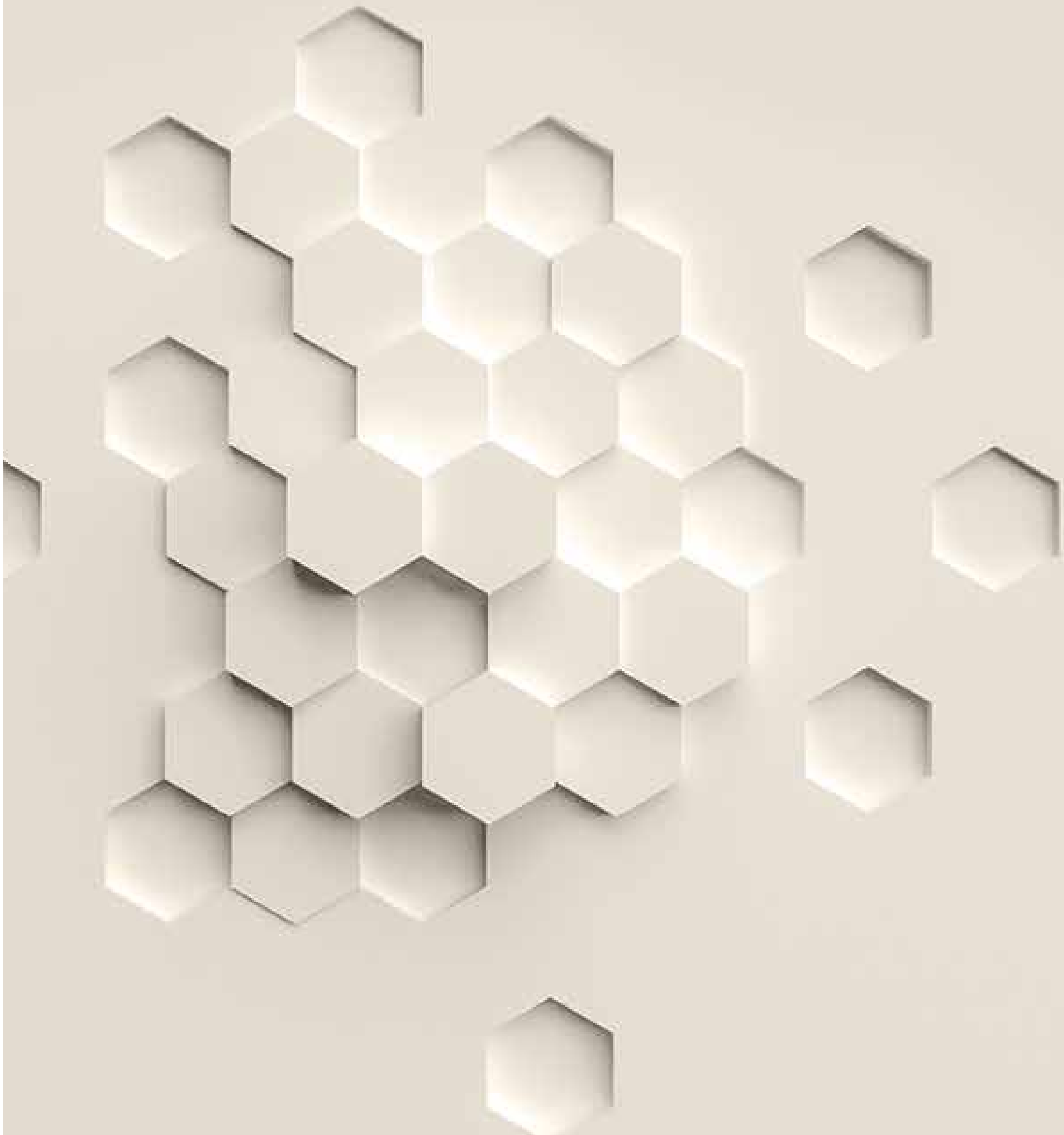
HAYCARB
Activated carbon solutions



HAYCARB PLC

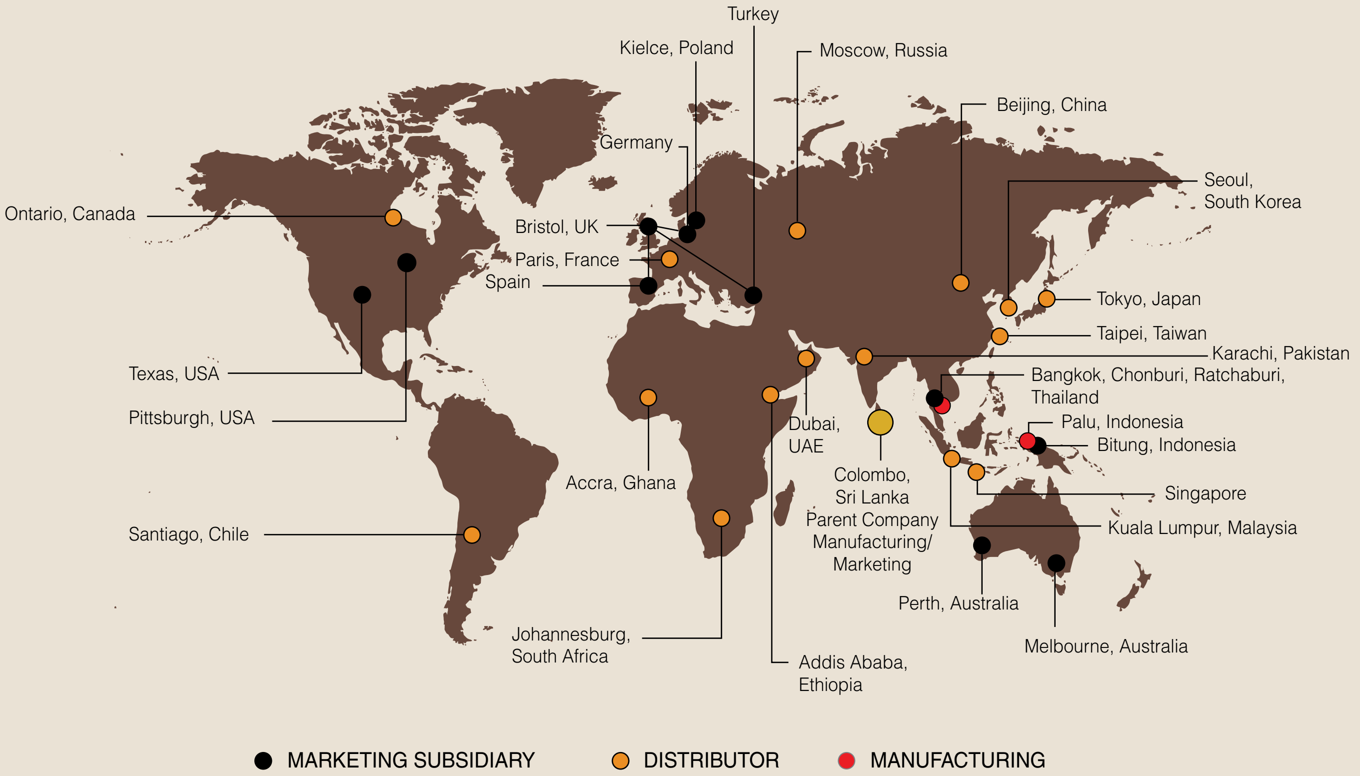
Annual Report 2018/19

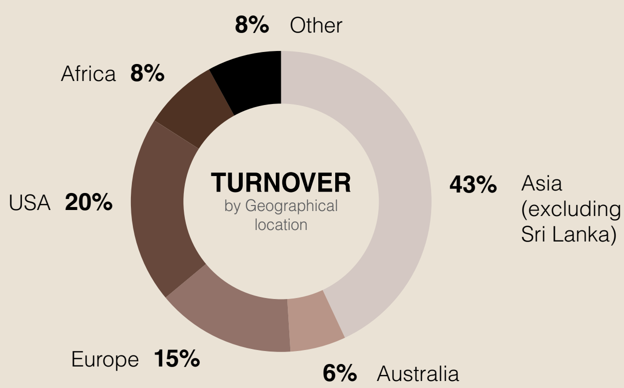
The Value of Values

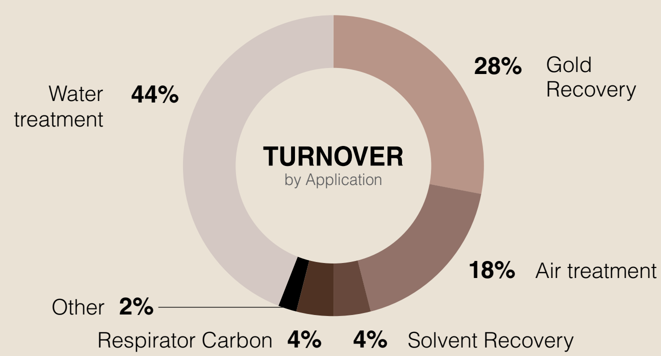
The value of values cannot be overstated. In deploying our core values – innovation, technical superiority, customer centricity and environmental consciousness – we were able to build the resilience, strength and stability of the Company, all of which have allowed us to achieve significant growth and performance this year.

CONTENT

GLOBAL PRESENCE







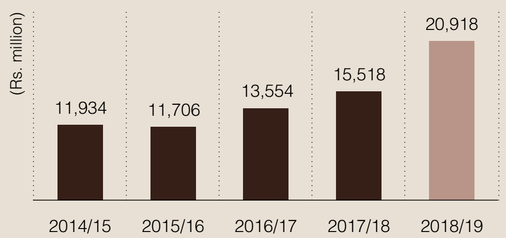
50,000 tonnes per annum

Activated Carbon supply capacity

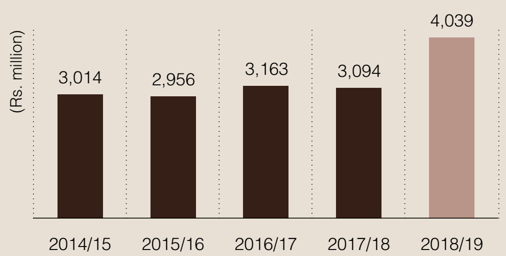
KEY PERFORMANCE INDICATORS

STATEMENT OF INCOME

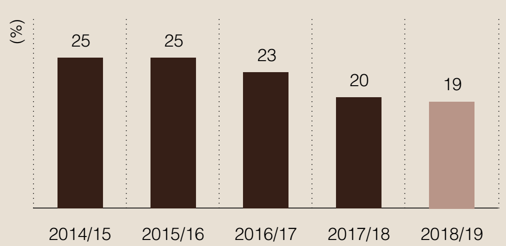
REVENUE



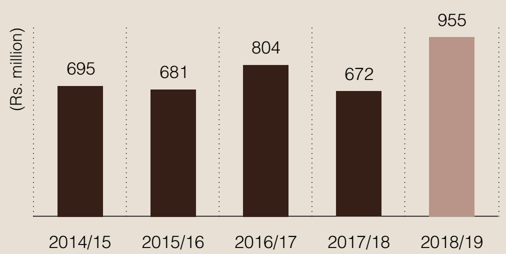
GROSS PROFIT



GROSS PROFIT MARGIN

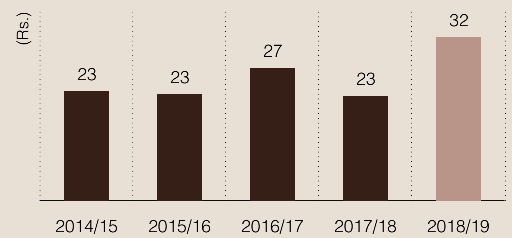


PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

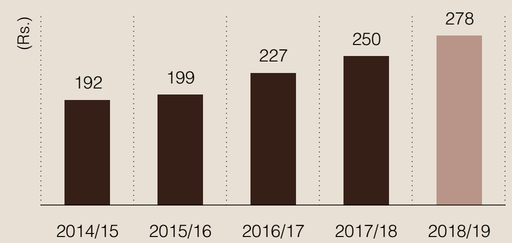


RETURN TO SHAREHOLDERS

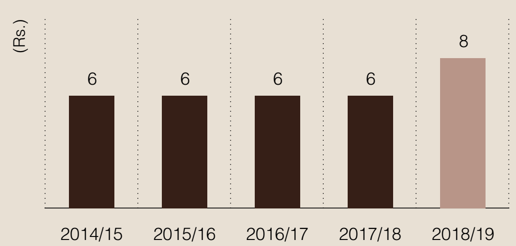
EPS



NAV ASSETS PER SHARE

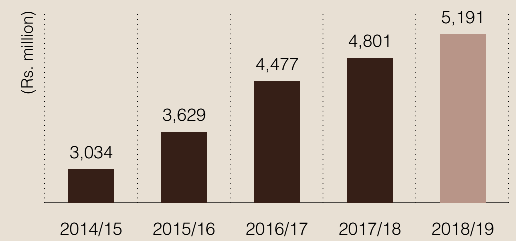


DPS

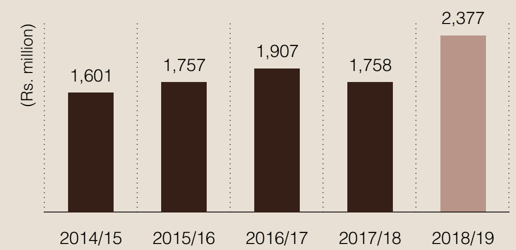


CASH FLOWS

CUMULATIVE INVESTMENT IN CAPEX FROM YEAR 2010

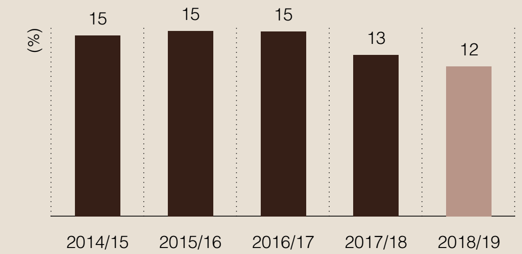


OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES

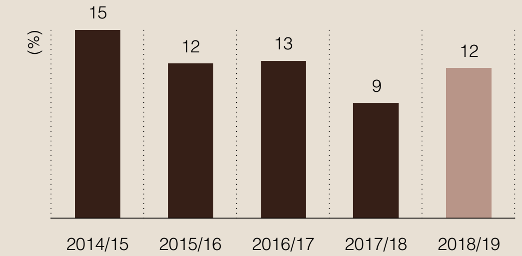


RATIOS

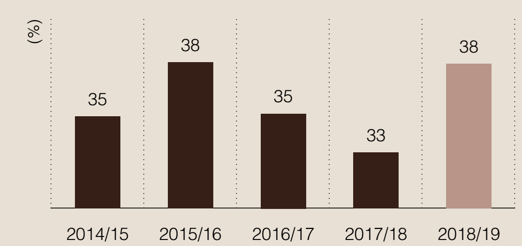
OVERHEADS COST TO REVENUE RATIO



ROCE

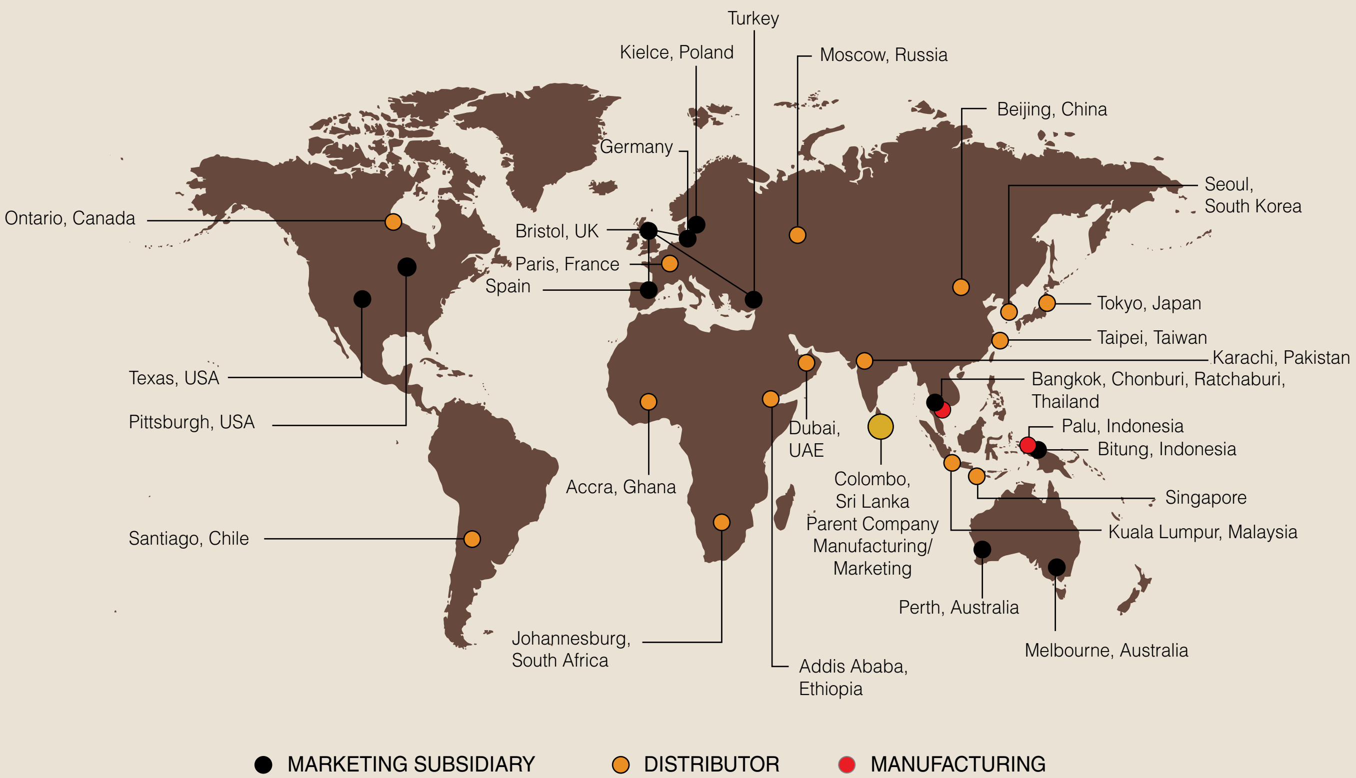


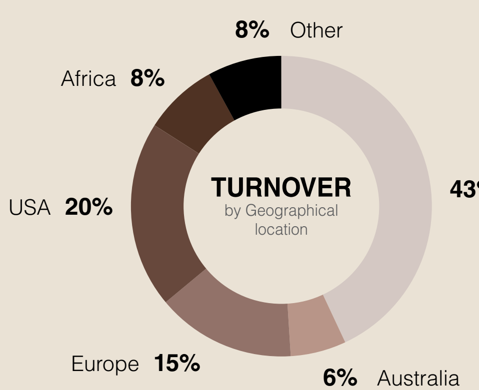
GEARING RATIO

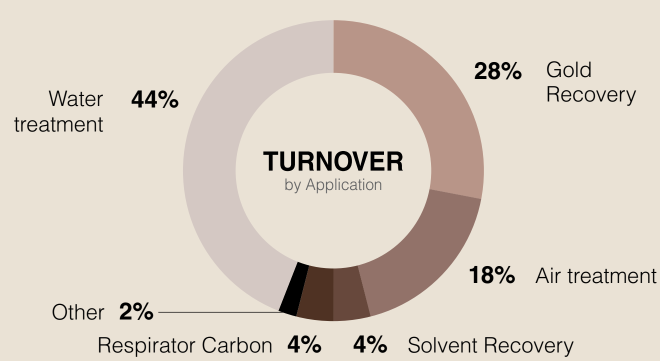


The Financials for 2014/15 presents results for 15 months for some of the subsidiary companies due to transitional adjustments made to comply with Sri Lanka Financial Reporting Standards (SLFRS 10) “Consolidated Financial Statements” – Refer Note 1 of page 13.

GLOBAL PRESENCE







50,000 tonnes per annum

Activated Carbon supply capacity

Haycarb PLC treads a well mapped strategic path that allowed us to post noteworthy results in a challenging year. As a pioneering manufacturer of coconut shell derived activated carbon, a key area of challenge has been sourcing adequate supplies of raw material. Here, the Company's strategic approach has been to support and retain existing supply bases, promote green charcoaling technology and broad-base our procurement network across key coconut growing countries in the region.

Whilst reinforcing its pre-eminent position both locally and internationally as a premium solutions provider, Haycarb enacted vital marketing strategies to access new geographies and penetrate new market segments, offering an enhanced, value added portfolio bolstered by successful product development initiatives and stringent quality assurance protocol. These measures are aligned with Haycarb's strategy to innovate and achieve technical excellence across its product portfolio.

The Company's Environmental Engineering business continued to consolidate its position as a prime provider of water/wastewater purification systems with a selective regional presence.

The vibrancy and proactiveness of Haycarb in the areas of Research and Development, Marketing and Business Development and Manufacturing Technologies resulted in a range of new product and process innovations, which enhanced as well as expanded our existing portfolio. These include special grades of Catalytic Carbon for the removal of Monochloramine, a process to remove Formaldehyde from air filters, specialty Respirator Carbons, carbon for human consumption and enhanced carbon properties for supercapacitors.

We continue to seek ever greater levels of sustainability through projects that allow us to reduce the carbon footprint in all our manufacturing facilities; activities such as the operation of vertical kilns for environmental friendly charcoaling in Thailand and the expansion of the *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 in Sri Lanka.

By continuing to focus on our core business segments of activated carbon and environmental engineering, implementing lean initiatives, leveraging new technology, and aggressively expanding our market reach, we were able to maintain our position as a world leader in the manufacture of coconut shell based activated carbon and a highly credible provider of innovative purification solutions.

Strategy

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

MOHAN PANDITHAGE
Chairman

RAJITHA KARIYAWASAN
Managing Director

"Your Company reached a key milestone by exceeding Rs. 20 billion in consolidated revenue and recording a profit before tax of Rs. 1.352 billion"

It is with pleasure that we table the Annual Report and the Audited financials for the year ended 31st March 2019 of Haycarb PLC.

Your Company reached a key milestone by exceeding Rs. 20 billion in consolidated revenue and recording a profit before tax of Rs. 1.352 billion.

We present below the review of performance and the initiatives implemented to overcome the challenges faced during the year, and position Haycarb for future growth.

REVIEW OF OPERATIONS

Financial Performance

The Group turnover increased by 35% to Rs. 20,917 million whilst profit before and after tax was recorded at Rs. 1,352 million and Rs. 1,081 million respectively. The earnings per share increased to Rs. 32.16 and net assets per share increased to Rs. 277.68. As part of the investment portfolio rationalisation of the Hayleys Group, a leisure property was divested which contributed a capital gain of Rs. 114 million to the above results.

Dividends

Taking into consideration the performance for the year and future prospects of the Company, the Board recommended and paid two interim dividends of Rs. 2.00 per share on 23rd January 2019 and Rs. 6.00 per share on 18th April 2019, totalling Rs. 8.00 per share.

Activated Carbon Operation

The activated carbon turnover increased by 27% to Rs. 18,027 million in 2018/19, crossing the USD 100 million milestone for this business segment. The growth in revenue is mainly attributable to increase in the value added products portfolio and the adjustment of sales prices in the first half of the year to partially compensate for the sharp increases in raw material cost. Even though the profit before tax improved to Rs. 927 million, the business segment could not reach target levels of profit margin due to the time lag between cost increases and sale price adjustments.

Haycarb's extensive procurement network spread across all major coconut shell charcoal producing countries in the region, ensured sufficient availability of raw material to optimise the utilisation of manufacturing capacities to fulfil its sales commitments, in spite of considerable challenges in the supply chain.

The year under review was unfavourable to Sri Lanka operations due to the drought conditions of 2016 and 2017 that affected charcoal production well into the 3rd quarter of the financial year 2018/19. The impact of the resultant raw material cost increases will be drawn over a longer period of time due to the significant raw material inventory held by the Company as a strategy to offset uncertainties in raw material availability and provide supply security to our loyal customers. Thailand continued to face shortages and high cost of raw material throughout the year, compelling the Group's Thailand subsidiary Carbokarn Co. Ltd., to import raw materials from Indonesia and the Philippines at even higher landed costs.

In Indonesia, the supply chain dynamics remained stable which enabled the Indonesian entities to operate at competitive levels. The PT Haycarb Palu Mitra factory was closed temporarily due to the earthquake and tsunami that impacted the Palu region in Indonesia in September 2018. The speedy recovery and re-commencement of the production facility was only possible due to the tireless efforts of the engineering and operations teams that minimised the downtime and the adverse impact to the top and bottom line of the Group.

Haycarb continued to protect and strengthen its relationships built across the coconut shell charcoal supply network in Sri Lanka, Thailand, Indonesia, India, and the Philippines. Taking a long-term view on sustainability and environmental concerns, the Company further invested in the "*Haritha Angara*" green charcoaling project in Sri Lanka and the Vertical Kiln Environmental friendly Charcoaling Project in Thailand.

The demand for activated carbon remained strong during the year though there was a slight down turn in the 3rd quarter. With the improving availability of charcoal and reducing purchase cost, Haycarb commenced reduction of carbon prices to support our valued customers even though large inventories of raw material held at higher average cost continued to impact our margins in the in short term.

During the year, the marketing teams focused on initiatives to acquire new customer accounts, access new geographies and expand the value added product portfolio. Special efforts were made to expand value added product segments in Point of Use (POU)/Point of Entry (POE) water applications, monochloramine removal (MCA) carbons, respirator carbons and impregnated carbons to bring better balance and diversity to the sales mix.

The Company's efforts to expand its market reach outside the traditional markets has borne fruit with satisfactory growth in markets such as North, East and West Africa, South East Asia, China and South Korea.

The acquisition of new customer accounts and markets and the consequent increase in revenue resulted in higher investment in debtor financing. The overall increase in raw material prices coupled with the strategic increase of the raw material inventory, significantly increased Haycarb Group's working capital. The resultant increase in short-term borrowing levels contributed to the 66% increase in interest paid by the Group.

"The activated carbon turnover increased by 27% to Rs. 18,027 million in 2018/19, crossing the USD 100 million milestone for this business segment...

Even though the profit before tax improved to Rs. 927 million, the business segment could not reach target levels of profit margin due to the time lag between cost increases and sale price adjustments"

The R&D and Technical Teams worked to develop new products and anchor process innovations and optimisation. One of the key initiative was the development of a range of both coconut shell based and wood based MCA carbons that could well be an industry benchmark on performance and wide capacity range.

Cross functional teams launched over 50 initiatives across seven factories through the lean platform to improve efficiencies and reduce cost. 5S and continuous improvement philosophies are promoted and reinforced as a way of life. Maximum priority is accorded to Quality Assurance and Quality Management Systems. Safety, Health and Environment (SHE) systems and practices were enhanced while related training sessions were frequently carried out systematically on both quality and SHE to embrace the importance of these disciplines on the shop floor.

The positive impact of depreciation of rupees against the USD dollar during the year was offset significantly as Sri Lanka was compelled to import a considerable part of its charcoal requirement, which is the main cost element of activated carbon manufacturing process.

Environmental Engineering

The environmental engineering segment recorded a revenue of Rs. 2,890 million and a profit before tax of Rs. 295 million. The challenges in the political/economic environment that resulted in the postponement of projects in Sri Lanka and in the Maldives which are the two key markets for water and waste water treatment solutions, delayed the achievement of the expected revenue and net income targets for the current year. The Company has continued to bid for and execute a number of projects across Sri Lanka under the Water Supply and Sanitation Improvement Projects Initiative of the Government of Sri Lanka that is funded by the World Bank. The collaboration with Veolia Water France has continued to yield expected synergies and generate income during the year under review.

Sustainability Initiatives

Social Empowerment

Puritas continued to support the upkeep of the "Puritas *Sath Diyawara*" water purification plants established by the Hayleys Group of Companies that currently provides 160,000 litres of safe drinking water across 19 villages in the Northern and North Central Provinces of Sri Lanka that were at risk of Chronic Kidney Disease (CKD). The Company also plays the leading role in the book distribution project under the "Going Beyond" initiative that uplifts the quality of life in the said villages. Hayleys Group delivered school books and other requisites for the academic year 2019 to over 2,500 schoolchildren in 11 schools creating a conducive environment for the education to children in these rural communities. This flagship Corporate Social Responsibility platform of our Parent Company Hayleys PLC grows from strength to strength by helping many villages to eradicate CKD. Haycarb/Puritas takes pride in playing a leading role in the facilitation and implementation of this key CSR initiative of the Hayleys Group.

PT Haycarb Palu Mitra, our Indonesian subsidiary donated food, water, and other essential items to victims of the earthquake and tsunami in Palu, Indonesia, helping the community in close proximity to the factory to return to normalcy.

Health

Haycarb continued to donate medical grade activated carbon to the National Hospitals of Sri Lanka through the Ministry of Health for the treatment of patients who have ingested poisonous substances. The Company continues supporting this initiative over the years to save many lives through our own activated carbon products.

Environment

Haycarb strives to reduce its carbon footprint by promoting sustainable processes in manufacturing operations and supply chain network. It holds the patent for the premium green charcoaling process through Recogen – the lowest carbon footprint technology for charcoaling where the pollutant gases and heat generated in the process is used to generate electricity for the national grid. Haycarb also continued its efforts at promoting green charcoal in a less capital intensive process in Sri Lanka through the *Haritha Angara* project providing technology and financial assistance to charcoal suppliers to build and operate environment friendly closed charcoal pits. The Company has helped to construct and launch over 170 environment friendly charcoaling pits to date. Carbokarn, the Thailand subsidiary expanded the vertical charcoaling kilns that promote green charcoaling.

Sustainability of in-house processes were improved in a number of ways including introduction of flash drying technology for powder carbons, reduction of oil usage in the pelletised activated carbon plant and recovery of charcoal and carbon from waste material.

WAY FORWARD

The Company remains confident of its business model and the strategic position it holds in the coconut shell based activated carbon industry, regeneration services and the environmental engineering segment, to continue its growth trajectory in an expanding global market for purification solutions backed by emphasis placed on environmental sustainability standards and regulations globally.

Activated Carbon Operations

Diversification to specialised and value added products and service segments whilst consolidating the existing business offering will be the two pronged strategy that will be pursued by the activated carbon segment.

"Diversification to specialised and value added products and service segments whilst consolidating the existing business offering will be the two pronged strategy that will be pursued by the activated carbon segment"

"Puritas will leverage on its proven technical know-how and service record as a premium solutions provider for water and wastewater treatment systems for growth in the medium to long term"

Next year will be challenging, with margin pressure expected on our standard product portfolio. However, Haycarb will implement optimum cost reductions in all supply chains whilst recognising the need to ensure continuity and loyalty of its supplier network. Its commitment to manufacturing excellence and the QA and QMS systems are expected to enable the Company to retain a globally leading position for quality, consistency, and timely delivery.

The increase in penetration into the North American market is an important initiative that is executed by the Haycarb USA Inc.'s marketing team supported by the Group's central marketing and technical teams. Concurrently the Eurocarb team is expanding the markets in Europe in traditional as well as new and value added segments including impregnated, premium cabin air and human consumption carbons. Domiciled in UK, Eurocarb has assessed the risk and impact of ongoing Brexit negotiations with standby plans for the transition as required. The efforts of business development teams to acquire new customer accounts and expand the business in geographies such as CIS countries, China, Africa, South East Asia, South America and the Middle East will be pursued as awareness on environmental protection and sustainability in these geographies continue to increase the demand for purification products and solutions.

Haycarb will continue to invest in new product development to expand its value added and specialised product offering and explore new technologies and process improvements to increase efficiencies and reduce cost.

Haycarb seeks to expand the regeneration services offered in Thailand and opportunities to acquire new accounts for this business in Thailand, Indonesia, Europe and USA. It also has been considering opportunities to enter the activated carbon services segment in a developed market, as its next step in the diversification strategy and move up the value chain.

The ability to command a broad based charcoal procurement network at competitive pricing remains a key driver in the coconut shell based activated carbon industry. Therefore emphasis will be placed on the protection and expansion of the procurement networks established in Sri Lanka, India, Thailand, Indonesia and Philippines. Haycarb will promote the environmental friendly charcoaling technologies to ensure the long term sustainability of the business. Adequate buffer stocks of raw materials at selected locations will be maintained to ensure supply security to valued customers. The Company will strengthen the procurement network established to source coconut shell activated carbon for value addition and expand the product range of coal and wood based carbons.

Haycarb will continue to expand its capacity in line with its strategic growth plan of the activated carbon business by augmenting value added processes in its existing locations and expanding into new locations to cater to growth in demand.

Environmental Engineering

Puritas will leverage on its proven technical know-how and service record as a premium solutions provider for water and wastewater treatment systems for growth in the medium to long term. The Company will continue to pursue opportunities for new projects in the Government and private sector in Sri Lanka and in the Maldives, being markets in which the Company enjoys a strong brand presence. Concerted efforts are under way to penetrate and expand into other countries in the region including Bangladesh and Thailand.

Obtaining further large scale water projects through its valued collaboration with Veolia Water France is pursued as an important avenue of stability and growth.

The Company will invest on increasing market penetration of its activated carbon end products which include industrial and home protective face masks and odour removal products in the local and export markets.

Sustainability

Haycarb is committed to sustainable business practices and social responsibility as a way of life and continues to abide by the triple bottom line philosophy.

APPRECIATION

Our colleagues on the Board join us in thanking our employees at all levels for working with commitment as a team to overcome challenges and achieve creditable performance during the year. The Board wishes to convey thanks and appreciation to all our stakeholders including our customers and suppliers for their contribution in our story of success this year and look forward to working together in the ensuing years.

MOHAN PANDITHAGE
Chairman

RAJITHA KARIYAWASAN
Managing Director

14th May 2019

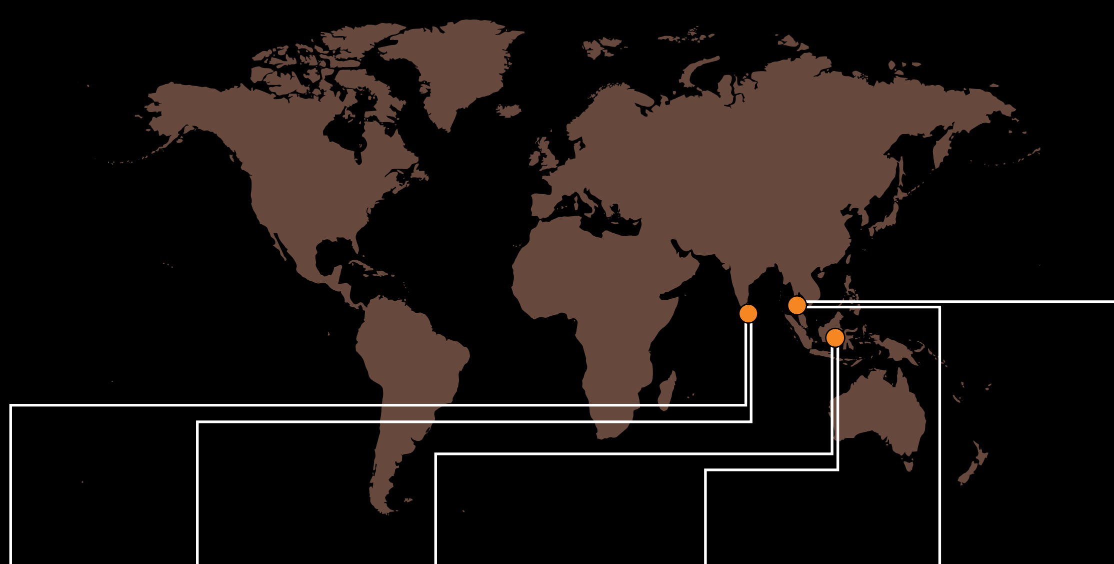
"The Company remains confident of its business model and the strategic position it holds in the coconut shell based activated carbon industry, regeneration services and the environmental engineering segment, to continue its growth trajectory in an expanding global market for purification solutions backed by emphasis placed on environmental sustainability standards and regulations globally"

Customer Centricity

Our journey during the 46 years of existence has not been without challenging times. However, Haycarb has always withstood these challenges and emerged a winner due to our core values, that lay at the heart of the Company.

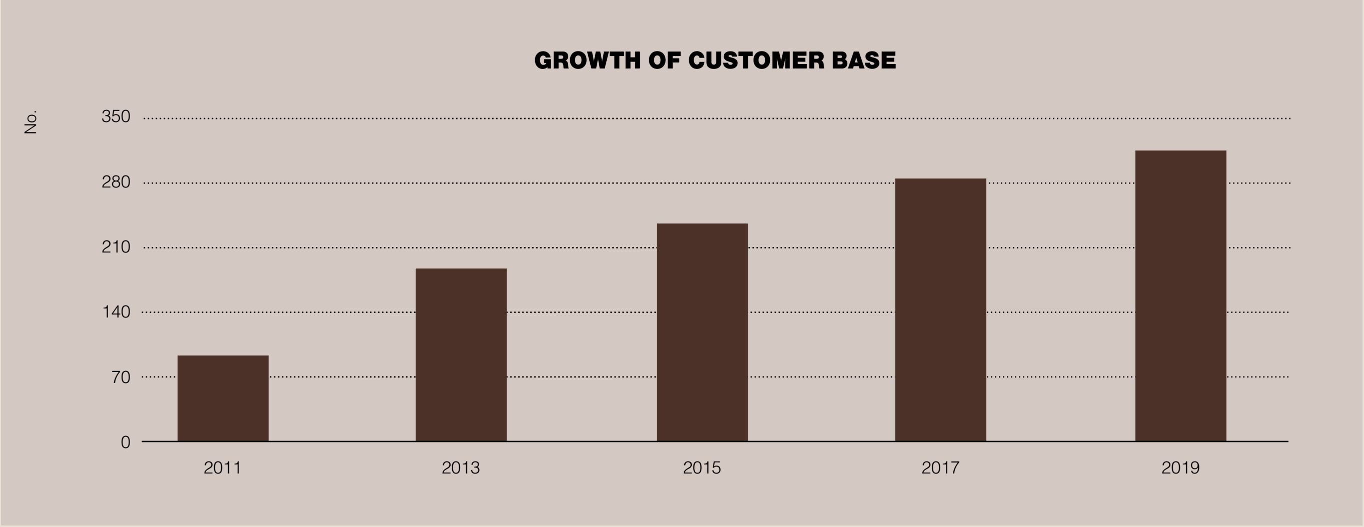
Haycarb prides itself in its global supply chain and marketing network, which is a testimony to our core brand value of customer centricity. This network allows flexibility to deliver and serve our customers anywhere in the world, encompassing risk mitigation strategies that ensure reliability of supply. Our product quality and customer centricity have created an unwavering trust and loyalty in our customers, that has laid a strong foundation which Haycarb continues to build upon.

GLOBAL MANUFACTURING LOCATIONS



HAYCARB PLC	HAYCARB PLC	PT Mapalus Makawanua Charcoal Industry	PT HAYCARB Palu Mitra	CARBOKARN Ltd.	SHIZUKA Co. Ltd.
Madampe, Sri Lanka	Badalgama, Sri Lanka	Bitung, Indonesia	Palu, Indonesia	Chonburi, Thailand	Ratchaburi, Thailand
13,000 TPA	**7,000 TPA**	**9,000 TPA**	**4,000 TPA**	**8,500 TPA**	**3,500 TPA**

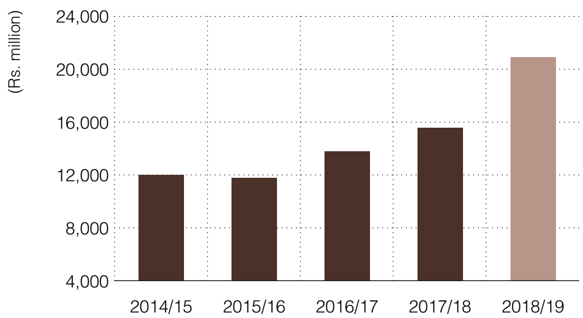
Tripled the customer base in a decade



FINANCIAL REVIEW

TURNOVER

REVENUE

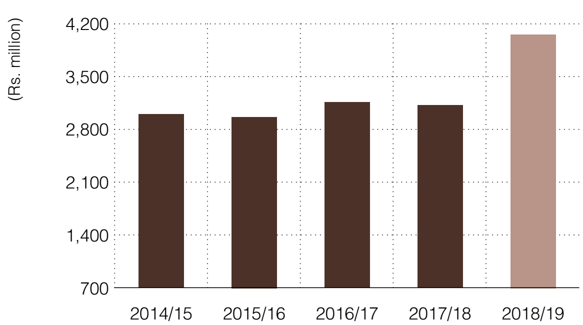


The Haycarb Group recorded a significant increase in revenue of 35% to Rs. 20.9 billion (2017/18 – Rs. 15.5 billion). When discounted for the depreciation of the reporting currency, revenue has grown by 23% in USD terms. The activated carbon segment recorded a growth of 27% attributable to the increase in sales of the value added product portfolio and the increase in sales prices which were adjusted to compensate for the escalation of raw material costs during the year.

The Environmental Engineering sector recorded a significant growth of 113% in revenue over the last year in water and waste water treatment plants in Sri Lanka and the region.

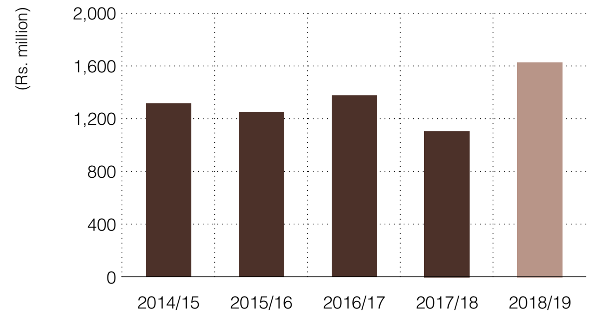
GROUP PROFITABILITY

GROSS PROFIT



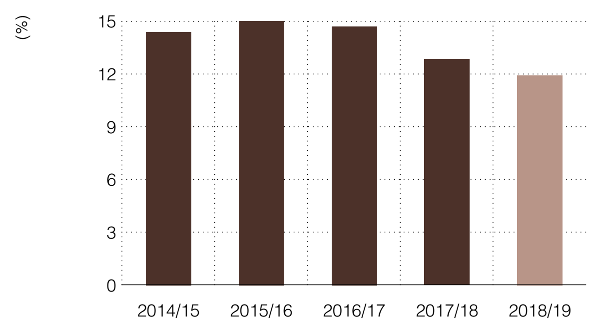
The GP increased by 31% compared to 2017/18 and the GP margin recorded was 19%. The inability to increase selling prices on par and on time with increasing raw material cost in Sri Lanka and Thailand impacted profit margins negatively in 2018/19. However, the stability in Indonesia cost structures, R&D and marketing initiatives to develop and commercialise value added products and the continued focus on lean initiatives supported the bottom line of the Group. On a macroeconomic context the depreciation of the Sri Lankan Rupee against the US Dollar resulted in higher revenue for Sri Lanka export sales although this impact was significantly offset by the importation of almost 40% of raw materials to Sri Lanka to mitigate the supply shortage during the year.

EBIT



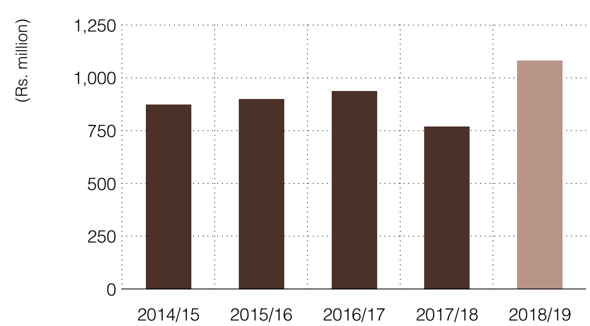
Haycarb Group reported a profit before tax of Rs. 1,352.8 million (2017/18 – Rs. 926.4 million) and earnings before interest and tax of Rs. 1,649.1 million (2017/18 – Rs. 1,108.3 million).

OVERHEAD TO REVENUE RATIO



The overhead cost to revenue ratio improved to 12% during the year under review due to the significant increase in revenue.

PAT



The interest cost has increased by 66% compared to FY 2017/18 to Rs. 311.9 million (2017/18 – Rs. 187.9 million).

The increase in revenue that resulted in higher debtor financing and substantial increases in inventory holding costs due to higher raw materials costs and strategic increases in raw material inventory to maintain stability of supplies to customers led to higher interest costs during the year.

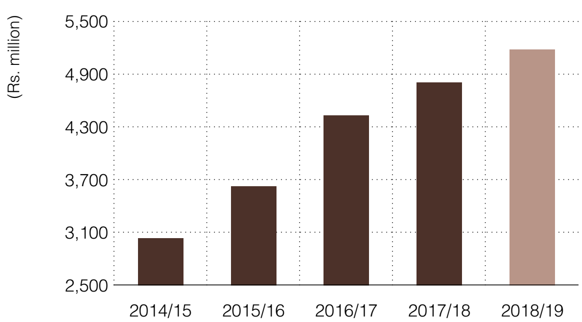
The profit after tax recorded an increase of 40% at Rs. 1,081.7 million for 2018/19 compared to Rs. 773.6 million in FY 2017/18.

WORKING CAPITAL MANAGEMENT

Haycarb Group has maintained the current asset ratio at 1.4 times. The net cash generated from operating activities reported a negative Rs. 536 million due to the significant increase in inventory and trade debtors.

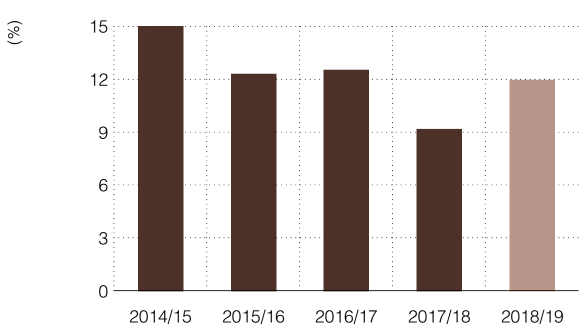
ASSET DEPLOYMENT

CUMULATIVE INVESTMENT IN CAPEX FROM YEAR 2010



Over the last 5 years, Haycarb has invested approximately Rs. 2.1 billion in property, plant and equipment. During the year under review, the group capital expenditure was Rs. 390 million, comprising of projects focused on improving the Company's technological and manufacturing capabilities to support Haycarb to maintain its position as a leading manufacturer of activated carbon globally.

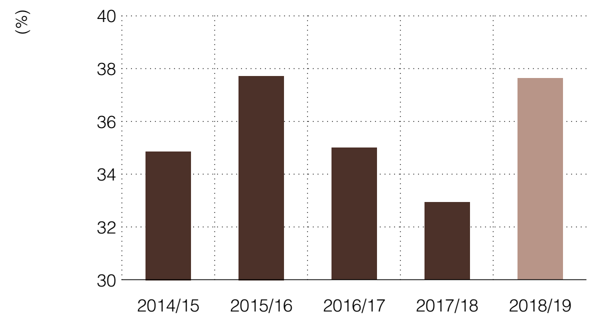
ROCE



ROCE increased to 12% during the year under review, mainly due to the higher profitability recorded in the activated carbon segment.

GEARING POSITION

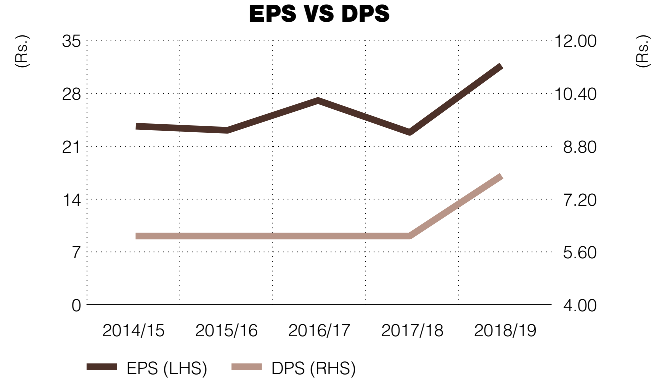
GEARING RATIO



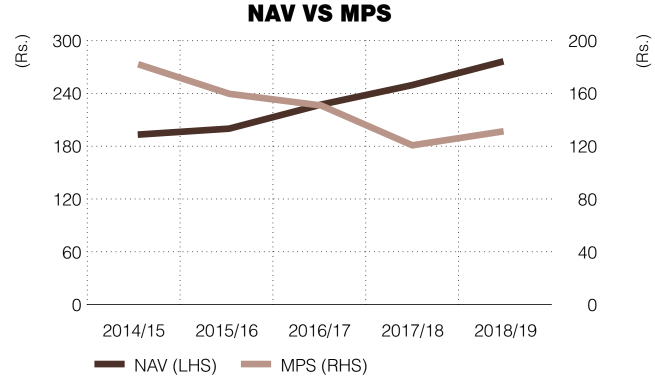
Group borrowings increased from Rs. 4,093 million to Rs. 5,631 million mainly due to the additional working capital requirements required for debtor and inventory financing. This resulted in a gearing ratio of 38% for year 2018/19.

SHAREHOLDER VALUE CREATION

EPS VS DPS



NAV VS MPS



The earnings per share increased by 39% to Rs. 32.16 compared to FY 2017/18 due to the increase in the group profitability during the year under review. The dividend payout ratio is 25%. The total dividend payout over the last five years amounted to Rs. 950.8 million. The net asset per share presents an increase from Rs. 249.99 to 277.68.

Note 1 – The Financial Statements of Haycarb PLC's subsidiaries in Thailand, Indonesia, Australia and United States of America have been drawn up to 31st December and consolidated in accordance with LKAS No. 27 in the financial statements for the year ended 31st March 2014. SLFRS 10 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.

Puritas – Our Solution to a Greener World

Haycarb's environmental engineering arm Puritas (Private) Limited, which provides turnkey solutions for water and wastewater treatment for a diverse range of commercial entities and municipalities, has led our diversification strategy over the past 23 years, continually fueling and contributing to our growth. By expanding its operations to international markets such as Maldives, Thailand, Indonesia and Myanmar, Puritas has ventured into South and East Asian regions. Puritas has significantly contributed to revenue through the growth in the municipality segment in recent years in which the World Bank funded Water Supply and Sanitation Improvement Project (WaSSIP) that creates a large impact to a wide group of stakeholders is a key aspect. Further, Puritas' focus on operation and maintenance segment has contributed to growth in both revenue and profit through the years.

Greater Matale Water Supply Project aimed at providing pipe-borne drinking water for over 400,000 people in Matale district is under construction and is expected to be completed in 2020/21. The project is implemented by Veolia – world's leading water service provider and the strategic partner of Puritas.

While ensuring its strong presence as a leading water and waste water treatment service provider in both Sri Lankan and Maldives markets, Puritas has expanded its product range in the consumer products segment through its activated carbon based Oxypura facemasks and odour removal products. Oxypura value added products have reached several foreign markets including India, Australia, Thailand and Macedonia where it is targeting to develop established distribution channels.

Water Supply and Sanitation Improvement Project (WaSSIP)

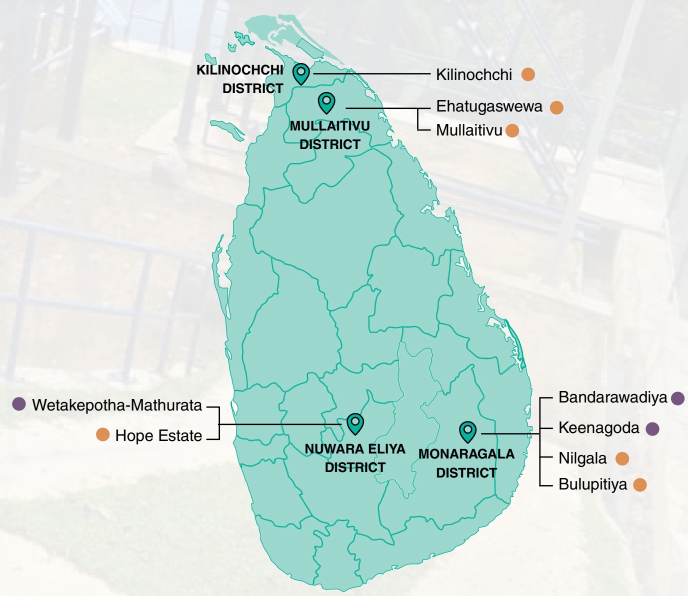
Implemented through WaSSIP project management unit of National Water Supply and Drainage Board (NWS&DB) and funded by the World Bank, WaSSIP aims to provide safe pipe borne water and ensure safe sanitation facilities for people in rural and semi-urban areas.

Key Highlights of Puritas' "WaSSIP" Projects

Funded by World Bank

6 Projects in progress (including 4 Rural Water Supply Schemes)

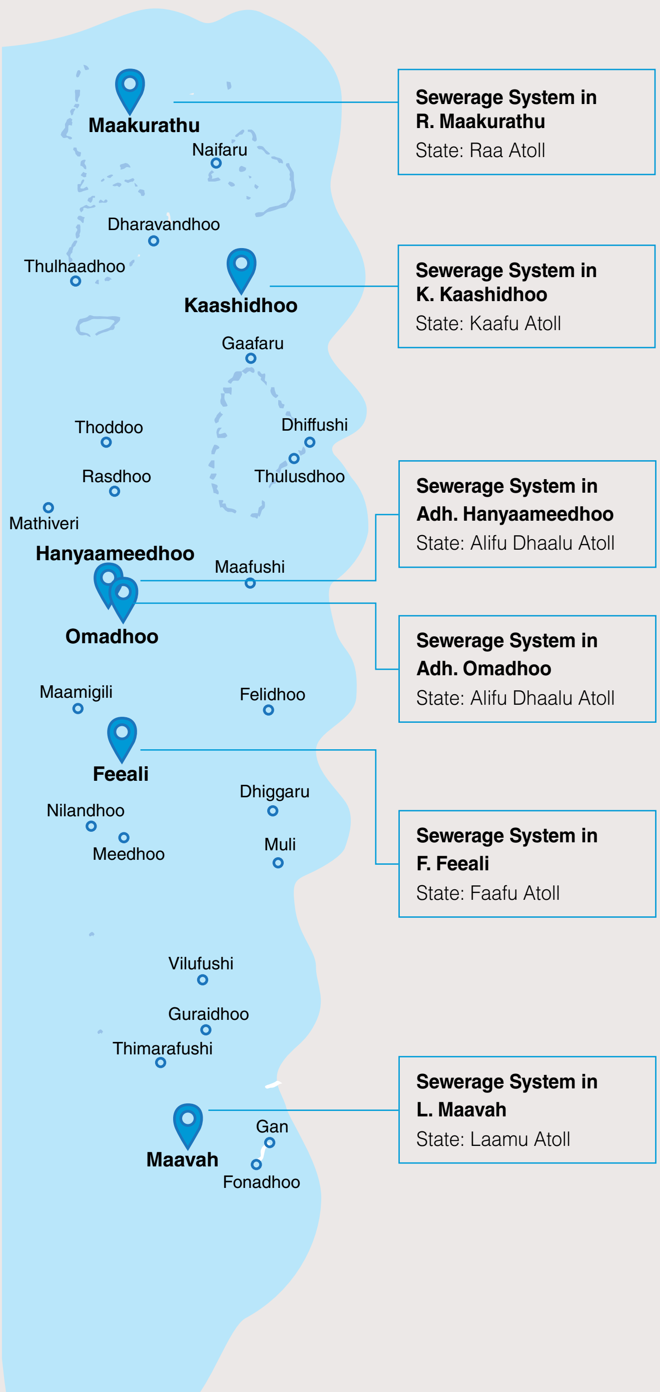
Project Locations



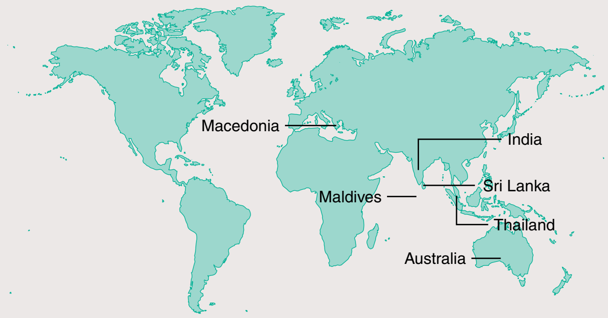
Projects completed ● Projects in progress ●

On-going Infrastructure Development Projects in Maldives

Project Description	:	Installation of Sewerage Systems for the six islands of Adh. Omadhoo, Adh. Hanyaameedhoo, F. Feeali, R. Maakurath, K. Kaashidhoo, and L. Maavah in the Republic of Maldives.
Client	:	Ministry of National Planning and Infrastructure
Status	:	On-going



Global Presence of Oxypura Products



Oxypura facemasks

Oxypura odour removal products

Oxypura Clipit car odour remover

PURITAS සත් දියවර

ජීවිතයට දියබිඳක් - හේලීස් සමූහයේ වකුගඩු රෝග නිවාරණ අත්වැල

Puritas *Sath Diyawara* is an initiative providing clean drinking water for people in Northern and North Central Provinces, aiming at eradicating Chronic Kidney Disease (CKD). The initiative is Hayleys Group's flagship CSR project and different sectors of the Group have contributed to reach more villages and cater the people in need of clean drinking water. Project includes setting up a 10,000 litres/day Reverse Osmosis drinking water treatment unit together with docking stations around the village, and a bowser mounted tractor. A library, Internet centre and model organic farms were also established at selected villages.

33,593
Number of People Served

1,162
Number of CKD Patients Benefited

160,000
Number of Litres of Water Purified/Day

16
Number of Projects

Rs. 64 million Investment

19
Number of Villages Catered






Puritas Sath Diyawara Projects in Operation

Village	Number of Families Benefited	Number 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	
Kiriketuwewa and Sinhala Ataweerawewa	600	2,495	Rs. 3.6 million	Opened on 10th March 2015
Pihimbiyagollewa	300	2,153	Rs. 3.6 million	
Nikawewa – Left	320	1,600	Rs. 4.2 million	Opened on 3rd September 2015
Billewa	450	1,953	Rs. 3.5 million	
Thanthrimale	600	2,500	Rs. 3.9 million	Opened on 15th 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	500	1,579	Rs. 3.9 million	Opened on 7th January 2017
Meegassegama	470	2,500	Rs. 4.65 million	Opened on 14th July 2017
Pahala Kedithokkuwa	400	2,097	Rs. 4.65 million	
Dutuwewa	750	3,500	Rs. 4.65 million	Opened on 25th August 2017
Total	**7,990**	**33,593**	**Rs. 64 million**	

Key Milestones

November 2013
Conceptualising and initialising the project

April 2014
Detailed survey at Maithreepura

May 2014
Starting construction

15th August 2014
Handing-over of the first project at Maithreepura funded by Haycarb Group

10th March 2015
Handing-over of three projects at Pihimbiyagollewa, Kiriketuwewa and Balayawewa

June 2015
Puritas *Sath Diyawara* wins Asia Responsible Entrepreneurship Awards 2015 under SME CSR category

3rd September 2015

16th November 2015
Handing-over of two projects in Billewa and Nikawewa (Left)

20th November 2015
Handing-over of the 8th project at Parangiyawadiya

Handing-over of the first project (overall 7th project) at Thanthrimale funded by an entity outside to Hayleys Group

December 2015
Book donation under “Going Beyond” in Maithreepura and Balayawewa

February 2016
Puritas *Sath Diyawara* wins Overall Award at Hayleys Group Chairman’s Awards – 2015

11th March 2016
Handing-over of the 2nd project (overall 9th project) at Ananthapuram funded by Haycarb Group

28th April 2016
Handing-over of the 10th project at Nelumwewa including a model organic farm and waste management model (funded by Hayleys PLC)

29th April 2016
Handing-over of the 11th project at Neriyakulam

10th June 2016
Handing-over of the 12th project at Rathmalgahawewa

June 2016
Puritas *Sath Diyawara* wins Asia Responsible Entrepreneurship Awards 2016 under Health Promotion category and Going Beyond wins under Social Empowerment category

19th December 2016
Handing-over of the 13th project at Ulukkulama funded by Singer PLC

December 2016 January 2017
Book Donation at Maithreepura, Balayawewa, Pihimbiyagollewa, Nelumwewa, Ananthapuram, Rathamalgahawewa and Neriyakulam

February 2017
Puritas *Sath Diyawara* wins Merit Award under CSR category at JASTECA Awards

July 2017
Handing-over of the 14th and 15th projects at Meegassegama and Pahala Kedithokkuwa

August 2017
Handing-over of the 16th project at Dutuwewa

December 2017 January 2018
Book Donation at Maithreepura, Balayawewa, Pihimbiyagollewa, Nelumwewa, Ananthapuram, Rathamalgahawewa and Neriyakulam and Parangiyawadiya

December 2017
Puritas Sath Diyawara wins the National Award from Energy Globe 2017 – organised by Energy Globe Foundation, Austria

January 2018
Puritas Sath Diyawara wins the Overall Award at Global Energy Globe Awards 2017 for “Water” category

November December 2018
Book Donation at Maithreepura, Balayawewa, Pihimbiyagollewa, Nelumwewa, Ananthapuram, Rathamalgahawewa Neriyakulam, Meegassegama, Pahal Kedithokkuwa, Parangiyawadiya and Dutuwewa

February 2019
Wins a Special Award at Hayleys Chairman’s Awards

Going beyond...

"Going Beyond" includes provision of school essentials to children living in the villages affected by Chronic Kidney Disease (CKD). The initiative was implemented for the third consecutive year in villages that benefited under Puritas *Sath Diyawara* and is funded by eight of Hayleys' business sectors.

11
Number of Schools Catered

14
Different items in one pack on average

2,533
Number of Children Served

11
Number of Villages Catered

Rs. 4.5 million Investment for FY 2018/19

Haritha Angara

Haritha Angara is a community service project initiated by Haycarb which started in 2014 to propagate and empower our local charcoal suppliers to adopt pollution free charcoaling in Sri Lanka. The programme encourages converting traditional open pit charcoaling sites to 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. Over the years Haycarb has supported 117 suppliers providing technical support and interest free funding to build new pits with combustion chambers and improve existing pits. This initiative has been wholeheartedly embraced by our suppliers, which is continuing on its successful 5th year.

Progress of Haritha Angara as at 2018/19

Total number of suppliers supported	117
Total number of pits constructed	170
Total investment	Rs. 33.7 million

Haritha Angara charcoaling pit

Vertical kilns at Carbokarn Ltd., Thailand

The concept of promoting environment-friendly charcoaling was extended to Thailand through the vertical charcoaling kiln projects which commenced in 2015. Designed and built by Carbokarn and Haycarb in-house engineering teams,the project was initiated in Ratchaburi, Thailand with the capacity to manufacture 75 MT charcoal a day. It has now successfully expanded to several other locations in Thailand. At present, there are 32 kilns in Ratchaburi, 2 kilns in Chonburi and 4 kilns in Prachuap Province (owned by a supplier) in Thailand, totalling 38 kilns. Carbokarn plans to further broad base the environment-friendly charcoaling kilns to more locations in Thailand in the future.

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 & Chief Executive

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

Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers; Excellence Leadership Recognition – Institute of Chartered Accountants of Sri Lanka; Honoured with lifetime achievement award at Sea-trade – Sri Lanka Ports, Trade and Logistics; Life time award for most outstanding Logistics and Transport personality of the year – Chartered Institute of Logistics & Transport.

RAJITHA KARIYAWASAN

Joined Haycarb and appointed to the Board in January 2010. Has overall responsibility for the Purification Products sector as the Managing Director of Haycarb PLC. Is also the Managing Director of Eco Solutions Sector whilst functioning as a Director of Dipped Products PLC and Hayleys Fibre PLC.

Appointed to the Hayleys Group Management Committee in February 2010 and to the Board of Hayelys PLC in June 2010. Appointed to the Board of Sri Lanka Institute of Nanotechnology (Private) Ltd., (SLINTEC) as a Nominee Director of Hayleys PLC in March 2019.

Holds a BSc Engineering (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia. Before joining Hayleys, 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

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including manufacturing, banking & finance, leisure, aluminum extrusion, packaging, plantations, lifestyle, healthcare, consumer and hydropower generation.

He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Unidil Packaging Ltd, Delmege Ltd, and LB Microfinance Myanmar Company Ltd. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC & Dipped Products PLC.

ARJUN SENARATNA

Appointed to the Board in November 2005. Previously held senior positions with Amsterdam based TNT / TPG; including membership in the TNT Logistics Global Business Development Board. Has also been in senior / strategic roles with Celestica (former IBM Manufacturing), Ryder, Rockwell International, Canada Steamship Lines and Pepsi Cola. Holds a Bachelor of Science (BSc) from the University of Ceylon and is a Chartered Public Accountant CPA, CMA Canada.

SARATH GANEGODA

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

MS. 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 Jayawardenepura.

Past President of The Institute of Chartered Accountants of Sri Lanka (ICASL). Serves as a Non-Executive Independent Director of Softlogic Life Insurance PLC, Dipped Products PLC and Hayleys Agriculture Holdings PLC. He is also a Director of UniDil Packaging Ltd., and Uni Dil Packaging and Solutions Ltd.

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 Jayawardenepura, 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 as the General Manager in 2010. He has headed the Recogen Operation from 2004 to 2010 and currently 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 a 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 and is also responsible for Hayleys Group's CSR Initiative "Puritas *Sath Diyawara*".

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 as the General Manager Business Development for the Haycarb Group in 2010. He has led the establishment of a number of key manufacturing projects in Sri Lanka and Indonesia and successfully expanded distribution networks into new market segments for the company. Mr. Caderbhoy currently heads the Business Development Division of Haycarb Group focusing on developing new market segments, sales and distribution channels and lines of business.

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. Dhammika 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, LB Finance PLC, as a Non-Executive Director and Chairperson of Audit Committee, Hayleys Fabric PLC, Haycarb PLC and Dipped Products PLC as Alternate Director to Mr. Dhammika 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 & Planning) at Pan Asia 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.

MOHAMED HISHAM JAMALDEEN

He is a finance professional with over 17 years of experience and a seasoned commercial property investor and advisor. He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a Degree in Engineering and Business from the University of Warwick, UK. He is the Founding Managing Director of Steradian Capital Investments (Pvt) Ltd., responsible for Financing, Corporate Structuring, Acquisitions and Development.

He serves as a Director of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Hayleys PLC, Talawakelle Tea Estates PLC, Haycarb PLC, Regnis Lanka PLC and Lanka Realty Investments PLC. He is also Executive Director of numerous real estate companies focusing on commercial property investment and development.

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. Udaya Kumara – Director (Research & Development and Technical Support)
B. Balaratnarajah – Director (Manufacturing & Engineering)
A.A.M. Caderbhoy – Director (Business Development)
Ms. S.S. Ragunathan – Director (Environmental Engineering)
J.D. Naylor – Director (Head of Eurocarb Products Ltd. – UK)

Deputy General Managers

S.P. Weerawardane – Production Planning
N.S. Perera – Charcoal & Shell Procurement
L.R.M.R.A.L. Karunaratne – Customer Management
G.M.G. Gunawardhana – Manufacturing (Sri Lanka)

Divisional Managers

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
G.A.D.N.U. Samaranayake – Research and Development
P.M.S.M. Ranasinghe – Quality Assurance
W.G.A.P. Gamage – Factory Manager (Madampe)
A.S.D. Karunaratne – Human Resource Management
A.D. Kularatne – Engineering Procurement
M.L. Wickramasinghe – Project Engineering & Purification [Puritas (Pvt) Ltd.]
W.M.P.A.B. Weerakoon – Deputy Financial Controller
P.S. Liyanaarachchi – Customer Management
C.R. Kobbekaduwe – Customer Management
L.I. Adhihetty – Business Development

Departmental Managers

L.P.S. Seneviratne – Engineering Projects
H.H.B. Senanayake – Business Development [Puritas (Pvt) Ltd.]
L.A. Wickramasekara – Charcoal & Shell Procurement
H.S. Kumara – Production (Badalgama)
D.M. Senaratne – Engineering Projects
P.T.R. Dharshana – Production (Madampe)
N.G.C.B. Dharmadasa – Raw Material Procurement, Indonesia / Sri Lanka
M.S.L. Moraes – Production Planning
R.M.G. Ranathunga – Engineering Maintenance (Badalgama)
A.G.L. Kokila – Project Engineering, Civil & Structural [Puritas (Pvt) Ltd.]
Ms. R.C. Jayawardena – Information Technology
P.A.A.U. Pathiraja – Finance
S. Gurusinghe – Procurement, R&D
L.M. Hapuarachchi – Quality Management Systems
M.I.A. Munasinghe – Quality Control
H.A.N.P. Kumara – Production (Badalgama)
S. Samarajeeva – Engineering Maintenance (Madampe)
G.D.S. Ganegoda – O & M Solutions [Puritas (Pvt) Ltd.]
Ms. P.P. Premaratne – Finance
T.P.Y.C. Tennakoon – Finance & Business Development [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 USA Inc.

A.S. Pathirathna – Vice President
M. Potok – Director Sales

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
U.S.S. Udugampala – Manager – Quality Assurance
K.U.S. Warnajith – Plant Manager (Shizuka Co. Ltd.)

PT Mapalus Makawanua Charcoal Industry

U.A.N.D. Rupasinghe – General Manager
Ms. T. Ente – Administration Manager
R.K.L. Jinasiri – Manager – Engineering Maintenance

PT Haycarb Palu Mitra

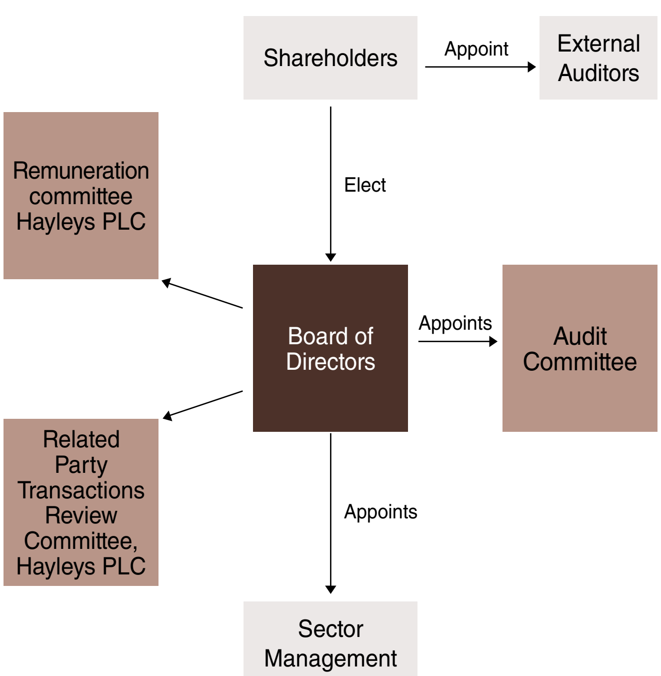
N.T. Hettiarachchi – Factory Manager

CORPORATE GOVERNANCE

Haycarb PLC has designed its Corporate Governance framework to support the Company to create and foster sustainable value for all of 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 pages 126 and 127.

The Corporate Governance framework outlines the key components of Haycarb's governance framework and 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 Party Transactions Review Committee of the parent company, Hayleys PLC acts as the Related Party Transactions Review Committee for Haycarb PLC as well and the members of the Committee are given in page 49 of this Report.

The company adopts the Code of Best Practice on Corporate Governance 2017, issued by The Institute of Chartered Accountants of Sri Lanka.

BOARD OF DIRECTORS

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 2019, the Board comprised of fourteen Directors; six Non-Executive Directors and eight Executive Directors. The names of these Directors are given below 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 123 and 126 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	3/4
Mr. Dhammika Perera	Non-Executive	1/4
Mr. Arjun Senaratna*	Independent Non-Executive	4/4
Mr. Sarath Ganegoda	Non-Executive	4/4
Ms. Jeevani Abeyratne***	Executive	4/4
Dr. Sarath Abayawardana	Independent Non-Executive	3/4
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	4/4
Ms. Sharmila Ragunathan	Executive	4/4
Mr. James Naylor*	Executive	4/4
Ms. Yogadinusha Bhaskaran (alternate to Mr. Dhammika Perera)**		3/4
Mr. Hisham Jamaldeen	Independent Non-Executive	2/4

* Mr. Senaratna and Mr. Naylor participated in these meetings via conference call facility

** Ms. Bhaskaran attended two meetings to represent Mr. Dhammika Perera as his alternative.

*** Ms. Abeyratne attended one meeting via conference call facility

Reference to ICASL code	Requirement	Compliance	Details of Compliance
SECTION 1: THE COMPANY			
A. Directors			
Principle: A.1 The Board			
The Board consisted of fourteen Directors – six Non-Executive Directors and eight Executive Directors including the Chairman as at the end of the year under review.			
A.1.1	Board meetings	Complied	The Board meets quarterly basis with special meetings convened if and when need arises. During the year under review the Board met on four occasions. Details of meetings of the Board and Attendance of the members are set out above. The information is provided to the Board on a structured manner and regular basis as agreed by the Board.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
			Information to be reported to the Board includes; • Financial and operational results on pre agreed Key Performance Indicators • Financial performance compared to previous periods, budgets and targets • Impact of risk factors on financial and operating results and actions to mitigate such risks *Share trading of the Company and related party transactions by Key Management Personnel • Compliance with laws and regulations and any non-compliances • Internal control review • Any other matters the board should be aware of The minutes of the previous Board meeting and above information are distributed among the Members 7 days prior to the meeting.
A.1.2	Responsibilities of the Board	Complied	The Board Charter sets out the responsibility of the Board. The Board is responsible to the shareholders for creating and delivering long term sustainable shareholder value through the entrepreneurial leadership. The Board is responsible to: • Providing direction and guidance to the Company promoting the sustainable long term success of the Company and enhance shareholders value. • Appointing and reviewing the performance of the Chairman and Managing Director. • Ensure Executive Directors and key management team possesses the skills, experience and knowledge to implement strategy effectively, with proper succession arrangements in place. *Ensure Executive Directors have the skills, experience and knowledge to implement strategy effectively, and adopt key management personnel succession strategy. *Formulate and communicate business policy and strategy to assure sustained growth and to monitor its implementation within a framework of sustainable business development • Approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set. • Reviewing, approving and monitoring annual corporate plans, corporate budgets, capital expenditure • Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management • Ensure compliance with laws, regulations and ethical standards • Ensure all stakeholder interests are considered in corporate decisions • Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations • Adequacy and the integrity of the Internal control systems over financial reporting and management Information Systems are reviewed by the Board Audit Committee • Determining any changes to the discretions/authorities delegated from the Board to the key management team • Exercise accountability to shareholders and relevant stakeholders

Reference to ICASL code	Requirement	Compliance	Details of Compliance
A.1.3	Compliance with the laws of the country and agreement to obtain independent professional advice	Complied	The Board recognises their duty to comply with laws and regulations of the country applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. Directors have the power to obtain independent professional advice as deemed necessary, in furtherance of their duties, at the Company's expense.
A.1.4	Access to the advice and services of the Company Secretary	Complied	The services and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary ensures the monitoring of compliance with the Board's procedures and advising the Board on all governance matters 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. The removal of the secretary is a matter for the Board as a whole. Obtained a directors and officers' liability insurance, providing worldwide cover to indemnify all Directors and Officers.
A.1.5	Independent judgement of the Directors	Complied	Non-Executive Directors are independent of the management and free from any business and other relations. None of other Directors are related to each other. This enables all the members of the Board to bring independent judgement to bear on issues of strategy, performance, resources and standards of business conduct.
A.1.6	Dedication of adequate time and effort of the Directors	Complied	The Board of Directors were allocated adequate time and effort before a meeting to review Board papers and call for additional information and clarification, and to follow up on issues consequent to the meeting. Hence, they are able to familiarise with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.
A.1.8	Training for new and existing Directors	Complied	The Board of Directors recognises the need for continuous training and expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors. Every new Director and current Directors are given a training if necessary and appropriately. This training curriculum encompasses both general aspects of directorship and matters specific to the industry. The Board is in the view that necessity of continuous training and development of skills are vital when effectively performing the duties.

Principle: A.2 Chairman and Chief Executive Officer (CEO)

There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
A.2.1	Division of responsibilities of Chairman and CEO	Complied	The Chairman and the Chief Executive Officer of the Company are two different personnel where it clearly distinguishes the power and authority. The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive Authority is vested in the Managing Director of the Company. The separation between the position of the Chairman and officers with executive powers in the Company ensures a balance of power and authority.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
Principle: A.3 Chairman's Role			
The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.			
A.3.1	Chairman's role	Complied	The Chairman's role involves: *Conducting of Board meetings ensuring effective participation of both Executive and Non-Executive Directors. The Chairman plays a key role in preserving good corporate governance. • Approving the agenda for each meeting prepared in consultation with the managing Director and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. • Sufficiently detailed information of matters included in the agenda should be provided to the Directors in a timely manner. • Ensuring that all directors are aware of their duties and responsibilities. • All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda. • Maintaining the balance of power between Executive and Non-Executive Directors. • The view of Directors on issues under consideration are ascertained. • The Board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders.
Principle: A.4 Financial Acumen			
The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
A.4	Financial acumen	Complied	The Board includes six Chartered/Management/Certified Public Accountants who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Chairman of the Audit Committee. The Board is with sufficient financial acumen and knowledge to offer guidance on matters of finance.
Principle: A.5 Board Balance			
It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.			
A.5.1	Non-Executive Directors	Complied	Six out of fourteen Directors on the Board are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors), satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Chairman and the Managing Director is not the same person.
A.5.2	Independence of Non- Executive Directors	Complied	Four out of six Non-Executive Directors are independent. The Board has determined that four Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
A.5.3	Independence of Non- Executive Directors	Complied	Non-Executive Directors' profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgement. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates board discussion and decision making.
A.5.4	Annual declaration of independence – Non-Executive Directors	Complied	Each Non-Executive Director has been submitted declaration stating the independence or non-independence in a prescribed format. This information is made available to the Board.
A.5.5	Board determination of independence of Non-Executive Directors and disclosure in Annual Report	Complied	The Board considered the declaration of independence submitted by each Non-Executive Director with the basis for determination given in Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. The Board believes the Independence of Mr. A.M. Senarathna is not compromised by being a Board member for more than nine years. 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. Brief resume of all the Directors is available in pages 22 and 23.
A.5.7, A.5.8	Requirement to appoint Senior Independent Director	Not Applicable	This is not applicable as the Chairman and the Managing Director is not the same person.
A.5.9	Chairman's meetings with Non-Executive Directors	Complied	The Chairman holds meeting with the Non-Executive Directors, without Executive Directors, at least once in each year and at any other time where necessary.
A.5.10	Record in the Board minutes of Concerns not unanimously resolved	Complied	All matters of the Company are recorded in the Board Minutes, with sufficient detail to enable a proper assessment to be made of the deliberation and any decisions taken at the meeting.
Principle: A.6 Supply of Information			
A.6.1	Timely information to the Board	Complied	The Board is provided with appropriate and timely information. The Directors are provided with quarterly reports on performance, minutes of committee meetings and such other reports and documents as necessary. In addition to the standard information additional adhoc information and analysis are made available to the Directors on request. The Chairman ensures that all Directors are adequately briefed on issues arising at meetings.
A.6.2	Information provided in advance to the Board meetings	Complied	The Board meetings are arranged in advance and all Directors are informed. The Directors are provided with minutes, the agenda and the Board papers in advance to prepare and clearly comprehend with the matters discussed or consent.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
Principle: A.7 Appointments to the Board			
A.7.1, A.7.2	Appointment to the Board	Complied	Hayleys PLC, the Parent company's Nominations Committee functions as the Nominations Committee of the Company and makes recommendations to the Board on all new Board appointments. The Nomination Committee comprises following members. A.M. Pandithage* – Chairman Dhammika Perera** Dr. H. Cabral, PC*** *Executive Director **Non-Executive Director ***Independent Non-Executive Director The Board annually assesses the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.
A.7.3	Disclosure of new appointments	Complied	A brief resume of the Director, nature of his/her experience and names of the companies he/she holds the directorship and the independency is informed to the Colombo Stock Exchange and disclose in the Annual Report on pages 22 and 23.
Principle: A.8 Re-election			
A.8.1, A.8.2	Re-election of Directors	Complied	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-election by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.
Principle: A.9 Appraisal of Board Performance			
A.9.1, A.9.2, A.9.3	Appraisal of Board Performance	Complied	The performance of the Board and Subcommittees is evaluated annually on self-assessment basis.
Principle: A.10 Disclosure of Information in Respect of Directors			
A.10.1	Disclosures about Directors	Complied	Name, qualification, brief profile and nature of expertise are given in the pages 22 and 23 of this Annual Report. Directors' interest in contracts is given on Note 30 of this Report. The Number of Board meetings attend by the Directors is available in the page 26 of this Report.
Principle: A.11 Appraisal of Chief Executive Officer			
A.11.1, A.11.2	Evaluation the performance of the CEO	Complied	The short, medium and long-term objectives including financial and non-financial targets that should meet by the CEO are set and evaluate at the commencement of each fiscal year. The performances were evaluated in each quarter and ascertain whether the targets were achieved or achievement is reasonable in the circumstances.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
B. Directors Remuneration			
Principle: B.1 Remuneration Procedure			
B.1.1, B.1.2, B.1.3, B.1.4, B.1.5	Establishment of Remuneration Committee	Complied	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 (Non-Executive) Mr. M.Y.A. Perera – Member (Non-Executive) Payment of remuneration to Directors is disclosed in page 44 of this report.
Principle: B.3 Disclosure of the Remuneration			
B.3.1	Disclosure of the remuneration	Complied	The names of the Directors of the Remuneration Committee are given under section B.1.2 above. The remuneration policy is to attract and retain a highly qualified and experienced work force, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contribution, bearing in mind the business' performance and shareholder return. The total of Directors' Remuneration is reported in Note 8.2 to the Financial Statements.
C. Relations with Shareholders			
Principle: C.1 Constructive use of the AGM and conduct of General Meetings			
C.1.1	Notice of AGM	Complied	The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders.
C.1.2	Separate resolution for substantially separate items	Complied	A separate resolution is proposed at an Annual General Meeting on each substantially separate item. Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements with the Independent Auditor's Report is considered as a separate resolution. A Form of Proxy is provided with the Annual Report to all shareholders to direct their proxy to vote.
C.1.3	Votes and use of proxy	Complied	The Company ensures that all proxy votes are properly recorded and counted. The level of proxies lodged on each resolution is conveyed to the Chairman.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
C.1.4	Answer questions at the Annual General Meeting (AGM)	Complied	The Board arranges the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary. Shareholders may bring up their concerns as appropriate with the Managing Director or the Company Secretary as appropriate.
Principle: C. Communication with Shareholders			
C.2.1, C.2.2	Channel to reach all shareholders of the company	Complied	The modes of communication between the company and the shareholders are the Annual Reports, Quarterly Financial Statements, and Interim Reports, announcements made through the Colombo Stock Exchange, other press releases and Annual/Extraordinary General Meetings. The soft version of the Annual Report is posted on the company website as soon as they have been released to the Stock Exchange. The website posts news and latest updates of the company. The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year. Company secretaries answer queries which are being made by the shareholders where necessary
C.2.3	Implementation of the policy and methodology for communication with shareholders	Complied	In terms of the CSE Listing Rules, Annual Reports are issued in CD form. However a shareholder could be provided with a printed copy of the Annual Report if requested in writing to do so. A copy of the interim financial statements are released to the Colombo Stock Exchange and posted on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.
C.2.4	Disclosure of contact person	Complied	Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.
C.2.5	Major issues and concerns of shareholders	Complied	All the major issues relating to shareholders are brought to the attention of the Board.
C.2.6	Person to be contacted with regard to shareholders' matters	Complied	The Company secretary holds the responsibility to be contacted in relation to shareholder's matters.
C.2.7	Process for responding to shareholder matters	Complied	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM and General meetings. The Board in conjunction with the Company Secretary formulates the process for addressing shareholder matters.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
Principle: C.3 Major Material Transactions			
C.3.2	Disclosure of Major Transactions to shareholders	Complied	Directors are responsible for the disclosure all proposed material transactions which if entered in to would materially alter the Consolidated Group net asset base. There have been no transactions during the year under review which fell within the definition of "Major Transactions" as set out in the Companies Act No. 07 of 2007.
D. Accountability and Audit			
Principle: D.1 Financial and Business Reporting			
D.1.1/D.1.2	Balance and understandable information to shareholders	Complied	Company has presented balanced and understandable financial statements which gives a true and fair view quarterly and annually. In the preparation of Financial Statements, company has complied with the requirements of the Companies Act No. 07 of 2007, requirements of Sri Lanka Accounting Standards and Securities and Exchange Commission. Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner.
D.1.3	CEO's and CFO's approval on Financial Statements prior to Board approval	Complied	Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board. Responsibilities of Board of Directors and Directors Statement on Internal Controls are given in page 48 on this Report.
D.1.4	The Directors' Report	Complied	The Annual Report of the Board of Directors on the affairs of the Company is given on page 44 of this Annual Report which contains the following: • Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka • Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested. • Equitable treatment to shareholders • Compliance with best practices of corporate governance • Information relating to PPE has been given in Note 12 to the Financial Statements. • Review of internal controls, risk management and reasonable assurance of effectiveness and adherence. • Going concern of the business.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
D.1.5	Statement of Directors Responsibility, Statement on Internal Controls and Auditors' Report.	Complied	The Statement of Director's Responsibilities for the Financial Statements and Director's Statement on Internal Controls is given in page 48. The Auditors' Report is available on page 54 to this Report.
D.1.6	Management Discussion Analysis	Complied	The Haycarb Group comprises of Haycarb PLC and its subsidiaries and associates as set out in the page 126 to this Report. The authority is exercised within the ethical framework and business practices established by the Board which demands compliance with existing laws and regulation as well as best practices in dealing with employees, customers, suppliers and the community at large. These are further describing elsewhere in this Report. The Management Team of the Group given in page 24. The Executive Directors, General Managers and key Managers of both divisions meet separately on a monthly basis to review progress and discuss strategic issues and other important developments that require consideration. Minutes are kept of decision made and major issues.
			The Managing Director of Haycarb PLC attends the monthly meetings of the Group Management Committee of Hayleys PLC and report on progress and important issues. **Management Report** The Joint Statement from the Chairman and the Managing Director (pages 4 to 9) in this Report provides an analysis of the Group's performance during the financial year. The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place through the year under review. The potential risks, both internal as well as external, faced by the Company and actions instituted for mitigating the same are reported in the letters from the Chairman and the Managing Director (pages 4 to 9) in this Report.
D.1.7	Summon an EGM to notify serious loss of capital		In the event the net assets of the Company fall below 50% of the value of the Company's Stated Capital, the Directors will forthwith summon an Extraordinary General Meeting to notify shareholders' the remedial action being taken. However, such an event has not taken place since the adoption of the New Companies Act No. 07 of 2007.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
Principle: D.2 Risk Management and Internal Control			
D.2.1, D2.2. D.2.3, D2.4.	Monitoring sound system of internal control	Complied	The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls required, including financial, operational and compliance controls, and risk management. It is important to recognise, however that any system can provide only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The important procedures in place to discharge this responsibility are as follows: • The Directors are responsible for the establishment and monitoring of 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 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 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. The Directors' Responsibilities for the Financial Statements are described on page 48.
Principle: D.3 Audit Committee			
D.3.1	Composition of Audit Committee	Complied	The Audit Committee comprises of three Non-Executive Independent Directors and is chaired by a senior Chartered Accountant. An Audit Committee was established in 2007. The Committee consists of three independent Non-Executive Directors. The Chairman of the Audit Committee is an Independent Non-Executive Director, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The Company Secretary serves as Committee Secretary. The Chairman, Managing Director, Finance Director, Head of Management Audit and Systems Review Division, and the Chief Financial Officer of Hayleys PLC are invited to attend the Meetings, and the other Directors and Senior Managers attend meetings as required. The input of the External Auditors is obtained where necessary.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
D 3.2, D.3.3	Committees' purpose, duties and responsibilities	Complied	The purpose of the Audit Committee its duties and responsibilities are set out in the Audit Committee report in page 50 of this Report.
D.3.3	Disclosures of names of the members of Audit Committee	Complied	During the year under review the committee met on four occasions, the names of Audit Committee members and their attendance at these meetings are reported in "Audit Committee Report" in page 50 of this Report.
Principle: D.4 Related Party Transactions Review Committee			
D.4.1	Related Party Transactions	Complied	Company is adhering to LKAS 24 and Transactions entered into with related parties during the year is disclosed in Note 30 to the Financial Statements.
D.4.2	Composition of Related Party Transactions Review Committee	Complied	The Related Party Transactions (RPT) Review Committee of Hayleys PLC acts as the Company's RPT review committee and consists of Dr. H. Cabral, PC – (Chairman) Independent Non-Executive M.Y.A. Perera – Independent Non-Executive S.C. Ganegoda – Executive
D.4.3	Terms of Reference	Complied	Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. Related Party Transactions Review Committee report describing the duties, task and attendance of the Committee appear on page 49.
Principle: D.5 Code of Business Conduct and Ethics			
D.5.1	Disclosure on presence of Code of Business Conduct and Ethics	Complied	The Directors and members of the Senior Management team are bound with a Code of Business Conduct and Ethics which is developed by the Hayleys Group. The Code consists of important topics like conflict of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, compliance of laws, rules and regulations etc. The Board ensures the compliance with the code and non-compliance may reasons to go for a disciplinary action.
D.5.2	Process to identify and report price sensitive information	Complied	The Company has a process in place to ensure that material and price sensitive information is promptly identified and reported.
D.5.3	Shares purchased by directors and key management personnel	Complied	The Company has a policy and a Process for monitoring, and disclosure of shares purchased by any Director and key management personnel. Details of directors share holdings are given in page 123 of the Annual Report of Board of Directors on the affairs of the Company.
D.5.4	Affirmation of Code in the Annual Report by the Chairman	Complied	The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics in the Annual Report.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
Principle: D.6 Corporate Governance Disclosures			
D.6.1	Disclosure of adherence to Corporate Governance	Complied	The extent to which the Company adheres to established principles and practices of good Corporate Governance is disclosed from pages 25 to 41 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 cybersecurity and Information Technology are assessed in the process of Risk Management. Use of licensed software, close monitoring of Internet usage and mail server operations and regular update of antivirus and firewall software are some of the practices in place. The Company's IT policy includes guidance on password security, internet usage and electronic communication. In addition, special awareness sessions have been organised to create awareness on cybersecurity.
SECTION 2: SHAREHOLDERS			
E. Institutional Investors			
Principle: E.1. Shareholder Voting, E.2. Evaluation of Governance Disclosures			
E.1, E.2	Shareholder voting and Evaluation of governance disclosure	Complied	All the investors are notified of the Annual General Meeting and all their views, comments and suggestions are encouraged. The Company seeks dialogue with institutional investors. Impartiality is maintained on shareholder votes at the AGM based on individual holding and weightage. Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating companies' governance arrangement particularly in relation to Board structure and composition.
F. Other Investors			
Principle: F.1. Investing/Divesting Decisions, F.2. Shareholders Voting			
F 1, F2	Adequate analysis for investment/divestment decisions and usage of voting right	Complied	All shareholders are encouraged to actively participate in the AGM and they have the independence of using their votes as they wish. The Company believes that the rational investors remain with the Company without divesting. There are no restrictions for investing or divesting in the Company shares.

Reference to ICASL code	Requirement	Compliance	Details of Compliance
Principle: G. Internet of Things and Cybersecurity			
G.1	Cybersecurity risk of sending and receiving information	Complied	Disaster Recovery plan is implemented with hardware infrastructure. All the data backups and DR site are maintained by Hayleys Group IT. The Group IT division has implemented processes to identify and protect against cyber security risks that effect the business.
Principle: H. Environment, Society and Governance (ESG)			
H.1.1	Provide Sufficient information relating to ESG risks	Complied	The joint statement from the Chairman and Managing Director in pages 4 to 9 and note 32 in page 109 highlights the ESG issues that may affect the business strategy.

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 the 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 26
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 Corporate Governance A.5.5
7.10.3 (c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of expertise	Compliant	Please refer pages 22 to 23

Rule No.	Subject	Applicable requirement	Compliance status	Details
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), (b) and (c) to the Exchange	Compliant	Résumé of all new Directors appointed during the year were submitted to the CSE. There was no new director appointment during the year
7.10.5 (a)	Remuneration Committee	The Board of Directors should set up a Remuneration Committee with a Non-Executive Director as the Chairman.	Compliant	Please refer Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5
7.10.5 (c)	Remuneration Committee	The names of the members of the Remuneration Committee is given on page 32	Compliant	Please refer Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5
7.10.6 (a)	Audit Committee composition	The listed company shall have an Audit Committee comprising of Non-Executive-Directors	Compliant	The names of the members of the Audit Committee are stated on page 50
		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	Please refer page 50
		The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance by the entity.	Compliant	Please refer page 50
		The Committee shall make a determination of the independence of the Auditors and shall disclose the basis of such determination.	Compliant	Please refer page 50
7.13.1 (b)	Minimum Public Holding	As a listed company in the Main Board, the Company maintained the minimum public holding under specified criteria.	Compliant	Please refer page 123

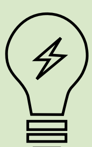
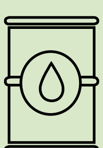
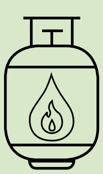
Level of Compliance with Section 9.2 of the CSE Listing Rules on Related Party Transactions Review Committee is given in the following table.

Rule No.	Subject	Applicable requirement	Compliance status	Details
9.2.1 and 9.2.3	Related Party Transactions Review Committee	All related party transactions to be reviewed by the "Related Party Transactions Review Committee". 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 functions of the Committee are stated in the Related Party Transactions Review Committee report on page 49 The Committee of the Parent Company 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 quarter	Complaint	Refer Committee report on page 49
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 per the latest audited accounts		None
9.3.2 (c)	Related Party Transactions Review Committee disclosures	Names of the Directors	Compliant	
		A statement to the effect that the Committee has reviewed the transactions	Compliant	
		The policies and procedures adopted by the Committee	Compliant	Refer Committee report on page 49
		The number of times the Committee has met during the year	Compliant	
		Report by the Related Party Transactions Review Committee		
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	Please refer page 44

Technical Excellence, Innovation and Green Practices Fuel Sustainability

Haycarb's core values of Innovation and Technical Excellence have always been the foundation driving our success over time. Our production, engineering and R&D teams have embraced these values while driving the Company as a sustainable entity adopting "green practices" – another core value of Haycarb. Innovation of new products have led us to explore new market opportunities, and allowed us to stay ahead of the game. Continuous process innovations led by lean management practices enable Haycarb to capitalise on improving existing methods whilst reducing the carbon footprint. Our core values have driven us to strengthen the spectrum of our core operations contributing to our success.

Energy Saving Initiatives of Haycarb Group for year 2018/19

Energy Source	Project
	Installation of a solar power system at Haycarb Badalgama facility in Sri Lanka. Project initiated with the installation of a 3KW trial unit currently in operation at the location. Daily performance being monitored to gather data and evaluate the requirements to install a higher capacity solar plant at the factory premises in the future.
	Replacing Metal halide high bay lights with LEDs at Haycarb Madampe facility in Sri Lanka. In addition to the power saving, this replacement also improved the lighting level in the indoor area of the facility.
	Furnace oil to LPG conversion for Dryers used at the Ultracarb facility located in Badalgama, Sri Lanka.
	Introduction of new Flash drying system for drying of powder carbon for the washing plant at Haycarb Badalgama Facility. In addition to fuel saving, this initiative also minimised material wastage.
	Converting indirect heat drying system to operate with LPG direct drying, improving energy efficiency in the system without compromising the quality of the products at Haycarb Badalgama Facility. This initiative reduced the per MT oil consumption in the process resulting in reduction of fuel cost.
	Oil reduction via improving Volatile Burning Chamber process at Haycarb Badalgama Pellaco Facility.
	Volatile gasses produced during the pellet production process are harmful for the environment and cannot be released into the air. Therefore they are directed into a chamber and burnt before being released into the environment. The new process improvements now use the existing energy in the system for this Chamber combustion process eliminating the need to use LPG Gas as done previously.
	Stage 1 of this project is now completed.

New Applications

Introduction of catalytic carbon range of coconut shell and wood based carbons for monochloramine removal

Formaldehyde removal for air filters

Carbons with improved properties for gas masks

Carbon for human consumption, ISO 22000 and GMP certified

Improvement of properties for supercapacitor carbon

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 2019.

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 126 to 127 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 58.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 58 to 119.

Auditor's Report

Auditors' Report on the Financial Statements is given on page 54.

Accounting Policies

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 66 to 81. 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 are detailed below.

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 15 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' interests in shares

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

Directors' shareholdings

Details relating to shareholdings of Directors are given on page 123.

Directors' Remuneration

Executive Directors' Remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2019 is Rs.152,671,822/- (2017/18 – Rs. 147,854,000/-), which includes the value of perquisites granted to them as part of their term of service. The total remuneration of Non-Executive Directors for the year ended 31st March 2019 is Rs. 4,204,250/- (2017/18 – Rs. 4,060,000/-), 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.

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. 8.3 million per annum.

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 (04) times in the Financial year 2018/19.

Attendance

Meetings held on 16th May 2018, 6th August 2018, 8th November 2018 and 6th February 2019.

Dr. H. Cabral **	4/4
Mr. M.Y.A. Perera**	4/4
Mr. S.C. Ganegoda*	2/4

*Executive

**Independent Non-Executive

Subsidiaries

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

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

Donations

The donations made by the Company and the Group are disclosed in Note 8.2 on page 84.

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. 2,073,201/- (2017/18 – Rs. 1,866,100). The ratification by the shareholders of the excess amount of Rs.573.201/- made as donations for 2018/19 will be sought at the Annual General Meeting.

No donations were made for political purpose.

Directorate

The names of the Directors who served during the year are given below and their brief profiles appear on pages 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**

*Non-Executive Directors

**Independent Non-Executive Directors

In terms of Article No. 29 (1) of the Articles of Association of the Company, Ms. S.S. Ragunathan and Messrs. A.M. Pandithage, A.A.M. Caderbhoy and J.D. Naylor 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 72 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

The Directors of the Subsidiaries are given on pages 126 and 127.

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. 1,821,000/- (2017/18 – Rs. 1,735,000/-) and Rs. 3,014,000/- (2017/18 – Rs. 2,775,000/-) as audit fees by the Company and the group respectively. In addition, they were paid Rs. 2,931,000/- (2017/18 – Rs. 1,787,000/-) and Rs. 8,671,000/- (2017/18 – Rs. 5,210,000/-) 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. 20,917,945,000/- (2017/18 – Rs. 15,518,079,000/-) 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. 19,307,432,000/- (2017/18 – Rs. 14,603,454,000/-). Trade between Group companies are conducted at fair market prices.

Profits

The Group's profit before tax amounted to Rs. 1,352,898,000/- (2017/18 – Rs. 926,423,000/-). After a deducting Rs. 271,196,000/- (2017/18 – Rs. 152,799,000/-) for taxation, the profit was Rs. 1,081,702/- (2017/18 – Rs.773, 624,000/-). When non-controlling interest of Rs. 126,291,000 (2017/18 – Rs. 101,260,000/-) was deducted, the profit attributable to the equity holders of the Company was Rs. 955,411,000/-.(2017/18 – Rs. 672,364,000/-).

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 2019 amount to Rs. 7,918,612,000/- comprising of Capital Reserves of Rs. 675,744,000/- and Revenue Reserves of Rs. 7,242,868,000/-. The Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Dividend

First Interim Dividend of Rs. 2/- per share was paid to the shareholders on 23rd January 2019. The Second Interim Dividend of Rs. 6/- per share was paid to the shareholders on 18th April 2019.

The directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007. A Solvency Certificate from the Auditors has been obtained in respect of first and second interim dividend paid.

Statutory payments

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 48.

Capital expenditure

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 389,598,000/- (2017/18 – Rs. 324,816,000/-) and Rs.118,889,000/- (2017/18 – Rs. 145,317,000/-) 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 2019.

Details of revaluations, carrying values and market values are provided in Note 12 to the Financial Statements. The statement on the value of real estate on page 88 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 34 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.

Shareholders

The Company has made all endeavors to ensure the equitable treatment of shareholders. The board has established a comprehensive mechanisms such as Related Party Transactions Review Committee and regular interactions with shareholders to ensure the interests of the shareholders as a whole are safeguarded.

Share Information

Information relating to earnings, dividends, net asset, market value per share and share trading is given on pages 124 and 125.

Major shareholdings

The twenty major shareholders as at 31st March 2019 are given on page 122 in this Report.

Annual General Meeting

The Annual General Meeting will be held at 400, Deans Road, Colombo 10, Sri Lanka at Thursday on 27th June 2019. The Notice of the Annual General Meeting appears on page 129.

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,

14th May 2019

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 judgements 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 satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for first and second interim dividends paid and Solvency Certificate has been obtained from the Auditors in this respect.

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 pages 54 to 57 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

14th May 2019

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction 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**

Mr. S.C. Ganegoda *

** Independent Non-Executive
*Executive

ATTENDANCE

Committee met four times during the financial year 2018/19

Meetings were held on 16th May 2018, 6th August 2018, 8th November 2018 and 6th February 2019.

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

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

TASK OF THE COMMITTEE

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

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

DR. HARSHA CABRAL, PC

Chairman
Related Party Transactions Review Committee

15th May 2019

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), Mr. Arjun Senaratna and Dr. Sarath Abayawardana. The mandate of the Audit Committee includes providing independent oversight of the Groups' 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 of 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 and the responsibilities of the Audit Committee with its specific terms of reference is described in the Audit Committee Charter and also in the Corporate Governance Report on page 25. The observations and views of the Committee are communicated to the Board of Directors each quarter through presentation and by tabling the minutes of the Audit Committee's meeting.

The Committee meets as often as may be deemed necessary. The Audit Committee had four formal meetings during the financial year ended 31st March 2019 and the members attendance records are 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 participated in 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 Management Audit and Systems Review 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

The Audit Committee, *inter alia*, engaged in the following activities during the financial year under review;

Financial Reporting

The Committee reviewed the financial reporting system adopted by the Group in the preparation and presentation of its quarterly Financial Statements and the Financial Statements for the year 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 (CA Sri Lanka).The Committee also reviewed the key judgements applied in the preparation of the Consolidated Financial Statements, which are described in the relevant accounting policies and detailed Notes to the Financial Statements on pages 66 to 119. The Committee continued to focus on the internal controls and risks related mainly to the information systems that are used in the 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 judgement 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.

The Annual Internal Audit Plan is approved by the Audit Committee and reviewed on a quarterly basis in order to reflect the changing business needs and to ensure new and emerging risks are considered. During the year under review the services of the Hayleys PLC Management Audit and System Review Division was used to review 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 adopted by the Group and discussed the high level risks faced by the business. The risk management framework which includes identified risks and mitigating plans is presented and reviewed at Audit Committee meetings.

External Audit

During the year, the Committee reviewed the external audit scope and the 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 is satisfied that the independence of the External Auditors had not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors, in order to ensure that it did not compromise their independence.

The Audit Committee recommended to the Board the re-appointment of Messrs Ernst and Young, Chartered Accountants as the External Auditors of the Company for the ensuing financial year, subject to the approval of the shareholders at the next Annual General Meeting.

The Audit Committee provides the opportunity to External Auditors to meet Audit Committee members independently, if necessary.

CONCLUSION

The Audit Committee is provided with sufficient resources and has 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

10th May 2019

FINANCIAL CALENDAR

Quarter ended 30th June 2018	7th August 2018
Quarter ended 30th September 2018	7th November 2018
Quarter ended 31st December 2018	5th February 2019
Quarter ended 1st March 2019	14th May 2019
Annual Report	3rd June 2019
Forty-Sixth Annual General Meeting	27th June 2019
1st Interim Dividend declared	3rd January 2019
1st Interim Dividend paid	23rd January 2019
2nd Interim Dividend declared	29th March 2019
2nd Interim Dividend paid	18th April 2019

Financial Statements

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAYCARB PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Haycarb PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2019, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Significant balances in foreign subsidiaries
Haycarb PLC is a group which includes eleven foreign subsidiaries, operating in Indonesia, Thailand, Singapore, USA, Europe, India and Australia. These overseas subsidiaries are audited by non-EY auditors and certain elements in these subsidiary financial statements are significant to the consolidated financial statements for the year ended 31st March 2019. Geographical dispersion of the operations and magnitude of subsidiaries' contribution to the Group together with the involvement of non-EY auditors increase the complexity as group auditor to obtain an appropriate level of audit evidences.</td><td>During our audit we have specifically focused on risks in relation to those significant balances in foreign subsidiaries and we have extended our involvement in audit work performed by the non-EY component auditors as below:
• We have involved component auditors to specifically address certain risks and attention areas defined at Group level, by requiring all teams to complete specific risk-based questionnaires and detailed audit programmes in order to ensure a consistent approach in areas that were deemed most relevant from a Group audit perspective.
• Sent detailed Group audit instructions to the component auditor in accordance with SLAuS 600 requirements specifying the scope, materiality, risk factors and Group reporting deliverables and evaluated the responses received.
• We visited the component auditor (in Thailand and Indonesia) and reviewed the working papers of components auditors, discussed with engagement partners and team members.
The contribution from the foreign subsidiaries to the Group balances are disclosed in Note 33 – Business Segments in the consolidated financial statements.</td></tr>
<tr><td>Assessment of the carrying value of Goodwill
Under SLFRSs, the Group is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the balance of Rs. 202 million as of 31st March 2019 is material to the financial statements. In addition, management's assessment process is complex and involves significant judgement and is based on assumptions, specifically discount rates and business growth rates, which are affected by expected future market or economic conditions, particularly those in Thailand and Indonesia.</td><td>Our audit procedures in relation to the assessment of the carrying value of Goodwill included the following, among others:
• We involved our internal valuation experts to assist us in evaluating:
– the reasonableness of key assumptions such as discount rates, revenue growth rates; and
– appropriateness of the model that calculates future cash flows.
• We assessed whether the future cash flows, are consistent with the strategic plan approved by the Board of Directors and other relevant developments in the businesses of respective cash generating units.
• We also assessed the adequacy of the disclosures in the financial statements with regard to the model and assumptions as disclosed in Note 13 in the consolidated financial statements.</td></tr>
<tr><td>Valuation of Inventories
The Group has an inventory of Rs. 6.8 billion net of impairment as of 31st March 2019, which represents 55% of the current assets of the Group.
The Group has applied judgement in the determination of inventories that are slow moving or obsolete considering the ageing and nature of the items of inventories as described in Note 4.7.8.
Judgement is also required in the identification of inventories that require to be reflected at net realisable value. The estimation of the net realisable value is influenced by the assumptions concerning historical realisation of sale prices and fluctuations in the market prices.
The valuation policy in relation to inventories as adopted by the Group is reflected in Note 3.10 to the financial statements.
The significance of the balance coupled with the judgement involved has resulted in the valuation of inventories being identified as a key audit matter.</td><td>Our audit procedures in assessing the appropriateness of the impairment recognised by the Group included:
• verifying inventory movements in order to test the reasonability of judgements applied by management, especially in relation to the non-expiry and continued use of activated carbon and charcoal in the manufacturing process; and
• checking inventory aging reports to assess whether management has appropriately considered slow moving and non-moving inventories for purposes of determining the impairment to be recognised.
For finished goods identified as having an NRV higher than cost, we checked the appropriateness of the net realisable value, performing tests on sales prices secured by the Group for similar or comparable items of inventories.
We also assessed the appropriateness of disclosures made in relation to the valuation of inventories in Note 3.10 to the financial statements.</td></tr>
</table>

Other information included in the 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance

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

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

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent Auditor's Report is 2440.

Ernst & Young

14th May 2019
Colombo

INCOME STATEMENT

For the year ended 31st March	Note	Consolidated Audited 2019 Rs. '000	Consolidated Audited 2018 Rs. '000	Company Audited 2019 Rs. '000	Company Audited 2018 Rs. '000
Revenue	5	20,917,945	15,518,079	7,576,802	6,368,778
Cost of sales		(16,878,500)	(12,424,085)	(6,743,216)	(5,253,081)
Gross profit		4,039,445	3,093,994	833,586	1,115,697
Other operating income	6.1	33,707	29,969	411,358	335,884
Selling and distribution expenses		(160,130)	(154,270)	(23,422)	(29,014)
Administrative expenses		(2,378,084)	(1,879,251)	(870,653)	(779,520)
Other operating expenses	6.2	(10,239)	–	–	–
Results from operating activities		1,524,699	1,090,442	350,869	643,047
Finance income	7.1	468,810	120,379	438,966	124,458
Finance cost	7.2	(764,983)	(302,273)	(511,108)	(113,282)
Net finance income/(cost)		(296,173)	(181,894)	(72,142)	11,176
Share of profit of equity accounted investees (net of tax)	14.2	124,372	17,875	–	–
Profit before tax	8	1,352,898	926,423	278,727	654,223
Tax expense	9	(271,196)	(152,799)	(7,594)	(47,469)
Profit for the year		1,081,702	773,624	271,133	606,754
Attributable to:					
Equity holders of the parent		955,411	672,364	271,133	606,754
Non-controlling interest		126,291	101,260	–	–
Profit for the year		1,081,702	773,624	271,133	606,754
Earnings per share					
Basic earnings per share (Rs.)	10.1	32.16	22.63	9.13	20.42
Dividend per share (Rs.)	11	8.00	6.00	8.00	6.00

The Notes to the Financial Statements on pages 66 to 119 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Consolidated Audited 2019 Rs. '000	Consolidated Audited 2018 Rs. '000	Company Audited 2019 Rs. '000	Company Audited 2018 Rs. '000
Profit for the year		1,081,702	773,624	271,133	606,754
Other comprehensive income that will be reclassified to profit or loss in subsequent periods					
Net exchange differences on translation of foreign entities		341,646	221,557	–	–
Net gain/(loss) on available for sale financial assets	19	–	38,652	–	38,652
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
Net gain/(loss) on equity instruments designated at fair value through OCI	19	(30,516)	–	(30,516)	–
Actuarial losses on defined benefit plans	25	(39,836)	(29,386)	(31,442)	(27,211)
Revaluation of land and buildings	12	195,945	–	99,464	–
Tax effect on other comprehensive adjustments		(16,675)	(65,009)	(9,523)	(50,494)
Movement in reserve in equity accounted investee	14.1	(53,817)	11,381	–	–
Other comprehensive income (loss) for the year (net of tax)		396,747	177,195	27,983	(39,053)
Total comprehensive income for the year (net of tax)		1,478,449	950,819	299,116	567,701
Attributable to:					
Equity holders of the parent		1,238,519	771,151	299,116	567,701
Non-controlling interests		239,930	179,668	–	–
		1,478,449	950,819	299,116	567,701

The Notes to the Financial Statements on pages 66 to 119 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

		Consolidated		Company	
As at 31st March	Notes	Audited 2019 Rs. '000	Audited 2018 Rs. '000	Audited 2019 Rs. '000	Audited 2018 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	12	5,449,506	5,121,193	1,868,423	1,787,642
Intangible assets	13	248,504	285,856	17,820	27,095
Investments in subsidiaries	16	–	–	1,494,769	1,486,895
Investment in equity accounted investees	14	583,765	516,926	92,903	92,903
Non-current receivables from subsidiaries	15.3	–	–	268,000	134,386
Other non-current financial assets	19	349,619	385,875	317,851	348,366
Deferred tax assets	26.1	29,772	81,551	–	–
Total non-current assets		6,661,166	6,391,401	4,059,766	3,877,287
Current assets					
Inventories	17	6,807,033	4,085,980	1,743,262	1,282,321
Trade and other receivables	18	4,061,569	3,279,716	1,638,249	1,165,886
Amounts due from subsidiaries	15.3	–	–	1,041,978	1,096,498
Amounts due from other related parties	15.4	12,090	17,106	7,539	–
Amounts due from equity accounted investees	15.5	16,263	26,386	12	1,574
Other current assets	20	532,870	590,862	198,259	269,983
Cash in hand and at bank	21	884,141	891,006	216,151	206,165
Total current assets		12,313,966	8,891,056	4,845,450	4,022,427
Total assets		18,975,132	15,282,457	8,905,216	7,899,714
Equity and liabilities					
Equity					
Stated capital	22	331,774	331,774	331,774	331,774
Capital reserves	23.1	675,744	648,703	442,458	356,919
Retained earnings	23.2	7,242,868	6,447,363	3,999,725	4,202,121
Equity attributable to equity holders of the Company		8,250,386	7,427,840	4,773,957	4,890,814
Non-controlling interests		1,102,415	909,771	–	–
Total equity		9,352,801	8,337,611	4,773,957	4,890,814
Non-current liabilities					
Interest-bearing loans and borrowings	24.1	55,218	219,487	52,427	123,821
Employee benefit obligations	25	561,000	464,424	449,605	387,455
Deferred tax liabilities	26.2	203,891	219,199	124,499	117,630
Total non-current liabilities		820,109	903,110	626,531	628,906

As at 31st March	Notes	Consolidated Audited 2019 Rs. '000	Consolidated Audited 2018 Rs. '000	Company Audited 2019 Rs. '000	Company Audited 2018 Rs. '000
Current liabilities					
Trade and other payables	27	2,200,996	1,747,701	450,267	364,765
Interest-bearing loans and borrowings	24.2	4,285,249	2,944,623	2,567,083	1,762,861
Other current liabilities	28	552,910	195,192	47,454	33,742
Amounts due to subsidiaries	15.1	–	–	252,239	169,754
Amounts due to other related parties	15.2	1,580,262	1,066,820	187,685	48,872
Income tax payable		182,805	87,400	–	–
Total current liabilities		8,802,222	6,041,736	3,504,728	2,379,994
Total liabilities		9,622,331	6,944,846	4,131,259	3,008,900
Total equity and liabilities		18,975,132	15,282,457	8,905,216	7,899,714

I certify that the Financial Statements set out on pages 58 to 119 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 66 to 119 form an integral part of these Financial Statements.
Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board,

MOHAN PANDITHAGE
Chairman
14th May 2019

RAJITHA KARIYAWASAN
Managing Director
14th May 2019

STATEMENT OF CHANGES IN EQUITY

Consolidated

	Attributable to equity holders of the parent								
			Other reserves						
	Stated capital Rs. '000	Capital reserves Rs. '000	Fair value reserve of financial assets at FV OCI /AFS reserve Rs. '000	Foreign currency translation 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 2017	331,774	717,597	269,054	413,604	519,353	4,494,444	6,745,826	776,762	7,522,588
Profit for the period	–	–	–	–	–	672,364	672,364	101,260	773,624
Translation of foreign entities	–	–	–	142,376	–	–	142,376	79,181	221,557
Actuarial losses on employee benefit obligations	–	–	–	–	–	(28,620)	(28,620)	(766)	(29,386)
Income tax on other comprehensive income	–	(68,894)	–	–	–	3,892	(65,002)	(7)	(65,009)
Movement in reserves of equity accounted investees	–	–	–	–	–	11,381	11,381	–	11,381
Net gain on available-for-sale financial assets	–	–	38,652	–	–	–	38,652	–	38,652
Other comprehensive income for the period	–	(68,894)	38,652	142,376	–	(13,347)	98,787	78,408	177,195
Dividends	–	–	–	–	–	(89,137)	(89,137)	(46,659)	(135,796)
Balance as at 31st March 2018	331,774	648,703	307,706	555,980	519,353	5,064,324	7,427,840	909,771	8,337,611
Profit for the period	–	–	–	–	–	955,411	955,411	126,291	1,081,702
Revaluation during the year	–	165,192	–	–	–	–	165,192	30,753	195,945
Translation of foreign entities	–	–	–	252,111	–	–	252,111	89,535	341,646
Actuarial losses on employee benefit obligations	–	–	–	–	–	(33,020)	(33,020)	(6,816)	(39,836)
Income tax on other comprehensive income	–	(20,351)	–	–	–	3,509	(16,842)	167	(16,675)
Movement in reserves of equity accounted investees	–	(117,800)	–	–	–	63,983	(53,817)	–	(53,817)
Net gain/(loss) on equity instruments designated at fair value through OCI	–	–	(30,516)	–	–	–	(30,516)	–	(30,516)
Other comprehensive income for the period	–	27,041	(30,516)	252,111	–	34,472	283,108	113,639	396,747
Dividends	–	–	–	–	–	(415,973)	(415,973)	(47,286)	(463,259)
Balance as at 31st March 2019	331,774	675,744	277,190	808,091	519,353	5,638,234	8,250,386	1,102,415	9,352,801

Company

	Stated capital Rs. '000	Capital reserves Rs. '000	General reserve Rs. '000	Fair value reserve of financial assets at FV OCI/AFS reserve Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 31st March 2017	331,774	411,155	519,353	269,054	2,880,914	4,412,250
Profit for the year	–	–	–	–	606,754	606,754
Actuarial losses on employee benefit obligations	–	–	–	–	(27,211)	(27,211)
Income tax on other comprehensive income	–	(54,236)	–	–	3,742	(50,494)
Net gain on available-for-sale financial asset	–	–	–	38,652	–	38,652
Other comprehensive income for the period	–	(54,236)	–	38,652	(23,469)	(39,053)
Dividends	–	–	–	–	(89,137)	(89,137)
Balance as at 31st March 2018	331,774	356,919	519,353	307,706	3,375,062	4,890,814
Profit for the year	–	–	–	–	271,133	271,133
Revaluation during the year	–	99,464	–	–	–	99,464
Actuarial losses on employee benefit obligations	–	–	–	–	(31,442)	(31,442)
Income tax on other comprehensive income	–	(13,925)	–	–	4,402	(9,523)
Net gain/(loss) on equity instruments designated at fair value through OCI	–	–	–	(30,516)	–	(30,516)
Other comprehensive income for the period	–	85,539	–	(30,516)	(27,040)	27,983
Dividends	–	–	–	–	(415,973)	(415,973)
Balance as at 31st March 2019	331,774	442,458	519,353	277,190	3,203,182	4,773,957

The Notes to the Financial Statements on pages 66 to 119 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Consolidated Audited 2019 Rs. '000	Consolidated Audited 2018 Rs. '000	Company Audited 2019 Rs. '000	Company Audited 2018 Rs. '000
Operating activities					
Profit before tax		1,352,898	926,423	278,727	654,223
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	12	479,139	426,255	137,572	126,931
Amortisation of intangible assets	13	41,682	32,749	9,275	9,979
(Gain)/loss on disposal of property, plant and equipment	6.1	(1,594)	1	–	–
(Gain)/loss on translation of foreign currencies		10,521	2,742	(308)	33,197
Exchange difference on translation of foreign entities		105,706	99,488	–	–
Impairment of property, plant and equipment	6.2	10,239	–	–	–
Finance income	7.1	(468,810)	(120,379)	(438,966)	(124,458)
Finance cost	7.2	764,983	302,273	511,108	113,282
Dividend income - subsidiaries	6.1	–	–	(261,327)	(209,626)
Share of profit of an associate	14	(124,372)	(17,875)	–	–
Provision for slow moving inventory	17	15,403	17,990	3,000	12,175
Provision for unrealised profit on inventories	17	109,501	10,810	–	–
Provision/(reversal) for bad and doubtful debts	18	(4,673)	3,527	–	–
Provision for employee benefit obligation	25	85,934	74,189	67,872	60,172
Cash generated from operations before working capital changes		2,376,558	1,758,193	306,953	675,875
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		(737,010)	(590,283)	(400,639)	(162,152)
(Increase)/decrease in amounts receivable from related parties		15,139	(20,908)	(85,072)	(1,561)
(Increase)/decrease in inventories		(2,845,957)	(638,492)	(463,941)	(125,595)
Increase/(decrease) in trade and other payables		750,939	47,632	39,142	72,076
Increase/(decrease) in amounts due to related parties		392,684	(51,822)	100,546	(58,589)
		(47,647)	504,320	(503,010)	400,054
Interest paid		(311,998)	(187,952)	(133,383)	(76,703)
Income tax paid		(138,173)	(215,543)	(10,248)	(24,774)
Employee benefit paid	25	(38,593)	(7,522)	(37,164)	(6,159)
Net cash flows from/(used in) operating activities		(536,411)	93,303	(683,805)	292,418

For the year ended 31st March	Note	Consolidated Audited 2019 Rs. '000	Consolidated Audited 2018 Rs. '000	Company Audited 2019 Rs. '000	Company Audited 2018 Rs. '000
Investing activities					
Proceeds from sale of property, plant and equipment		5,384	15	–	–
Purchase of property, plant and equipment	12	(389,598)	(324,816)	(118,889)	(145,317)
Invest in subsidiary shares		–	–	(7,874)	–
Proceeds from long-term loans and receivables	19	9,342	4,221	–	–
Acquisition of intangible assets	13	–	(39,404)	–	(8,113)
Interest received	7.1	5,724	3,583	45,367	50,831
Dividend received from equity accounted investees	14.1	3,716	1,858	3,716	1,858
Other dividends received	7.1	28,774	10,315	290,099	218,083
Net cash flows from/(used in) investing activities		(336,658)	(344,228)	212,419	117,342
Net cash inflow/(outflow) before financing activities		(873,069)	(250,925)	(471,386)	409,760
Financing activities					
Repayment of borrowings	24	(229,807)	(437,506)	(84,124)	(259,549)
Dividends paid to equity holders of the parent	28	(235,150)	(177,132)	(235,150)	(177,132)
Dividends paid to non-controlling interests		(47,286)	(46,659)	–	–
Net cash flows used in financing activities		(512,243)	(661,297)	(319,274)	(436,681)
Net decrease in cash and cash equivalents		(1,385,312)	(912,222)	(790,659)	(26,921)
Cash and cash equivalents at the beginning of period	21	(1,830,274)	(918,052)	(1,472,572)	(1,445,651)
Cash and cash equivalents at the end of period	21	(3,215,586)	(1,830,274)	(2,263,231)	(1,472,572)
Analysis of cash and cash equivalents as at 31st March					
Bank and cash balances	21	762,226	822,755	205,843	203,694
Short-term deposits		121,915	68,251	10,308	2,471
		884,141	891,006	216,151	206,165
Bank overdrafts and short-term loans		(4,099,727)	(2,721,280)	(2,479,382)	(1,678,737)
Cash and cash equivalents		(3,215,586)	(1,830,274)	(2,263,231)	(1,472,572)

The Notes to the Financial Statements on pages 66 to 119 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE 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 eighteen 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 126 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 2019 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 126 and 127 to the Financial Statements. 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 Consolidated Financial Statements of Haycarb PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2019 were authorised for issue by the Directors on 14th May 2019.

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 (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

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

- 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 fair value through other comprehensive income (OCI) which are measured at fair value. These have been classified as Available for Sale financial instruments up to 31st March 2018.
- Retirement benefit obligations which are determined based on actuarial valuations.

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 also the Company’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 the 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

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.6 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

Subsidiaries and equity accounted investees are disclosed in Note 14 and 16 to the Financial Statements.

3.1.1 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 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 re-assesses 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.

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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 profit or loss. Any investment retained is recognised at fair value.

3.1.2 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 purposes, additional financial information as of the same date as the financial statements of the parent.

3.1.3 Equity Accounted Investees (Investment in Associates)

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.

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 are accounted for using the equity method.

Under the equity method, the investment in an associate 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 since the acquisition date. Goodwill relating to the associate 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. 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, 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 associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate 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.

The Financial Statements of the associate 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 associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit or loss of equity accounted investees' in the Income Statement.

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 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 interests in the acquiree 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 re-measured 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. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the Income Statement.

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 re-assesses 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.

3.3 Foreign Currency

3.3.1 Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in Income Statement. Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or Income Statement).

3.3.2 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. On disposal of a foreign operation, 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 that foreign operation. 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, and translated at the spot rate of exchange at the reporting date.

3.4 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 twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in 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
- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting period

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

3.5 Fair Value Measurement

The Group measures financial instruments such as FVOCI/available-for-sale, derivatives and non-financial assets such as owner occupied lands, 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.
- Financial instruments (including those carried at amortised cost) – Note 19.

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 re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

3.6 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.

3.6.1 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.

3.6.2 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.

3.6.3 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 does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

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

3.6.4 Subsequent Costs

The cost of replacing a component of an item of property, plant & 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 & equipment are recognised in Income Statement as incurred.

3.6.5 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 Income Statement. Gains are not classified as revenue.

3.6.6 Depreciation

Depreciation is recognised in 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:

Description	Period
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.

3.6.7 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 fulfillment 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.

3.6.8 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 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.

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

3.7 Intangible Assets

3.7.1 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.

3.7.2 Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination is 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 intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Income Statement in the year in which the expenditure is incurred.

3.7.3 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 finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is considered to modify the 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 Income Statement in the expense category that is 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.

3.7.4 De-recognition of Intangible Assets

Intangible assets are de-recognised 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 Income Statement when the asset is derecognised.

3.7.5 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 and intention 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.

3.7.6 Other Intangible Assets.

Other intangible assets which are acquired by the Group, with finite useful lives, are measured on initial recognition at cost. Following initial recognition ERP systems are carried at cost less accumulated amortisation and accumulated impairment losses.

3.7.7 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.

3.7.8 Amortisation

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

Softwares	– 5-10 years
Product development	– 3-5 years

3.8 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.

3.8.1 Financial Assets

3.8.1.1 Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

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

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

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.

3.8.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories. However the Group has only following two categories.

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in Income Statement when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to employees.

These are categorised as loans and receivables up to 31st March 2018. After initial measurement, such financial assets are subsequently measured at amortised cost using effective interest rate method (EIR), less impairment. EIR amortisation is included in finance income and impairment losses of loans and receivables and are recognised in finance cost and other expenses respectively.

Incurred loss model was applied for the impairment of loans and receivables.

Financial Assets Designated at Fair Value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in Income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

These are classified as available for sale up to 31st March 2018. After initial measurement, such financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income.

3.8.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e: removed from the Group's consolidated financial position) 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.8.1.4 Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 19.
- Debt instruments at fair value through OCI Note 19.
- Trade receivables, including contract assets Notes 17 and 18.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.8.2 Financial Liabilities

3.8.2.1 Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, 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 and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

3.8.2.2 Subsequent Measurement

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

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 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 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.

3.8.2.3 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 Income Statement.

3.8.3 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

3.8.4 Derivative Financial Instruments

3.8.4.1 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.

3.9 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.

3.10 Inventories

Inventories are valued 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.
- Projects 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.

3.11 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 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 recognized in 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 31 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 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.12 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 Consolidated 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.

3.13 Employee Benefits

3.13.1 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.

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

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. This liability is settled on the following basis by the respective entities:

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 1/2

3.13.3 Short-term Benefits

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

3.14 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 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.

3.15 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the group are disclosed In the Note 31 to the Financial Statements.

3.16 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.

3.17 Revenue from Contracts with Customers

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

The Group has several operating segments which are described In Note 33 to these financial statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of Goods

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

(i) Variable Consideration

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

(ii) Significant Financing Component

The Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component. There are no any long term advances received form customers which need to be discounted.

Rendering of Services

Environmental Engineering Sector within the Group engage in the provision of services to its customers. The Group recognises revenue from services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Construction Contracts

In relation to contracts which involve the construction of assets on behalf of its customer, the Group assesses the nature of the respective contracts as to whether such is reflective of goods or services transferred at a point in time or satisfied over a period of time.

The Group determines that arrangements include transfers of a good or service over time when any of the following criteria are met:

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

When either of the above criteria is met, the Group recognises revenue on the respective contracts similar to the rendering of services. If an entity is unable to demonstrate that control transfers over time, the presumption is that control transfers at a point in time, and revenue Is recognized similar to the sale of goods.

Contract Assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to Obtain a Contract
In several sectors, the Group pays sales commission to its employees and third party representative for sales carried out. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Interest
Interest income and expense are recognised in Income Statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental cost that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in Income Statement.

Fees and Commission
Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are performed. Other fees and commission expense relate mainly to transactions and service fees, which are expensed as the services are received.

Net Gain/(Loss) from Trading
Net gain/(loss) from trading include all realised and unrealised fair value changes from financial assets held for trading and are reflected within other income.

Rental Income
Rental income is recognised in Income Statement on straight line basis.

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

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

Other income
Other income is recognised on an accrual basis.

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

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

3.18.1 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.18.2 Finance income and finance cost

Finance income comprises interest income on funds invested, dividend income, 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.

3.19 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.

3.19.1 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.

3.19.2 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 and equity accounted investee, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

3.19.3 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.

4. GENERAL

4.1 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.

4.2 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.

4.3 Statement of Cash Flows

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

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

4.4 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 and the Board 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.

4.5 Changes in Accounting Policies and Disclosures

4.5.1 New and Amended Standards and Interpretations

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018/19, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

4.5.1.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's Consolidated Financial Statements.

4.5.1.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1st January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied SLFRS 9 retrospectively, with the initial application date of 1st April 2018.

The nature of these adjustments are described below:

4.5.1.2.1 Classification and Measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under LKAS 39. The following are the changes in the classification of the Group's financial assets:

- Equity investments in Listed companies and non-listed companies previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Group elected to classify irrevocably these listed and non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

4.5.1.2.2 Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

4.6 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 16 Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'] and the supplier ('Lessor']. SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS – 16 substantially carries forward the lessor accounting requirement in LKAS – 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS –16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

4.7 Critical Accounting Estimates and Judgements

The preparation of Financial Statements in conformity with SLFRS/ LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements 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 judgements 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

4.7.1 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.

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

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.2. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 13 to the Financial Statements.

4.7.3 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.

4.7.4 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.

4.7.5 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.

4.7.6 Revaluation of Land

The Group measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other Comprehensive Income. The valuer has used the open market approach in determining the fair value of the land. Further details on Revaluation of land are disclosed in Note 12 to the Financial Statements.

4.7.7 Consolidation of Entities in which the Group Holds 50% of the Voting Rights

The Group holds 50% of the issued share capital of Carbokarn Company 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 the mentioned entities they are considered as subsidiaries for financial reporting after due consideration of the agreements with partners and the current operating arrangement.

4.7.8 Valuation of Inventories

The Group has applied judgment in the determination of inventories that are slow moving or obsolete considering the aging and nature of the inventories. For activated carbon and charcoal inventories, no impairment is recognized on the basis that such stocks do not have an expiry and are continued to be used in the manufacturing processes of the Group. For other items of inventories, management makes the determination of whether stocks are slow moving or non moving based on the aging of such inventories. Judgment is also required on the identification of inventories that require to be reflected at net realizable value. The estimates and judgments applied by the management are influenced by historical realized sales prices, and fluctuations in market prices.

5. REVENUE

Timing of Revenue Recognition

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Sale of goods				
Goods transferred at a point in time	26,068,872	19,270,211	7,576,802	6,368,778
Services transferred over time	2,800,015	1,168,222	–	–
	28,868,887	20,438,433	7,576,802	6,368,778
Intra group revenue	(7,950,942)	(4,920,354)	–	–
Total revenue from contracts with customers	20,917,945	15,518,079	7,576,802	6,368,778

5.1 Contract Balances

Contract assets of the Group relating to projects in progress amount to Rs. 613,078,000/- (2018 – Rs. 84,814,000/-) and is reflected within Inventories in Note 17. Contract liabilities of the Group relate to payments received in advance as reflected in Note 28 and amounts to Rs. 552,910,000/- (2018 – Rs. 195,192,000/-).

6. OTHER OPERATING INCOME/EXPENSE

6.1 Other Operating Income

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Export incentive income	3,568	2,640	–	–
Net gain/(loss) on disposal of property, plant and equipment	1,594	(1)	–	–
Fees for marketing services	–	–	61,571	42,348
Sundry income	27,225	20,144	9,291	6,264
Rental income	–	–	9,020	7,817
Income from technical consultations	1,320	7,186	70,149	69,829
Dividend income – subsidiaries	–	–	261,327	209,626
	33,707	29,969	411,358	335,884

6.2 Other Operating Expenses

For the year ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Impairment of property, plant and equipment	10,239	–	–	–
	10,239	–	–	–

7. NET FINANCE COST

7.1 Finance Income

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Dividend income – quoted	28,773	10,183	28,773	10,183
– unquoted	1	132	3,716	132
Interest income on loans and receivables	5,724	3,583	45,367	50,831
Gain on translation of foreign currency	434,312	106,481	361,110	63,312
Total finance income	468,810	120,379	438,966	124,458

7.2 Finance Cost

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Interest cost – Short-term borrowings	254,684	128,680	124,307	64,748
– Long-term borrowings	57,314	59,272	9,076	11,955
Loss on translation of foreign currency	452,985	114,321	377,725	36,579
Total finance cost	764,983	302,273	511,108	113,282
Net finance income/(cost)	(296,173)	(181,894)	(72,142)	11,176

8. PROFIT BEFORE TAX

8.1

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000
Haycarb PLC	278,727	654,223
Subsidiaries	1,324,268	472,481
Equity accounted investees	124,372	17,875
	1,727,367	1,144,579
Unrealised profit on intra-group sales	(109,501)	(10,810)
Intra-group adjustments	(264,967)	(207,346)
	1,352,898	926,423

8.2 Profit before tax is stated after charging all expenses including the following:

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Depreciation on property, plant and equipment	479,139	426,255	137,572	126,931
Directors' emoluments including Non-Executive Directors' consultation fees	156,876	151,914	118,292	111,868
Auditor's remuneration (fees and expenses):				
Ernst & Young	3,014	2,775	1,821	1,734
Others	11,828	9,756	–	–
Fees paid to Auditors for non-audit work				
Ernst & Young	8,671	5,210	2,931	1,787
Others	1,532	857	–	–
Donations	3,610	3,521	2,073	1,866
Provision for slow moving inventories	15,403	17,990	3,000	12,175
Provision of unrealised profits in inventories	109,501	10,810	–	–
Provision/(reversal) for bad and doubtful debts	(4,673)	3,527	–	–
Staff training and development	2,231	1,272	1,169	961
Legal/litigation fees	14,588	6,738	626	1,316
Staff costs (Note 8.2.1)	1,845,141	1,563,132	739,496	661,111

8.2.1 Staff Costs

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Defined contribution plan cost	133,883	109,780	84,975	75,942
Defined benefit plan cost	85,934	74,189	67,872	60,172
Other staff cost	1,625,324	1,379,163	586,649	524,997
	1,845,141	1,563,132	739,496	661,111
Number of employees at year end	1,436	1,411	781	772

9. TAX EXPENSE

9.1 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%.

In terms of Section 203 of the Inland Revenue Act No. 24 of 2017, qualified export profits enjoy a concessionary rate of tax at 14% (in 2017/18 12%).

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

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

The overseas companies, namely Eurocarb Products Ltd., Haycarb Holding Australia (Pty) Ltd., Haycarb USA Inc., Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., and PT Mapalus Makawanua Charcoal Industry and PT Haycarb Palu Mitra are liable to tax at 20%, 30%, 21%, 20%, 20%, 25% and 25% respectively.

Haycarb Holdings Bitung Ltd., is exempt from tax.

9.2 Tax Expense

	Consolidated		Company	
For the year ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Sri Lanka taxes				
Haycarb PLC	3,558	40,529	3,558	40,529
Subsidiaries	47,152	59,508	–	–
	50,710	100,037	3,558	40,529
Overseas taxes				
Subsidiaries	176,973	68,132	–	–
	227,683	168,169	3,558	40,529
Under/(Over) provision in respect of previous years				
Haycarb PLC	6,690	(22,288)	6,690	(22,288)
Subsidiaries	(24,110)	(264)	–	–
	(17,420)	(22,552)	6,690	(22,288)
Deferred taxation				
Haycarb PLC	6,869	79,721	6,869	79,721
Subsidiaries	36,870	(26,776)	–	–
	43,739	52,945	6,869	79,721
Tax on dividend income	33,868	19,243	–	–
Total tax provisions	287,870	217,806	17,117	97,962
Tax on other comprehensive income	(16,674)	(65,007)	(9,523)	(50,493)
	271,196	152,799	7,594	47,469

9.3 Tax Reconciliation Statement

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Profit before tax	1,352,898	926,423	278,727	654,223
Share of profit of equity accounted investees	(124,372)	(17,875)	–	–
Consolidation adjustments	374,468	218,156	–	–
	1,602,994	1,126,704	278,727	654,223
Tax exempt income	(454,306)	(443,796)	(293,815)	(247,180)
Disallowable expenses	687,009	519,935	262,703	202,649
Allowable expenses	(780,087)	(557,937)	(267,569)	(306,202)
Tax losses brought forward	(291,715)	(175,621)	–	–
Other taxable income	63,722	68,777	45,367	50,131
Tax losses carried forward	161,843	291,715	–	–
Taxable profit	989,461	829,777	25,412	353,621
Tax @ 12%	–	44,861	–	40,293
Tax @ 14%	3,558	–	3,558	–
Tax @ 28%	47,152	55,176	–	236
Tax at other rates	176,973	68,132	–	–
	227,683	168,169	3,558	40,529
Under/(over) provision in previous year	(17,420)	(22,552)	6,690	(22,288)
Deferred tax charge/(credit)	27,066	(12,062)	(2,654)	29,228
Tax on dividend income	33,868	19,243	–	–
Tax expense for the year	271,196	152,799	7,594	47,469

10. EARNINGS/NET ASSETS PER SHARE

10.1 Earnings per Share

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

	Consolidated		Company	
For the year ended 31st March	2019	2018	2019	2018
Profit attributable to equity holders (Rs.'000)	955,411	672,364	271,133	606,754
Weighted average number of ordinary shares*	29,712,375	29,712,375	29,712,375	29,712,375
Basic earnings per ordinary share (Rs.)	32.16	22.63	9.13	20.42

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

10.2 Net Assets per Share

	Consolidated		Company	
As at 31st March	2019	2018	2019	2018
Net assets attributable to equity holders (Rs.'000)	8,250,386	7,427,840	4,773,957	4,890,814
Number of ordinary shares	29,712,375	29,712,375	29,712,375	29,712,375
Net assets per share (Rs.)	277.68	249.99	160.67	164.61

11. DIVIDENDS PER SHARE

For the year ended 31st March	2019 Rs. '000	2018 Rs. '000
1st Interim dividend – 2018/19 – Rs. 2/- per share	59,425	–
2nd Interim dividend – 2018/19 – Rs. 6/- per share	178,274	–
1st and final dividend – 2017/18 – Rs. 6/- per share	–	178,274
	237,699	178,274
Dividend per ordinary share – Rs.	8	6
Dividend payout ratio (%)	25	27

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Consolidated

	Freehold land Rs. '000	Freehold buildings Rs. '000	Machinery and equipment freehold Rs. '000	Vehicles Rs. '000	Furniture fittings and office equipment Rs. '000	Data processing equipment Rs. '000	Total Rs. '000
Cost or valuation							
At 31st March 2017	1,019,651	1,348,985	4,705,342	170,034	147,881	66,798	7,458,690
Additions	12,408	56,567	391,780	8,157	11,998	3,327	484,237
Disposals	–	–	(1,578)	–	(163)	–	(1,741)
Transfer	10,060	(10,060)	–	–	–	–	–
Effect of movement in exchange rate	26,885	56,826	168,542	4,895	7,671	–	264,819
At 31st March 2018	1,069,004	1,452,318	5,264,086	183,086	167,387	70,125	8,206,005
Additions	903	24,833	403,476	33,791	15,844	5,712	484,560
Disposals and impairment	–	(9,439)	(8,243)	(4,385)	(114)	(206)	(22,387)
Revaluations	195,945	–	–	–	–	–	195,945
Effect of movement in exchange rate	36,165	85,533	300,165	9,061	11,059	–	441,983
At 31st March 2019	1,302,017	1,553,245	5,959,484	221,553	194,176	75,631	9,306,106
Depreciation and impairment							
At 31st March 2017	–	296,322	2,345,194	60,282	81,121	57,412	2,840,329
Depreciation charge for the year	–	48,761	336,037	22,038	15,558	3,861	426,255
Disposals	–	–	(1,563)	–	(162)	–	(1,725)
Effect of movement in exchange rate	–	19,057	116,173	3,084	4,436	–	142,750
At 31st March 2018	–	364,140	2,795,841	85,404	100,953	61,273	3,407,609
Depreciation charge for the year	–	54,927	371,027	28,236	20,427	4,522	479,139
Disposals and impairment	–	(2,146)	(1,568)	(4,340)	(98)	(206)	(8,358)
Effect of movement in exchange rate	–	27,893	166,034	4,983	7,133	–	206,043
At 31st March 2019	–	444,814	3,331,334	114,283	128,414	65,589	4,084,434
Capital work-in-progress							
At 31st March 2019	–	–	–	–	–	–	253,377
At 31st March 2018	–	–	–	–	–	–	348,339
Impairment Provision							
At 31st March 2019	–	–	(25,543)	–	–	–	(25,543)
At 31st March 2018	–	–	(25,543)	–	–	–	(25,543)
Net book value							
At 31st March 2019	1,302,017	1,108,430	2,602,607	107,271	65,762	10,042	5,449,506
At 31st March 2018	1,069,004	1,088,178	2,442,702	97,682	66,434	8,852	5,121,193

(a) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2019 amounted to Rs. 1,660,584,703/- (2018 – Rs. 1,359,820,000/-).

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

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

(d) Freehold Land carried at revalued amount:

Company	Location	Last revaluation date	Land extent	Number of building	Unobservable input per perch Avg. Rs.	Carrying value as at 31st March 2019 freehold land Rs. '000	Cost as at 31st March 2019 Rs. '000
Haycarb PLC	Madampe Factory – Madampe	31.03.2019	30 A - 0R - 32.75 P	14	39	186,727	86,868
	Badalgama Factory – Badalgama	31.03.2019	23 A - 2R - 18.36 P	19	50	190,626	72,743
	Wewalduwa Stores – Wewalduwa	31.03.2019	2 A - 1R - 32.04 P	6	697	273,428	4,309
						650,781	163,920
Recogen (Pvt) Ltd.	Badalgama Factory – Badalgama	31.03.2019	10 A - 3R - 15 P	4	50	86,750	11,465
Carbokarn Co. Ltd.	Ratchburi Province – Thailand	31.03.2019	15 A - 2R - 22P	20	81	202,706	93,288
Shizuka Co. Ltd.	Chonburi Province – Thailand	31.03.2019	24 A - 2R - 19P	12	31	122,208	78,705
PT Mapalus Makawanua Charcoal Industry	Bitung City – Indonesia	31.03.2019	8A - 3R - 28P	8	100	143,329	47,933
PT Haycarb Palu Mitra	Palu City – Indonesia	31.03.2019	6A - 3R - 37.5P	18	86	96,241	65,342
						1,302,017	460,653

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

Fair value hierarchy – Land measured at fair value	2019 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value	1,302,017	–	–	1,302,017

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

During the reporting period ended 31st March 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

(e) There were no assets pledged by the Group as securities for facilities obtained from the Banks other than those disclosed bellow:

Company	Details of assets	Banks mortgaged to	Cost Rs. '000
PT Mapalus Makawanuva	Land and building	Panin BNI	202,221
PT Haycarb Palu Mitra	Land and building	HSBC (Indonesia)	236,614
	Machinery and tools	HSBC (Indonesia)	282,774

12.2 Company

	Freehold land Rs. '000	Freehold buildings Rs. '000	Machinery and equipment freehold Rs. '000	Vehicles Rs. '000	Furniture fittings and office equipment Rs. '000	Data processing equipment Rs. '000	Total Rs. '000
Cost or valuation							
At 31st March 2017	530,202	440,694	1,234,858	82,535	54,072	58,847	2,401,208
Additions	10,553	22,795	176,752	529	2,213	1,660	214,502
Transfer*	10,060	(10,060)	–	–	–	–	–
At 31st March 2018	550,815	453,429	1,411,610	83,064	56,285	60,507	2,615,710
Additions	502	13,147	155,519	–	2,490	4,689	176,347
Revaluations	99,464	–	–	–	–	–	99,464
At 31st March 2019	650,781	466,576	1,567,129	83,064	58,775	65,196	2,891,521
Depreciation and impairment							
At 1st March 2017	–	84,981	654,847	23,546	30,632	52,603	846,608
Depreciation charge for the year	–	8,734	95,334	16,656	3,615	2,592	126,931
At 31st March 2018	–	93,715	750,181	40,202	34,247	55,195	973,539
Depreciation charge for the year	–	9,160	104,947	16,588	3,910	2,967	137,572
At 31st March 2019	–	102,875	855,128	56,790	38,157	58,162	1,111,111
Capital work-in-progress							
At 31st March 2019	–	–	–	–	–	–	113,556
At 31st March 2018	–	–	–	–	–	–	171,014
Impairment Provision							
At 31st March 2019	–	–	(25,543)	–	–	–	(25,543)
At 31st March 2018	–	–	(25,543)	–	–	–	(25,543)
Net book value							
At 31st March 2019	650,781	363,701	686,458	26,274	20,618	7,034	1,868,423
At 31st March 2018	550,815	359,714	635,886	42,862	22,038	5,312	1,787,642

(a) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2019 amounted to Rs. 480,794,213/- (2018 – Rs. 460,322,884/-).

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

13. INTANGIBLE ASSETS

	Consolidated				Company		
	Software Rs.'000	Goodwill on acquisition Rs.'000	Product development Rs.'000	Group total Rs.'000	Software Rs.'000	Product development Rs.'000	Company total Rs.'000
Cost							
At 31st March 2017	91,316	257,206	96,908	445,430	81,123	34,892	116,015
Additions	18,158	–	21,246	39,404	613	7,500	8,113
At 31st March 2018	109,474	257,206	118,154	484,834	81,736	42,392	124,128
Effect of movement in exchange rate	2,310	–	6,949	9,259	–	–	–
At 31st March 2019	111,784	257,206	125,103	494,093	81,736	42,392	124,128
Amortisation and impairment							
At 31st March 2017	(82,542)	(55,164)	(28,523)	(166,229)	(78,199)	(8,855)	(87,054)
Amortisation	(4,217)	–	(28,532)	(32,749)	(1,876)	(8,103)	(9,979)
At 31st March 2018	(86,759)	(55,164)	(57,055)	(198,978)	(80,075)	(16,958)	(97,033)
Amortisation	(8,104)	–	(33,579)	(41,682)	(797)	(8,478)	(9,275)
Effect of movement in exchange rate	(298)	–	(4,630)	(4,928)	–	–	–
At 31st March 2019	(95,161)	(55,164)	(95,264)	(245,588)	(80,872)	(25,436)	(106,308)
Net book value							
At 31st March 2019	16,623	202,042	29,839	248,504	864	16,956	17,820
At 31st March 2018	22,715	202,042	61,099	285,856	1,661	25,434	27,095

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 Cash Generating Unit of Haycarb USA Inc. Rs. 13,791,000/-., PT Mapalus Makawanua Charcoal Industry Rs, 49,656,000/- and Shizuka Co. Ltd., Rs. 138,595,000/- 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 14% 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.

Research expenses on product development have been charged to income statement.

14. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

For the year ended 31st March	Holding %	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Carbotels (Pvt) Ltd. (Note 14.1)	25.2	489,587	417,104	92,903	92,903
Lakdiyatha (Pvt) Ltd. (Note 14.1)	49.0	94,178	99,822	–	–
		583,765	516,926	92,903	92,903

14.1 Movement in Equity Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd. 2019 Rs. '000	Lakdiyatha (Pvt) Ltd. 2018 Rs. '000	Carbotels (Pvt) Ltd. 2019 Rs. '000	Carbotels (Pvt) Ltd. 2018 Rs. '000	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000
Balance at the beginning of the year	99,822	97,866	417,104	391,662	516,926	489,528
Share of results	(5,644)	1,956	130,016	15,919	124,372	17,875
Movement in reserves	–	–	(53,817)	11,381	(53,817)	11,381
Dividends	–	–	(3,716)	(1,858)	(3,716)	(1,858)
Balance at the end of the year	94,178	99,822	489,587	417,104	583,765	516,926

14.2 Summarised Financials

As at 31st March	Lakdiyatha (Pvt) Ltd. 2019 Rs. '000	Lakdiyatha (Pvt) Ltd. 2018 Rs. '000	Carbotels (Pvt) Ltd. 2019 Rs. '000	Carbotels (Pvt) Ltd. 2018 Rs. '000	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000
Balance Sheet						
Total assets	276,386	297,643	1,960,252	1,656,031	2,236,639	1,953,674
Total liabilities	(84,186)	(93,925)	(17,442)	(857)	(101,628)	(94,782)
Net Assets	192,200	203,718	1,942,811	1,655,174	2,135,011	1,858,892
Group carrying amount of the investment	94,177	99,822	489,588	417,104	583,766	516,926
Profit after tax	11,518	3,991	515,935	63,170	527,453	67,161
Group share of profit for the year	(5,644)	1,956	130,016	15,919	124,372	17,875

15. RELATED PARTY DISCLOSURES

15.1 Amounts due to Subsidiaries

As at 31st March	Company 2019 Rs. '000	Company 2018 Rs. '000
Recogen (Pvt) Ltd.	37,572	29,484
Haycarb Value Added Products (Pvt) Ltd.	105,947	109,001
Puritas (Pvt) Ltd.	–	11,829
PT Mapalus Makawanua Charcoal Industry	88,685	12,546
Haycarb USA Inc.	20,035	–
PT Haycarb Palu Mitra	–	6,894
	252,239	169,754

15.2 Amounts due to Other Related Parties

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Hayleys PLC	182,950	30,927	179,582	28,762
MIT Cargo (Pvt) Ltd.	571	220	518	220
Mountain Hawk Express (Pvt) Ltd.	1,293	–	1,293	–
Hayleys Fibre PLC	7,489	–	–	–
Key Management Personnel – Carbokarn Co. Ltd.*	1,291,281	929,343	–	–
Chas P. Hayley & Co. Pvt Ltd.	81,049	85,641	444	156
Logiventures (Pvt) Ltd.	699	635	699	635
PT. Advantis Akaza Indonesia	9,781	–	–	–
Hayleys Aventura (Pvt) Ltd.	2,350	7,542	2,350	7,542
Hayleys Business Solutions (Pvt) Ltd.	361	839	361	839
Hayleys Travels & Tours (Pvt) Ltd.	46	917	46	917
Advantis Freight (Pvt) Ltd.	2,389	8,559	2,389	8,559
Hayleys Agro Fertilizer (Pvt) Ltd.	–	1,148	–	1,148
Hayleys Consumer Products Ltd.	3	958	3	3
Hayleys Group other Companies	–	91	–	91
	1,580,262	1,066,820	187,685	48,872

*Equity partners of the Carbokarn Group have provided loans to these companies for working capital requirements at the current market rates prevailing in Thailand.

15.3 Amounts due from Subsidiaries

As at 31st March	Company 2019 Rs. '000	Company 2018 Rs. '000
Puritas (Pvt) Ltd.	80,520	183,048
Haycarb Holdings Australia (Pty) Ltd.	7,667	5,358
Carbokarn Co. Ltd.	89,628	69,208
Eurocarb Products Ltd.	6,984	–
Haycarb Holdings Bitung Ltd.	161,411	134,198
PT Mapalus Makawanua Charcoal Industry	677,939	599,433
Ultracarb (Pvt) Ltd.	18,846	19,335
PT Haycarb Palu Mitra	266,983	220,304
	1,309,978	1,230,884
Amount classified as non-current receivables	(268,000)	(134,386)
Amount classified as current receivables	1,041,978	1,096,498

15.4 Amounts due from Other Related Parties

As at 31st March	Relationship	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Hayleys Consumer Products Ltd.	Affiliate	–	4,202	–	–
Dipped Products PLC	Affiliate	7,539	–	7,539	–
Hayleys Agriculture Holding Ltd.	Affiliate	–	328	–	–
Hayleys Global Beverages (Pvt) Ltd.	Affiliate	–	1,939	–	–
Kelani Valley Plantations PLC	Affiliate	–	3,684	–	–
Royal Ceramics Lanka PLC	Affiliate	–	140	–	–
Hanwella Rubber Products Ltd.	Affiliate	–	4	–	–
Chas P. Hayley & Company (Pvt) Ltd.	Affiliate	420	–	–	–
Alumex PLC	Affiliate	4,131	6,786	–	–
Hayleys Group Other Companies	Affiliate	–	23	–	–
		12,090	17,106	7,539	–

15.5 Amounts due from Equity Accounted Investees

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Lakdiyatha (Pvt) Ltd.	16,263	26,386	12	1,574
	16,263	26,386	12	1,574

16. INVESTMENTS

16.1 Company Investments in Subsidiaries

Investee	Company Holding		Number of Shares		Value	
As at 31st March	2019 %	2018 %	2019	2018	2019 Rs. '000	2018 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 Added Products (Pvt) Ltd.	100	100	40,000,000	40,000,000	400,000	400,000
PT Haycarb Palu Mitra	60	60	1,290,000	1,290,000	168,268	168,268
Haycarb Activated Carbon (Pvt) Ltd.	100	–	336,797	–	7,874	–
Company Investment in subsidiaries (at cost)					1,594,769	1,586,895
Provision for fall in value for Recogen (Pvt) Ltd.					(100,000)	(100,000)
Company investment in subsidiaries					1,494,769	1,486,895

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

16.2 Indirect Investments in Subsidiaries

Investee	Effective Holding		Number of Shares		Value	
As at 31st March	2019 %	2018 %	2019	2018	2019 Rs. '000	2018 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	75,000	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 pages 126 and 127.

17. INVENTORIES

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Raw materials and consumables	2,890,733	1,243,826	959,204	570,292
Finished/semi-finished goods	3,625,787	2,955,001	829,908	754,879
Projects in progress	613,078	84,814	–	–
	7,129,598	4,283,641	1,789,112	1,325,171
Provision for slow-moving items	(72,214)	(56,811)	(45,850)	(42,850)
Provision for unrealised profits	(250,351)	(140,850)	–	–
Total inventories at the lower of cost and net realisable value	6,807,033	4,085,980	1,743,262	1,282,321

18. TRADE AND OTHER RECEIVABLES

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Trade receivables – External customers	4,068,567	3,293,080	644,516	569,260
– Inter company	–	–	980,206	584,792
Less: Provision for expected credit losses	(20,525)	(25,198)	–	–
	4,048,042	3,267,882	1,624,722	1,154,052
Loans to employees	13,527	11,834	13,527	11,834
	4,061,569	3,279,716	1,638,249	1,165,886

The age analysis of trade receivables is as follows:

Group	Total Rs '000	Neither past due nor impaired Rs '000	0-60 days Rs '000	61-120 days Rs '000	Above 120 days Rs '000
Balance as at 31st March 2019	4,068,567	2,888,860	773,811	111,458	294,439
Balance as at 31st March 2018	3,293,080	2,217,138	695,450	144,995	235,497

Company	Total Rs '000	Neither past due nor impaired Rs '000	0-60 days Rs '000	61-120 days Rs '000	Above 120 days Rs '000
Balance as at 31st March 2019	644,516	547,195	97,321	–	–
Balance as at 31st March 2018	569,260	502,080	67,180	–	–

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

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
At the beginning of the year	3,474	3,175	3,474	3,175
Granted during the year	1,860	1,300	1,860	1,300
	5,334	4,475	5,334	4,475
Repaid during the year	(1,925)	(1,001)	(1,925)	(1,001)
At the end of the year	3,409	3,474	3,409	3,474
Number of loans over Rs. 20,000/-	46	30	46	30

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. 4,061,569,000/- (31st March 2018 – Rs. 3,279,716,000/-), Company Rs. 1,638,249,000/- (31st March 2018 – Rs. 1,165,886,000/-)

19. OTHER NON-CURRENT FINANCIAL ASSETS

For the year ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Financial assets designated at FVOCI/Available-for-sale investments				
Unquoted equity shares				
Quality Seed Co. Ltd.	490	490	490	490
Barrack Gold Corporation	193	184	–	–
	683	674	490	490
Quoted equity shares				
Dipped Products PLC	347,876	309,224	347,876	309,224
Fair value adjustment	(30,516)	38,652	(30,516)	38,652
Fair value of quoted equity shares	317,361	347,876	317,361	347,876
	318,044	348,550	317,851	348,366
Loans and receivables				
Receivable from finance lease				
At the beginning of the year	37,325	36,651	–	–
Granted during the year	–	–	–	–
Settlements during the year	(9,342)	(4,221)	–	–
Exchange differences	3,592	4,895	–	–
As at 31st March	31,575	37,325	–	–
Total other non-current financial assets	349,619	385,875	317,851	348,366

Financial assets designated at FVOCI/Available-for-Sale Investments

A significant portion of the financial assets designated at FVOCI/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 2019, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets Measured at Fair Value

	31st March 2019 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial assets designated at FVOCI/Available-for-sale financial assets	318,044	317,361	–	683

During the reporting period ending 31st March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

20. OTHER CURRENT ASSETS

	Consolidated		Company	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Deposits and payments in advance	331,836	333,299	85,942	153,049
Other debtors	162,021	200,728	75,683	109,602
Tax recoverables	39,013	56,835	36,634	7,332
	532,870	590,862	198,259	269,983

21. CASH IN HAND AND AT BANK

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Cash in hand	7,270	6,433	5,458	4,790
Bank Balances	754,956	816,322	200,385	198,904
Short-term deposits	121,915	68,251	10,308	2,471
	884,141	891,006	216,151	206,165

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

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Bank and cash balances	762,226	822,755	205,843	203,694
Short-term deposits	121,915	68,251	10,308	2,471
Bank overdrafts and short-term loans	(4,099,727)	(2,721,280)	(2,479,382)	(1,678,737)
Cash and cash equivalents	(3,215,586)	(1,830,274)	(2,263,231)	(1,472,572)

22. STATED CAPITAL

Issued and fully-paid – ordinary shares

As at 31st March	Company			
	2019		2018	
	Number	Value Rs. '000	Number	Value 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 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Capital reserve (23.1)	675,744	648,703	442,458	356,919
Retained earnings (23.2)	7,242,868	6,447,363	3,999,725	4,202,121

23.1 Capital Reserves

	Revaluation surplus Rs. '000	Reserve on amalgamation Rs. '000	Legal reserve Rs. '000	Total Rs. '000
Consolidated				
Balance as at 1st April 2017	685,171	25,885	6,541	717,597
Tax effect on revalued asset	(68,894)	–	–	(68,894)
Balance as at 31st March 2018	616,277	25,885	6,541	648,703
Revaluation surplus during the year	165,192	–	–	165,192
Tax effect on revalued assets	(20,351)	–	–	(20,351)
Movement in reserve in equity accounted investee	(117,800)	–	–	(117,800)
Balance as at 31st March 2019	643,318	25,885	6,541	675,744
Company				
Balance as at 1st April 2017	387,397	23,758	–	411,155
Tax effect on revalued asset	(54,236)	–	–	(54,236)
Balance as at 31st March 2018	333,161	23,758	–	356,919
Revaluation surplus during the year	99,464	–	–	99,464
Tax effect on revalued assets	(13,925)	–	–	(13,925)
Balance as at 31st March 2019	418,700	23,758	–	442,458

23.2 Revenue Reserves

	Group		Company	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Fair Value Reserve of Financial Assets at FVOCI	277,190	307,706	277,190	307,706
Exchange fluctuation reserve	808,091	555,980	–	–
General reserve	519,353	519,353	519,353	519,353
Retained earnings				
Haycarb PLC	3,203,182	3,375,062	3,203,182	3,375,062
Subsidiaries	1,968,691	1,407,613	–	–
Associates	466,361	281,649	–	–
	5,638,234	5,064,324	3,203,182	3,375,062
	7,242,868	6,447,363	3,999,725	4,202,121

General Reserve

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

Other Reserves

Fair Value Reserve of Financial Assets at FVOCI/AFS Reserve

Fair Value Reserve of Financial Assets at FVOCI related to change in fair value of financial assets designated at FVOCI available-for-sale financial assets.

24. INTEREST-BEARING LOANS AND BORROWINGS

24.1 Non-Current Liabilities

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	442,830	867,558	207,945	461,030
New loans obtained during the year	–	–	–	–
Effect of movements in foreign exchange during the year	27,717	12,778	16,307	6,464
	470,547	880,336	224,252	467,494
Repayments during the year	(229,807)	(437,506)	(84,124)	(259,549)
At the end of the year	240,740	442,830	140,128	207,945
Transferred to current liabilities	(185,522)	(223,343)	(87,701)	(84,124)
Repayable after one year	55,218	219,487	52,427	123,821

24.2 Current Liabilities

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Current interest-bearing loans and borrowings				
Short-term loans	2,795,305	2,230,254	1,584,810	1,345,940
Bank overdrafts	1,304,422	491,026	894,572	332,797
Shot-term loans and bank overdrafts	4,099,727	2,721,280	2,479,382	1,678,737
Current portion of term loans	185,522	223,343	87,701	84,124
Total current interest-bearing loans and borrowings	4,285,249	2,944,623	2,567,083	1,762,861

24.3 Analysis of Secured Term Loans by year of Repayment

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Repayable between 1-2 years from the year end	55,218	171,476	52,427	78,439
Repayable between 2-5 years from the year end	–	48,011	–	45,382
Total non-current borrowings	55,218	219,487	52,427	123,821

24.4 Secured Term Loans Repayable after one year

Company	Lender	Rate of interest	31st March 2019 Rs. '000	Repayment terms	Security
Haycarb PLC	HSBC	1 month – LIBOR + 2.75%	13,817	60 equal monthly installments commencing from March 2016	
	HSBC	1 month – LIBOR + 2.75%	14,259	60 equal monthly installments commencing from April 2016	
	HSBC	1 month – LIBOR + 2.75%	24,349	60 equal monthly installments commencing from June 2016	
Haycarb USA Inc	HNB	3 month – LIBOR + 3.75%	2,793	60 equal monthly installments commencing from September 2015	Corporate guarantee for US$ 1,750,000/- from Haycarb PLC
Total secured term loans repayable after one year			55,219		

Fair value of the interest-bearing loans and borrowings of the Group Rs. 4,340,467,000/- (31st March 2018 – Rs.3,164,110,000/-) Company Rs. 2,619,510,000/- (31st March 2018 – Rs. 1,886,682,000/-).

25. EMPLOYEE BENEFIT OBLIGATIONS

	Consolidated		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
(i) Expenses recognised in Income Statement				
Current service cost	41,364	34,516	27,296	23,765
Interest cost on employee benefit obligation	44,569	39,673	40,576	36,407
The total expense is recognised in administrative expenses in the income statement	85,933	74,190	67,872	60,172
(ii) Actuarial gains and losses recognised directly in OCI				
Actuarial losses	39,836	29,386	31,442	27,211
	39,836	29,386	31,442	27,211
(iii) Present value of unfunded gratuity				
Present value of unfunded gratuity	561,000	464,424	449,605	387,455
Total gratuity provision	561,000	464,424	449,605	387,455
(iv) Provision for employee benefit obligations				
Employee benefit obligation at 1st April	464,424	365,672	387,455	306,231
Interest cost	44,569	39,673	40,576	36,407
Current service cost	41,364	34,517	27,296	23,765
Benefits paid	(38,593)	(7,522)	(37,164)	(6,159)
Actuarial losses on obligations	39,836	29,386	31,442	27,211
Effect of movement in exchange rate	9,400	2,698	–	–
Employee benefit obligations at 31st March	561,000	464,424	449,605	387,455
Legal Liability	418,568	368,685	327,367	294,328

As at 31st March	Consolidated 2019 %	Consolidated 2018 %	Company 2019 %	Company 2018 %
Sri Lanka				
Discount rate	11	11	11	11
Salary escalation rate	10	9	10	9
Indonesia				
Discount rate	8.35	7.12		
Salary escalation rate	8	8		
Thailand				
Discount rate	3.26	3.31		
Salary escalation rate	3	3		

Distribution of the Employee Benefit Obligations over Future Working Lifetime

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Less than or equal to 1 Year	69,320	70,723	35,530	42,454
Over 1 year and less than or equal to 5 years	232,670	189,075	189,834	154,045
Over 5 years and less than or equal to 10 years	117,536	100,417	90,992	90,318
Over 10 years	141,474	104,209	133,249	100,638
	561,000	464,424	449,605	387,455

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 employee 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 as at 31st March 2019 was carried out by professionally qualified Actuaries, 'Actuarial and Management consultant (Pvt) Ltd.', for Srilanka and Thailand entities and 'PT Sentra Aktuaria', for Indonesia entities.

Sensitivity Analysis

	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
One percentage point increase (+1%) in discount rate	522,783	433,399	420,691	363,256
One percentage point decrease (-1%) in discount rate	601,381	497,698	482,066	414,594
One percentage point increase (+1%) salary escalation rate	604,091	500,239	484,192	416,750
One percentage point decrease (-1%) salary escalation rate	519,830	430,712	418,340	360,965

26. DEFERRED TAX ASSETS/LIABILITIES

26.1 Deferred Tax Assets

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
At the beginning of the year	81,551	16,930	–	–
Origination and reversal of temporary differences	(51,779)	64,621	–	–
At the end of the year	29,772	81,551	–	–

Deferred Tax Assets are Attributable to the Followings:

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000
Group		
Property, plant and equipment	1,814	(1,309)
Inventories	(5,659)	1,764
Provisions	(4,881)	4,733
Tax loss carry-forward	(9,259)	28,209
Employment benefit obligations	(11,787)	48,154
Net deferred tax assets	(29,772)	81,551

Deferred Tax Assets are Attributable to the Followings:

	Balance as at 31st March 2018	Recognised in Income Statement	Recognised in Other Comprehensive Income	Balance as at 31st March 2019
Group				
Property, plant and equipment	(1,309)	3,123	–	1,814
Inventories	1,764	(7,423)	–	(5,659)
Provisions	4,733	(9,614)	–	(4,881)
Tax loss carry – forward	28,209	(37,468)	–	(9,259)
Employment benefit obligations	48,154	(60,689)	748	(11,787)
Net deferred tax asset	81,551	(112,071)	748	(29,772)

26.2 Deferred Tax Liabilities

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
At the beginning of the year	219,199	101,633	117,630	37,909
Origination and reversal of temporary differences	(15,308)	117,566	6,869	79,721
At the end of the year	203,891	219,199	124,499	117,630

Deferred Tax Liabilities are Attributable to the Followings:

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Property, plant and equipment	(306,831)	(298,947)	(193,863)	(177,872)
Inventories	7,396	5,999	6,419	5,999
Tax loss carried forward	32,098	18,229	–	–
Employee benefit obligations	63,375	54,509	62,945	54,244
Provisions	71	1,012	–	–
Net deferred tax liabilities	(203,891)	(219,199)	(124,499)	(117,630)

Deferred Tax Liabilities are Attributable to the Followings:

	Balance as at 31st March 2018	Recognised in Income Statement	Recognised in Other Comprehensive Income	Balance as at 31st March 2019
Consolidated				
Property, plant and equipment	(298,948)	(7,883)	(20,351)	(306,831)
Inventories	5,999	1,397	–	7,396
Tax loss carried forward	18,229	13,869	–	32,098
Employee benefit obligations	54,509	8,866	2,928	63,375
Provisions	1,012	(941)	–	71
Net deferred tax liabilities	(219,199)	15,309	(17,423)	(203,891)
Company				
Property, plant and equipment	(177,872)	(2,066)	(13,925)	(193,863)
Inventories	5,999	420	–	6,419
Employee benefit obligations	54,244	4,299	4,402	62,945
Net deferred tax liabilities	(117,630)	2,653	(9,523)	(124,499)

27. TRADE AND OTHER PAYABLES

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Trade payables	798,514	760,314	104,540	159,091
Freight payable	112,924	72,007	86,460	40,016
Salaries and wages	25,639	20,261	22,007	16,641
Dividend payable (27.1)	67,844	7,771	67,844	7,771
Accrued expenses and other payables	1,196,075	887,348	169,417	141,245
	2,200,996	1,747,701	450,267	364,764

27.1 Dividend Payable

	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
As at 1st April	7,771	35,391	7,771	35,391
As at 1st April payables under related party	–	60,375	–	60,375
Declared during the year	463,259	135,796	415,973	89,137
Dividends paid to equity holders of the parent	(235,150)	(177,132)	(235,150)	(177,132)
Dividends paid to non-controlling interests	(47,285)	(46,659)	–	–
As at 31st March payables under related party	(120,751)	–	(120,751)	–
As at 31st March	67,844	7,771	67,844	7,771

Fair value of the trade and other payables of the Group Rs. 2,200,996,000/- (31st March 2018 – Rs. 1,747,701,000/-). Company Rs. 450,268,000/- (31st March 2018 – Rs. 364,764,000/-).

28. OTHER CURRENT LIABILITIES

As at 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Payments received in advance	552,910	195,192	47,454	33,742
	552,910	195,192	47,454	33,742

29. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

Summarised financial information in respect of Haycarb PLC's subsidiaries that have material non-controlling interest, reflecting amount before inter-company eliminations, is set out bellow:

The significant figures extracted from the financials of	Carbokarn Co. Ltd. Group		PT Haycarb Palu Mitra	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Revenue	5,030,628	3,835,939	1,129,170	787,639
Profit before tax	285,660	294,743	42,687	(73,829)
Cash flows from operating activities	(132,891)	155,163	45,594	(85,736)
Cash flows from investing activities	(159,123)	(108,436)	(7,489)	(5,873)
Cash flows from financing activities	(94,573)	(93,318)	(10,164)	(9,165)
Non-current assets	1,398,290	1,244,552	549,007	551,571
Current assets	2,825,247	1,715,582	698,209	568,501
Total assets	4,223,537	2,960,134	1,247,216	1,120,072
Non-current liabilities	31,259	25,370	731,901	4,009
Current liabilities	2,488,838	1,507,200	302,838	939,886
Total liabilities	2,520,097	1,532,570	1,034,740	943,895
Equity attributable to the Parent of the Company	851,720	713,782	127,486	105,706
Non-controlling interest	851,720	713,782	84,990	70,471
Non-controlling interest (%)	50	50	40	40

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 Note 14 and 16 and also under Group companies in pages 126 and 127. Business segment classification is also given under Group companies.

(i) Companies within the Group engage in trading transactions under normal commercial terms and conditions. Outstanding current account balances at the year end are unsecured and charged with weighted average cost of debt rate. Settlements occur in cash.

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

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

(iv) Transactions with Haylex (Japan) Ltd., Hayleys Consumer Products (Pvt) Ltd., Logiventures (Pvt) Ltd., Dipped Products PLC, The Kingsburry PLC, Quality Seeds Co. Ltd., Hayleys Agriculture Holdings Ltd., MIT Cargo (Pvt) Ltd., Civaro Lanka (Pvt) Ltd., Mountain Hawk (Pvt) Ltd., Chas P. Hayley Company (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., Pan Asia Bank PLC, Singer Finance PLC, Toyo Cushion Lanka (Pvt) Ltd., Hayleys Business Solutions International (Pvt) Ltd., Hayleys Travels & Tours (Pvt) Ltd., Dimo PLC, Hayleys Electronics Ltd., Hayleys Industrial Solutions Ltd., Hayleys Agro Fertilizers (Pvt) Ltd., PT Advantis Akaza Indonesia, and Sampath Bank PLC are given below under details of related party transactions with affiliates.

Related Party Disclosures

Year ended 31st March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Transactions with related parties				
Fully-owned subsidiaries				
Sales of Activated Carbon	–	–	2,813,481	2,048,558
Purchase of raw material	–	–	288,765	253,824
Reimbursement of salaries/bonus	–	–	141,524	138,225
Dividend income	–	–	216,456	162,858
Current account interest paid	–	–	48,612	54,125
Fund transfers	–	–	611,222	630,947
Rental income	–	–	5,679	8,353
Purchase of services	–	–	92,730	68,205
Income from guarantees and short-term funds	–	–	1,781	7,072
Income on services rendered			23,092	62,643
Partly-owned subsidiaries				
Sales of goods and services	–	–	3,353	14,987
Purchase of raw material and consumables	–	–	449,321	168,942
Income from services provided	–	–	51,814	42,595
Dividend income	–	–	44,871	44,910
Purchase of services	–	–	2,187	10,387
Cost of guarantees and short-term funds	–	–	10,314	8,374
Equity accounted investee				
Dividend received	–	–	3,716	1,990
Services-related expenses paid	264	270	–	–
Parent – Hayleys PLC				
Services related expenses paid	13,854	12,904	185,933	183,358
Affiliates				
Sales of goods and services	3,238	31,570	638,885	253,791
Purchase of goods and services	335,999	381,536	107,184	116,796
Dividend income	–	–	28,773	10,172
Dividend paid	–	–	156,211	60,375
Interest income	–	–	12	12
Loans obtained from/(repaid to) Directors Carbokarn Co. Ltd.	361,938	(66,221)	–	–
Interest paid to Directors of Carbokarn Co. Ltd.	50,596	45,143	–	–

None of the transactions above with an individual related party exceeds the ten percent threshold as defined in section 9.3.2 of the listing rules.

31. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2019, for, which no provision has been made in the Financial Statements amounts to Rs. 54,967,000/- (2017/18 – Rs. 15,984,000/-) for the Group and Rs.7,164,000/- (2017/18 – Rs. 13,571,000/-) for the Company. Capital expenditure approved by the Directors but not contracted for was Rs.106,669,000/- (2017/18 – Rs. 92,114,000/-) for the Group and Rs. 93,946,000/- (2016/17 – Rs.70,142,771/-) for the Company.

Contingent Liabilities

The contingent liability as at 31st March 2019 on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,590,374,000/- (2017/18 – Rs. 2,625,262,000/-). Of this sum, Rs. 2,118,803,000/- (2016/17 – Rs. 2,241,287,000/-) 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 The Management Audit and Systems Review Division (MASRD) of the parent company Hayleys PLC. MASRD undertakes both regular and ad hoc reviews of financial risk management policies and procedures, the results of which are reported to the Group Audit Committee.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and Other Receivables

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

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

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

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

	Group		Company	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Sri Lankan Rupees	723,537	232,244	–	25,927
Australian Dollar	241,460	85,462	–	–
Sterling Pound	16,232	9,591	66,989	33,770
Euro	177,825	387,018	–	–
United States Dollar	2,218,243	1,960,789	1,557,733	1,094,355
Thai Baht	206,892	156,285	–	–
Maldivian Rufiyaa	185,293	275,732	–	–
Indonesian Rupiah	278,560	160,761	–	–
	4,048,042	3,267,882	1,624,722	1,154,052

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 at Bank

The Group held cash equivalents of Rs. 876,871,118/- at 31st March 2019, 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 2019	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 (external)	1,304,421	2,254,188	726,640	55,218	–	4,340,467
Trade and other payables	167,567	1,820,640	212,789	–	–	2,200,996

Year ended 31st March 2018	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 (external)	491,026	1,672,130	781,466	219,488	–	3,164,110
Trade and other payables	28,031	1,587,160	132,510	–	–	1,747,701

Company

Year ended 31st March 2019	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 (external)	894,572	1,574,710	97,801	52,427	–	2,619,510
Trade and other payables	89,850	275,709	84,708	–	–	450,267

Year ended 31st March 2018	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 (external)	332,797	1,262,847	167,217	123,821	–	1,886,682
Trade and other payables	24,412	287,949	52,403	–	–	364,764

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 2019.

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 2019.

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	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
US Dollar borrowings	50	12,215	8,120	11,149	7,647

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, Indonesian Rupiah and Euro.

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

Foreign Currency Sensitivity – Fair Value of Monetary Assets and Liabilities

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			
		Group		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March	Increase/Decrease %	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
	0.5	4,061	1,157	895	2,199

		Change in Thai Baht Rate			
		Group		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March	Increase/Decrease %	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
	0.5	1,123	240	–	–

		Change in Indonesian Rupiah Rate			
		Group		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March	Increase/Decrease %	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
	0.5	2,850	3,489	–	–

As at 31st March	Increase/Decrease %	Change in GBP Rate — Group — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000	Company — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000
	0.5	276	92	46	187

As at 31st March	Increase/Decrease %	Change in AUD Rate — Group — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000	Company — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000
	0.5	211	240	–	–

As at 31st March	Increase/Decrease %	Change in Euro Rate — Group — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000	Company — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000
	0.5	1,602	1,928	–	–

As at 31st March	Increase/Decrease %	Change in MVR Rate — Group — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000	Company — Effect on profit before tax 2019 Rs. '000	2018 Rs. '000
	0.5	334	374	–	–

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 monitor 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 2019 other than those disclosed in Note 12.

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

	Group		Company	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Interest bearing borrowings – external	4,340,467	3,164,110	2,619,510	1,886,682
Interest bearing borrowings – related party	1,291,281	929,343	–	–
Total equity	9,352,801	8,337,611	4,773,957	4,890,814
Total equity and debt	14,984,549	12,431,064	7,393,467	6,777,496
Gearing ratio (%)	38	33	35	28

33. SEGMENT ANALYSIS

The segmental information is based on two segment formats. The business segment is considered as primary format and based on the nature of business. The geographic segment is considered as secondary format and based on the geographical location of the business.

Business Segments

Turnover – Net

			Consolidated	
	External Rs. '000	Intra-group Rs. '000	2019 Rs. '000	2018 Rs. '000
Activated carbon	18,027,745	7,944,292	25,972,037	19,075,445
Environmental engineering	2,890,200	6,650	2,896,850	1,362,988
	20,917,945	7,950,942	28,868,887	20,438,433
Intra-group sales			(7,950,942)	(4,920,354)
			20,917,945	15,518,079

Profit Before Tax

	Consolidated	
	2019 Rs. '000	2018 Rs. '000
Activated carbon	1,301,952	726,759
Environmental engineering	301,042	399,945
Purification – associate	(5,644)	1,956
Leisure – associate	130,016	15,919
	1,727,366	1,144,579
Consolidation adjustments	(264,967)	(207,346)
Unrealised profit on intra-group sales	(109,501)	(10,810)
	1,352,898	926,423

	Total assets		Provision for liabilities and charges		Trade and other payables	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Activated carbon	16,259,930	13,251,053	764,891	683,623	1,929,420	1,188,418
Environmental engineering	2,131,437	1,514,478	–	–	824,486	754,475
	18,391,367	14,765,531	764,891	683,623	2,753,906	1,942,893
Investment in associates and others	583,765	516,926				
	18,975,132	15,282,457				

	Capital expenditure		Depreciation	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Activated carbon	388,364	321,416	476,831	424,390
Environmental engineering	1,234	3,400	2,308	1,865
	389,598	324,816	479,139	426,255

Cash Flows from

	2019		2018	
	Activated carbon Rs. '000	Environmental engineering Rs. '000	Activated carbon Rs. '000	Environmental engineering Rs. '000
Operating activities	(722,018)	185,607	92,635	668
Investing activities	(338,919)	2,261	(343,605)	(623)
Financing activities	(421,414)	(90,829)	(503,797)	(157,500)
	(1,482,351)	97,039	(754,767)	(157,455)

Geographical Segments

Turnover – Net

	External Rs. '000	Intra-group Rs. '000	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000
USA	3,465,124	–	3,465,124	2,237,827
Europe	2,145,831	–	2,145,831	1,655,599
Australia	1,739,703	–	1,739,703	1,067,288
Sri Lanka	7,154,857	(2,747,123)	9,901,980	8,032,446
Other Asian Countries	6,412,430	(5,203,819)	11,616,249	7,445,273
	20,917,945	(7,950,942)	28,868,887	20,438,433
Intra-group sales			(7,950,942)	(4,920,354)
			20,917,945	15,518,079

Profit Before Tax

	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000
USA	52,944	45,977
Europe	74,660	(18,894)
Australia	33,710	22,343
Sri Lanka	636,194	1,041,543
Other Asian Countries	929,858	53,610
	1,727,366	1,144,579
Consolidation adjustments	(374,468)	(218,156)
	1,352,898	926,423

Assets and Liabilities

	Total assets		Non-interest-bearing liabilities: Provision for liabilities and charges		Non-interest-bearing liabilities: Trade and other payables	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
USA	1,269,668	1,155,562	–	–	150,913	124,489
Europe	1,069,669	690,675	–	–	260,961	191,770
Australia	599,850	376,531	–	–	42,805	72,758
Sri Lanka	5,852,725	5,369,502	655,135	607,777	1,168,160	1,171,176
Other Asian Countries	9,599,455	7,173,261	109,756	75,846	1,131,067	382,700
	18,391,367	14,765,531	764,891	683,623	2,753,906	1,942,893
Investments in associates and other	583,765	516,926				
	18,975,132	15,282,457				

Year ended 31st March	Capital expenditure		Depreciation	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
USA	771	1,196	5,547	2,351
Europe	5,600	10,048	9,922	7,993
Australia	–	8,078	1,352	1,670
Sri Lanka	134,680	158,353	222,827	220,325
Other Asian Countries	248,547	147,141	239,491	193,916
	389,598	324,816	479,139	426,255

34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the Financial Statements,

35. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		Year end	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
US Dollar	169.551	153.509	176.092	155.604
Australian Dollar	123.278	118.943	124.809	119.070
Pound Sterling	222.047	205.281	230.213	219.070
Thai Baht	5.254	4.666	5.540	4.991
Indonesian Rupiah	0.0118	0.0114	0.0124	0.0113
Euro	195.815	180.744	197.773	191.741
Indian rupee	2.429	2.381	2.546	2.394

36. FUNCTIONAL CURRENCY

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

Company	Functional Currency
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah
PT Haycarb Palu Mitra	Indonesian Rupiah
Haycarb Holdings Bitung Ltd.	United States Dollar
Eurocarb Products Ltd.	Sterling Pounds
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollar
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
Haycarb Activated Carbon (Pvt) Limited (Chennai,India)	Indian Rupee

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, USA and 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

	2019 Rs. '000	2018 Rs. '000
	20,917,945	15,518,079
Other operating income	33,707	29,969
	20,951,652	15,548,048
Cost of materials and services brought in	(17,091,867)	(12,149,424)
Value added	3,859,785	3,398,624

Distribution of Value Added

	%	2019 Rs. '000	%	2018 Rs. '000
To: Employees as remuneration	49	1,884,977	47	1,591,127
To: Government revenue				
Sri Lanka	5	187,254	5	180,184
Overseas	3	132,824	5	179,731
To: Providers of capital	11	438,289	9	289,212
Interest on borrowings		311,998		187,952
Minority interest		126,291		101,260
To: Shareholders as dividends	6	237,699	5	178,274
Retained in the business	25	978,741	29	980,096
Depreciation		479,139		426,255
Profit retained		499,602		553,841
	100	3,859,785	100	3,398,624

1. STOCK EXCHANGE LISTING

The Interim Financial Statements for the fourth quarter ended 31st March 2019, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. SHAREHOLDERS

Haycarb PLC – Ordinary Shareholders as at 31st March 2019.

	Residents			Non-Residents			Total		
No. of shares held	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
1 – 1,000	1,528	311,777	1.0493	23	6,817	0.0229	1,551	318,594	1.0722
1,001 – 10,000	413	1,372,133	4.6181	16	68,929	0.2320	429	1,441,062	4.8501
10,001 – 100,000	94	2,425,597	8.1636	10	262,474	0.8834	104	2,688,071	9.0470
100,001 – 1,000,000	8	2,198,716	7.4000	6	1,523,264	5.1267	14	3,721,980	12.5267
Over 1,000,000	2	21,542,668	72.5040	–	–	–	2	21,542,668	72.5040
	2,045	27,850,891	93.7350	55	1,861,484	6.2650	2,100	29,712,375	100.0000
Category									
Individuals	1,886	3,833,829	12.9032	51	1,168,801	3.9337	1,937	5,002,630	16.8369
Institutions	159	24,017,062	80.8318	4	692,683	2.3313	163	24,709,745	83.1631
	2,045	27,850,891	93.7350	55	1,861,484	6.2650	2,100	29,712,375	100.0000

3. MARKET VALUE

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

	2018/19		2017/18	
	Rs.	Date	Rs.	Date
Highest price	154.90	14th January, 2019	170.00	12th July, 2017
Lowest price	119.10	5th April, 2018	120.00	29th March, 2018
Closing price	127.00	29th March, 2019	120.00	29th March, 2018
Number of transactions	670.00		652.00	
Number of shares traded	574,349		380,507	
Value of shares traded	73,607,820		58,495,343	

4. QUARTERLY FINANCIAL DATA

	Unaudited			Audited
	3 months ended 30th June 2018 Rs. '000	6 months ended 30th September 2018 Rs. '000	9 months ended 31st December 2018 Rs. '000	12 months ended 31st March 2019 Rs. '000
Revenue	4,318,123	8,986,252	14,313,839	20,917,945
Profit before tax from continuing operations	183,273	502,829	854,465	1,352,898
Profit for the period from continuing operations	160,263	428,232	672,810	1,081,702
Profit attributable to equity holders of the Company	101,097	304,343	515,792	955,411
Property, plant and equipment, investments and non-current assets	6,105,124	6,148,073	6,412,143	6,631,394
Current assets	9,239,014	11,110,086	12,049,460	12,313,966
Current liabilities	6,378,305	7,896,442	8,592,068	8,802,222
Shareholders funds	7,245,948	7,562,877	7,985,439	8,250,386

5. TOP 20 SHAREHOLDERS

	Name of the Shareholder	Number of Shares as at 31st March 2019	%	Number of Shares as at 31st March 2018	%
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.	Mr. T. Ueda	417,206	1.40	417,206	1.40
5.	National Savings Bank	413,914	1.39	447,211	1.51
6.	Promar Overseas SA	397,682	1.34	397,682	1.34
7.	Mrs. J.K.P. Singh	290,376	0.98	261,700	0.88
8.	Bank of Ceylon No.1 Account	251,067	0.84	251,067	0.84
9.	Dr. D. Jayanntha	230,000	0.77	220,000	0.74
10.	Harnam Holdings SDN BHD	175,000	0.59	100,000	0.34
11.	E.W. Balasuriya & Co. (Pvt) Ltd.	152,089	0.51	152,089	0.51
12.	Mr. Z.G. Carimjee	135,000	0.45	115,220	0.39
13.	Mr. S. Krishnananthan	128,717	0.43	128,717	0.43
14.	Mr. H.S. Gill	123,000	0.41	123,000	0.41
15.	Hallsville Trading Group Inc.	120,000	0.40	120,000	0.40
16.	Commercial Bank of Ceylon PLC A/C No.04	107,100	0.36	107,100	0.36
17.	Mr. J.S.A.B. Singh and Mrs. G.K.A.H. Singh	100,000	0.34	100,000	0.34
18.	J.B. Cocoshell (Pvt) Ltd.	96,356	0.32	–	–
19.	Cocoshell Activated Carbon Company Limited	92,300	0.31	107,541	0.36
20.	Mr. D.F.G. Dalpethado/Mrs. H.F.A.K.D. Fonseka	78,006	0.26	1	0.00
	Total	25,631,310	86.26	25,372,031	85.39

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

Name of the Shareholder	Number of Shares	
	As at 31st March 2019	As at 31st March 2018
Mr. A.M. Pandithage	2,379	2,379
Mr. S.C. Ganegoda	1,815	1,815
Mr. H.S.R. Kariyawasan*	15,500	15,500
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.

7. PUBLIC HOLDING

The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2019, was 32.20% (2018 – 32.20%) held by 2094 ordinary shareholder (2018 – 2113).

Float adjusted market capitalisation as at 31st March 2019 was Rs. 1,215,057,863.25

- The Company complies with Option 5 of the Listing Rules 7.3.1 (a) – less than Rs. 2.5 billion Float Adjusted Market Capitalisation which requires 20% minimum public holding.

TEN YEAR FINANCIAL REVIEW

Year ended 31st March	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000
Trading Results				
Group turnover	20,917,945	15,518,079	13,553,576	11,705,825
Profit before taxation	1,352,898	926,423	1,189,535	1,119,078
Group taxation	(271,196)	(152,799)	(249,735)	(220,910)
Profit after taxation (Continuing operations)	1,081,702	773,624	939,800	898,168
Minority Interest	(126,291)	(101,260)	(135,436)	(216,950)
Profit attributable to Haycarb Ltd.	955,411	672,364	804,364	681,218
Balance Sheet				
Share capital	331,774	331,774	331,774	331,774
Capital reserves	675,744	648,703	717,597	570,848
Revenue reserves	7,242,868	6,447,363	5,696,455	5,013,363
Minority interest	1,102,415	909,771	776,762	710,435
	9,352,801	8,337,611	7,522,588	6,626,420
Property, plant and equipment, investments and non-current assets	6,412,662	6,105,545	5,953,584	5,161,474
Intangible assets	248,504	285,856	279,201	263,598
Current assets	12,313,966	8,891,056	8,002,701	7,204,985
Current liabilities	(8,802,222)	(6,041,736)	(5,808,013)	(5,244,079)
Provisions and creditors due after one year	(820,109)	(903,110)	(904,885)	(759,558)
	9,352,801	8,337,611	7,522,588	6,626,420
Ratios and Statistics				
Return on shareholders' equity (%)	12	12	12	12
Dividend (Rs. '000)	237,699	178,274	178,274	178,274
Dividend per share	8.00	6.00	6.00	6.00
Annual sales growth index (Base – 2009) (%)	462	343	299	259
Earnings per share at year end* (Rs.)	32.16	29.45	27.07	22.93
Net assets per share at year end* (Rs.)	277.68	249.99	227.04	199.11
Market price per share (Rs.)	127.00	120.00	151.00	160.00
Price earnings ratio	3.95	4.08	5.58	6.98
Current ratio (Times)	1.40	1.47	1.38	1.37
Liquidity ratio (Times)	0.93	0.80	0.77	0.70

Figures in brackets indicate deductions.

*Earnings and net assets per share are based on the 29,712,375 shares in issue as at 31st March 2019.
Previous years' figures have accordingly been adjusted.

2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000
11,933,848	10,338,684	10,149,637	8,508,896	6,400,233	5,075,968
1,070,336	1,044,083	1,227,707	656,822	724,197	819,809
(196,404)	(152,106)	(192,708)	(133,808)	(149,853)	(134,166)
873,932	891,977	1,034,999	523,014	574,344	685,643
(178,947)	(104,197)	(89,691)	(51,822)	(69,259)	(52,716)
694,985	787,780	945,308	471,192	505,085	632,927
331,774	331,774	331,774	331,774	331,774	331,774
570,848	373,907	373,907	296,707	213,330	213,330
4,800,584	4,061,796	3,675,876	2,961,061	2,587,343	1,753,964
590,724	468,418	344,247	270,721	260,786	223,577
6,293,930	5,235,895	4,725,804	3,860,263	3,393,233	2,522,645
5,059,453	4,275,533	3,724,931	2,616,262	2,009,828	1,318,321
260,903	251,223	240,018	132,000	63,447	63,447
5,696,413	4,986,749	4,466,440	3,710,435	2,504,592	2,183,165
(3,923,488)	(3,357,492)	(2,907,846)	(2,083,981)	(1,072,575)	(905,443)
(799,351)	(920,118)	(797,739)	(514,453)	(112,059)	(136,845)
6,293,930	5,235,895	4,725,804	3,860,263	3,393,233	2,522,645
12	17	21	13	16	28
178,274	178,274	207,986	163,418	148,562	148,562
6.00	6.00	7.00	5.50	5.00	5.00
264	228	224	188	141	112
23.39	26.51	31.82	15.86	17.00	21.30
191.95	160.45	147.89	120.81	105.42	77.38
183.00	181.00	176.00	160.00	155.40	160.00
7.82	6.83	5.53	10.09	9.14	7.51
1.45	1.47	1.54	1.78	2.33	2.41
0.68	0.85	0.79	0.84	1.37	1.31

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 Products and Technology in Europe	1986 in UK (Bristol, England)	£ 100,000	100% (Subsidiary)
Haycarb Holdings Australia (Pty) Ltd. Distributors of Activated Carbon 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 Activated Carbon 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 Sale 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 Activated 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)
Haycarb Activated Carbon (Pvt) Ltd. Business Development	2017 in India	INR 3,367,970	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 Dr. S.A.K. Abayawardana S. Rajapakse M.S.P. Udaya Kumara B. Balaratnarajah	A.A.M. Caderbhoy Ms. S.S. Ragunathan J.D. Naylor Ms. Yogadinusha Bhaskaran (Alternate Director to Mr. Dhammika Perera) M.H. Jamaldeen
A.M. Pandithage (Chairman) J.D. Naylor (Managing Director)	H.S.R. Kariyawasan R. Bittel	
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne M. Marques B.P.R. Liyanage	
A.M. Pandithage (Chairman) P. Karnchanabatr (Managing Director) H.S.R. Kariyawasan	B. Karnchanabatr K. Karnchanabatr Y.P.A.S. Pathirathna	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. Pathirathna Ms. C. Karnchanabatr Ms. M.J.A.S. Abeyratne
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Y.P.A.S. Pathirathna	A.M. Senaratne
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan I.A.S.L. Athukorala	
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	B. Balaratnarajah M.S.P. Udaya Kumara A.A.M. Caderbhoy	S.P. Weerawardane
A.M. Pandithage H.S.R. Kariyawasan	Ms. S.S. Ragunathan Mr. Ashok Parashar	Ms. J.J.J. Lerce Mr. G.B.M.H. Dourdin
A.M. Pandithage (Chairman) P. Karnchanabatr (Managing Director) H.S.R. Kariyawasan	Y.P.A.S. Pathirathna 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) M.S.P. Udaya Kumara (Commissioner)	A.M. Pandithage (President Director) H.S.R. Kariyawasan A.A.M. Caderbhoy	B. Balaratnarajah Ronny K.A. Karim
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan	Wong Yong Fei
A.M. Pandithage (Chairman) H.S.R. Kariyawasan A.A.M. Caderbhoy	Ms. M.J.A.S. Abeyratne	Elindram Srinivasulu

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 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.

EBIT
Earnings before interest and tax

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

Gearing Ratio
Proportion of total interest-bearing borrowing 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.

Non Controlling Interest
Equity in subsidiary not attributable, directly or indirectly, to a parent.

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

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

Return on Capital Employed (ROCE)
Profit before tax and net finance cost divided by average capital employed.

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 Sixth Annual General Meeting of Haycarb PLC will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka, on Thursday, 27th June 2019 at 10.00am 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 2019, with the Report of the Auditors thereon.
2. To re-elect Mr. A.M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Ms. S.S. Ragunathan, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. A.A.M. Caderbhoy, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. J.D. Naylor, who retires by rotation at the Annual General Meeting, a Director.
6. To reappoint Dr. S.A.K. Abayawardana, who retires having attained the age of Seventy-two 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 Abayawardanaa retiring Director, who has attained the age of Seventy-two 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-two years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.
7. To ratify the sum of Rs. 573,201/- made as donations for the year 2018/19 in excess of the sum approved by the shareholders.
8. To authorise the Directors to determine contributions to charities for the year 2019/20.
9. 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 2019/20.
10. To consider any other business of which due notice has been given.

Note:

(i) A member is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka, by 10.00am on 25th June 2019.

By Order of the Board,

HAYCARB PLC
HAYLEYS GROUP SERVICES (PVT) LTD.

Secretaries

Colombo
29th May 2019

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./Reg. 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 the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf of at the Forty Sixth Annual General Meeting of the Company to be held on Thursday, 27th June 2019 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 2019 with the Report of the Auditors thereon.		
2.	To re-elect Mr. A.M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.		
3.	To re-elect Ms. S.S. Ragunathan, who retires by rotation at the Annual General Meeting, a Director.		
4.	To re-elect Mr. A.A.M. Caderbhoy, who retires by rotation at the Annual General Meeting, a Director.		
5.	To re-elect Mr. J.D. Naylor, who retires by rotation at the Annual General Meeting, a Director.		
6.	To reappoint Dr. S. A. K. Abayawardana, who retires having attained the age of Seventy Two years, A Director by passing the Ordinary Resolution set out in the Notice.		
7.	To ratify the sum of Rs. 573,201/- made as donations for the year 2018/19 in excess of the sum approved by the shareholders		
8.	To authorise the Directors to determine contributions to charities for the year 2019/20.		
9.	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 2019/20.		

(**) 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 ……………………………………2019.

……

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.

(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 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 resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a company/corporation the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

   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.

   In case of Margin Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manger/ 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
DFCC Vardhana Bank
Hatton National Bank
Hongkong & Shanghai Banking Corporation
Nations Trust Bank
NDB Bank
Pan Asia Bank PLC
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

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

Parent Company
Hayleys PLC

Accounting Year End
31st March

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PARTNER Carbonfree Carbonfund.org
www.carbonfund.org

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Global Standard Annual Report Number©
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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
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