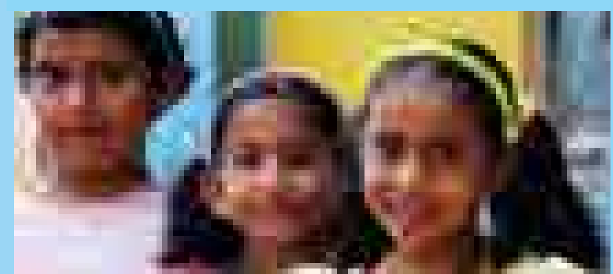
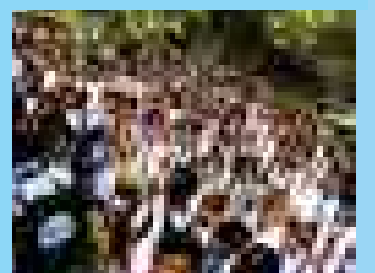
Going beyond...

OBJECTIVE
Assisting School Education of Children

ACTIVITY
Providing School Books and Other Essential Items for the Academic Year 2017

10 Schools	**2,270** Children	**8** Villages	**Rs. 4.9 million** Investment


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

Governance and Compliance

Board of Directors

Mohan Pandithage

Chairman and Chief Executive
Joined Hayleys Group in 1969. Appointed to the Board of Haycarb PLC in November 2007. Chairman and Chief Executive of Hayleys PLC since July 2009.

Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & 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.

Rajitha Kariyawasan

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

Dhammika Perera

Appointed to the Board in November 2009. He is a quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He has over 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, and Delmege Ltd. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Executive Deputy Chairman of L B Finance PLC and Deputy Chairman of Horana Plantations PLC. He is also the Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Hayleys Fabric PLC, Dipped Products PLC, Sun Tan Beach Resorts Ltd., 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 B.Sc. Degree from the University of Ceylon, and is a Certified Management Accountant (CPA, CMA).

Sarath Ganegoda

Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Hayleys Board in September 2009 and to the Haycarb Board in November 2009. Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Certified 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, ultimately as an Executive Director. Subsequently held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit 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.

Dr. Sarath Abayawardana

A professional Engineer, with a Ph.D. 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 Softlogic Insurance PLC, and Dipped Products PLC.

M.S.P. Udaya Kumara

Appointed to the Board in February 2015. Holds a B.Sc. (Hons.) First Class Degree from the University of Sri Jayewardanepura, Sri Lanka and is a Fellow 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 and 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.

Ali Asgar Munaver Caderbhoy

Appointed to the Board in 2016. Holds a Master of Arts (Hons.) 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 Develpoment Division of Haycarb Group.

James Naylor

Appointed to the Board in 2016. Holds a B.Sc. in Physics and Astrophysics from the University of Birmingham and holds a Certificate in Company Direction from the Institute of Directors (UK).

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. K.D.D. Perera)

Ms. Yogadinusha Bhaskaran is a financial and accounting professional currently serving as the Chief Executive Officer of Vallibel One PLC. She also presently serves on the Board of Delmege Ltd., as a Director, L B Finance PLC as a Non-Executive Director, Hayleys Fabric PLC and Dipped Products PLC as Alternate Director to Mr. K.D.D. Perera.

Ms. Yogadinusha Bhaskaran 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 PanAsia Banking Corporation PLC.

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.

Hisham Jamaldeen

Appointed to the Board in March 2017. A Finance Professional with over 15 years of experience. Fellow of the Association of Certified Chartered Accountants, UK. Holds a degree in Engineering and Business from the University of Warwick, UK. A seasoned commercial property investor and advisor. Founder Managing Director of Steradian Capital Investments (Pvt) Ltd., responsible for Financing, Corporate Structurers, Acquisitions and Development. Executive Director of numerous real estate companies focusing on commercial property investment and development. Also serves as a Director of People's Bank., Hayleys PLC and Talawakelle Tea Estates PLC.

Management Team

HAYCARB (SRI LANKA)

Executive Directors

A.M. Pandithage	–	Chairman
H.S.R. Kariyawasan	–	Managing Director
Ms. M.J.A.S. Abeyratne	–	Director (Finance and IT)
M.S.P. Udayakumara	–	Director (Research & Development and Technical Support)
B. Balarathnarajah	–	Director (Manufacturing and 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 and Shell Procurement
M.A.H.R. Morais	–	Finance
L.R.M.R.A.L. Karunaratne	–	Customer Management
G.M.G. Gunawardhana	–	Manufacturing (Sri Lanka)

Divisional Managers

P.S. Suraweera	–	Project Engineering and Operations [Puritas (Pvt) Ltd.]
W.M.A.C.N. Perera	–	Raw Material Procurement and Warehouse Operations
I.A.S.L. Athukorala	–	R&D/Process Improvement [Puritas (Pvt) Ltd.]
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
W.G.A.P. Gamage	–	Factory Manager (Madampe)
K. Pathirana	–	Human Resource Management

Departmental Managers

P.S. Liyanarachchi	–	Information Technology and Customer Management
A.D. Kularatne	–	Engineering Procurement
R.K.L. Jinasiri	–	Engineering Maintenance
L.P.S. Senaviratne	–	Engineering Projects
K.U.S. Warnajith	–	Customer Management
C.R. Kobbekaduwe	–	Customer Management
L.I. Adhihetty	–	Business Development
M.L. Wickramasinghe	–	Project Engineering and Purification – Puritas (Pvt) Ltd.
H.H.B. Senanayake	–	Business Development – Puritas (Pvt) Ltd.
L.A. Wickramasekara	–	Charcoal and Shell Procurement
H.S. Kumara	–	Production (Badalgama)
U.S.S. Udugampola	–	Quality Assurance
D.M.S. Senaratne	–	Engineering Projects
U.A.N.D. Rupasinghe	–	Production (Madampe)
M.S.L. Moraes	–	Production Planning
R.M.G. Ranatunge	–	Engineering Maintenance (Badalgama)
Ms. R. Jayawardena	–	Information Technology
A.G.L. Kokila	–	Project Engineering, Civil & Structural [Puritas (Pvt) Ltd.]

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
B.P.R. Liyanage	–	Director Operations

Haycarb U.S.A.

A.S. Pathirathne	–	Vice-President

Manufacturing

Carbokarn Co. Ltd.

P. Karnchanabatr	–	Managing Director
B. Karnchanabatr	–	Deputy Managing Director
K. Karnchanabatr	–	Director
T. Karnchanabatr	–	Director (Local Sales and Marketing)
W.P.J.K. Wickramasinghe	–	General Manager
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	–	Factory Manager

Environmentally Friendly

To protect and preserve...to avoid harmful actions...to conserve precious resources...all lie within the DNA of the Company

At Haycarb, we're committed to protecting our environment; it's a way of life. As a world leader in coconut shell activated carbon, with over 70% of our product being used to purify air and water globally, we take pride in ensuring all our processes are continuously improved so that they are best in class. Haycarb has adopted UN Global Compact Principles on sustainable growth and our Sri Lankan operations are ISO 14001 certified.

Our systems are continuously reviewed and aligned to ensure that we reduce our carbon footprint and wastage to drive our growth through a sustainable business model.

Below are some projects implemented to reduce our carbon footprint this financial year:

- Using waste heat generated in the exothermic reaction in activation kilns for drying and other operations.
- Process improvements applied to reduce the requirement for fossil fuel in various stages of production.
- Improving production yields to reduce charcoal (raw material) requirement, which in turn reduced the CO_2 released in producing the raw material.
- Fuel switching initiatives converting to LPG from Furnace Oil for selected production processes to achieve reduction in carbon footprint.
- Using biomass to generate energy where possible, including electricity.
- Measures taken for reduction of water consumption and recycling of water to reuse in internal processes.
- Reduction of electricity consumption for building lighting.
- Reduce electricity consumption for outdoor lighting in manufacturing facilities.
- Reduce waste water discharge from washing process.
- Reductions of particulate emission from Kiln stack.
- Reduce particulate emission from equipment/process.
- Reduction of sound levels emitting from different machinery and equipment.

Total investment in special initiatives for waste management/emission reduction for FY 2016/17

Rs. 69.8 million

Power produced at Recogen for FY 2016/17

3050 mWh

CO_2 EMISSION REDUCTION PROGRESS

	2013/14	2014/15	2015/16	2016/17	2020/21 Target
CO_2 Emission /(MT)	16,475	9,530	5,997	5,090	4,498
CO_2 Emission reduction /(MT)		6,945	10,478	11,385	11,977

RECOGEN PRODUCTION QTY.

	2013/14	2014/15	2015/16	2016/17
Total MT	6,163	6,228	7,425	5,560
As a % for total raw material procured	15%	14%	19%	13%

Total No. of water litres processed through effluent treatment in Sri Lanka operations FY 2016/17

183 million litres

Total No. of water Litres recycled and reused in Sri Lanka operations FY 2016/17

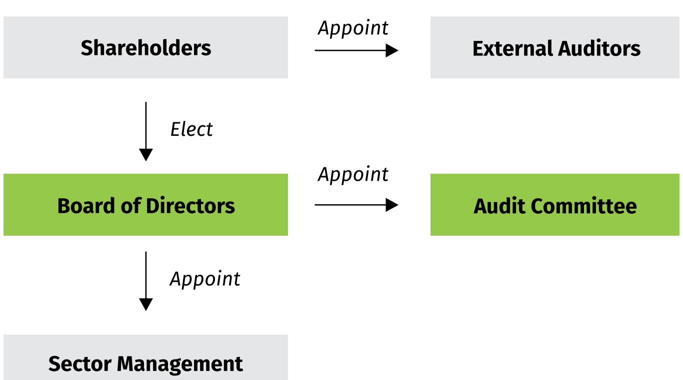
10.1 million liters

Corporate Governance

The Corporate Governance framework at Haycarb is designed to support the Company in its efforts to create and foster sustainable value for all its stakeholders. The framework facilitates effective engagement with the stakeholders in an environment that lays emphasis on its core values. 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 defining, following and practicing good Corporate Governance practices within a framework that upholds highest standards of ethical conduct, business integrity and sustainability. 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 114.

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 Transactions Review Committee of the parent company, Hayleys PLC acts as the Related Parties Transactions Review Committee for Haycarb PLC as well and the members of the Committee are given in page 39 of this Report.

The Corporate Governance practices adopted and practiced by Haycarb, is 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 2017, the Board comprised fourteen Directors; six Non-Executive Directors and eight Executive Directors. The names of these Directors are given on page 29 and a short profile of each is given in pages 22 and 23 of this Annual Report. The details of Directors' shareholding and directorates in other companies are given in pages 111 and 114 to 115 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. Mohan Pandithage (Chairman)	Executive	4/4
Mr. Rajitha Kariyawasan (Managing Director)	Executive	4/4
Mr. Dhammika Perera	Non-Executive	2/4
Mr. Arjun Senaratna*	Independent Non-Executive	4/4
Mr. Sarath Ganegoda	Non-Executive	4/4
Ms. Jeevani Abeyratne	Executive	4/4
Mr. Dushantha Ranaraja (deceased on 4th January 2017)	Executive	3/3
Mr. Nimal Perera (resigned w.e.f. 8th March 2017)	Non-Executive	3/4
Dr. Sarath Abayawardana	Independent Non-Executive	4/4
Mr. Sujeewa Rajapakse	Independent Non-Executive	4/4
Mr. M.S.P. Udaya Kumara	Executive	4/4
Mr. Brahman Balaratnarajah	Executive	4/4
Mr. Ali Asgar Munaver Caderbhoy	Executive	3/4
Ms. Sharmila Ragunathan	Executive	4/4
Mr. James Naylor**	Executive	4/4
Mr. Hisham Jamaldeen (appointed w.e.f. 15th March'17) ***	Independent Non-Executive	
Ms. Yogadinusha Bhaskaran (alternate to Mr. Dhammika Perera)		

** Mr. Senaratna participated in these meetings via conference call facility*
***Mr. Naylor participated in two meetings via conference call facility.*
****Mr. Jamaldeen was appointed to the Board on 15th March 2017*

Note: Ms. Yogadinusha Bhashkaran attended 02 Meetings to represent Mr. Dhammika Perera as his alternate.

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 coordination 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 and governance codes 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. Four of the six Non-Executive Directors are Independent.

The Board is of the opinion that Mr. M. H. Jamaldeen has the capability to conduct himself in an independent and impartial manner on matters deliberated by the Board and his independence will not be affected by his spouse, Mrs. J. Jamaldeen being a Director of the Kingsbury PLC, a subsidiary of Hayleys PLC.

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

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. The Remuneration Committee of Hayleys PLC, the parent company acts as the Committee and is responsible to overlook the aspects of remuneration of the Company.

The Remuneration Committee of Hayleys PLC consists of the following Non-Executive Directors:
Dr. H. Cabral, PC – Chairman (Independent Non-Executive)
Mr. Dhammika Perera – Member (Non-Executive)
Mr. M.H. Jamaldeen – Member (Independent Non-Executive)
Mr. M.Y.A. Perera – Member (Independent Non-Executive)

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 8 (B) of the Financial Statement that appear in this Annual Report.

Haycarb Group consists of 14 subsidiaries and two associates. These companies, their core business and the names of their Directors appear on pages 114 and 115 of this Report.

Organisation Structure

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 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 Finance Director of Hayleys PLC 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 key role to help the Group balance conformance and performance.

The Audit Committee has been delegated the responsibility of reviewing the Group's internal controls. It 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 pages 40 to 41 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 Responsibility for the Preparation of Financial Statements are given in page 38 of this Report.

Management Review

There is an ongoing process to identify, evaluate and manage significant risks. The review of performance during the year and the review of potential risks and mitigatory actions instituted is reported in the Joint Statement 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 antivirus 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 Fourteen 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	Four 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
7.10.3 a	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 36
7.10.3 b	Disclosure relating to Directors	In the event a Director does not qualify as independent against the criteria, but if the Board is of the opinion that the Director is nevertheless independent, the Board shall specify the criteria not met and the basis of its determination.	Compliant	Please refer page 30
7.10.3 c	Disclosure relating to Directors	A brief résumé of each Director should be included in the Report including the areas of Expertise	Compliant	Please refer pages 22 and 23
7.10.3 d	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (a) and (c) to the Exchange	Compliant	Résumés of all new Directors appointed during the year were submitted to the CSE
7.10.5 a	Composition of the Remuneration Committee	The Remuneration Committee of the parent company comprised two Non-Executive independent Directors as at 31st March 2017.	Compliant	Please refer to pages 30-31
7.10.5 c	Disclosure in the Annual Report relating to Remuneration Committee	The names of the members of the Remuneration Committee is given on pages 30 to 31.	Compliant	Please refer pages 30-31
7.10.6 a	Audit Committee composition	The listed company shall have an Audit Committee comprising of Non-Executive-Directors	Compliant	The Report of the Audit Committee is given on page 40
		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 c	Audit Committee disclosure	The names of the Directors comprising the Audit Committee to be disclosed.	Compliant	Refer page 40
		The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance by the entity.	Compliant	Refer page 40
		The Committee shall make a determination of the independence of the Auditors and shall disclose the basis of such determination.	Compliant	Refer page 41

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 01st January 2016. If the parent company and the subsidiary company both are 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	Two Independent Non-Executive Directors and one Executive Director	Complaint	As above
9.2.4	Related Party Transactions Review Committee-Meetings	Shall meet once a calendar quarter	Complaint	Refer Committee report on page 39
9.3.2 (a)	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
9.3.2 (b)		Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/income as in the latest audited accounts		None
9.3.2 (c)	Related Party Transactions Review Committee disclosures	Names of the Directors	Compliant	Refer Committee report on page 39
		A statement to the effect that the Committee has reviewed the transactions	Compliant	
		The policies and procedures adopted by the Committee	Compliant	
		The number of times the Committee has met during the year	Compliant	
		Report by the Related Party Transactions review Committee		Page 39
9.3.2 (d)		A declaration by the Board of Directors as an affirmative statement of the compliance with the rules pertaining to related party transactions	Compliant	Page 35

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 2017.

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 114 to 115 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 46.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 46 to 108.

Auditors' Report

Auditors' Report on the Financial Statements is given on page 45.

Accounting Policies

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 53 to 72. 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 30 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 except the demise of Mr. D.E. Ranaraja who held 10,000 shares as at 4th January 2017.

Directors' Shareholdings

Details relating to shareholdings of Directors are given on page 111.

Directors' Remuneration

Executive Directors' Remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2017 is Rs. 116,500,000/- (2015/16 – Rs. 67,127,180/-), 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 2017 is Rs. 3,830,000/-, (2015/16 – Rs. 3,330,000/-), 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 Four times in the Financial year 2016/17.

Attendance

Meetings held on 18th May 2016, 5th August 2016, 4th November 2016 and 9th February 2017.

Dr. H. Cabral **	4/4
Mr. M.Y.A.Perera** (appointed on 12th September 2016)	2/2
Mr. S.C. Ganegoda*	3/4
Mr. M.D.S. Goonetilleke** (resigned from the Committee on 12th May 2016.)	–

**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 Notes 8 (B)on page 74.

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. 1,720,025/- (2015/16 – Rs. 1,395,995/-). The ratification by the shareholders of the excess amount of Rs. 220,025/- made as donations for 2016/17 will be sought at the Annual General Meeting.

No donations were made for political purposes.

Directorate

The names of the Directors who served during the year are given below and their brief profiles appear on pages 22 and 23 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
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)
Ms. S.S. Ragunathan
Mr. A.A.M. Caderbhoy
Mr. J.D. Naylor
Mr. M.H. Jamaldeen**
(Appointed with effect from 15th March 2017)
Mr. D.E. Ranaraja (Deceased on 04th January 2017)
Mr. W.D.N.H. Perera*
(Resigned with effect from 08th March 2017)

**Non-Executive Directors*

***Independent Non-Executive Directors*

Mr. M.H. Jamaldeen was appointed to the Board as an Independent Non-Executive Director on 15th March 2017. In terms of the Articles 27 (2) of the Articles of Association of the Company shareholders will be requested to re-elect him at the Annual General Meeting.

Mr. D.E. Ranaraja passed away on 04th January 2017.
Mr. Nimal Perera resigned on 08th March 2017 from the Board.

In terms of Article No. 29 (1) of the Articles of Association of the Company, Messrs. A.M. Pandithage, A.M. Senaratna, M.S.P. Udaya Kumara and B. Balaratnarajah retire by rotation and being eligible offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for re-election of Dr. S.A.K. Abayawardana, who is over 70 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

The Directors of the subsidiaries are given on pages 114 and 115.

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. 1,594,000/- (2015/16 – Rs. 1,529,000/-) and Rs. 2,637,000/- (2015/16- Rs. 2,546,000/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 1,496,000/- (2015/16 – Rs. 1,049,000/-) and Rs. 2,097,000/- (2015/16 – Rs. 1,880,000/-) by the Company and the Group, for Non-audit related work, which consisted mainly of tax advisory services.

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

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

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

Group Revenue

The revenue of the Group was Rs. 13,553,576,000/- (2015/16 – Rs. 11,705,825,000/-) in the year under review. A detailed analysis of the Group's revenue is given in Note 5 to the Financial Statements.

The Group's revenue from international trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka amounted to Rs. 13,061,448,467/- (2015/16 Rs. 10,889,151,521/-. Trade between Group companies are conducted at fair market prices.

Profits

The Group's profit before tax amounted to Rs. 1,189,537,000/- (2015/16 – Rs. 1,119,078,000/-). After deducting Rs. 249,735,000/- (2015/16- Rs. 220,910,000/-) for taxation, the profit was Rs. 939,800,000/- (2015/16 – 898,168,000/-). When Non-Controlling interest of Rs. 135,436,000/- (2015/16 – Rs. 216,950,000/-) was deducted, the profit attributable to the equity holders of the Company was Rs. 804,364,000/- (2015/16 - Rs. 681,218,000/-).

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 2017 amount to Rs. 6,414,052,000/- comprising of Capital Reserves of Rs. 717,597,000/- and Revenue Reserves of Rs. 5,696,455,000/-. 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, with a limit on liability of the cover of USD 5 million and a premium of Rs. 5.3 million per annum.

Dividend

First Interim Dividend of Rs. 3/- per share was paid to the shareholders on 25th of April 2017.

The Board of Directors has declared a second interim dividend of Rs. 3/- per share payable on 05th June 2017 to the shareholders of the issued ordinary shares of the Company as at close of business on 25th May 2017.

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 first interim dividend paid and the second interim dividend declared. A solvency certificate was obtained from the Auditors in respect of the first interim dividend paid and one has been sought in respect of the second interim dividend declared.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 38.

Capital Expenditure

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 847,996,000/- (2015/16 – Rs. 594,879,000/-) and Rs. 493,452,000/- (2015/16- Rs. 195,326,000/-) respectively. Information relating to movements in property, plant and equipment is given in Note 12 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 2017.

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 78 gives details of freehold land held by the Group.

Events after the Reporting Period

No circumstances have arisen since the Reporting date that would require adjustments, other than those disclosed in Note 33 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 pages 110 and 112.

Major shareholdings

The twenty major shareholders as at 31st March 2017 are given on page 111 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 27th June 2017.
The Notice of the Annual General Meeting appears on page 117

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.

16th May 2017

Statement of Directors' Responsibility

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 of 2007 for both first interim dividend paid and the second interim divided declared. A solvency certificate was obtained from the Auditors in respect of the first interim dividend paid and one has been sought in respect of the second interim dividend declared.

The External Auditors, Messrs Ernst & Young, are deemed reappointed 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 45 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 have been paid or where relevant, provided for.

By Order of the Board,

Hayleys Group Services (Pvt) Ltd.
Secretaries

16th May 2017

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee of Hayleys PLC the parent company, functions as the Committee of the Company 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.

Composition of the Committee

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

The Committee comprises the Following members:
Dr. H. Cabral, PC** – Chairman
Mr. M.Y.A. Perera** – (Appointed w e f. 12th September 2016)
Mr. S. C. Ganegoda *
Mr. M. D. S. Goonatilleke **-(Resigned w.e.f. 12th May 2016)

*** Independent Non-Executive*
**Executive*

Attendance

Committee met – Four times in the Financial Year 2016/17

Meetings held on 18th May 2016, 5th August 2016, 4th November 2016 and 9th February 2017.

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M.Y.A. Perera	2/2
Mr. S.C. Ganegoda	3/4

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 substantial assets of the related party transactions.

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.

Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review Committee of Hayleys PLC
17th May 2017

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 independent oversight of the Group's financial and internal control systems and providing assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving financial reporting and internal controls the Company. It was constituted in 2007 and comprises of 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 32.

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. Sujeewa Rajapakse (Chairman)	Independent Non-Executive	4/4
Mr. Arjun Senaratna	Independent Non-Executive	4/4
Dr. Sarath Abayawardana	Independent Non-Executive	3/4

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

A brief profile of each member is given on pages 22 and 23 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 (SLFRSs and LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka. The Company has in place internal control and risk management systems in relation to financial reporting process for preparation of Financial Statements. 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 processes covering production, procurement and sales 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

During the year, the Committee reviewed the external audit strategy. The Audit Committee discussed the audit plan and the scope of the external audit with Messrs Ernst & Young. The Interim Issues Memoranda, Audit Results Report and the Management Letters issued by the External Auditors with regard to the Financial Statements are circulated and reviewed at the Audit Committee.

The Committee reviews annually the appointment of the External Auditor and makes recommendations to the Board accordingly. 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.

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

Conclusion

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

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

S. Rajapakse
Chairman
Audit Committee

12th May 2017

Financial Calendar 2016/17

Interim Reports

Quarter ended 30th June 2016	2nd August 2016
Quarter ended 30th September 2016	1st November 2016
Quarter ended 31st December 2016	8th February 2017
Quarter ended 31st March 2017	16th May 2017

1st Interim Dividend Paid	*25th April 2017*
Annual Report	*30th May 2017*
Forty-Fourth Annual General Meeting	*27th June 2017*
2nd interim dividend declared	*16th May 2017*
2nd interim dividend payable	*5th June 2017*

Financial Statements

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT 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 2017, and the income statement and statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 controls 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 2017, 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, 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 31 March 2017, 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.

16 May 2017
Colombo

Income Statement

For the year ended 31st March	Notes	Consolidated		Company	
		Audited 2017 Rs. '000	Audited 2016 Rs. '000	**Audited 2017 Rs. '000**	Audited 2016 Rs. '000
Revenue	5	**13,553,576**	11,705,825	**5,384,273**	4,281,408
Cost of sales		**(10,390,116)**	(8,749,792)	**(4,183,282)**	(3,527,194)
Gross profit		**3,163,460**	2,956,033	**1,200,991**	754,214
Other operating income	6	**245,624**	54,368	**536,535**	456,897
Selling and distribution expenses		**(159,370)**	(144,884)	**(36,879)**	(39,116)
Administrative expenses		**(1,881,444)**	(1,649,139)	**(783,658)**	(677,947)
Results from operating activities		**1,368,270**	1,216,378	**916,989**	494,048
Finance income	7.1	**124,117**	203,311	**136,123**	129,705
Finance cost	7.2	**(331,929)**	(339,631)	**(190,325)**	(178,038)
Net Finance cost		**(207,812)**	(136,320)	**(54,202)**	(48,333)
Share of profit of equity accounted investees (net of tax)	14.a	**29,077**	39,020	**–**	–
Profit before income tax	8	**1,189,535**	1,119,078	**862,787**	445,715
Income tax expense	9	**(249,735)**	(220,910)	**(43,637)**	(28,119)
Profit for the year		**939,800**	898,168	**819,150**	417,596
Attributable to:					
Equity holders of the Company		**804,364**	681,218	**819,150**	417,596
Non-controlling interest		**135,436**	216,950	**–**	–
Profit for the year		**939,800**	898,168	**819,150**	417,596
Earnings per share					
Basic earnings per share (Rs.)	10	**27.07**	22.93	**27.57**	14.05
Dividend per share (Rs.)	11	**6.00**	6.00	**6.00**	6.00

The Notes to the Financial Statements on pages 53 to 108 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Comprehensive Income

For the year ended 31st March	Notes	Consolidated Audited 2017 Rs. '000	Consolidated Audited 2016 Rs. '000	Company Audited 2017 Rs. '000	Company Audited 2016 Rs. '000
Profit for the year		**939,800**	898,168	**819,150**	417,596
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net exchange differences on translation of foreign entities		**144,277**	111,885	**–**	–
Net gain/(loss) on available-for-sale financial assets	19	**12,206**	(264,468)	**12,206**	(264,468)
Other Comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains and (losses) on defined benefit plans	25	**(39,547)**	(20,782)	**(33,502)**	(29,344)
Revaluation of land	12	**152,667**	–	**101,902**	–
Tax effect on other comprehensive income adjustments		**4,046**	3,521	**4,020**	3,521
Movement in reserve in equity accounted investee	14.a	**11,581**	(40,661)	**–**	–
Other comprehensive income (loss) for the year (net of tax)		**285,230**	(210,505)	**84,626**	(290,291)
Total comprehensive income for the year (net of tax)		**1,225,030**	687,663	**903,776**	127,305
Attributable to:					
Equity holders of the parent		**1,036,167**	455,953	**903,776**	127,305
Non-controlling interest		**188,863**	231,710	**–**	–
		1,225,030	687,663	**903,776**	127,305

The Notes to the Financial Statements on pages 53 to 108 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Notes	Consolidated Audited 2017 Rs. '000	Consolidated Audited 2016 Rs. '000	Company Audited 2017 Rs. '000	Company Audited 2016 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	12	**5,100,579**	4,357,544	**1,769,256**	1,283,054
Intangible assets	13	**279,201**	263,598	**28,961**	26,793
Investments in subsidiaries	16	**–**	–	**1,486,895**	1,486,895
Investment in equity accounted investees	14	**489,528**	459,511	**92,903**	92,903
Non-current receivables from subsidiaries	15.c	**–**	–	**122,386**	97,386
Other non-current financial assets	19	**346,546**	330,415	**309,714**	297,509
Deferred tax assets	26	**16,930**	14,005	**–**	–
Total non-current assets		**6,232,784**	5,425,073	**3,810,115**	3,284,540
Current assets					
Inventories	17	**3,476,290**	3,525,543	**1,168,900**	1,304,833
Trade and other receivables	18	**2,921,321**	2,789,880	**1,187,417**	1,135,185
Amounts due from subsidiaries	15.c	**–**	–	**1,104,469**	715,115
Amounts due from other related parties	15.d	**12,911**	32,452	**–**	–
Amounts due from equity accounted investees	15.e	**9,673**	3,353	**4,042**	7
Other current assets	20	**319,643**	337,849	**86,300**	78,362
Cash in hand and at bank	21	**1,262,863**	515,908	**68,501**	99,976
Total current assets		**8,002,701**	7,204,985	**3,619,629**	3,333,478
Total assets		**14,235,485**	12,630,058	**7,429,744**	6,618,018
Equity and liabilities					
Equity					
Stated capital	22	**331,774**	331,774	**331,774**	331,774
Capital reserves	23.1	**717,597**	570,848	**411,155**	309,253
Revenue reserves	23.2	**5,696,455**	5,013,363	**3,669,321**	3,073,773
Equity attributable to equity holders of the company		**6,745,826**	5,915,985	**4,412,250**	3,714,800
Non-controlling interests		**776,762**	710,435	**–**	–
Total equity		**7,522,588**	6,626,420	**4,412,250**	3,714,800
Non-current liabilities					
Interest-bearing loans and borrowings	24	**437,580**	394,381	**206,178**	228,755
Retirement benefit obligations	25	**365,672**	289,052	**306,231**	249,467
Deferred tax liabilities	26	**101,633**	76,126	**37,909**	33,944
Total non-current liabilities		**904,885**	759,559	**550,318**	512,166
Current liabilities					
Trade and other payables	27	**1,720,147**	1,243,251	**345,849**	219,213
Interest-bearing loans and borrowings	24	**2,610,893**	2,779,869	**1,769,004**	1,908,163
Other current liabilities	28	**202,733**	233,952	**8,201**	122,755
Amounts due to subsidiaries	15	**–**	–	**274,502**	96,922
Amounts due to other related parties	15	**1,179,017**	917,261	**63,088**	43,999
Income tax payable		**95,222**	69,746	**6,532**	–
Total current liabilities		**5,808,012**	5,244,079	**2,467,176**	2,391,052
Total liabilities		**6,712,897**	6,003,638	**3,017,494**	2,903,218
Total equity and liabilities		**14,235,485**	12,630,058	**7,429,744**	6,618,018

I certify that the Financial Statements set out on pages 46 to 108 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 53 to 108 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
16th May 2017

Rajitha Kariyawasan
Managing Director
16th May 2017

Statement of Changes in Equity

Consolidated

	Attributable to equity holders of the parent								
			Other Reserves						
	Stated capital Rs. '000	Capital reserves 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 31st March 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
Movement in reserves of equity accounted investee	–	–	–	–	–	(40,661)	(40,661)	–	(40,661)
Net change in fair value of available-for-sale financial assets	–	–	(264,468)	–	–	–	(264,468)	–	(264,468)
Other comprehensive income for the period	–	–	(264,468)	101,431	–	(62,228)	(225,265)	14,760	(210,505)
Dividends	–	–	–	–	–	(178,274)	(178,274)	(111,999)	(290,273)
Balance as at 31st March 2016	**331,774**	**570,848**	**256,848**	**319,111**	**519,353**	**3,918,051**	**5,915,985**	**710,435**	**6,626,420**
Profit for the period	–	–	–	–	–	804,364	804,364	135,436	939,800
Translation of foreign entities	–	–	–	94,493		–	94,493	49,784	144,277
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	–	(37,272)	(37,272)	(2,275)	(39,547)
Income tax on other comprehensive income	–	–	–	–	–	4,046	4,046	–	4,046
Movement in reserves of equity accounted investee	–	–	–	–	–	11,581	11,581	–	11,581
Net gain/(loss) on available-for-sale financial assets	–	–	12,206	–	–	–	12,206	–	12,206
Other comprehensive income for the period	–	–	12,206	94,493	–	(21,645)	85,054	47,509	132,563
Revaluation during the year	–	146,749	–	–	–	–	146,749	5,918	152,667
Dividends	–	–	–	–	–	(207,986)	(207,986)	(122,536)	(330,522)
Unclaimed dividend – write-back	–	–	–	–	–	1,660	1,660	–	1,660
Balance as at 31st March 2017	**331,774**	**717,597**	**269,054**	**413,604**	**519,353**	**4,494,444**	**6,745,826**	**776,762**	**7,522,588**

Statement of Changes in Equity

Company

	Stated capital Rs. '000	Capital reserves Rs. '000	General reserve Rs. '000	Available-for-sale reserve Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 31st March 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 on available-for-sale financial asset	–	–	–	(264,468)	–	(264,468)
Other comprehensive income for the period	–	–	–	(264,468)	(25,823)	(290,291)
Dividends	–	–	–	–	(178,274)	(178,274)
Balance as at 31st March 2016	331,774	309,253	519,353	256,848	2,297,572	3,714,800
Profit for the year	–	–	–	–	819,150	819,150
Revaluation during the year	–	101,902	–	–	–	101,902
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	(33,502)	(33,502)
Income tax on other comprehensive income	–	–	–	–	4,020	4,020
Net gain/(loss) on available-for-sale financial assets	–	–	–	12,206	–	12,206
Other comprehensive income for the period	–	101,902	–	12,206	(29,482)	84,626
Dividends	–	–	–	–	(207,986)	(207,986)
Unclaimed dividend – write-back	–	–	–	–	1,660	1,660
Balance as at 31st March 2017	331,774	411,155	519,353	269,054	2,880,914	4,412,250

The Notes to the Financial Statements on pages 53 to 108 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31st March	Notes	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Operating activities					
Profit before tax		**1,189,535**	1,119,078	**862,787**	445,715
Adjustments for:					
Depreciation and impairment of property, plant and equipment	**12**	**364,074**	314,678	**105,829**	84,987
Amortisation and impairment of intangible assets	**13**	**33,470**	20,020	**15,616**	16,397
Revaluation loss/(Gain) charged to income statement	**6**	**(2,260)**	–	**–**	–
Gain on disposal of property, plant and equipment	**6**	**(2,567)**	(12,073)	**(1,328)**	(15,950)
(Gain)/loss on translation of foreign currencies		**30,265**	50,122	**(7,398)**	12,435
Exchange difference on translation of foreign entities		**29,274**	55,152	**–**	–
Finance income	**7.1**	**(124,117)**	(203,311)	**(136,123)**	(129,705)
Finance costs	**7.2**	**331,929**	339,631	**190,325**	178,038
Dividend income – subsidiaries		**–**	–	**(369,517)**	(286,323)
Share of profit of equity accounted investees	**14.a**	**(29,077)**	(39,020)	**–**	–
Provision for slow moving inventory	**17**	**6,096**	14,116	**3,052**	12,220
Provision for unrealised profit on inventories	**17**	**22,411**	43,480	**–**	–
Provision/(reversal) for bad and doubtful debts		**10,890**	21,816	**–**	–
Provision for post employee benefit obligations	**25**	**48,048**	33,277	**35,673**	27,185
Cash generated from operations before working capital changes		**1,907,970**	1,756,966	**698,916**	344,999
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		**(124,125)**	(1,045,804)	**(70,852)**	(204,650)
(Increase)/decrease in amounts receivable from related parties		**13,221**	11,198	**(418,389)**	(156,110)
(Increase)/decrease in inventories		**20,746**	(560,559)	**132,881**	(55,440)
Increase/(decrease) in trade and other payabales		**445,677**	597,705	**12,082**	7,824
Increase/(decrease) in amounts due to related parties		**225,416**	(47,323)	**160,329**	32,999
		2,488,905	712,184	**514,967**	(30,378)
Interest paid		**(201,345)**	(154,246)	**(73,439)**	(55,525)
Income tax paid		**(196,096)**	(248,712)	**(18,437)**	(52,011)
Employee benefit paid	**25**	**(12,680)**	(22,632)	**(12,411)**	(21,770)
Net cash flows from operating activities		**2,078,784**	286,595	**410,680**	(159,684)

For the year ended 31st March	Notes	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Investing activities					
Proceeds from sale of property, plant and equipment		**9,310**	20,918	**4,652**	18,172
Purchase of property, plant and equipment		**(847,996)**	(594,879)	**(493,451)**	(195,326)
Investment in subsidiary Shares		**–**	–	**–**	(145,130)
Purchase/Construction of asset available-for-sale		**(3,917)**	(32,735)	**–**	–
Acquisition of intangible assets	**13**	**(44,999)**	(22,715)	**(17,784)**	–
Interest received		**3,926**	3,435	**43,927**	18,697
Dividend received from equity accounted investee, net of tax		**9,107**	186	**8,137**	186
Other dividends received		**8,212**	16,276	**369,592**	302,412
Net cash flows used in investing activities		**(866,357)**	(609,515)	**(84,927)**	(989)
Net cash inflow/(outflow) before financing activities		**1,212,427**	(322,920)	**325,753**	(160,673)
Financing activities					
Proceeds from borrowings	**24**	**523,322**	251,031	**218,835**	72,345
Repayment of borrowings	**24**	**(460,600)**	(326,697)	**(256,919)**	(211,656)
Dividends paid to equity holders of the parent		**(169,986)**	(178,274)	**(169,986)**	(178,274)
Dividends paid to non-controlling interests		**(122,536)**	(111,999)	**–**	–
Net cash flows from/(used in) financing activities		**(229,800)**	(365,939)	**(208,070)**	(317,585)
Net increase/(decrease) in cash and cash equivalents		**982,627**	(688,859)	**117,683**	(478,258)
Cash and cash equivalents at the beginning of period		**(1,900,679)**	(1,211,820)	**(1,563,334)**	(1,085,076)
Cash and cash equivalents at the end of period		**(918,052)**	(1,900,679)	**(1,445,651)**	(1,563,334)
Analysis of cash and cash equivalents as at 31st March	**21**				
Bank and cash balances		**1,211,194**	472,926	**66,095**	97,570
Short-term deposits		**51,669**	42,982	**2,406**	2,406
		1,262,863	515,908	**68,501**	99,976
Bank overdrafts & short-term loans		**(2,180,915)**	(2,416,587)	**(1,514,152)**	(1,663,310)
Cash and cash equivalents		**(918,052)**	(1,900,679)	**(1,445,651)**	(1,563,334)

The Notes to the Financial Statements on pages 53 to 108 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Notes to the Consolidated Financial Statements

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 114 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 2017 encompasses the Company, its Subsidiaries (together referred to as the "Group") 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 operations and principal activities of the Company, its Subsidiaries and Equity Accounted Investees are given on pages 114 and 115 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 37 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 (collectively, the Group) for the year ended 31st March 2017 were authorised for issue by the Directors on 16th May 2017.

1.5 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

2.2 Basis of Measurement

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

- Lands which are recognised as property, plant and equipment, which are measured at cost at the time of the acquisition and subsequently 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. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 36 to the Financial Statements.

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.

2.5 Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

3. BASIS OF CONSOLIDATION

Subsidiaries and Equity accounted investees are disclosed in Notes 14 and 16 to the Financial Statements.

3.1 Subsidiaries

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

3.1.1 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measures the non-controlling interest in the acquire 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 that the Group incurs in connection with a 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 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 the Income Statement or 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 of the 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 Income Statement.

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

3.1.2 Non-Controlling Interests

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

3.1.3 Equity Accounted Investees (Investment in Associates and Joint ventures)

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 venture 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 separately.

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.

3.1.4 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.

3.1.5 Foreign Currency

3.1.5.1 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 transaction.

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).

3.1.5.2 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 of foreign operations, including goodwill and fair value adjustments arising on the acquisition 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 the 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.

3.1.6 Consolidation of Subsidiaries with Different Accounting Periods

The Financial Statements of all subsidiaries in the Group other than those mentioned in Note 37 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.

3.1.7 Current versus Non-Current Classification

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

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

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

3.1.8 Fair Value Measurement

The Group measures financial instruments such as derivatives, non-financial assets such as land, at fair value at each reporting 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 following notes:

- Disclosures for valuation methods, significant estimates and assumptions — Note 19
- Property (land) under revaluation model — Note 12

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 at fair value 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.

3.2 Assets and Bases of Their Valuation

3.2.1 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 use in the provision of the services or for administration purpose and are expected to be used for more than one year.

3.2.1.1 Basis of Recognition

Property, plant and equipment 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.

3.2.1.2 Basis of Measurement

Items of property, plant and equipment including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value.

3.2.1.3 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 includes the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

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

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

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Income Statement, 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.

3.2.1.4 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 as incurred.

3.2.1.5 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.

3.2.1.6 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:

Buildings	20 – 50 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.

3.2.1.7 Leased Assets

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

3.2.1.8 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.

3.2.1.9 Group as a Lessor for Operating Leases

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

3.2.2 Intangible Assets

3.2.2.1 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.

3.2.2.2 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.

3.2.2.3 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 useful 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.

3.2.2.4 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 de-recognition 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.

3.2.2.5 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 if there are indicators of impairment.

3.2.2.6 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.

3.2.2.7 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 Income Statement as incurred.

3.2.2.8 Amortisation

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

Softwares	– 5-10 years
Product developments	– 5 years

3.3 Financial Instruments

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

3.3.1 Financial Assets

3.3.1.1 Initial Recognition and Measurement

Financial assets 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, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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.

3.3.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Financial Assets at Fair Value Through Profit or Loss

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

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

Loans and Receivables

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

Held-to-Maturity Investments

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

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

Available-for-Sale Financial Assets

Available-for-sale financial assets 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 assets 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 if the management has the ability and intention to hold these assets for the foreseeable future or until maturity.

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.

3.3.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired

Or

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

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

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

3.3.1.4 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. An impairment exists is one or more events that has occurred since the initial recognition of the asset (an incurred '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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.3.1.4.1 Financial Assets Carried at Amortised Aost

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.

The amount of any impairment loss identified 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 the Income Statement.

3.3.1.4.2 Available-for-Sale Financial Assets

For available-for-sale financial assets, 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 judgement. In making this judgement, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

3.3.2 Financial Liabilities

3.3.2.1 Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, 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.

3.3.2.2 Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category 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 or loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

Loans and Borrowings

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

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

Financial Guarantee Contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. 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.

3.3.2.3 Derecognition

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

3.3.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

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

3.3.4 Derivative Financial Instruments

3.3.4.1 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.

3.3.5 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 19 to the Financial Statements.

3.3.6 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.

3.3.7 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 Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such 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.

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.

3.3.8 Cash and Cash Equivalents

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

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

3.4 Liabilities and Provisions

3.4.1 Employee Benefits

3.4.1.1 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.

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

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The liability is not externally funded. For companies based in Sri Lanka, this liability is computed on the following basis:

Length of each service (Years)	No. of month's salary for 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 1/4
Over 35	1 ½

For subsidiaries overseas, the legal liability is computed in accordance with legislation applicable in respective countries.

3.4.2 Recognition of Actuarial Gains or Losses

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

3.4.3 Short-Term Benefits

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

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

3.4.5 Capital Commitments and Contingencies
Capital commitments and contingent liabilities of the Group are disclosed in the Note 31 to the Financial Statements.

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

3.5 Income Statement
For the purpose of presentation of the Income Statement, the function of expenses method is adopted.

3.5.1 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 received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

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 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
Rental income is recognised in Income Statement as it accrues.

Dividend Income
Dividend income is recognised in Income Statement 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 Income Statement 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 or loss on a systematic basis over the useful life of the asset.

Gains and Losses

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 income' in Income Statement.

Other Income

Other income is recognised on an accrual basis.

3.5.2 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 Income Statement in the year in which the expenditure is incurred.

3.5.2.1 Operating Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.5.2.2 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.

3.5.2.3 Finance Income and Finance Cost

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 cost 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.

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.

3.5.3 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.

3.5.3.1 Current Tax

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

Current tax relating to items 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.

3.5.3.2 Deferred Tax

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

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

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

- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint 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 on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

3.5.3.3 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. 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.

3.6 General

3.6.1 Events Occurring After the Reporting Date

All material post-reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.6.2 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.

3.6.3 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. Dividend and interest income are classified as cash flows from investing activities. Dividends paid are classified as financing cash flows.

3.6.4 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 Chairman 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 Chairman 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes.

4.1 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.

4.2 Measurement of the Recoverable Amount of Cash-Generating Units Containing Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.3.7. The basis of determining the recoverable amounts of cash-generating units and key assumptions used are given in Note 13 to the Financial Statements.

4.3 Taxation

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 consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement 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.

4.4 Measurement of the Employee Benefit Obligations

The present value of the employee 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 25 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

4. 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 Notes 12 and 13 to the Financial Statements.

4.6 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 12 to the Financial Statements.

4.7 Consolidation of Entities with the Group Holds 50% of the Voting Rights

Group holds 50% of the issued share capital of Carbokarn Co. Ltd. (CK) Thailand which in turn is the Parent Company of two fully-owned subsidiaries; CK Regen Systems Co. Ltd. and Shizuka Co. Ltd. Although the Group 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 arrangement.

4.8 Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Financial Statements are disclosed below. The Group intends to adopt these standards, if applicable, 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.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st January 2018. The Group plans to adopt the standard on the above effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of SLFRS 15 which is subject to changes from a more detailed analysis.

The Group's primary business include:

- Purification sector which manufacture and export standard and value added coconut shell based carbon.
- Environmental Engineering sector which is in the business of providing effluent and sewerage water treatment solutions.

The preliminary assessment involving the review of the existing contracts for inclusion of variable considerations, loyalty points or warranty obligations did not reveal the existence of any such arrangements. We have not identified any conditions or circumstances that would indicate the likelihood of a major impact on the revenue recognised on the Income Statement following the implementation of SLFRS 15. However, the assessment process is ongoing to evaluate and quantify the impact on the current revenue model on a comprehensive basis. The current systems and processes will be modified as required on completion of the evaluation process.

SLFRS 16 – Leases

SLFRS 16 provides a single lessee accounting model, requiring leasses to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 – 'Leases', IFRIC – 4 'Determining' whether an Arrangement Contains a Lease, SIC 15 – 'Operating Leases', Incentives and SIC 27 – 'Evaluating the Substance of Transactions Involving the Legal form of a Lease'. Earlier application is permitted for entities that apply SLFRS 15 – 'Revenue' from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1st January 2019.

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

- Amendments to SLFRS 10 and LKAS 28 – 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- LKAS 7 – 'Disclosure Initiative' – Amendments to LKAS 7.
- LKAS 12 – 'Recognition of Deferred Tax Assets for Unrealised Losses' – Amendments to LKAS 12.
- SLFRS 2 – 'Classification and Measurement of Share-based Payment Transactions' – Amendments to SLFRS 2.
- Applying SLFRS 9 – 'Financial Instruments' with SLFRS 4 – 'Insurance Contracts' – Amendments to SLFRS 4.

5. REVENUE

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Sale of goods				
Haycarb PLC	**5,384,273**	4,281,408	**5,384,273**	4,281,408
Subsidiaries	**12,703,601**	11,464,890	**–**	–
	18,087,874	15,746,298	**5,384,273**	4,281,408
Intra-group sales	**(4,534,298)**	(4,040,473)	**–**	–
	13,553,576	11,705,825	**5,384,273**	4,281,408

6. OTHER OPERATING INCOME

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Government grants	**3,741**	3,941	**–**	–
Net gain on disposal of property, plant and equipment	**2,567**	12,073	**1,328**	15,950
Claim settlement under trade agreement	**191,798**	–	**–**	–
Fees for marketing services	**93**	1,659	**40,434**	29,123
Sundry income	**38,045**	35,375	**15,065**	4,336
Reversal of impairment loss on property, plant and equipment	**2,260**	–	**–**	–
Rental income	**–**	–	**8,032**	8,032
Income from technical consultations	**7,120**	1,320	**102,159**	113,133
Dividend income – subsidiaries	**–**	–	**369,517**	286,323
	245,624	54,368	**536,535**	456,897

7. NET FINANCE COST

7.1 Finance Income

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Dividend income – quoted	**8,138**	16,276	**8,138**	16,275
– unquoted	**74**	–	**74**	–
Interest income on loans and receivables	**3,926**	3,435	**43,927**	18,697
Gain on translation of foreign currency	**111,979**	183,600	**83,984**	94,733
Total finance income	**124,117**	203,311	**136,123**	129,705

7.2 Finance Cost

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Interest cost – Short-term borrowings	**132,008**	86,265	**54,439**	29,458
– Long-term borrowings	**69,337**	67,981	**19,000**	26,066
Loss on translation of foreign currency	**130,584**	185,385	**116,886**	122,514
Total finance cost	**331,929**	339,631	**190,325**	178,038
Net finance cost	**(207,812)**	(136,320)	**(54,202)**	(48,333)

8. PROFIT BEFORE INCOME TAX

(A)

For the year ended 31st March	Group	
	2017 Rs. '000	2016 Rs. '000
Haycarb PLC	**862,787**	445,715
Subsidiaries	**694,069**	966,405
Equity accounted investees	**29,077**	39,020
	1,585,933	1,451,140
Unrealised profit on intra-group sales	**(22,410)**	(43,479)
Intra-group adjustments	**(373,988)**	(288,583)
	1,189,535	1,119,078

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

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Depreciation on property, plant and equipment	**364,073**	314,678	**105,829**	84,987
Directors' emoluments including Non-Executive Directors' consultation fees	**155,240**	106,204	**120,330**	70,457
Auditor's remuneration (fees and expenses)				
Ernst & Young	**2,637**	2,546	**1,594**	1,529
Others	**8,043**	6,136	**–**	–
Fees paid to Auditors for non-audit work				
Ernst & Young	**2,097**	1,880	**1,496**	1,049
Others	**1,123**	1,191	**–**	–
Donations	**5,016**	4,063	**1,720**	1,396
Provision for slow moving inventories	**6,096**	14,116	**3,052**	12,220
Provision of unrealised profits in inventories	**22,411**	43,480	**–**	–
Provision/(reversal) for bad and doubtful debts	**10,890**	21,816	**–**	–
Staff training and development	**3,144**	3,188	**1,286**	2,138
Legal/litigation fees	**2,656**	3,396	**448**	147
Staff costs (Note 8.1)	**1,411,737**	1,222,671	**593,246**	514,982

8.1 Staff Costs

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Defined contribution plan cost	**101,594**	85,901	**81,229**	64,139
Defined benefit plan cost	**48,048**	33,277	**35,673**	27,185
Salaries, bonus and other staff costs	**1,262,095**	1,103,493	**476,344**	423,658
	1,411,737	1,222,671	**593,246**	514,982
Number of employees at year end	**1,321**	1,210	**743**	693

9. 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 16 C in respect of manufacturing of activated carbon commencing from the financial year 2013/14.

Shizuka Co. Ltd., is entitled for eight 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 exempted from tax.

(B) Income Tax Expense

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Sri Lanka taxes				
Haycarb PLC	**46,335**	–	**46,335**	–
Subsidiaries	**49,018**	30,192	**–**	–
	95,353	30,192	**46,335**	–
Overseas taxes				
Subsidiaries	**107,862**	132,426	**–**	–
	203,215	162,618	**46,335**	–
Under/(over) provision in respect of previous years				
Haycarb PLC	**(10,683)**	4,504	**(10,683)**	4,504
Subsidiaries	**2,772**	526	**–**	–
	(7,911)	5,030	**(10,683)**	4,504
Deferred taxation				
Haycarb PLC	**3,965**	17,344	**3,965**	17,344
Subsidiaries	**18,618**	10,808	**–**	–
	22,583	28,152	**3,965**	17,344
Tax on actuarial gains/(losses)	**4,046**	3,521	**4,020**	3,521
Tax on dividend income	**27,802**	21,589	**–**	2,750
	249,735	220,910	**43,637**	28,119

(C) Tax Reconciliation Statement

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Profit before tax	**1,189,535**	1,119,078	**862,787**	445,715
Share of profit of equity accounted investees	**29,077**	39,020	**–**	–
Consolidation adjustments	**396,398**	327,542	**–**	–
	1,615,010	1,485,640	**862,787**	445,715
Tax exempt income	**(587,116)**	(611,451)	**(385,308)**	(342,220)
Disallowable expenses	**657,520**	367,308	**241,553**	182,983
Allowable expenses	**(484,638)**	(517,516)	**(332,904)**	(286,478)
Tax losses brought forward	**(267,537)**	(205,593)	**–**	–
Tax losses carried forward	**175,621**	267,537	**–**	–
Taxable profit	**1,108,860**	785,925	**386,128**	–
Tax @ 12%	**53,405**	8,625	**46,335**	–
Tax @ 28%	**28,808**	11,866	**–**	–
Tax at other rates	**121,002**	142,127	**–**	–
	203,215	162,618	**46,335**	–
Under/(over) provision in previous year	**(7,910)**	5,030	**(10,682)**	4,504
Deferred tax charge/(credit)	**26,628**	31,674	**7,984**	20,865
Tax on dividend income	**27,802**	21,589	**–**	2,750
Tax expense for the year	**249,735**	220,910	**43,637**	28,119

10. EARNINGS PER SHARE/NET ASSET

10.1 Earnings per Share

The calculation of basic earning 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		Company	
	2017	2016	**2017**	2016
Profit attributable to ordinary shareholders (Rs.'000)	**804,364**	681,218	**819,150**	417,596
Weighted average number of ordinary shares *	**29,712,375**	29,712,375	**29,712,375**	29,712,375
Basic earnings per ordinary share (Rs.)	**27.07**	22.93	**27.57**	14.05

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

10.2 Net Assets per Share

For the year ended 31st March	Group		Company	
	2017	2016	**2017**	2016
Net assets attributable to ordinary shareholders (Rs.'000)	**6,745,826**	5,915,985	**4,412,250**	3,714,800
Number of ordinary shares	**29,712,375**	29,712,375	**29,712,375**	29,712,375
Net assets per share (Rs.)	**227.04**	199.11	**148.50**	125.03

11. DIVIDEND PER SHARE

For the year ended 31st March	**2017 Rs. '000**	2016 Rs. '000
Interim dividend – Rs. 3/- (2015/16 – Rs. 2/- per share)	**89,137**	59,425
2nd interim dividend – Rs. 3/-	**89,137**	–
Final dividend (2015/16 – Rs. 4/- per share)	**–**	118,849
	178,274	178,274
Dividend per ordinary share – Rs.	**6.00**	6.00
Dividend payout ratio	**22%**	26%

The Directors have declared a Rs. 3/- per share 2nd interim dividend for the year ended 31st March 2017. In compliance with Sri Lanka Accounting Standard LKAS 10 – 'Events after the Reporting Period' the second interim dividend declared is not recognised as a liability in the Financial Statements as at 31st March 2017.

12 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 1st April 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)
Effect of movement in exchange rate	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
Additions	122,443	105,692	423,581	29,333	25,196	5,830	712,075
Disposals	–	–	(16,748)	(6,381)	(7,453)	–	(30,582)
Revaluations	154,926	–	–	–	–	–	154,926
Transfer	–	–	–	–	–	(4,282)	(4,282)
Effect of movement in exchange rate	13,293	45,283	145,872	3,888	3,109		211,445
At 31st March 2017	1,019,651	1,348,985	4,705,342	170,034	147,881	66,798	7,458,690
Depreciation and impairment							
At 1st April 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)
Effect of movement in exchange rate	–	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
Depreciation charge for the year	–	37,822	286,475	22,883	13,236	3,658	364,074
Disposals	–	–	(11,220)	(5,578)	(7,041)	–	(23,839)
Transfer	–	–	–	–	–	(208)	(208)
Effect of movement in exchange rate	–	16,792	75,767	2,216	1,667	–	96,442
At 31st March 2017	–	296,322	2,345,194	60,281	81,121	57,412	2,840,329
Capital work-in-progress							
At 31st March 2017							507,760
At 31st March 2016							371,839
Impairment Provision							
At 31st March 2017	–	–	(25,543)	–	–	–	(25,543)
At 31st March 2016	–	–	(25,543)	–	–	–	(25,543)
Net book value							
At 31st March 2017	1,019,651	1,052,663	2,344,605	109,753	66,760	9,387	5,100,579
At 31st March 2016	728,989	956,301	2,132,922	102,434	53,770	11,288	4,357,544

(a) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2017 amounted to Rs. 1,212,650,000/- (2016 – Rs. 1,092,481,241/-).

(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 all land situated in Sri Lanka, Indonesia and Thailand owned by the Group companies by independent professional valuers as at 31st March 2017.

The lands have been revalued on the basis of current market values and there are no tax implications or tax liabilities due to revaluation of land. The Group's share of the revaluation surplus amounting to Rs. 154,926,000/- has been dealt with as follows:

Rs. 152,667,000/- to the credit of the revaluation reserve and Rs. 2,259,500/- to the profit and loss account.

(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 amounts:

Company	Location	Last revaluation date	Land extent	Unobservable input per perch Avg. Rs.	Carrying value as at 31st March 2017 freehold land Rs. '000	Cost as at 31st March 2017
Haycarb PLC	Madampe Factory – Madampe	31st March 2017	30A – 1R – 03.85P	33,085	160,262	77,985
	Badalgama Factory – Badalgama	31st March 2017	23A – 2R – 18.36P	41,552	157,000	70,571
	Wewalduwa Stores – Wewalduwa	31st March 2017	2A – 1R – 32.04P	568,819	223,000	4,309
					540,262	152,865
Recogen (Pvt) Ltd.	Badalgama Factory – Badalgama	31st March 2017	10A – 3R – 15P	45,000	78,000	11,465
Carbokarn Co. Ltd.	Chonburi Province – Thailand	31st March 2017	15A – 2R – 22P	56,562	141,519	88,195
Shizuka Co. Ltd.	Ratchburi Province – Thailand	31st March 2017	24A – 2R – 19P	23,852	93,953	63,903
PT Mapalus Makawanua Charcoal Industry	Bitung City – Indonesia	31st March 2017	8A – 3R – 28P	73,505	104,965	37,083
PT Haycarb Palu Mitra	Palu City – Indonesia	31st March 2017	6A – 3R – 37.5p	33,935	64,678	53,054
					1,023,377	406,565

Significant increases (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value on linear basis.

Fair value hierarchy – Assets measured at fair value	**2017 Rs. '000**	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value	**1,023,377**	–	–	1,023,377

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

During the Reporting period ended 31st March 2017, 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 24.d.

(B) Company

	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 1st April 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	194,838
Disposals	–	–	(15,319)	(14,374)	–	–	(29,693)
At 31st March 2016	341,620	377,233	1,006,217	63,370	50,542	55,050	1,894,032
Additions	86,680	63,461	235,954	19,165	3,530	3,797	412,587
Revaluations	101,902	–	–	–	–	–	101,902
Disposals	–	–	(7,313)	–	–	–	(7,313)
At 31st March 2017	530,202	440,694	1,234,858	82,535	54,072	58,847	2,401,208
Depreciation and impairment							
At 1st April 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
Depreciation charge for the year		7,758	75,609	15,998	3,601	2,863	105,829
Disposals	–	–	(3,989)	–	–	–	(3,989)
At 31st March 2017	–	84,981	654,847	23,546	30,632	52,603	846,608
Capital work-in-progress							
At 31st March 2017							240,199
At 31st March 2016							159,335
Impairment Provision							
At 31st March 2017	–	–	(25,543)	–	–	–	(25,543)
At 31st March 2016	–	–	(25,543)	–	–	–	(25,543)
Net book value							
At 31st March 2017	530,202	355,713	554,468	58,989	23,440	6,244	1,769,256
At 31st March 2016	341,620	300,010	397,447	55,822	23,511	5,309	1,283,054

(A) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2017 amounted to Rs. 388,145,215/- (2016 – Rs. 381,355,269/-), which are still in use as at 31st March 2017.

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

13. 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 1st April 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
Additions	518	–	44,481	44,999	72	17,712	17,784
Transfer	4,282	–	–	4,282	–	–	–
At 31st March 2017	91,316	257,206	96,908	445,430	81,123	34,892	116,015
Amortisation and impairment							
At 1st April 2015	(56,029)	(55,164)	(1,338)	(112,531)	(55,041)	–	(55,041)
Amortisation for the year	(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)
Amortisation for the year	(12,227)	–	(21,243)	(33,470)	(10,197)	(5,419)	(15,616)
Transfer	(208)	–	–	(208)	–	–	–
At 31st March 2017	(82,542)	(55,164)	(28,523)	(166,229)	(78,199)	(8,855)	(87,054)
Net book value							
At 31st March 2017	8,774	202,042	68,385	279,201	2,924	26,037	28,961
At 31st March 2016	16,409	202,042	45,147	263,598	13,049	13,744	26,793

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 Co. Ltd., 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 16% for PT Mapalus Makawanua Charcoal Industry, 7% for Haycarb USA Inc. and 10% for Shizuka Co. Ltd.
- Margin – based on current margin and business plan.

Software

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

Production 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.

14. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

For the year ended 31st March	Group			Company	
	Holding %	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Carbotels (Pvt) Ltd. (Note 14.a)	**25.2**	**391,662**	372,799	**92,903**	92,903
Lakdiyatha (Pvt) Ltd.	**49.0**	**97,866**	86,712		
		489,528	459,511	**92,903**	92,903

14.a Movement in Equity Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Group	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Balance at the beginning of the year	**86,712**	76,360	**372,799**	384,978	**459,511**	461,338
Share of profit for the year	**12,505**	10,352	**16,572**	28,668	**29,077**	39,020
Movement in reserve	**–**	–	**11,581**	(40,661)	**11,581**	(40,661)
Dividends	**(1,351)**	–	**(9,290)**	(186)	**(10,641)**	(186)
Balance at the end of the year	**97,866**	86,712	**391,662**	372,799	**489,528**	459,511

14.b Summarised Financials

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Group	
	2017 Rs.'000	2016 Rs.'000	**2017 Rs.'000**	2016 Rs.'000	**2017 Rs.'000**	2016 Rs.'000
Balance Sheet						
Total assets	**294,082**	281,782	**1,556,335**	1,506,113	**1,850,417**	1,787,895
Total liabilities	**(94,355)**	(104,818)	**(2,121)**	(25,788)	**(96,476)**	(79,030)
Net Assets	**199,727**	176,964	**1,554,214**	1,480,325	**1,753,941**	1,708,865
Group carrying amount of the investment	**97,866**	86,712	**391,662**	372,799	**489,528**	459,511
Profit after tax	**25,520**	21,126	**65,762**	113,764	**91,282**	134,890
Group share of profit for the year	**12,505**	10,352	**16,572**	28,668	**29,077**	39,020

15. RELATED PARTY DISCLOSURES

15.a Amounts due to Subsidiaries

As at 31st March	Company	
	2017 Rs. '000	2016 Rs. '000
Ultracarb (Pvt) Ltd.	**26**	–
Recogen (Pvt) Ltd.	**53,162**	53,302
Haycarb Value Added Products (Pvt) Ltd.	**208,338**	43,620
Puritas (Pvt) Ltd.	**12,976**	–
	274,502	96,922

15.b Amounts due to Other Related Parties

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Hayleys PLC (Parent)	**89,979**	66,034	**60,375**	40,250
MIT Cargo (Pvt) Ltd.	**596**	30	**596**	22
Mountain Hawk Express (Pvt) Ltd.	**–**	386	**–**	386
Mountain Hawk (Pvt) Ltd.	**–**	1,051	**–**	1,051
Civaro Lanka (Pvt) Ltd.	**–**	488	**–**	–
Key Management Personnel – Carbokarn Co. Ltd.*	**995,564**	830,686	**–**	–
Chas P Hayley & Co. (Pvt) Ltd.	**90,612**	16,193	**223**	134
Civaro Lanka (Pvt) Ltd.	**–**	488	**–**	488
Hayleys Business Solutions (Pvt) Ltd.	**–**	359	**–**	359
Hayleys Industrial Solutions (Pvt) Ltd.	**117**	589	**–**	473
Hayleys Travels & Tours (Pvt) Ltd.	**211**	836	**–**	836
Advantis Freight (Pvt) Ltd.	**114**	–	**114**	–
Hayleys Agro Fertilizer	**1,780**	–	**1,780**	–
Hayleys Group other companies	**44**	121	**–**	–
	1,179,017	917,261	**63,088**	43,999

**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.*

15.c Amounts due from Subsidiaries

As at 31st March	Company	
	2017 Rs. '000	2016 Rs. '000
Puritas (Pvt) Ltd.	**163,124**	54,984
Haycarb Holdings Australia (Pty) Ltd.	**19,570**	–
Eurocarb Products Ltd.	**22,795**	–
Haycarb Holdings Bitung Ltd.	**122,190**	181,577
PT Mapalus Makawanua Charcoal Industry	**478,246**	327,881
Ultracarb (Pvt) Ltd.	**60,298**	73,363
Carbokarn Co. Ltd.	**63,389**	938
Haycarb Value Added Products (Pvt) Ltd.	**100,000**	36,000
PT Haycarb Palu Mitra	**197,243**	137,759
	1,226,855	812,501
Amount classified as non-current receivables	**(122,386)**	(97,386)
	1,104,469	715,115

15.d Amounts due from Other Related Parties

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Hayleys Consumer Products Ltd.	**8,424**	8,863	**–**	–
Hayleys Agriculture Holding Ltd.	**192**	1,221	**–**	–
Hayleys Global Beverages (Pvt) Ltd.	**2,269**	12,840	**–**	–
Kelani Valley Plantation PLC	**23**	8,482	**–**	–
Ravi Industries Ltd.	**–**	37	**–**	–
Hanwella Rubber Products Ltd.	**453**	–	**–**	–
Amaya Beach (Pvt) Ltd.	**19**	493	**–**	–
Chas P Hayley & Company (Pvt) Ltd.	**–**	368	**–**	–
Talawakelle Tea Estates PLC	**38**	–	**–**	–
Rocell Bathware Ltd.	**179**	–	**–**	–
Alumex PLC	**230**	–	**–**	–
Hayleys PLC	**921**	–	**–**	–
Hayleys Group Other Companies	**163**	148	**–**	–
	12,911	32,452	**–**	–

15.e Amounts due from Equity Accounted Investees

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Lakdiyatha (Pvt) Ltd.	**9,673**	3,353	**4,042**	7
	9,673	3,353	**4,042**	7

16. INVESTMENTS

A. Company Investments in Subsidiaries

As at 31st March	Company Holding %		No. of Shares		Value	
	2017	2016	**2017**	2016	**2017 Rs. '000**	2016 Rs. '000
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**	1,285,000	**168,080**	168,080
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 Aded 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**	1,586,895
Provision for fall in value for Recogen (Pvt) Ltd.					**(100,000)**	(100,000)
Company investment in subsidiaries					**1,486,895**	1,486,895

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

B. Indirect Investments in Subsidiaries

Investee As at 31st March	Effective Holding %		No. of Shares		Value	
	2017	2016	**2017**	2016	**2017 Rs. '000**	2016 Rs. '000
Unquoted investments						
PT Mapalus Makawanua Charcoal Industry	**98**	98	**36,395**	36,395	**362,574**	362,574
CK Regen Co.Ltd.	**50**	50	**75,000**	75000	**17,050**	17,050
Shizuka Co. Ltd.	**50**	50	**137,500**	137,500	**57,264**	57,264
Puricarb (Pvt) Ltd.	**100**	100	**50,000**	50,000	**6,638**	6,638

The countries of incorporation and the principal activities of the above companies are given on page 114.

17. INVENTORIES

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Raw materials and consumables	**1,198,029**	1,372,215	**596,228**	782,165
Finished/semi-finished goods	**2,385,853**	2,212,874	**603,347**	550,291
Projects in progress	**61,269**	80,808	**–**	–
	3,645,151	3,665,897	**1,199,575**	1,332,456
Provision for slow-moving items	**(38,821)**	(32,725)	**(30,675)**	(27,623)
Provision for unrealised profits	**(130,040)**	(107,629)	**–**	–
Total inventories at the lower of cost or net realisable value	**3,476,290**	3,525,543	**1,168,900**	1,304,833

18. TRADE AND OTHER RECEIVABLES

For the year ended 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Trade receivables – External customers	**2,932,465**	2,805,380	**550,246**	520,603
– Inter company	**–**	–	**626,644**	605,986
Less: Provision for bad debts	**(21,671)**	(24,096)	**–**	–
	2,910,794	2,781,284	**1,176,890**	1,126,589
Loans to employees	**10,527**	8,596	**10,527**	8,596
	2,921,321	2,789,880	**1,187,417**	1,135,185

The age analysis of trade receivables is as follows:

Group

	Total	Neither past due nor impaired	Past due but not impaired 0-60 Days	Past due but not impaired 61-120 Days	Past due but not impaired Above 120 Days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 31st March 2017	2,932,465	2,017,786	515,802	229,406	169,471
Balance as at 31st March 2016	2,805,380	2,136,389	460,611	60,655	147,725

Company

	Total	Neither past due nor impaired	Past due but not impaired 0-60 Days	Past due but not impaired 61-120 Days	Past due but not impaired Above 120 Days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 31st March 2017	550,246	543,947	6,299	–	–
Balance as at 31st March 2016	520,603	489,249	31,354	–	–

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

For the year ended 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
At the beginning of the year	**2,948**	3,470	**2,948**	3,470
Granted during the year	**1,170**	1,002	**1,170**	1,002
	4,118	4,472	**4,118**	4,472
Repaid during the year	**(943)**	(1,524)	**(943)**	(1,524)
At the end of the year	**3,175**	2,948	**3,175**	2,948
Number of loans over Rs. 20,000/-	**30**	39	**30**	39

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

See Note 32 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 Rs. 2,921,321,000/- (31st March 2016 – Rs. 2,789,880,000/-), Company Rs. 1,187,417,000/- (31st March 2016 – Rs. 1,135,185,000/-) .

19. OTHER NON-CURRENT FINANCIAL ASSETS

For the year ended 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Available-for-sale investments				
Unquoted equity shares				
Quality Seed Co. Ltd.	**490**	490	**490**	490
Barrack Gold Corporation	**180**	171	**–**	–
Quoted equity shares				
Dipped Product PLC				
Fair value of quoted equity shares at the beginning of the year	**297,019**	561,487	**297,019**	561,487
Fair value adjustment	**12,206**	(264,468)	**12,205**	(264,468)
Fair value of quoted equity shares at the end of the year	**309,225**	297,019	**309,224**	297,019
Loans and receivables				
Receivable from finance lease	**36,651**	32,735	–	–
Total other non-current financial assets	**346,546**	330,415	**309,714**	297,509

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 published price quotations in the Colombo Stock Exchange.

The management assessed that the fair value of the 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.

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

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

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

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

As at 31st March 2017, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets Measured at Fair Value

	31st March 2017 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Available-for-sale financial assets	**309,894**	309,224	–	670

During the reporting period ending 31st March 2017 there were no transfers between Level 1 and Level 2 fair value measurements.

20. OTHER CURRENT ASSETS

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Deposits, payments in advance and other debtors	**289,049**	291,138	**83,204**	68,217
Tax recoverable	**30,594**	46,711	**3,096**	10,145
	319,643	337,849	**86,300**	78,362

21. CASH IN HAND AND AT BANK

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Cash in hand	**6,065**	6,815	**4,634**	4,894
Bank Balances	**1,205,129**	466,111	**61,461**	92,676
Short-term deposits	**51,669**	42,982	**2,406**	2,406
	1,262,863	515,908	**68,501**	99,976

For the purpose of the Statement of Cash flows, cash and cash equivalents comprise the following:

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Bank and cash balances	**1,211,194**	472,926	**66,095**	97,570
Short-term deposits	**51,669**	42,982	**2,406**	2,406
Bank overdrafts and short-term loans [Note 24 (B)]	**(2,180,915)**	(2,416,587)	**(1,514,152)**	(1,663,310)
Cash and cash equivalents	**(918,052)**	(1,900,679)	**(1,445,651)**	(1,563,334)

22. STATED CAPITAL

As at 31st March	Company			
	2017		2016	
	Number	Rs. '000	Number	Rs. '000
At the beginning of the year	**29,712,375**	**331,774**	29,712,375	331,774
Issued and fully-paid – ordinary shares	**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

23. RESERVES

As at 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Capital Reserve (Note 23.1)	**717,597**	570,848	**411,155**	309,253
Revenue Reserves (Note 23.2)	**5,696,455**	5,013,363	**3,669,321**	3,073,773

23.1 Capital Reserves

	Revaluation Surplus Rs. '000	Reserve on Amalgamation Rs. '000	Legal Reserve Rs. '000	Total Rs. '000
Group				
Balance as at 31st March 2016	538,422	25,885	6,541	570,848
Revaluation surplus during the year	146,749	–	–	146,749
Balance as at 31st March 2017	685,171	25,885	6,541	717,597
Company				
Balance as at 31st March 2016	285,495	23,758	–	309,253
Revaluation surplus during the year	101,902	–	–	101,902
Balance as at 31st March 2017	387,397	23,758	–	411,155

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.

23.2 Revenue Reserves

As at 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Available-for-sale reserve	**269,054**	256,848	**269,054**	256,848
Exchange fluctuation reserve	**413,604**	319,111	**–**	–
General reserve	**519,353**	519,353	**519,353**	519,353
Income statement				
Haycarb PLC	**2,880,914**	2,297,572	**2,880,914**	2,297,572
Subsidiaries	**1,359,205**	1,396,170	**–**	–
Associates	**254,325**	224,309	**–**	–
	4,494,444	3,918,051	**2,880,914**	2,297,572
	5,696,455	5,013,363	**3,669,321**	3,073,773

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

Available-for-sale reserve related to change in fair value of available-for-sale financial assets.

24. INTEREST-BEARING LOANS AND BORROWINGS

(A) Non-Current Liabilities

As at 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	**757,663**	781,399	**473,608**	572,704
New loans obtained during the year	**523,322**	251,031	**218,835**	72,345
Effect of movements in foreign exchange	**47,173**	51,930	**25,506**	40,215
	1,328,158	1,084,360	**717,949**	685,264
Repayments during the year	**(460,600)**	(326,697)	**(256,919)**	(211,656)
At the end of the year	**867,558**	757,663	**461,030**	473,608
Transferred to current liabilities	**(429,978)**	(363,282)	**(254,852)**	(244,853)
Repayable after one year	**437,580**	394,381	**206,178**	228,755

(B) Current Liabilities

As at 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Current interest-bearing loans and borrowings				
Short-term loans	**2,046,184**	2,274,071	**1,396,788**	1,537,099
Bank overdrafts	**134,731**	142,516	**117,364**	126,211
Shot-term loans and bank overdrafts	**2,180,915**	2,416,587	**1,514,152**	1,663,310
Current portion of term loans	**429,978**	363,282	**254,852**	244,853
Total current interest-bearing loans and borrowings	**2,610,893**	2,779,869	**1,769,004**	1,908,163

(C) Analysis of Secured Term Loans by year of Repayment

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Repayable between 1-2 years from the year end	**236,182**	304,470	**89,174**	191,480
Repayable between 2-5 years from the year end	**201,398**	89,911	**117,004**	37,275
Total non-current borrowings	**437,580**	394,381	**206,178**	228,755

(D) Secured Term Loans Repayable after One Year

Company	Lender	Rate of interest	**31st March 2017 Rs. '000**	Repayment terms	**Security**
Haycarb PLC	HSBC	1 month – LIBOR + 3.15%	3,192	60 equal monthly installments commencing from May 2013	None
	HSBC	1 month – LIBOR + 3.15%	3,395	60 equal monthly installments commencing from May 2013	None
	HSBC	1 month – LIBOR + 2.75%	41,616	60 equal monthly installments commencing from March 2016	None
	HSBC	1 month – LIBOR + 2.75%	41,616	60 equal monthly installments commencing from April 2016	None
	HSBC	1 month – LIBOR + 2.75%	113,992	48 equal monthly installments commencing from June 2016 with one year grace period.	None
	Standered Chartered Bank	1 month – LIBOR + 2.5%	2,366	48 Monthly installments with one year grace period commencing July 2014	Mortgage over 40 million shares of Haycarb Value Added Products (Pvt) Ltd.
PT Mapalus Makawanua Charcoal Industry	HSBC	Fixed – 6.07%	18,576	Quarterly installments over three years commencing June 2015	Corporate Guarantee Provided by Haycarb PLC US$ 4,200,000
PT Haycarb Palu Mitra	HSBC	Fixed – 5.83%	19,038	Payable in 16 quarterly installments commencing from September 2014	Mortgage over Company land and buildings
Haycarb Holdings Australia	HSBC (AUD)	Fixed – 7.23%	4,049	Payable in 36 monthly installments commencing from August 2016	
Haycarb USA Inc	Hatton National Bank PLC	3 month LIBOR + 3.75%	75,977	Payable in 60 monthly installments commencing from September 2015	Corporate guarantee for US$ 1,750,000 from Haycarb PLC
	Hatton National Bank PLC	3 month LIBOR + 3.75%	113,761	Payable in 35 monthly installments commencing from September 2016	Corporate guarantee for USD 1,500,000 from Haycarb PLC
Total secured term loans repayable after one year			**437,580**		

All loans are obtained in USD except when specified otherwise.

Fair value of the interest-bearing loans and borrowings of the Group Rs. 3,048,473,000/- (31st March 2016 – Rs. 3,174,251,000/-) Company Rs. 1,975,182,000/- (31st March 2016 – Rs. 2,136,918,000/-).

25. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
(i) Expenses recognised in profit and loss				
Current service cost	**15,635**	11,706	**8,914**	7,445
Interest cost on benefit obligation	**32,413**	21,571	**26,759**	19,740
The total expense is recognised in administrative expenses in the income statement	**48,048**	33,277	**35,673**	27,185
(ii) Acturial gains and losses recognised directly in OCI				
Actuarial (gains)/losses	**39,547**	20,604	**33,502**	29,344
	39,547	20,604	**33,502**	29,344
(iii) Present value of unfunded gratuity				
Present value of unfunded gratuity	**365,672**	289,052	**306,231**	249,467
Unrecognised past service costs				
Total gratuity provision	**365,672**	289,052	**306,231**	249,467
(iv) Provision for retirement benfit obligations				
Defined benefit obligation at 1st April	**289,052**	257,636	**249,467**	214,708
Interest cost	**32,413**	21,571	**26,759**	19,740
Current service cost	**15,635**	11,706	**8,914**	7,445
Benefits paid	**(12,680)**	(22,632)	**(12,411)**	(21,770)
Actuarial losses/(gains) on obligation	**39,547**	20,604	**33,502**	29,344
Exchange differences	**1,705**	167	**–**	–
Defined benefit obligation at 31st March	**365,672**	289,052	**306,231**	249,467
Legal Liability	**238,784**	222,052	**187,227**	188,929

As at 31st March	**2017 %**	2016 %	**2017 %**	2016 %
Sri Lanka				
Discount rate	**12**	11	**12**	11
Salary esclation rate	**11**	10	**11**	10
Indonesia				
Discount rate	**8**	8		
Salary esclation rate	**8**	**5**		
Thailand				
Discount rate	**3.31**	4.8		
Salary esclation rate	**3**	**3**		

Distribution of the Defined Benefit Obligations over Future Working Lifetime

As at 31st March	Group		Company	
	Rs. '000	Rs. '000	**Rs. '000**	Rs. '000
Less than or equal 1 Year	**41,650**	34,304	**18,777**	20,931
Over 1 year and less than or equal 5 years	**117,373**	84,736	**91,230**	68,230
Over 5 years and less than or equal 10 years	**107,803**	84,824	**100,226**	77,069
Over 10 years	**98,846**	85,188	**95,998**	83,236
	365,672	289,052	**306,231**	249,467

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

The Actuarial Valuation was carried out by professionally qualified independent Actuaries, NMG Consulting, PT Sentra Aktuaria and Actuarial and Management Consultants (Pvt) Ltd. for Sri Lankan, Indonesian and Thailand entities respectively as at 31st March 2017.

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 2017				
Effect on the present value of defined benefit obligation	393,799	337,244	330,447	284,391
A one percentage point change in the assumed discount rate would have the following effects:				
As at 31st March 2017				
Effect on the present value of defined benefit obligation	337,914	393,500	284,743	330,460

26. DEFERRED TAX ASSETS/LIABILITIES

26.a Deferred Tax Assets

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
At the beginning of the year	**14,005**	6,526	**–**	–
Origination and reversal of temporary differences	**2,925**	7,479	**–**	–
At the end of the year	**16,930**	14,005	**–**	–

Deferred Tax Assets are Attributable to the Following:

As at 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000
Group		
Property, plant and equipment	**4,114**	–
Tax loss carry – forward	**6,884**	10,249
Retirement benefit obligations	**5,932**	3,756
Net deferred tax asset	**16,930**	14,005

	Balance as at 31st March 2016	Recognised in Profit and Loss/OCI	Balance as at 31st March 2017
Group			
Property, plant and equipment	–	4,114	**4,114**
Inventories	–	–	**–**
Tax loss carry – forward	10,249	(3,365)	**6,884**
Retirement benefit obligations	3,756	2,176	**5,932**
Net deferred tax asset	14,005	2,925	**16,930**

26.b Deferred Tax Liabilities

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
At the beginning of the year	**76,126**	40,581	**33,944**	16,600
Origination and reversal of temporary differences	**25,507**	35,545	**3,965**	17,344
At the end of the year	**101,633**	76,126	**37,909**	33,944

Deferred Tax Liabilities are Attributable to the Following:

As at 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000
Group		
Property, plant and equipment	**(169,476)**	(147,769)
Inventories	**4,977**	2,244
Tax loss carry – forward	**20,728**	39,177
Retirement benefit obligations	**36,545**	30,103
Provisions	**5,593**	119
Net deferred tax liabilities	**(101,633)**	(76,126)
Company		
Property, plant and equipment	**(78,793)**	(66,031)
Inventories	**4,137**	2,151
Retirement benefit obligations	**36,747**	29,936
Net deferred tax liabilities	**(37,909)**	(33,944)

Deferred Tax Liabilities are Attributable to the Following:

	Balance as at 31.03.2016	Recognised in Profit and Loss/OCI	**Balance as at 31.03.2017**
Group			
Property, plant and equipment	(147,769)	(21,707)	**(169,476)**
Inventories	2,244	2,733	**4,977**
Tax loss carry – forward	39,177	(18,449)	**20,728**
Retirement benefit obligations	30,103	6,442	**36,545**
Provisions	119	5,474	**5,593**
Net deferred tax liabilities	(76,126)	(25,507)	**(101,633)**
Company			
Property, plant and equipment	(66,031)	(12,763)	**(78,794)**
Inventories	2,151	1,986	**4,137**
Retirement benefit obligations	29,936	6,812	**36,748**
Net deferred tax asset	(33,944)	(3,965)	**(37,909)**

27. TRADE AND OTHER PAYABLES

As at 31st March 2016	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Trade payables	**913,205**	382,457	**87,683**	19,771
Freight payable	**45,140**	32,218	**33,056**	31,751
Salaries and wages	**33,558**	14,007	**12,895**	10,544
Dividend payable	**35,391**	19,175	**35,391**	19,175
Accrued expenses	**692,853**	795,394	**176,824**	137,972
	1,720,147	1,243,251	**345,849**	219,213

Fair value of the trade and other payables of the Group Rs. 1,720,147,000/- (31st March 2016 – Rs. 1,243,251,000/-). Company Rs. 345,849,000/- (31st March 2016 – 219,213,000/-).

28. OTHER CURRENT LIABILITIES

As at 31st March 2016	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Payments received in advance	**202,733**	233,952	**8,201**	122,755
	202,733	233,952	**8,201**	122,755

29. 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 share 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 arrangements.

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

As at 31st March	**2017 Rs. '000**	2016 Rs. '000
Revenue	**3,254,589**	2,726,969
Total assets	**2,919,237**	2,396,167
Current assets	**1,607,548**	1,313,268
Current liabilities	**1,603,824**	1,367,670
Non-current assets	**1,311,689**	1,082,899
Non-current liabilities	**19,006**	14,329

30. RELATED PARTY TRANSACTIONS

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 Notes 14 and 16 and also under Group companies in pages 114 and 115 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.

Transactions with Related Parties

Year ended 31st March	Transactions with other Group Companies		Transactions with Haycarb PLC	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Fully-owned subsidiaries				
Sales of goods and services				
- Sale of activated carbon to Eurocarb Products Ltd.	481,777	349,853	706,673	885,965
- Sale of activated carbon to Haycarb USA Inc.	474,438	353,314	899,124	362,984
- Sale of activated carbon to Haycarb Holdings Australia (Pty) Ltd.	398,048	492,612	201,888	57,586
- Sale of activated carbon to Puritas (Pvt) Ltd.	–	–	45,922	14,712
- Sales of activated carbon to PT.Mapalus M.C.I.	378,507	387,236	4,773	3,193
- Sales of activated carbon to Haycarb Value Added Products (Pvt) Ltd.	–	–	111,278	136,367
- Sales of activated carbon to Ultracarb (Pvt) Ltd.	–	–	20,457	118,840
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.	–	–	1,883	13,375
- Recogen (Pvt) Ltd. from Puritas (Pvt) Ltd.	882	634	–	–
- Lakdiyatha (Pvt) Ltd. from Puritas (Pvt) Ltd.	1,908	1,234	–	–
- Haycarb Value Added Products (Pvt) Ltd. from Puritas (Pvt) Ltd.	–	220	–	–
- Ultracarb (Pvt) Ltd. from Puritas (Pvt) Ltd.	434	–	–	–
Import of spares and chemicals				
- Payments to Haycarb USA Inc.	–	–	15,833	47,590
Reimbursement of salaries/Bonus				
- From Puritas (Pvt) Ltd.	–	–	68,339	52,600
- From Recogen (Pvt) Ltd.	–	–	5,984	6,328
- From Ultracarb (Pvt) Ltd.	–	–	5,474	5,587
- From Haycarb Value Added Products (Pvt) Ltd.	–	–	10,757	6,959
Payments to Recogen (Pvt) Ltd. for Conversion of coconut shell charcoal.	–	–	36,138	48,262
Payments to Haycarb Value Added Products (Pvt) Ltd. for machine utilisation.		–	50,024	34,498
Payment of interest to Recogen (Pvt) Ltd. on outstanding current account balance.	–	–	–	2,999
Payment of interest to Haycarb Value Added Products (Pvt) Ltd. on outstanding current account balance.	–	–	3,639	2,059
Payments to Ultracarb (Pvt) Ltd. for purchase of activated Carbon.	–	–	–	9,900
Payment to Eurocarb Products Ltd. for service related to marketing.	–	–	–	2,548
Dividend				
- Received (net) from Puritas (Pvt) Ltd.	–	–	112,770	76,501
- Received (net) from Eurocarb Products Ltd.	–	–	22,795	–
- Received (net) from Haycarb Holdings Australia (Pty) Ltd.	–	–	5,812	–
- Received (net) from Haycarb Holdings Bitung Ltd.	–	–	–	14,180
- Received (net) from Haycarb Value Added Products (Pvt) Ltd.	–	–	100,000	36,000
- 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 SAP system implimentation work carried out by Haycarb PLC.	–	–	6,060	–
Receipt from Haycarb Value Added Products (Pvt) Ltd. for lease rental of premises at Badalgama.	–	–	2,593	2,633
Receipt from Ultracarb (Pvt) Ltd. for lease rental of premises at Madampe & Badalgama.	–	–	3,233	3,265
Receipt from Puritas (Pvt) Ltd. for lease rental of premises at Wewelduwa.	–	–	2,455	2,298
Payments to PT Mapalus Makawanua Charcoal Industry for import of carbon/charcoal/fabrics.	–	–	103,519	163,072

Year ended 31st March	Transactions with other Group Companies 2017 Rs. '000	Transactions with other Group Companies 2016 Rs. '000	Transactions with Haycarb PLC 2017 Rs. '000	Transactions with Haycarb PLC 2016 Rs. '000
Receipt from PT. Mapalus M.C. Ind. for sale of plant equipment and professional charges on engineering fabrications/consultations.	**–**	12,734	**78,479**	139,426
Receipt from Ultracarb (Pvt) Ltd. for sale of raw material and other consumables.	**–**	–	**15,915**	7,373
Receipt from Haycarb Value Added Products (Pvt) Ltd. for sale of raw materials, carbon and other consumables.	**–**	–	**5,107**	6,554
Receipt from Haycarb Holdings Australia (Pty) Ltd. for provide financial services.	**–**	–	**3,552**	3,659
Receipt from Haycarb USA for provide financial services.	**–**	–	**1,211**	–
Receipt from Recogen (Pvt) Ltd. for sale of other consumables.	**–**	–	**8,039**	15,765
Receipt from Puritas (Pvt) Ltd. as interest income on outstanding current account balance.	**–**	–	**4,644**	2,027
Receipt from Ultracarb (Pvt) Ltd. as interest income on outstanding current account balance.	**–**	–	**3,815**	2,307
Receipt from Haycarb Holdings Bitung Ltd. as interest income on outstanding current account balance.	**–**	–	**6,877**	4,536
Receipt from Haycarb Value Added Products (Pvt) Ltd. as interest income on outstanding current account balance.	**–**	–	**2,146**	–
Receipt from Recogen (Pvt) Ltd. as interest income on outstanding current account balance.	**–**	–	**2,666**	–
Receipt from Lakdiyata (Pvt) Ltd. as interest income on outstanding current account balance.	**–**	–	**–**	94
Receipt from PT.Mapalus Makawanua Charcoal Industry as interest income on outstanding current account balance.	**3,595**	3,308	**19,041**	6,200
Funds transfer from Puritas (Pvt) Ltd. to Haycarb PLC on short-term financing.	**–**	–	**92,984**	75,829
Funds transfer from Haycarb PLC to Haycarb Value Added Products (Pvt) Ltd. on short-term financing.	**–**	–	**11,601**	–
Funds transfer from Haycarb Value Added Products (Pvt) Ltd. to Haycarb PLC on short-term financing.	**–**	–	**–**	208,791
Funds transfer from Ultracarb (Pvt) Ltd. to Haycarb PLC on short-term financing.	**–**	–	**41,769**	196,388
Funds transfer from Haycarb Holdings Bitung Ltd. to Haycarb PLC on settlement of short-term financing.	**–**	–	**84,155**	28,810
Funds transfer from PT.Mapalus Makawanua Charcoal Industry to Haycarb Holdings Bitung Ltd. on Loan Settlement.	**84,155**	179,971	**–**	–
Partly-owned subsidiaries				
Sales of goods and services				
- Sale of activated carbon to Carbokarn Company Ltd.	**523,837**	648,360	**27,815**	3,887
Payments for import of raw material, carbon and spares				
- Payments to Carbokarn Co. Ltd. for import of carbon/spares.		240	**25,803**	24,917
- Payments to PT. Haycarb Palu Mitra for import of Charcoal and carbon.	**–**	–	**104,309**	–
Fees received for marketing services from Carbokarn Co. Ltd.	**–**	**–**	**40,488**	**29,123**
Dividend				
- Dividends received to Carbokarn from CK Regen System.	**84,148**	71,280	**–**	–
- Dividend received to Haycarb PLC from Carbokarn Co. Ltd.	**–**	–	**89,775**	104,212
- Dividend received to Haycarb PLC from PT.Haycarb Palu Mitra.	**–**	–	**29,075**	–
Receipt from PT. Haycarb Palu Mitra for sale of plant equipment, Air Travel cost & professional charges on engineering fabrications/consultations.	**–**	–	**14,638**	15,396
Receipt from PT. Haycarb Palu Mitra as interest income on outstanding current account balance.	**17,063**	15,841	**7,836**	2,744
Funds transfer from PT.Haycarb Palu Mitra to Haycarb Holdings Bitung Ltd. on Loan Settlement.	**7,500**	28,800		

Year ended 31st March	Transactions with other Group Companies 2017 Rs. '000	Transactions with other Group Companies 2016 Rs. '000	Transactions with Haycarb PLC 2017 Rs. '000	Transactions with Haycarb PLC 2016 Rs. '000
Equity accounted investee				
Dividend				
- Dividend received from Carbotels (Pvt) Ltd.	**–**	–	**9,290**	186
- Dividend received from Quality Seed Company Ltd.	**–**	–	**74**	–
Ultimate parent company service-related cost Lakdiyatha (Pvt) Ltd. to Hayleys PLC.	**214**	242	**–**	–
Other related companies				
Sales of goods and services				
- Provide warehouse space by Haycarb PLC to Hayleys PLC for their export shipping operations.	**–**	–	**97**	147
- Purchases made by Haycarb USA Inc from Lignocell (Pvt) Ltd.	**500,432**	772,208	**–**	–
- Sales of activated carbon to Haylex (Japan) Ltd.	**–**	–	**127,241**	227,179
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Hayleys Consumer Products.	**31,052**	28,474	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Hayleys Fabrics PLC.	**2,985**	56	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Royal Ceramics PLC & Rocell Bathware.	**320**	147	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Logiventures (Pvt) Ltd.	**13**	41	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Alumex PLC.	**–**	–	**–**	–
- Sale of face mask and carbon products & Consultancy Services by Puritas (Pvt) Ltd. to Dipped Products PLC.	**51**	3,565	**–**	–
- Sale of face mask and carbon products & 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.	**39**	68	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Kingsbury PLC.	**13**	17	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Horana Plantation PLC.	**16**	–	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Rileys Ltd.	**74**	–	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Sampath Bank PLC.	**96**	–	**–**	–
- Sale of face mask and carbon products by Puritas (Pvt) Ltd. to Quality Seeds Co. Ltd	**38**	–	**–**	–
- 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 & Consultancy Services by Puritas (Pvt) Ltd. to Hayleys Agriculture Holdings Ltd.	**1,197**	3,473	**–**	–
- Provide Treatment plant maintenance services by Puritas (Pvt) Ltd. to Logiwiz Ltd.	**239**	44	**–**	–
- Provide Treatment plant maintenance services by Puritas (Pvt) Ltd. to Kelani Valley Plantations PLC.	**18,099**	31,862	**–**	–
- Provide Treatment plant maintenance services by Puritas (Pvt) Ltd. to Hayleys Industrial Solutions (Pvt) Ltd.	**–**	1,708	**–**	–
- Provide Treatment plant maintenance services by Puritas (Pvt) Ltd. to Lakdiyatha (Pvt) Ltd.	**1,320**	2,627	**–**	–
Receipt from Hayleys PLC to Puritas (Pvt) Ltd. for Engineering Consultancy on CSR projects.	**–**	2,930	**–**	–
Provision of office space and service related cost				
- Haycarb PLC to Hayleys PLC.	**–**	–	**166,177**	140,738
- Recogen (Pvt) Ltd. to Hayleys PLC.	**782**	878	**–**	–
- Puritas (Pvt) Ltd. to Hayleys PLC.	**10,441**	9,337	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Hayleys PLC.	**624**	760	**–**	–
- Ultracarb (Pvt) Ltd. to Hayleys PLC.	**749**	810	**–**	–

Year ended 31st March	Transactions with other Group Companies		Transactions with Haycarb PLC	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Courier charges, freight charges and import clearing expenses				
- Haycarb PLC to MIT Cargo (Pvt) Ltd.	**–**	–	**7,357**	8,208
- Haycarb PLC to Civaro Lanka (Pvt) Ltd.	**–**	–	**15,962**	14,399
- Ultracarb (Pvt) Ltd. to Civaro Lanka (Pvt) Ltd.	**176**	328	**–**	–
- Ultracarb (Pvt) Ltd. to MIT Cargo (Pvt) Ltd.	**16**	63	**–**	–
- Ultracarb (Pvt) Ltd. to Mountain Hawk (Pvt) Ltd.	**156**	775	**–**	–
- Recogen (Pvt) Ltd. to MIT Cargo (Pvt) Ltd.	**24**	64	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to MIT Cargo (Pvt) Ltd.	**31**	42	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Hayleys Business Solutions (Pvt) Ltd.	**8**	60	**–**	–
- Haycarb PLC to Mountain Hawk Express (Pvt) Ltd.	**–**	–	**12,073**	6,317
- Haycarb PLC to Mountain Hawk (Pvt) Ltd.	**–**	–	**4,333**	2,662
- Haycarb PLC to Agility (Pvt) Ltd.	**–**	–	**–**	17,056
- Haycarb PLC to NYK Line Lanka (Pvt) Ltd.	**–**	–	**–**	5,132
- Haycarb PLC to Moceti Lanka (Pvt) Ltd.	**–**	–	**642**	17
Travellers cheques and airfare paid to Hayleys Travels & Tours (Pvt) Ltd.				
- Haycarb PLC to Hayleys Travels & Tours (Pvt) Ltd.	**–**	–	**11,862**	15,133
- Puritas (Pvt) Ltd. to Hayleys Travels & Tours (Pvt) Ltd.	**2,385**	3,009	**–**	–
Purchase of container/Vehicle, container seals, packing materials, spares				
- Haycarb PLC to Hayleys Consumer Products Ltd.		–	**134**	22
- Haycarb PLC to Sunfrost Ltd.	**–**	–	**238**	–
- Haycarb PLC to Logiventures Ltd.	**–**	–	**27,149**	17,321
- Ultracarb (Pvt) Ltd. to Logiventures Ltd.	**190**	237	**–**	–
- Haycarb Value Added Products (Pvt) Ltd. to Logiventures Ltd.	**–**	–	**–**	–
- Haycarb PLC to Dimo PLC.	**–**	–	**1,902**	27,219
- Haycarb PLC to Hayleys Electronics Ltd.	**–**	–	**19**	406
Dividend				
- Dividend received from Dipped Products PLC.	**–**	–	**8,137**	16,275
- Dividend paid to Hayleys PLC.	**–**	–	**140,876**	120,751
Other payments to related companies				
- Payments to Hayleys Industrial Solutions Ltd. for purchase of generator/Fork Lift & others Acessories.	**–**	1,896	**16,237**	220
- Payments to Hayleys Business Solution (Pvt) Ltd. for payroll processing fee.	**95**	104	**5,117**	3,690
- Payments to Kingsbury PLC for related services.	**–**	–	**116**	191
- Payments to Hayleys Agriculture Holdings Ltd. for Purchase of Agriculture Equipment.	**36**	1,279	**–**	–
- Lease payment to LB Finance PLC for lease of vehicle.	**–**	–	**–**	4,411
- Settlement of loan from CK Director to company.	**–**	14,759	**–**	–
- Payments to Chas P.Hayley & Company (Pvt) Ltd. for support services on Raw Material collection.	**–**	–	**2,165**	1,243
- Payments to Mabroc Teas (Pvt) Ltd. for Purchase of Tea Boxes.	**–**	–	**106**	47
- Currency notes purchased from Pan Asia Bank PLC	**–**	–	**39,890**	–
Other receipts from related companies				
- Interest income from Sampath Bank PLC.	**–**	–	**11**	9
- Loans from CK Director to the Company at market rate of interest.	**164,878**	–	**–**	–

31. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2017, for, which no provision has been made in the Financial Statements amounts to Rs. 32,058,637/- (2015/16 – Rs. 5,102,019/-). Capital expenditure approved by the Directors but not contracted for was Rs. 58,521,000/- (2015/16 – Rs. 42,514,526/-).

Contingent liabilities

The contingent liability as at 31st March 2017 on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,602,129,695/- (2015/16 – Rs. 2,321,584,793/-). Of this sum, Rs. 2,278,585,900/- (2015/16 – Rs. 2,113,349,950/-) relate to facilities obtained by subsidiaries.

32. 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 was as follows:

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Sri Lankan Rupee	**136,142**	168,845	**25,871**	4,127
Australian Dollar	**90,264**	62,999	**–**	–
Pound Sterling	**22,720**	21,117	**150,601**	44,573
Euro	**172,215**	228,872	**–**	–
United States Dollar	**1,930,510**	1,826,860	**1,000,419**	1,071,774
Thai Baht	**197,006**	115,965	**–**	–
Japanese Yen	**–**	6,115	**–**	6,115
Indonesian Rupiah	**361,937**	350,512	**–**	–
	2,910,794	2,781,284	**1,176,891**	1,126,589

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 in Hand and at Bank

The Group held cash in hand and at bank of Rs. 1,262,863/- at 31st March 2017, 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 2017	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	**134,824**	**1,661,541**	**814,528**	**437,580**	**–**	**3,048,473**
Trade and other payables	**30,888**	**1,571,342**	**117,918**	**–**	**–**	**1,720,148**

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	990,628	238,546	–	–	1,243,251

Company

Year ended 31st March 2017	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	**117,363**	**1,462,645**	**188,996**	**206,178**	**–**	**1,975,182**
Trade and other payables	**12,894**	**332,955**	**–**	**–**	**–**	**345,849**

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	1,598,311	183,640	228,757	–	2,136,918
Trade and other payables	10,543	170,026	38,644	–	–	219,213

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 the return.

The sensitivity analyses in the following sections relate to the position as at 31st March 2017.

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 2017.

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	**2016/17 Rs. '000**	2015/16 Rs. '000	**2016/17 Rs. '000**	2015/16 Rs. '000
US Dollar borrowings	50	**8,564**	8,590	**6,984**	7,685

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

		Change in USD Rate			
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2017	Increase/Decrease %	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
	0.5	**4,112**	3,823	**2,075**	441

		Change in Thai Baht Rate			
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2017	Increase/Decrease %	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
	0.5	**826**	442	**–**	–

		Change in Indonesian Rupiah Rate			
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2017	Increase/Decrease %	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
	0.5	**493**	295	**–**	–

		Change in GBP Rate			
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2017	Increase/Decrease %	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
	0.5	**56**	558	**753**	53

		Change in AUD Rate			
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2017	Increase/Decrease %	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
	0.5	**347**	392	**–**	–

		Change in Euro Rate			
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2017	Increase/Decrease %	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
	0.5	**1,230**	1,144	**–**	–

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 2017 other than those disclosed in Note 24 (D).

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

As at 31st March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Total interest-bearing borrowings	**3,048,473**	3,174,250	**1,975,982**	2,136,918
Total equity	**7,522,588**	6,926,420	**4,412,250**	3,714,799
Total equity and debt	**10,571,061**	10,100,670	**6,388,232**	5,851,717
Gearing ratio	**29%**	32%	**31%**	37%

33. SEGMENT ANALYSIS

Business Segments

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 geogragraphic 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

Year ended 31st March	External Rs. '000	Intra-Group Rs. '000	Consolidated **2017 Rs. '000**	Consolidated 2016 Rs. '000
Activated carbon	12,297,799	4,529,190	**16,826,989**	14,729,164
Environmental engineering	1,255,777	5,108	**1,260,885**	1,017,134
	13,553,576	4,534,298	**18,087,874**	15,746,298
Intra-group sales			**(4,534,298)**	(4,040,473)
			13,553,576	11,705,825

Profit before Tax

Year ended 31st March	Consolidated 2017 Rs. '000	Consolidated 2016 Rs. '000
Activated carbon	**1,276,863**	1,271,942
Environmental engineering	**279,993**	140,178
Purification – associate	**12,505**	10,352
Leisure – associate	**16,572**	28,668
	1,585,933	1,451,140
Consolidation adjustments	**(373,988)**	(288,583)
Unrealised profit on intra-group sales	**(22,410)**	(43,479)
	1,189,535	1,119,078

Assets and Liabilities

As at 31st March	Total assets		Provision for liabilities and charges		Trade and other payables	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Activated carbon	**12,162,879**	11,403,138	**467,305**	364,799	**868,571**	942,066
Environmental engineering	**1,583,078**	767,409	**–**	379	**1,054,309**	535,137
	13,745,957	12,170,547	**467,305**	365,178	**1,922,880**	1,477,203
Investment in associates and others	**489,528**	459,511				
	14,235,485	12,630,058				

Capital Expenditure

Year ended 31st March	Capital expenditure		Depreciation	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
Activated carbon	**846,140**	586,423	**362,998**	313,233
Environmental engineering	**1,856**	8,456	**1,075**	1,445
	847,996	594,879	**364,073**	314,678

Cash Flows from

Year ended 31st March	**2017**		2016	
	Activated carbon Rs. '000	**Environmental engineering Rs. '000**	Activated carbon Rs. '000	Environmental engineering Rs. '000
Operating activities	**1,826,139**	**252,645**	73,960	212,636
Investing activities	**(867,427)**	**1,070**	(602,217)	(7,298)
Financing activities	**(104,500)**	**(125,300)**	(280,938)	(85,001)
	854,212	**128,415**	(809,195)	120,337

Geographical Segments

Turnover – Net

Year ended 31st March	External Rs. '000	Intra-group Rs. '000	Consolidated 2017 Rs. '000	Consolidated 2016 Rs. '000
USA	1,910,513	–	**1,910,513**	1,610,353
Europe	1,693,323	–	**1,693,323**	1,487,905
Australia	1,005,722	–	**1,005,722**	722,073
Sri Lanka	4,315,755	(2,143,350)	**6,459,105**	5,971,804
Other Asian Countries	4,628,263	(2,390,948)	**7,019,211**	5,954,163
	13,553,576	(4,534,298)	**18,087,874**	15,746,298
Intra-group sales			**(4,534,298)**	(4,040,473)
			13,553,576	11,705,825

Profit before Tax

Year ended 31st March	Consolidated 2017 Rs. '000	Consolidated 2016 Rs. '000
USA	**13,634**	(12,898)
Europe	**60,818**	25,300
Australia	**17,248**	(20,749)
Sri Lanka	**1,297,392**	797,696
Other Asian countries	**196,840**	661,791
	1,585,933	1,451,140
Consolidation adjustments	**(396,398)**	(332,062)
	1,189,535	1,119,078

Assets and Liabilities

			Non-interest bearing liabilities			
	Total assets		Provision for liabilities and charges		Trade and other payables	
As at 31st March	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
USA	**1,188,352**	670,172	**–**	–	**192,189**	112,938
Europe	**598,302**	757,570	**–**	–	**50,484**	110,560
Australia	**331,710**	292,614	**–**	–	**30,678**	25,140
Sri Lanka	**5,173,096**	4,664,440	**421,717**	326,194	**937,249**	915,342
Other Asian countries	**6,454,497**	5,785,751	**45,588**	38,984	**712,289**	313,223
	13,745,957	12,170,547	**467,305**	365,178	**1,922,880**	1,477,203
Investments in associates and other	**489,528**	459,511				
	14,235,485	12,630,058				

Capital Expenditure

Year ended 31st March	Capital expenditure		Depreciation	
	2017 Rs. '000	2016 Rs. '000	**2017 Rs. '000**	2016 Rs. '000
USA	**11,425**	–	**1,765**	–
Europe	**13,580**	2,533	**5,349**	5,968
Australia	**8,078**	387	**588**	1,545
Sri Lanka	**551,066**	235,891	**192,058**	165,053
Other Asian countries	**263,847**	356,068	**164,313**	142,112
	847,996	594,879	**364,073**	314,678

34. EVENTS OCCURRING 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 second interim dividend declared as disclosed in the Note 11 to the Financial Statements.

35. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		Year End	
	2017	2016	**2017**	2016
United States Dollar	**148.165**	139.576	**151.985**	144.685
Australian Dollar	**111.448**	102.546	**116.240**	110.865
Pound Sterling	**193.090**	209.635	**189.955**	207.895
Thai Baht	**4.207**	3.958	**4.403**	4.084
Indonesian Rupiah	**0.0111**	0.0102	**0.0114**	0.0108

36. 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.	Pounds Sterling
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.	Euro

37. 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, which has financial year end as 31st December.

These subsidiaries with 31st December financial year end prepare additional financial information for consolidation purpose as of the same date as the Financial Statements of the parent.

Statement of Group Value Added

Group Value Added

	2017 Rs. '000	2016 Rs. '000
Group turnover	**13,553,576**	11,705,825
Other operating income	**245,624**	54,368
	13,799,200	11,760,193
Cost of materials and services brought in	**(10,675,459)**	(8,910,840)
Value added	**3,123,741**	2,849,353

Distribution of Value Added

	%	2017 Rs. '000	%	2016 Rs. '000
To: Employees as remuneration	**46**	**1,451,284**	43	1,222,671
To: Government revenue				
Sri Lanka	**4**	**112,607**	5	143,482
Overseas	**4**	**123,890**	5	136,891
To: Providers of capital	**11**	**336,781**	13	371,196
Interest on borrowings		**201,345**		154,246
Minority interest		**135,436**		216,950
To: Shareholders as dividends	**6**	**178,274**	6	178,274
Retained in the business	**29**	**920,904**	28	796,840
Depreciation		**364,073**		314,678
Profit retained		**556,831**		482,162
	100	**3,123,741**	100	2,849,353

Investor Information

1. STOCK EXCHANGE LISTING

The Interim Financial Statements for the fourth quarter ended 31st March 2017, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. SHAREHOLDERS

Haycarb PLC – Ordinary Shareholders as at 31st March 2017

No. of shares held	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 – 1,000	1,404	316,274	1.0645	21	7,617	0.0256	1,425	323,891	1.09010
1,001 – 10,000	419	1,408,973	4.7420	16	78,720	0.2649	435	1,487,693	5.00690
10,001 – 100,000	97	2,404,287	8.0919	9	242,474	0.8161	106	2,646,761	8.90800
100,001 – 1,000,000	9	2,289,774	7.7065	6	1,421,588	4.7845	15	3,711,362	12.49100
Over 1,000,000	2	21,542,668	72.5040	0			2	21,542,668	72.50400
	1,931	27,961,976	94.1089	52	1,750,399	5.8911	1,983	29,712,375	100.0000
Category									
Individuals	1,783	3,914,619	13.1751	49	1,232,716	4.1488	1,832	5,147,335	17.3239
Institutions	148	24,047,357	80.9338	3	517,683	1.7423	151	24,565,040	82.6761
	1,931	27,961,976	94.1089	52	1,750,399	5.8911	1,983	29,712,375	100.0000

As at 31st March 2017, there were 1,983 (31st March 2016 – 2,001) registered shareholders.

3. SHARE TRADING INFORMATION

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

	2016/17 Rs.	Date	2015/16 Rs.	Date
Highest price	**180.00**	19th May 2016	195.00	18th June 2015 & 4th August 2015
Lowest price	**140.00**	20th December 2016	150.10	16th March 2016
Closing price	**151.00**	31st March 2017	160.00	31st March 2016
No. of transactions	**656**		827	
No. of shares traded	**472,978**		434,421	
Value of shares traded	**74,906,880**		78,109,865	

4. QUARTERLY FINANCIAL DATA

	Unaudited			Audited
	3 months ended 30th June 2016 Rs. '000	6 months ended 30th September 2016 Rs. '000	9 months ended 31st December 2016 Rs. '000	12 months ended 31st March 2017 Rs. '000
Revenue	2,948,089	5,952,658	9,423,512	13,553,576
Profit before tax from continuing operations	245,061	458,896	768,008	1,189,535
Profit for the period from continuing operations	203,451	374,958	646,770	939,800
Profit attributable to equity holders of the Company	150,329	296,971	507,339	804,364
Property, plant & equipment, investments and non-current assets	5,439,461	5,609,715	5,725,050	5,953,583
Current assets	6,919,545	7,051,527	7,316,176	8,002,701
Current liabilities	4,948,019	5,056,065	5,170,599	5,808,012
Shareholders funds	6,817,902	6,991,691	7,256,365	7,522,588

TOP 20 SHAREHOLDERS

	Name of the shareholder	No. of Shares as at 31st March 2017	%	No. of Shares as at 31st March 2016	%
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**	780,829	2.63
4	National Savings Bank	**447,211**	**1.51**	447,211	1.51
5	Mr. T. Ueda	**417,206**	**1.40**	417,206	1.40
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	Dr. D. Jayanntha	**210,000**	**0.71**	175,000	0.59
10	Dr. H.S.M. Singh and Mrs. J.K.P. Singh	**149,000**	**0.50**	150,000	0.50
11	E.W. Balasuriya & Co. (Pvt) Ltd.	**142,089**	**0.48**	142,089	0.48
12	Mr. S. Krishnananthan	**128,717**	**0.43**	128,717	0.43
13	Mr. H.S. Gill	**123,000**	**0.41**	123,000	0.41
14	Hallsville Trading Group Inc.	**120,000**	**0.40**	120,000	0.40
15	Mr. Z.G. Carimjee	**115,220**	**0.39**	115,220	0.39
16	Cocoshell Activated Carbon Company Ltd.	**107,541**	**0.36**	64,712	0.22
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 & Mrs. G.K.A.H. Singh	**100,000**	**0.34**	100,000	0.34
19	Mr. A. Arulthakshanan	**71,078**	**0.24**	71,078	0.24
20	Phoenix Ventures Private Ltd.	**70,000**	**0.24**	70,000	0.24
	Total	**25,495,108**	**85.81**	25,418,279	85.55

DIRECTORS' SHAREHOLDINGS – (AS DEFINED IN COLOMBO STOCK EXCHANGE RULES)

Name of the shareholder	No. of shares	
	As at 3st March 2017	As at 1st April 2016
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. M.S.P. Udaya Kumara	**462**	462
Mr. B. Balaratnarajah	**1,004**	1,004
	21,160	21,160

** 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.*

PUBLIC HOLDING

The percentage of share held by public as per the Colombo Stock Exchange Rules as at 31st March 2017, was 32.20%. (2016 – 32.16%) held by 1977 ordinary shareholders (2016 – 1994).

Ten Year Financial Review

Year ended 31st March	**2017 Rs. '000**	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000
Trading Results				
Group turnover	**13,553,576**	11,705,825	11,933,848	10,338,684
Profit before taxation	**1,189,535**	1,119,078	1,070,336	1,044,083
Group taxation	**(249,735)**	(220,910)	(196,404)	(152,106)
Profit after taxation (Continuing operations)	**939,800**	898,168	873,932	891,977
Minority Interest	**(135,436)**	(216,950)	(178,947)	(104,197)
Profit/(Loss) from discontinued operations	**–**	–	–	–
Profit attributable to Haycarb PLC	**804,364**	681,218	694,985	787,780
Balance Sheet				
Share capital	**331,774**	331,774	331,774	331,774
Capital reserves	**717,597**	570,848	570,848	373,907
Revenue reserves	**5,696,455**	5,013,363	4,800,584	4,061,796
Minority interest	**776,762**	710,435	590,724	468,418
	7,522,588	6,626,420	6,293,930	5,235,895
Property, plant and equipment, investments and non-current assets	**5,953,584**	5,161,474	5,059,453	4,275,533
Intangible assets	**279,201**	263,598	260,903	251,223
Current assets	**8,002,701**	7,204,985	5,696,413	4,986,749
Non-current assets held for disposal		–	–	–
Current liabilities	**(5,808,012)**	(5,244,079)	(3,923,488)	(3,357,492)
Provisions and creditors due after one year	**(904,885)**	(759,558)	(799,351)	(920,118)
	7,522,588	6,626,420	6,293,930	5,235,895
Ratios and Statistics				
Return on shareholders' equity (%)	**12**	12	12	17
Dividend (Rs. '000)	**178,274**	178,274	178,274	178,274
Dividend per share	**6.00**	6.00	6.00	6.00
Annual sales growth index (%)(Base – 2007)	**434**	375	382	331
Earnings per share at year end * (Rs.)	**27.07**	22.93	23.39	26.51
Net assets per share at year end * (Rs.)	**227.04**	199.11	191.95	160.45
Market price per share (Rs.)	**151.00**	160.00	183.00	181.00
Current ratio (Times)	**1.38**	1.37	1.45	1.47
Liquidity ratio (Times)	**0.77**	0.70	0.68	0.85

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 2017. Previous years' figures have accordingly been adjusted.*

2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
10,149,637	8,508,896	6,400,233	5,075,968	4,526,310	4,187,768
1,227,707	656,822	724,197	819,809	358,694	308,136
(192,708)	(133,808)	(149,853)	(134,166)	(86,375)	(34,152)
1,034,999	523,014	574,344	685,643	272,319	273,984
(89,691)	(51,822)	(69,259)	(52,716)	(54,196)	(47,733)
–	–	–	–	6,890	(46,623)
945,308	471,192	505,085	632,927	225,013	179,628
331,774	331,774	331,774	331,774	331,774	331,774
373,907	296,707	213,330	213,330	117,938	117,938
3,675,876	2,961,061	2,587,343	1,753,964	1,203,766	1,077,075
344,247	270,721	260,786	223,577	192,850	172,235
4,725,804	3,860,263	3,393,233	2,522,645	1,846,328	1,699,022
3,724,931	2,616,262	2,009,828	1,318,321	1,207,660	1,260,923
240,018	132,000	63,447	63,447	63,447	72,210
4,466,440	3,710,435	2,504,592	2,183,165	1,689,416	1,579,099
–	–	–	–	–	84,895
(2,907,846)	(2,083,981)	(1,072,575)	(905,443)	(915,413)	(976,467)
(797,739)	(514,453)	(112,059)	(136,845)	(198,782)	(321,638)
4,725,804	3,860,263	3,393,233	2,522,645	1,846,328	1,699,022
21	13	16	28	14	12
207,986	163,418	148,562	148,562	81,709	74,282
7.00	5.50	5.00	5.00	2.75	2.50
325	273	205	163	145	134
31.82	15.86	17.00	21.30	7.57	6.05
147.89	120.81	105.42	77.38	55.65	51.39
176.00	160.00	155.40	160.00	46.50	58.25
1.54	1.78	2.33	2.41	1.85	1.70
0.79	0.84	1.37	1.31	1.17	1.07

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)	AUD 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)	USD 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	USD 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	USD 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 (Deceased on 4th January 2017)	Nimal Perera (Resigned w.e.f. 8th March 2017) 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) M.H. Jamaldeen (w.e.f. 15th March 2017)
A.M. Pandithage (Chairman) J.D. Naylor (Managing Director) H.S.R. Kariyawasan	D.E. Ranaraja (Deceased on 4th January 2017) R. Bittel	
A.M. Pandithage (Chairman) H.S.R. Kariyawasan D.J. Perera (Retired w.e.f. 31st December 2016)	Ms. M.J.A.S. Abeyratne M. Marques B.P.R. Liyanage (w.e.f. 15th October 2016)	
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 (Resigned w.e.f. 3rd March 2017)	D.M. Thomas (Resigned w.e.f. 31st August 2016) 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 (Resigned w.e.f. 1st May 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 (Deceased on 4th January 2017) B. Balaratnarajah M.S.P. Udaya Kumara A.A.M. Caderbhoy	S.P. Weerawardane
A.M. Pandithage H.S.R. Kariyawasan Patrick Roussean (Deceased on 16th March 2017)		Ms. S.S. Ragunathan Mr. Ashok Parashar Ms. Melanie Grignon
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) (Deceased on 4th January 2017)	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
For the purpose of cash flow, cash equivalents is defined as liquid investments with original maturities of three months or less net of short-term borrowings.

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 Fourth 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, 27th June 2017 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 2017 , with the Report of the Auditors thereon.
2. To re-elect Mr. M.H. Jamaldeen, who has been appointed by the Board, since the last Annual General Meeting, a Director.
3. To re-elect Mr. A.M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. A.M. Senaratna, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. M.S.P. Udaya Kumara, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mr. B. Balaratnarajah, who retires by rotation at the Annual General Meeting, a Director.
7. To reappoint Dr. S.A.K. Abayawardana, who retires having attained the age of Seventy years and the Company has received special notice of the undernoted ordinary resolution in compliance with Section 211 of the Companies Act No. 07 of 2007 in relation to his reappointment.

   Ordinary Resolution

   That, Sarath Ananda Kumara Abayawardana retiring Director, who has attained the age of Seventy years be and is hereby reappointed a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is hereby declared that the age limit of Seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.
8. To ratify the sum of Rs. 220,025/- made as donations for the year 2016/17 in excess of the sum approved by the shareholders.
9. To authorise the Directors to determine contributions to charities for the year 2017/18.
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. 07 of 2007 for the year 2017/18.
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 25th June 2017.

By Order of the Board,

Haycarb PLC
Hayleys Group Services (Pvt) Ltd.
Secretaries

Colombo
26th May 2017

Form of Proxy

Haycarb PLC
Company No. PQ 59

I/We* .... (full name of shareholder**)
NIC No./Reg. No. of Shareholder (**) ....
of ....
being Shareholder/Shareholders* of HAYCARB PLC hereby appoint:

1. .... (full name of proxyholder**)
   NIC No. of Proxyholder (**) ....
   of ....or, failing him/them.
2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our * proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Forty Fourth Annual General Meeting of the Company to be held on Tuesday, 27th of June 2017 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 2017 with the Report of the Auditors thereon.		
2. To re-elect Mr. M.H. Jamaldeen, who has been appointed by the Board, since the last Annual General Meeting, a Director.		
3. To re-elect Mr. A.M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.		
4. To re-elect Mr. A.M. Senaratna, who retires by rotation at the Annual General Meeting, a Director.		
5. To re-elect Mr. M.S.P. Udaya Kumara, who retires by rotation at the Annual General Meeting, a Director.		
6. To re-elect Mr. B. Balaratnarajah, who retires by rotation at the Annual General Meeting, a Director.		
7. To re-appoint Dr. S.A.K. Abayawardana, who retires having attained the age of Seventy years, a Director by passing the Ordinary Resolution set out in the Notice.		
8. To ratify the sum of Rs. 220,025/- made as donations for the year 2016/17 in excess of the sum approved by the shareholders.		
9. To authorise the Directors to determine contributions to charities for the year 2017/18.		
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. 07 of 2007 for the year 2017/18.		

(***) The proxy may vote as he thinks fit on any other resolution brought before the meeting of which due notice has been given.

As witness my/our* hands this .... day of ....2017.

....

Witnesses
Signature : ....
Name : ....
Address : ....
NIC No. : ....

....
Signature of Shareholder

Notes:

(a) * Please delete the inappropriate words.

(b) A shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company.

** Full name of shareholder/proxy holder and their NIC Nos. and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.

(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

(d) Instructions are noted on the reverse hereof.

(e) This Form of Proxy is in terms of the Articles of Association of the Company.

INSTRUCTIONS AS TO COMPLETION :

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd. at No. 400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his 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.

   In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/ Banker with whom the account is maintained.

Corporate Information

NAME OF COMPANY

Haycarb PLC

LEGAL FORM

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

COMPANY NUMBER

PQ 59

STOCK EXCHANGE LISTING

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

SECRETARIES

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

REGISTERED OFFICE

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

BANKERS

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

AUDITORS

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

PARENT COMPANY

Hayleys PLC

ACCOUNTING YEAR END

31st March

This Annual Report is Carbon Neutral

This Haycarb PLC annual report has been produced by Smart Media The Annual Report Company, a certified carbon neutral organisation. Additionally, the greenhouse gas emissions resulting from activities outsourced by Smart Media in the production of this annual report, including the usage of paper and printing, are offset through verified sources.

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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 and foremost provider for Water Purification Systems in Sri Lanka and the region, renowned for technical excellence, customer centricity, innovation and sustainable business practices"

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

The World Of Hayleys