



**HAYCARB**  
*Activated carbon solutions*

**HAYCARB PLC**

**Annual Report**  
**2019/20**



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# Joint Statement from the Chairman and the Managing Director

*“The Company remains confident that its business model built on strong and enduring relationships and a strong manufacturing and supply base, places it in a strategic position to continue the growth of the business in the backdrop of emphasis placed on environment sustainability and personal protection globally.”*

We are pleased to present the Annual Report and the Financial Statements of the year ended 31st March 2020 of Haycarb PLC.

It is noteworthy that the Company surpassed a key milestone, reporting profit before tax of over Rs. 2 billion.

The Group turnover increased by 9% to Rs. 22,822 million whilst profit before and after tax was recorded at Rs. 2,175 million and Rs. 1,766 million respectively. The consolidated earnings per share (EPS) and net asset value per share (NAV) increased to Rs. 52.46 and Rs. 313.71 respectively.

## DIVIDENDS

Taking into consideration the performance for the year and future prospects of the Company, the Board recommended and paid three interim dividends of Rs. 3/- per share on 17th October 2019, Rs. 3/- per share on 23rd January 2020 and Rs. 9/- per share on 26th May 2020, totalling Rs. 15/- per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### COVID-19 – Impact and Response

The unprecedented disruptions caused by curfews and lockdowns due to COVID-19 since mid-March impacted all operations globally and demanded a swift response, to ensure the continuity of the business and protection of stakeholders.

Haycarb's global manufacturing footprint greatly supported the Company's risk mitigation in this scenario. The manufacturing operations were re-opened as fast as possible, working very closely with government agencies whilst observing the highest standards of health, safety and hygiene practices.

We also successfully managed the supply chain of coconut shell based charcoal our key raw material, in every country that we operate, through large buffer stocks, swift pricing support and finances provided to suppliers to ensure their disruptions were managed without an impact to Haycarb operations.

While we are confident of the demand for purification solutions that are backed by emphasis placed on environmental sustainability, standards and regulations globally, we are

duly conscious of the still unfolding impact of the COVID-19 pandemic in all our global markets and the supply chain, as countries face contraction of economic growth forecasts and further predictions of a possible second wave across the globe.

### Activated Carbon Operation

The activated carbon turnover increased to Rs. 19,276 million while the profit before tax improved to Rs. 1,923 million. This noteworthy improvement in results was made possible due to successful execution of strategies to expand and enhance the business.

The technical, production and marketing teams worked cohesively to increase the value added product portfolio – respirator, premium gold, point of use, energy storage, impregnated and pelletised carbons are some of the product segments that recorded significant growth. It is with pleasure that we note the twofold sales increase of the EDLC (super-capacitor carbons) product range, which showcases Haycarb's technical and manufacturing capability at the premium end of the applications.

The healthy bottom line of the year is also the result of increase in sales volume by 13% compared to the previous year which was made possible due to robust demand for activated carbon assisted by strong marketing and sales efforts globally, supported by a well-managed manufacturing operation that was able to ramp up capacity and a strong supply chain network that ensured supply of raw material to all manufacturing locations.

We note that the manufacturing facility in Palu, Central Sulawesi, Indonesia, recorded a full year of production following its re-commissioning in March 2019, after the disruption caused by the earthquake and tsunami of September 2018.

While the charcoal availability and stability of prices in Sri Lanka and Indonesia, enabled these facilities overall to operate at competitive and profitable levels, the Thailand operations continued to face higher cost of raw materials during the greater part of the year under review. While the charcoal availability improved resulting in prices to come down gradually from Q3, safety inventory maintained at a higher average cost will impact the bottom line for some time. However, the year under review witnessed a significant increase in regeneration volumes, making a noteworthy addition to the bottom line and cash flow of Thailand operations.

Increasing the manufacturing capacity will be a major driver of the growth plan for the activated carbon segment and will be augmented with focused investments to enhance the capacity to manufacture value added activated carbon. The Company will continue to invest in research and development to acquire the capability to manufacture new value added products, re-engineer processes and acquire new technologies.

Along with its technological capability, the unique strength of Haycarb as a manufacturer of coconut shell based activated carbon lies in its extensive raw material procurement network spread across all the major coconut producing countries in the region. This ensures stability of supplies and competitive pricing in its end product offering. Unfortunately the imposition of lockdowns as a counter measure to restrict the spread of COVID-19 in the last two weeks of the financial year, disrupted supplies, while the buffer stock of raw material in hand ensured our ability to face the challenge with limited impact to manufacturing capacity utilisation.

Nurturing our relationships in charcoal and coconut shell supply networks in Sri Lanka, Thailand, Indonesia, India, and Philippines is an ingrained value of Haycarb's sustainable business model. Our long-term outlook for this industry led to the formation of Haycarb's environment friendly charcoaling technologies. We provided technical and financial assistance to suppliers in the *Haritha Angara* initiative (the environment friendly closed charcoaling pits) in Sri Lanka since 2015. *Haritha Angara* initiative has now converted nearly 75% of all pit charcoaling in the island to this environment friendly model. In Thailand, Carbokarn invested in the vertical charcoaling facility that is capable of supplying 30-40% of raw material requirement of the factories located in Thailand. The Company plans to support the *Haritha Angara* charcoaling initiative in the coming year and invest in improving the vertical kiln charcoaling facilities in Thailand. Haycarb will prioritise the protection and expansion of its charcoal procurement networks in the region, and will continue its investments in maintaining raw material stocks across all manufacturing locations to ensure that we can face future challenges that may arise in the charcoal supply framework.

The Business Development and Marketing teams based in Sri Lanka worked successfully to acquire new customer accounts and increase the presence of the Haycarb brand in markets which are outside our traditional market reach. Accordingly a strong distributorship network and sales growth was recorded in markets such as Russia, West Africa, South East Asia, and China.

The marketing team of Haycarb USA Inc. supported by the central marketing and technical teams will continue to work on increasing Haycarb's market share in the North American market while the Eurocarb team is engaged in initiatives in Europe to expand value added segments such as premium cabin air, general air, personal respirator protection including impregnated carbons and human consumption carbons.

Lean practices, Quality Assurance and Management Systems (QA and QMS) and Safety, Health and Environment Practices (SHE practices) are practised as a way of life, ensuring manufacturing excellence and safety of our employees. These core values are reinforced regularly in formal in-house training and

shop floor mentoring sessions. Working with social distancing and added hygiene and safety protocols to minimise the impact of COVID-19 pandemic introduced a new set of challenges that were overcome with guidelines and practices successfully implemented with the direction of health and regulatory authorities. In an uncertain and challenging environment, the manufacturing teams are poised to continue the journey of manufacturing excellence to retain its leading position for quality, consistency and timely deliveries.

### Environmental Engineering

The environmental engineering arm Puritas Group, recorded a revenue of Rs. 3,546 million and a profit before tax of Rs. 240 million during the year under review. Puritas' main business segment, the design and installation of water and wastewater systems continued to face challenges due to the uncertainties in the regional markets. In spite of these challenges the Company secured significant water and wastewater treatment projects in Sri Lanka and in the region.

During the year the Company was awarded and executed a number of projects in the Water Supply and Sanitation Improvement Projects (WASSIP) across Sri Lanka, an initiative funded by the World Bank and coordinated by the Government of Sri Lanka. The Company also secured projects under the Climate Resilient Integrated Water Management Project (CRIWMP) funded by the United Nations Development Fund. However, the COVID-19 lockdowns and the resultant short to medium-term impact on tourism and spending, power is expected to adversely affect projects that were to be secured from business segments such as Hotels and Housing in Sri Lanka and the region.

The Company will continue to leverage on its technical know-how and track record to secure projects in government and private sector in Sri Lanka and chosen regional markets such as Maldives, Bangladesh and Myanmar. The collaborative efforts to secure large scale projects will continue with its strategic partners in the water purification industry.

While Puritas was adversely affected by the lockdown imposed in mid-March in Sri Lanka, it also experienced an increase of sales of facemasks in the activated carbon products category in the last quarter of the financial year.

The "Oxypura" face masks in Puritas activated carbon products segment, is expected to perform significantly well with the substantial increase in demand for face masks locally and overseas in the backdrop of COVID-19. The Company plans to bid for significant accounts in the export markets and is fully geared to expand its marketing, design and development and manufacturing capabilities to cater to the current surge in demand.

### GROUP FINANCE REVIEW

The notable performance of the Group is attributed to the increase in sales volume and value added carbon portfolio coupled with the stability of raw materials prices which facilitated the increase of the gross margin to 24%.

## Joint Statement from the Chairman and the Managing Director

The net cash flow generated from operations increased significantly due to improved profitability. The Company continued its investments in working capital funding to maintain strategic buffer stocks and debtor financing in order to offer competitive credit terms to its customers. The current assets ratio of 1.62, an improvement of 22 basis points over the last year signals healthy working capital management. The gearing ratio also improved to 30%.

Over the last five years Haycarb has invested Rs. 2.8 billion in property, plant and equipment. Group's capital expenditure during the year to enhance its manufacturing facilities and support services amounting to Rs. 692 million, was partly funded by a long-term loan.

Haycarb is pleased to report improvement in return on equity and capital employed by 5% reflecting a positive outlook on shareholder investments. A total of Rs. 445.6 million was distributed as dividends presenting an increase of 87% compared to the previous year.

## SUSTAINABILITY INITIATIVES

### Social Empowerment

Haycarb Group spear-headed by its Environmental subsector supported the upkeep of the "Puritas Sath Diyawara" water purification plants established by the Hayleys Group of Companies that provide 160,000 litres of safe drinking water per day across 19 villages, at risk of chronic kidney disease (CKD) in the North and North Central Provinces of Sri Lanka. The Company also plays a coordinating role in the Hayleys Group book distribution project that touched the lives of over 2,600 schoolchildren in the *Sath Diyawara* communities.

### Health

Haycarb together with the Hand Protection and the Eco Solutions sectors of Hayleys Group matched the employees' one-day salary contribution and additional donations to purchase and install urgently required medical equipment in the Intensive Care Unit of the Infectious Diseases Hospital (IDH), a national hospital in the forefront of COVID-19 treatment in Sri Lanka. This was supplemented by the donation of much needed Oxytura face masks to the Health Ministry and the Sri Lanka Army who played a pivotal role in the COVID-19 pandemic control actions in Sri Lanka. In Q3, Haycarb's employees took the initiative to renovate a medical ward of the National Hospital for Respiratory Diseases in Welisara, Sri Lanka, where again the Company matched the employees' donations.

Haycarb continued to donate medical grade activated carbon to the National Hospitals of Sri Lanka through the Ministry of Health for treating patients who have ingested poisonous substances.

Our efforts and initiative in these projects is a testimony of Haycarb's appreciation of the free medical care system offered in Sri Lanka to all its citizens which in turn supports the communities within which we operate our largest manufacturing base and head office.

## Environment

Haycarb pioneered the carbon neutral footprint for charcoaling technology in 2006 through the Recogen project where pollutant gases and heat generated in charcoaling is used to generate electricity. *Haritha Angara* is a continuing initiative that supported not only our vision for sustainability but also protected the charcoal manufacturers, who may otherwise had to discontinue their livelihood due to environment concerns. In Thailand Carbokarn continued to invest to improve the yield and increase the efficiency of its environment friendly vertical charcoaling kiln project.

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

The Company remains confident that its business model built on strong and enduring relationships and a strong manufacturing and supply base, places it in a strategic position to continue the growth of the business in the backdrop of emphasis placed on environment sustainability and personal protection globally.

## APPRECIATION

We appreciate the commitment of the employees who acted as one team united in purpose, whose resilience and passion enabled us to report an encouraging performance and overcome even the challenges posed by the unprecedented environment in which we found ourselves in the end of the year due to COVID-19 pandemic and subsequent lockdowns. The support extended by our valuable customer base globally in this extraordinary situation will be long remembered.

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



Mohan Pandithage  
Chairman



Rajitha Kariyawasan  
Managing Director  
12th June 2020



# GOVERNANCE AND COMPLIANCE

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# Board of Directors

## MOHAN PANDITHAGE

Chairman and Chief Executive

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

Fellow of the Chartered Institute of Logistics & 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 Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics and 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 Hayleys 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

Appointed to the Board in November 2009. Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydro power 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 unquoted companies.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Uni Dil Packaging Limited, Delmege Limited and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC and 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 and 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

Appointed to the Board of Haycarb PLC in November 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura.

Held several Senior Management positions in large Private Sector Entities in Sri Lanka as well as overseas.

Has responsibility for the Strategic Business Development Unit of Hayleys PLC, the holding Company of Haycarb. He serves on the Boards of Hayleys PLC, Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations 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

Appointed to the Board in August 2011. A professional Engineer, with a PhD in Chemical Engineering from the University of London, he is a Fellow of the Institution of Engineers Sri Lanka as well as the Institution of Chemical Engineers London, and has been felicitated 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 the Chairman of Peoples' Bank and People's Leasing & Finance PLC, Deputy Chairman of Softlogic Life Insurance PLC, Non-Executive Director of Haycarb PLC, Dipped Products PLC and Hayleys Agriculture Holdings PLC. He is also a Director of Uni Dil Packaging Ltd., and Uni Dil Packaging and Solutions Ltd.

## M.S.P. UDAYA KUMARA

Appointed to the Board in February 2015. Holds a BSc (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 & Development, Technical and Quality Assurance & 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 April 2016. Holds a B.Eng (Hons.) in Electronics Systems Engineering (UK) and an MBA from the University of Colombo. Joined Hayleys Group in October 1996 as a Management Trainee working in Hayleys Electronics, Hayleys Electronics (Lighting) and Hayleys Industrial Solutions. She joined Haycarb PLC in 2010 and was appointed as a Director of Puritas (Pvt) Ltd., in the same year. Head of Environmental Engineering arm of Haycarb Group and is also responsible for Hayleys Group's CSR Initiative “*Puritas Sath Diyawara*”.

## ALI ASGAR MUNAVER CADERBHOY

Appointed to the Board in April 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.

## Board of Directors

### JAMES NAYLOR

Appointed to the Board in April 2016. Holds a BSc 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.

### MOHAMED HISHAM JAMALDEEN

Appointed to the Board in March 2017, Mr. Jamaldeen is a finance professional with over 20 years of experience and a seasoned commercial property investor and advisor. Mr. Jamaldeen is the Founding Managing Director of Steradian Capital Investments (Pvt) Ltd., and Executive Director of Lanka Realty Investments PLC where he is responsible for financing, corporate structuring, acquisitions and development. He is also the Executive Director of several real estate companies, focusing on commercial, residential and leisure property investment and development. Mr. Jamaldeen serves as a Director of Hayleys PLC, Talawakelle Tea Estates PLC, Haycarb PLC, Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC. 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.

### 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, Dipped Products PLC, and 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.

# Management Team

## HAYCARB (SRI LANKA)

### → Executive Directors

Mr. A.M. Pandithage	Chairman
Mr. H.S.R. Kariyawasan	Managing Director
Ms. M.J.A.S. Abeyratne	Director (Finance and IT)
Mr. M.S.P. Udaya Kumara	Director (Research & Development and Technical Support)
Mr. B. Balaratnarajah	Director (Manufacturing and Engineering)
Mr. A.A.M. Caderbhoy	Director (Business Development)
Ms. S.S. Ragunathan	Director (Environmental Engineering)
Mr. J.D. Naylor	Director (Head of Eurocarb Products Ltd. – UK)

### → General Managers

Mr. L.R.M.R.A.L. Karunaratne	Sales and Marketing
Mr. G.M.G. Gunawardhana	Manufacturing and Charcoal & Shell Procurement (Sri Lanka)

### → Deputy General Managers

Mr. S.P. Weerawardane	Production Planning
Mr. M.L. Wickramasinghe	Environmental Engineering [Puritas (Pvt.) Ltd.]

### → Divisional Managers

Mr. I.A.S.L. Athukorala	R&D/Process Improvement [Puritas (Pvt) Ltd.]
Mr. C.J.G.M. Korale	Engineering Projects
Mr. J.D. Shishira	Research and Development
Mr. G.A.D.N.U. Samaranyake	Research and Development
Mr. P.M.S.M. Ranasinghe	Quality Assurance
Mr. W.G.A.P. Gamage	Factory Manager (Madampe)
Mr. W.P.J.K. Wickramasinghe	Factory Manager (Badalgama)
Mr. A.S.D. Karunaratne	Human Resource Management
Mr. P.D.D.M. Krishantha	Human Resource Management
Mr. A.D. Kularatne	Engineering Procurement

### → Divisional Managers (Contd.)

Mr. P.S. Liyanaarachchi	Sales and Marketing
Mr. C.R. Kobbekaduwe	Sales and Marketing
Mr. L.I. Adhihetty	Business Development
Mr. W.M.P.A.B. Weerakoon	Deputy Financial Controller
Mr. M.S.L. Moraes	Production Planning
Mr. L.A. Wickramasekera	Charcoal and Shell Procurement
Mr. P.T.R. Dharshana	Production (Madampe)
Mr. N.G.C.B. Dharmadasa	Raw Material Procurement (Indonesia, Sri Lanka)

### → Departmental Managers

Mr. L.P.S. Seneviratne	Engineering Projects
Mr. R.K.L. Jinisiri	Calibrations/Engineering (Madampe)
Mr. H.H.B. Senanayake	Business Development [Puritas (Pvt) Ltd.]
Mr. D.M. Senaratne	Engineering Projects
Mr. R.M.G. Ranathunga	Engineering Maintenance (Badalgama)
Mr. A.G.L. Kokila	Project Engineering, Civil and Structural [Puritas (Pvt) Ltd.]
Ms. R.C. Jayawardena	Information Technology
Mr. P.A.A.U. Pathiraja	Finance
Mr. S. Gurusinghe	Procurement R&D
Mr. L.M. Hapuarachchi	Quality Management Systems
Mr. H.A.N.P. Kumara	Production (Badalgama)
Mr. S. Samarajeeva	Engineering Maintenance (Madampe)
Mr. G.D.S. Ganegoda	O & M Solutions [Puritas (Pvt) Ltd.]
Ms. P.P. Premaratne	Finance
Mr. T.P.Y.C. Tennakoon	Finance and Business Development [Puritas (Pvt) Ltd.]
Mr. C.L. Wijethunge	Activated Carbon Products [Puritas (Pvt.) Ltd.]
Mr. W.A.M.C.K. Abeyrathne	Safety, Health/Maintenance (Madampe)

### OVERSEAS SUBSIDIARIES

#### MARKETING

##### → Eurocarb Products Ltd.

Mr. J.D. Naylor	Managing Director
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Mr. R. Bittel	Director Sales
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Mr. S. Pickford	Operations Manager
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##### → Haycarb Holdings Australia (Pty) Ltd.

Mr. M. Marques	Director/Chief Operating Officer
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Mr. B.P.R. Liyanage	Director Operations
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##### → Haycarb USA Inc.

Mr. A.S. Pathirathna	Vice President
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Mr. M. Potok	Director Sales
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#### MANUFACTURING

##### → Carbokarn Co. Ltd.

Mr. P. Karnchanabatr	Managing Director
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Mr. B. Karnchanabatr	Deputy Managing Director
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Mr. K. Karnchanabatr	Director
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Mr. T. Karnchanabatr	Director (Local Sales and Marketing)
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Mr. H.S. Kumara	General Manager
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Ms. C. Techatipmanee	Finance Manager
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Ms. Y. Singhapoom	Accounting Manager
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Mr. U.S.S. Udugampala	Manager – Quality Assurance
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Mr. K.U.S. Warnajith	Plant Manager (Shizuka Co. Ltd.)
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##### → PT Mapalus Makawanua Charcoal Industry

Mr. U.A.N.D. Rupasinghe	General Manager
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Ms. T. Ente	Administration Manager
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Mr. M.I.A. Munasinghe	Manager – Quality Control
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##### → PT Haycarb Palu Mitra

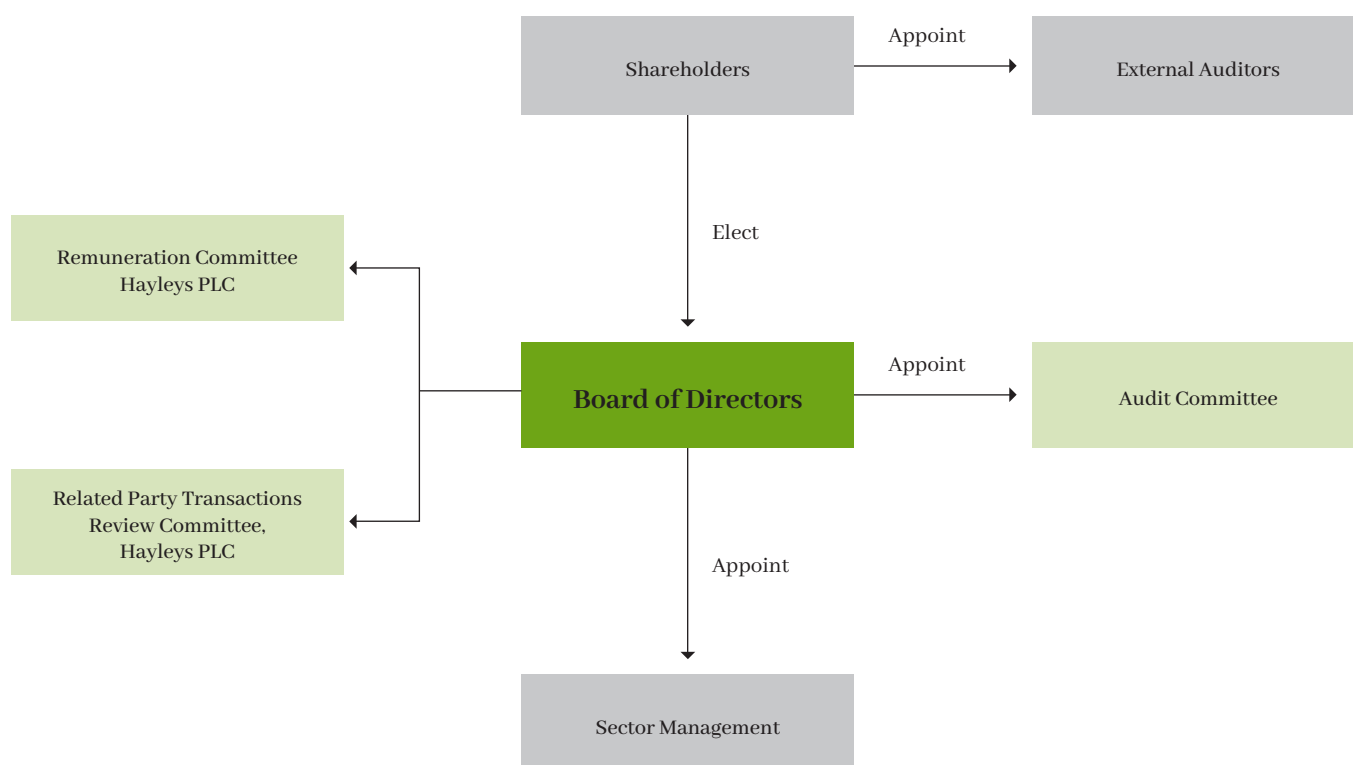
Mr. N.T. Hettiarachchi	Factory Manager
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# Corporate Governance

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 114 and 115.

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 on page 33 of this Report. The Company adopted 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 2020, the Board comprised 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 on pages 06 to 08 of this Annual Report.

The details of Directors' shareholding and directorates in other companies are given on pages 111 and 114 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	1/4
Mr. Sarath Ganegoda	Non-Executive	4/4
Ms. Jeevani Abeyratne	Executive	4/4
Dr. Sarath Abayawardana	Independent Non-Executive	2/4
Mr. Sujeewa Rajapakse	Independent Non-Executive	3/4
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	3/4
Ms. Yogadinusha Bhaskaran (alternate to Mr. Dhammika Perera)***		3/4
Mr. Hisham Jamaldeen	Independent Non-Executive	4/4

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

\*\* Mr. James Naylor participated in two of the meetings via conference call facility.

\*\*\* Ms. Bhaskaran attended three meetings to represent Mr. Dhammika Perera as his alternate.

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>SECTION 1: THE COMPANY</b>			
<b>A. Directors</b>			
<b>Principle: A.1 The Board</b>			
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	<p>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.</p> <p>The information is provided to the Board on a structured manner and regular basis as agreed by the Board.</p> <p>Information to be reported to the Board includes;</p> <ul style="list-style-type: none"> <li>▶ Financial and operational results on pre-agreed Key Performance Indicators</li> <li>▶ Financial performance compared to previous periods, budgets and targets</li> <li>▶ Impact of risk factors on financial and operating results and actions to mitigate such risks</li> <li>▶ Share trading of the Company and related party transactions by Key Management Personnel</li> <li>▶ Compliance with laws and regulations and any non-compliances</li> <li>▶ Internal control review</li> <li>▶ Any other matters the Board should be aware of</li> </ul> <p>The minutes of the previous Board meeting and above information are distributed among the members seven days prior to the meeting.</p>
A.1.2	Responsibilities of the Board	Complied	<p>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.</p> <p>The Board is responsible to:</p> <ul style="list-style-type: none"> <li>▶ Providing direction and guidance to the Company promoting the sustainable long-term success of the Company and enhance shareholders value.</li> <li>▶ Appointing and reviewing the performance of the Chairman and Managing Director.</li> <li>▶ Ensure Executive Directors have the skills, experience and knowledge to implement strategy effectively, and adopt key management personnel succession strategy.</li> <li>▶ Formulate and communicate business policy and strategy to assure sustained growth and to monitor its implementation within a framework of sustainable business development</li> <li>▶ Approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set.</li> <li>▶ Reviewing, approving and monitoring annual corporate plans, corporate budgets, capital expenditure</li> <li>▶ Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management</li> <li>▶ Ensure compliance with laws, regulations and ethical standards</li> <li>▶ Ensure all stakeholder interests are considered in corporate decisions</li> </ul>

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
			<ul style="list-style-type: none"> <li>▶ Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations</li> <li>▶ Adequacy and the integrity of the internal control systems over financial reporting and management information systems are reviewed by the Board Audit Committee</li> <li>▶ Determining any changes to the discretions/authorities delegated from the Board to the key management team</li> <li>▶ Exercise accountability to shareholders and relevant stakeholders</li> </ul>
A.1.3	Compliance with the laws of the country and agreement to obtain independent professional advice	Complied	<p>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.</p> <p>Directors have the power to obtain independent professional advice as deemed necessary, in furtherance of their duties, at the Company's expense.</p>
A.1.4	Access to the advice and services of the Company Secretary	Complied	<p>The services and advice of the Company Secretary are made available to Directors as necessary.</p> <p>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.</p> <p>The removal of the Secretary is a matter for the Board as a whole.</p> <p>Obtained a directors and officers' liability insurance, providing worldwide cover to indemnify all Directors and Officers.</p>
A.1.5	Independent judgement of the Directors	Complied	<p>Non-Executive Directors are independent of the management and free from any business and other relations. None of the 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.</p>
A.1.6	Dedication of adequate time and effort of the Directors	Complied	<p>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.</p> <p>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.</p>
A.1.8	Training for new and existing Directors	Complied	<p>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.</p> <p>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 of the view that continuous training and development of skills are vital when effectively performing the duties.</p>



Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>Principle: A.2 Chairman and Chief Executive Officer (CEO)</b>			
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.			
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.
<b>Principle: A.3 Chairman's Role</b>			
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	<p>The Chairman's role involves:</p> <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ Approving the agenda for each meeting prepared in consultation with the Managing Director and the Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management, and compliance.</li> <li>▶ Sufficiently detailed information of matters included in the agenda should be provided to the Directors in a timely manner.</li> <li>▶ Ensuring that all Directors are aware of their duties and responsibilities.</li> <li>▶ 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.</li> <li>▶ Maintaining the balance of power between Executive and Non-Executive Directors.</li> <li>▶ The view of Directors on issues under consideration are ascertained.</li> <li>▶ The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.</li> </ul>
<b>Principle: A.4 Financial Acumen</b>			
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.

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>Principle: A.5 Board Balance</b>			
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.
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	<p>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 ten 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. I. Jamaldeen being a Director of the Kingsbury PLC, a subsidiary of Hayleys PLC.</p> <p>Brief resume of all the Directors is available on pages 06 to 08.</p>
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 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.

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>Principle: A.6 Supply of Information</b>			
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 ad hoc 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.
<b>Principle: A.7 Appointments to the Board</b>			
A.7.1, A.7.2	Appointment to the Board	Complied	<p>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.</p> <p>The Nomination Committee comprises following members.</p> <p>Mr. A.M. Pandithage* – Chairman</p> <p>Mr. Dhammika Perera**</p> <p>Dr. H. Cabral, PC***</p> <p><i>* Executive Director</i>  <i>** Non-Executive Director</i>  <i>*** Independent Non-Executive Director</i></p> <p>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.</p>
A.7.3	Disclosure of new appointments	Complied	A brief résumé 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 06 to 08.
<b>Principle: A.8 Re-election</b>			
A.8.1, A.8.2	Re-election of Directors	Complied	<p>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.</p> <p>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/reappointment. Retiring Directors are generally eligible for re-election.</p> <p>The Managing Director does not retire by rotation.</p>
<b>Principle: A.9 Appraisal of Board Performance</b>			
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.

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>Principle: A.10 Disclosure of Information in Respect of Directors</b>			
A.10.1	Disclosures about Directors	Complied	<p>Name, qualification, brief profile and nature of expertise are given on the pages 06 to 08 of this Annual Report.</p> <p>Directors' interest in contracts is given on Note 32 of this Report. The Number of Board meetings attend by the Directors is available on the page 12 of this Report.</p>
<b>Principle: A.11 Appraisal of Chief Executive Officer</b>			
A.11.1, A.11.2	Evaluation the performance of the CEO	Complied	<p>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.</p>
<b>B. Directors Remuneration</b>			
<b>Principle: B.1 Remuneration Procedure</b>			
B.1.1, B.1.2, B.1.3, B.1.4, B.1.5	Establishment of Remuneration Committee	Complied	<p>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.</p> <p>The Remuneration Committee Report is given in page 36.</p> <p>Payment of remuneration to Directors is disclosed on page 29 of this report.</p>
<b>Principle: B.3 Disclosure of the Remuneration</b>			
B.3.1	Disclosure of the remuneration	Complied	<p>The names of the Directors of the Remuneration Committee are given under section B.1.2 above.</p> <p>The remuneration policy is to attract and retain a highly qualified and experienced workforce, 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.</p> <p>The total of Directors' Remuneration is reported in Note 9.2 to the Financial Statements.</p>

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>C. Relations with Shareholders</b>			
<b>Principle: C.1 Constructive use of the AGM and Conduct of General Meetings</b>			
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	<p>A separate resolution is proposed at an Annual General Meeting on each substantially separate item.</p> <p>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.</p> <p>A Form of Proxy is provided with the Annual Report to all shareholders to direct their proxy to vote.</p>
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.
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.
<b>Principle: C.2 Communication with Shareholders</b>			
C.2.1, C.2.2	Channel to reach all shareholders of the Company	Complied	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Company secretaries answer queries which are being made by the shareholders where necessary</p>

## Corporate Governance

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
C.2.3	Implementation of the policy and methodology for communication with shareholders	Complied	Annual Report and Financial Statements of the Company are available on the website enabling all shareholders to access. However a shareholder will be provided with a printed copy of the Annual Report if required 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 (email, 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.
<b>Principle: C.3 Major Material Transactions</b>			
C.3.2	Disclosure of Major Transactions to shareholders	Complied	Directors are responsible for the disclosure all proposed material transactions which if entered into 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.
<b>D. Accountability and Audit</b>			
<b>Principle: D.1 Financial and Business Reporting</b>			
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 on page 32 on this Report.

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
D.1.4	The Directors' Report	Complied	<p>The Annual Report of the Board of Directors on the affairs of the Company is given on page 29 of this Annual Report which contains the following:</p> <ul style="list-style-type: none"> <li>▶ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka</li> <li>▶ 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.</li> <li>▶ Equitable treatment to shareholders</li> <li>▶ Compliance with best practices of corporate governance</li> <li>▶ Information relating to PPE has been given in Note 13 to the Financial Statements.</li> <li>▶ Review of internal controls, risk management and reasonable assurance of effectiveness and adherence.</li> <li>▶ Going concern of the business</li> </ul>
D.1.5	Statement of Directors Responsibility, Statement on Internal Controls and Auditor's Report.	Complied	<p>The Statement of Director's Responsibilities for the Financial Statements and Director's Statement on Internal Controls is given on page 32.</p> <p>The Auditor's Report is available on page 38 to this Report.</p>
D.1.6	Management Discussion Analysis	Complied	<p>The Haycarb Group comprises Haycarb PLC and its subsidiaries and associates as set out on the page 114 to this Report.</p> <p>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.</p> <p>The Management Team of the Group given on pages 09 and 10.</p> <p>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.</p> <p>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.</p> <p><b>Management Report</b></p> <p>The Joint Statement from the Chairman and the Managing Director (pages 02 to 04) in this Report provides an analysis of the Group's performance during the financial year.</p> <p>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 02 to 04) in this Report.</p>

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
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.
<b>Principle: D.2 Risk Management and Internal Control</b>			
D.2.1, D2.2, D.2.3, D2.4.	Monitoring sound system of internal control	Complied	<p>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.</p> <p>The important procedures in place to discharge this responsibility are as follows:</p> <ul style="list-style-type: none"> <li>▶ The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.</li> <li>▶ The Board reviews the strategies of the divisions and constituent companies.</li> <li>▶ Annual budgeting and regular forecasting processes are in place and the Directors review performance.</li> <li>▶ The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanisms.</li> <li>▶ The Group is subjected to regular internal audits and system reviews.</li> <li>▶ The Audit Committee reviews the plans and activities of the internal audits and the management letters of External Auditors.</li> <li>▶ The Group carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment.</li> </ul> <p>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 32.</p>



Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>Principle: D.3 Audit Committee</b>			
D.3.1	Composition of Audit Committee	Complied	<p>The Audit Committee comprises three Non-Executive Independent Directors and is chaired by a senior Chartered Accountant. An Audit Committee was established in 2007.</p> <p>The Chairman of the Audit Committee is an Independent Non-Executive Director, a Fellow Member of The Institute of Chartered Accountants of Sri Lanka.</p> <p>The Company Secretary serves as Committee Secretary.</p> <p>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.</p>
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 on page 34 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 34 of this Report.
<b>Principle: D.4 Related Party Transactions Review Committee</b>			
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 on Note 32 to the Financial Statements.
D.4.2	Composition of Related Party Transactions Review Committee	Complied	<p>The Related Party Transactions (RPT) Review Committee of Hayleys PLC acts as the Company's RPT Review Committee and consists of</p> <p>Dr. H. Cabral, PC – Independent Non-Executive (Chairman)</p> <p>Mr. M.Y.A. Perera – Independent Non-Executive</p> <p>Mr. S.C. Ganegoda – Executive</p>
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 33.

## Corporate Governance

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>Principle: D.5 Code of Business Conduct and Ethics</b>			
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.
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 on page 111 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.
<b>Principle: D.6 Corporate Governance Disclosures</b>			
D.6.1	Disclosure of adherence to corporate governance	Complied	<p>The extent to which the Company adheres to established principles and practices of good corporate governance is disclosed from pages 11 to 28 of this Report.</p> <p><b>IT Governance</b></p> <p>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.</p> <p><b>IT Value and Alignment</b></p> <p>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.</p> <p><b>IT Risk Management</b></p> <p>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.</p>

Reference to CA Sri Lanka code	Requirement	Compliance	Details of compliance
<b>SECTION 2: SHAREHOLDERS</b>			
<b>E. Institutional Investors</b>			
<b>Principle: E.1. Shareholder Voting, E.2. Evaluation of Governance Disclosures</b>			
E.1, E.2	Shareholder voting and evaluation of governance disclosure	Complied	<p>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.</p> <p>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.</p>
<b>F. Other Investors</b>			
<b>Principle: F.1. Investing/Divesting Decisions, F.2. Shareholders Voting</b>			
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.
<b>G. Internet of things and cybersecurity</b>			
<b>Principle: G.1 Sending and receiving information</b>			
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 cybersecurity risks that effect the business.
<b>H. Environment, Society and Governance (ESG)</b>			
<b>Principle: H.1 ESG Reporting</b>			
H.1.1	Provide sufficient information relating to ESG risks	Complied	The joint statement from the Chairman and Managing Director on pages 02 to 04 and Note 34 on page 98 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 12
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 resume of each Director should be included in the Annual Report including the areas of expertise	Compliant	Please refer pages 06 to 08
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b), and (c) to the Exchange	Compliant	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 page 36
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Compliant	Please refer page 36

Rule No.	Subject	Applicable requirement	Compliance status	Details
7.10.5 (c)	Remuneration Committee	The names of the members of the Remuneration Committee is given on page 36	Compliant	Please refer page 36
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 34
		The Chairman or one member of the Audit Committee should be a member of a recognised professional accounting body	Compliant	The Chairman of the Audit Committee is a Senior Chartered Accountant
7.10.6 (b)	Audit Committee functions	<p>Functions shall include:</p> <p>Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.</p> <p>Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. Assessment of the independence and performance of the External Auditors.</p> <p>Make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors, and approve the remuneration and terms of engagement of the external auditors.</p>	Compliant	Audit Committee Report
7.10.6 (c)	Audit Committee disclosure	The names of the Directors comprising the Audit Committee to be disclosed.	Compliant	Please refer page 34
		The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance by the entity	Compliant	Please refer page 34
		The Committee shall make a determination of the independence of the Auditors and shall disclose the basis of such determination.	Compliant	Please refer page 34
7.13.1 (d)	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 111

**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 33  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	Compliant	As above
9.2.4	Related Party Transactions Review Committee meetings	Shall meet once a quarter	Compliant	Refer Committee report on page 33
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	Compliant	None
9.3.2 (c)	Related Party Transactions Review Committee disclosures	Names of the Directors	Compliant	Refer Committee report on page 33
		A statement to the effect that the Committee has reviewed the transactions	Compliant	
		The policies and procedures adopted by the Committee	Compliant	
		The number of times the Committee has met during the year	Compliant	
		Report by the Related Party Transactions Review Committee	Compliant	
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 29

# 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 2020.

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

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW OF THE YEAR

The principal activities of the Group and its management team are shown on pages 114 and 115 respectively of this Report. The Joint Statement from the Chairman and the Managing Director describes the Group's affairs and mention important events of the year. The results for the year are set out in the Consolidated Income Statement on page 42.

## Financial Statements

The Financial Statements of the Company and the Group are given on pages 42 to 107.

## Auditors' Report

Auditors' Report on the Financial Statements is given on page 38.

## Accounting Policies

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 51 to 67. 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 18 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 111.

## Directors' Remuneration

Executive Directors' Remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2020 is Rs 179,678,000/- (2018/19 – Rs. 152,672,000/-), 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 2020 is Rs. 4,728,000/- (2018/19 – Rs. 4,204,000/-), 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. 9.2 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 2019/20.

## Attendance

Meetings held on 15th May 2019, 5th August 2019, 5th November 2019 and 10th February 2020.

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

\* 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.

Ultracarb (Pvt) Ltd.

Haycarb Value Added Products (Pvt) Ltd.

## Annual Report of the Board of Directors on the Affairs of the Company

### Donations

The donations made by the Company and the Group are disclosed in Note 9.2 on page 70.

At the last Annual General Meeting shareholders approved a sum not exceeding Rs. 2,000,000/- in respect of donations. The donations given during the year amounted to Rs. 5,700,718/- (2018/19 – Rs. 2,073,201/-). The ratification by the shareholders of the excess amount of Rs. 3,700,718/- made as donations for 2019/20 will be sought at the Annual General Meeting.

No donations were made for political purposes.

### Directorate

The names of the Directors who served during the year are given below and their brief profiles appear on pages 06 to 08 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, Messrs M.S.P. Udaya Kumara, B. Balaratnarajah, and M.H. Jamaldeen 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 Mr. A.M. Senaratna, who is 71 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

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 73 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

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

### Auditors

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

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 1,821,372/- (2018/19 – Rs. 1,821,000/-) and Rs. 3,054,842/- (2018/19 – Rs. 3,014,000/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 1,202,663/- (2018/19 – Rs. 2,931,000/-) and Rs. 2,214,439/- (2018/19 – Rs. 3,680,328/-) 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 relationship (other than that of an Auditor) with the Company or any of its Subsidiaries other than those disclosed above. The Auditors also do not have any interests in the Company or any of its Group companies.

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

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

### Group Revenue

The revenue of the Group was Rs. 22,822,743,000/- (2018/19 – Rs. 20,917,945,000/-) in the year under review. A detailed analysis of the Group's revenue is given in Note 6 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. 20,657,050,000/- (2018/19 – Rs. 19,307,432,000/-). Trade between Group companies are conducted at fair market prices.

### Profits

The Group's profit before tax amounted to Rs. 2,175,806,000/- (2018/19 – Rs. 1,352,898,000/-). After deducting Rs. 409,762,000/- (2018/19 – Rs. 271,196,000/-) for taxation, the profit was Rs. 1,766,044,000/- (2018/19 – Rs. 1,081,702,000/-). When non-controlling interest of Rs. 207,448,000/- (2018/19 – Rs. 126,291,000/-) was deducted, the profit attributable to the equity holders of the Company was Rs. 1,558,596,000/- (2018/19 – Rs. 955,411,000/-).

### 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 2020 amount to Rs. 8,989,441,000/- comprising capital reserves of Rs. 675,744,000/- and revenue reserves of Rs. 8,313,697,000/-. The Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.



## Dividend

First interim dividend of Rs. 3/- per share was paid to the shareholders on 17th October 2019. The second interim dividend of Rs. 3/- per share was paid to the shareholders on 23rd January 2020. The third interim dividend of Rs. 9/- per share was paid to the shareholders on 26th May 2020.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the first, second and third interim dividends paid. A Solvency Certificate was obtained from the Auditors in respect of the first, second and third interim dividends paid.

## Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 32.

## Capital Expenditure

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 691,559,000/- (2018/19 – Rs. 389,598,000/-) and Rs. 472,593,000/- (2018/19 – Rs.118,889,000/-) respectively. Information relating to movements in property, plant and equipment is given in Note 13 to the Financial Statements.

## Market Value of Properties

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations in respect of the Group were carried out as at 31st March 2019.

Details of revaluations, carrying values and market values are provided in Note 13 to the Financial Statements. The statement on the value of real estate on page 74 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 36 to the Financial Statements.

## Going Concern

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

The Directors' adoption of the going concern basis received greater attention due to the uncertainties posed by COVID-19 outbreak. The effect of halting Sri Lankan manufacturing operation during March 2020 resulted in short term drop of sales volume. However

the impact of this closure and future outlook doesn't affect the Directors' determination that the Company is a going concern. The Company also took swift measures to reduce cost base to protect the net income and implemented additional health and safety measures in its operation.

## 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, 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 112 and 113.

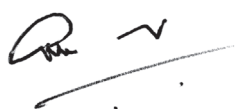
## Major Shareholdings

The twenty major shareholders as at 31st March 2020 are given on page 110 in this Report.

## Annual General Meeting

The Annual General Meeting will be held at 400, Deans Road, Colombo 10, Sri Lanka on Monday 27th July 2020. The Notice of the Annual General Meeting appears on page 117.

For and on behalf of the Board,



A.M. Pandithage  
Chairman



H.S.R. Kariyawasan  
Managing Director



Hayleys Group Services (Pvt) Ltd.  
Secretaries  
No. 400, Deans Road,  
Colombo 10  
12th June 2020

# 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, second, and third 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 38 to 41 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

12th June 2020

# 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 2019/20

Meetings were held on 15th May 2019, 5th August 2019, 5th November 2019 and 10th February 2020.

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

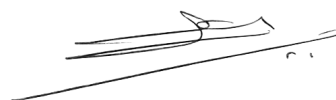
## THE DUTIES OF THE COMMITTEE

- ▶ 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 adequacy of the content and quality of the information forwarded to its members by the Management.



Dr. Harsha Cabral, PC

Chairman

Related Party Transactions Review Committee of Hayleys PLC

15th June 2020

# Audit Committee Report

## COMPOSITION AND ROLE

The Audit Committee is appointed by and is responsible to the Board of Directors. The Audit Committee comprises Messrs Sujeewa Rajapakse (Chairman), Arjun Senaratna, and Dr. Sarath Abayawardana. The mandate of the Audit Committee includes providing independent oversight of the Group's financial and internal control systems and providing assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving financial reporting and internal controls of the Company. It was constituted in 2007 and comprises three Non-Executive Independent Directors and is Chaired by a Senior Chartered Accountant. The Chairman and Finance Director of Hayleys PLC and the Managing Director and Finance Director of Haycarb PLC attend the meetings of the Committee by invitation.

The role and the responsibilities of the Audit Committee with its specific terms of reference is described in the Audit Committee Charter. 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 2020 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	3/4
Dr. Sarath Abayawardana	Independent Non-Executive	2/4

\* Mr. Arjun Senaratna participated in the meetings through teleconference facility.

A brief profile of each member is given on pages 06 and 07 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 System 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 50 to 107. 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 Team 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 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 reappointment 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 June 2020

# Remuneration Committee Report

## COMPOSITION

Dr. H. Cabral, PC\*\* – Chairman  
Mr. K.D.D. Perera\*  
Mr. M.Y.A. Perera\*\*  
Mr. M.H. Jamaldeen\*\*

*\*\* Independent Non-Executive Director*

*\* Non-Executive Director*

The Remuneration Committee of the parent company Hayleys PLC functions as the Committee to the Company and consists of three independent Non-Executive Directors.

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

## ATTENDANCE

The Committee met on 21st May 2019.

Name	Attendance
Dr. H. Cabral, PC	1/1
Mr. K.D.D. Perera	1/1
Mr. M.Y.A. Perera	1/1
Mr. M.H. Jamaldeen	1/1

## DUTIES OF THE REMUNERATION COMMITTEE

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

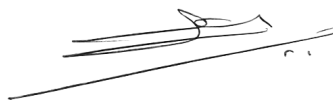
- ▶ Determining the compensation of the Chairman and Chief Executive, Executive Directors and the Members of the Group Management Committee.
- ▶ Lay down guidelines and parameters for the compensation of all management staff within the Group taking into consideration industry norms.
- ▶ Formulate guidelines,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

## REMUNERATION POLICY

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

## ACTIVITIES IN 2019/20

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



Dr. Harsha Cabral, PC  
Chairman  
Remuneration Committee  
17th June 2020



# FINANCIAL STATEMENTS

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## FINANCIAL CALENDAR

01st Quarter Report	7th August 2019
02nd Quarter Report	7th November 2019
03rd Quarter Report	12th February 2020
04th Quarter Report	15th June 2020
Annual Report 2019/20	3rd July 2020
47th Annual General Meeting	27th July 2020
1st Interim Dividend declared	30th September 2019
1st Interim Dividend paid	17th October 2019
2nd Interim Dividend declared	2nd January 2020
2nd Interim Dividend paid	23rd January 2020
3rd Interim Dividend declared	30th March 2020
3rd Interim Dividend paid	26th May 2020

# Independent Auditors' Report



Ernst & Young  
Chartered Accountants  
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Sri Lanka

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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 2020, 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 2020, 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.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



## Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessment of the carrying value of Goodwill</b></p> <p>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 2020 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.</p>	<p>Our audit procedures in relation to the assessment of the carrying value of Goodwill included the following, among others:</p> <ul style="list-style-type: none"> <li>▶ We involved our internal valuation experts to assist us in evaluating: <ul style="list-style-type: none"> <li>– the reasonableness of key assumptions such as discount rates, revenue growth rates; and</li> <li>– appropriateness of the model that calculates future cash flows.</li> </ul> </li> <li>▶ We assessed whether the future cash flows, are consistent with the strategic plan and other relevant developments such as the COVID-19 pandemic impact for the businesses of respective cash generating units</li> <li>▶ We also assessed the adequacy of the disclosures in the financial statements with regard to the model and assumptions as disclosed in Note 15 in the consolidated financial statements.</li> </ul>
<p><b>Valuation of Inventories</b></p> <p>The Group has an inventory of Rs. 6,675 million net of impairment as of 31st March 2020, which represents 53% of the current assets of the Group.</p> <p>The Group has applied judgement in the determination of inventories that are slow moving or obsolete considering the ageing and category of the items of inventories as described in Note 5.9.</p> <p>Inventories are subject to moisture level estimates depending on the category of the inventory as described in Note 5.9.</p> <p>The significance of the balance coupled with the estimates involved has resulted in the valuation of inventories being identified as a key audit matter.</p>	<p>Our audit procedures in assessing the valuation of inventories by the Group included:</p> <ul style="list-style-type: none"> <li>▶ verifying inventory movements in order to test the reasonability of estimates used by management, especially in relation to the non-expiry and continued use of activated carbon and charcoal in the manufacturing process; and</li> <li>▶ Assessing the reasonableness of moisture level adjustments made to inventories by observing the sample moisture levels taken during the physical verification and the computations made thereon</li> <li>▶ We also assessed the appropriateness of disclosures made in relation to the valuation of inventories in Note 3.10 to the financial statements</li> </ul>

## Independent Auditors' Report

### Other Information included in the 2020 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 the 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.

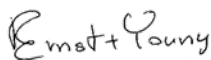
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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12th June 2020  
Colombo

# Income Statement

For the year ended 31st March	Note	Consolidated		Company	
		Audited 2020 Rs. '000	Audited 2019 Rs. '000	Audited 2020 Rs. '000	Audited 2019 Rs. '000
Revenue	6	22,822,743	20,917,945	8,229,711	7,576,802
Cost of sales		(17,432,984)	(16,878,500)	(6,437,032)	(6,743,216)
<b>Gross profit</b>		<b>5,389,759</b>	<b>4,039,445</b>	<b>1,792,679</b>	<b>833,586</b>
Other operating income	7.1	115,901	33,707	455,494	411,358
Selling and distribution expenses		(196,827)	(160,130)	(31,981)	(23,422)
Administrative expenses		(2,807,214)	(2,378,084)	(1,113,866)	(870,653)
Other operating expenses	7.2	–	(10,239)	–	–
<b>Results from operating activities</b>		<b>2,501,619</b>	<b>1,524,699</b>	<b>1,102,326</b>	<b>350,869</b>
Finance income	8.1	233,131	468,810	212,761	438,966
Finance cost	8.2	(555,699)	(764,983)	(272,191)	(511,108)
Net Finance cost		(322,568)	(296,173)	(59,430)	(72,142)
Share of profit of equity accounted investees (net of tax)	17.2	(3,245)	124,372	–	–
<b>Profit before tax</b>	9	<b>2,175,806</b>	<b>1,352,898</b>	<b>1,042,896</b>	<b>278,727</b>
Tax expense	10	(409,762)	(271,196)	(95,084)	(7,594)
<b>Profit for the year</b>		<b>1,766,044</b>	<b>1,081,702</b>	<b>947,812</b>	<b>271,133</b>
<b>Attributable to:</b>					
Equity holders of the parent		1,558,596	955,411	947,812	271,133
Non-controlling interest		207,448	126,291	–	–
<b>Profit for the year</b>		<b>1,766,044</b>	<b>1,081,702</b>	<b>947,812</b>	<b>271,133</b>
<b>Earnings per share</b>					
Basic earnings per share (Rs.)	11.1	52.46	32.16	31.90	9.13
Dividend per share (Rs.)	12	15.00	8.00	15.00	8.00

The Notes to the Financial Statements on pages 50 to 107 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		Company	
		Audited 2020 Rs. '000	Audited 2019 Rs. '000	Audited 2020 Rs. '000	Audited 2019 Rs. '000
<b>Profit for the year</b>		1,766,044	1,081,702	947,812	271,133
<b>Other comprehensive income that will be reclassified to profit or loss in subsequent periods</b>					
Net exchange differences on translation of foreign entities		46,447	341,646	–	–
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>					
Net gain/(loss) on equity instruments designated at fair value through OCI	21	(85,443)	(30,516)	(85,443)	(30,516)
Actuarial gain/(loss) on defined benefit plans	27	(2,883)	(39,836)	2,722	(31,442)
Revaluation of land and buildings	13	–	195,945	–	99,464
Tax effect on other comprehensive adjustments	10.2	720	(16,675)	(381)	(9,523)
Movement in reserve in equity accounted investees		30,562	(53,817)	–	–
<b>Other comprehensive income (loss) for the year (net of tax)</b>		(10,597)	396,747	(83,102)	27,983
<b>Total comprehensive income for the year (net of tax)</b>		1,755,447	1,478,449	864,710	299,116
<b>Attributable to:</b>					
Equity holders of the parent		1,522,418	1,238,519	864,710	299,116
Non-controlling interest		233,029	239,930	–	–
		1,755,447	1,478,449	864,710	299,116

The Notes to the Financial Statements on pages 50 to 107 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

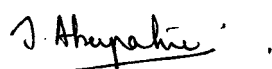
# Statement of Financial Position

As at 31st March	Note	Consolidated		Company	
		Audited 2020 Rs. '000	Audited 2019 Rs. '000	Audited 2020 Rs. '000	Audited 2019 Rs. '000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	5,609,128	5,449,506	2,190,303	1,868,423
Right-of-use assets	14.2	130,614	–	90,469	–
Intangible assets	15	226,873	248,504	10,111	17,820
Investments in subsidiaries	16.1	–	–	1,494,769	1,494,769
Investments in equity accounted investees	17	609,503	583,765	92,903	92,903
Non-current receivables from subsidiaries	18.3	–	–	238,000	268,000
Other non-current financial assets	21	273,825	349,619	232,408	317,851
Deferred tax assets	28.1	49,229	29,772	–	–
<b>Total non-current assets</b>		<b>6,899,172</b>	<b>6,661,166</b>	<b>4,348,963</b>	<b>4,059,766</b>
<b>Current assets</b>					
Inventories	19	6,674,679	6,807,033	2,178,919	1,743,262
Trade and other receivables	20	4,109,050	4,061,569	1,452,863	1,638,249
Amounts due from subsidiaries	18.3	–	–	468,744	1,041,978
Amounts due from other related parties	18.4	16,887	12,090	8,137	7,539
Amounts due from equity accounted investees	18.5	13,881	16,263	125	12
Other current assets	22	586,852	532,870	135,866	198,259
Cash in hand and at bank	23	1,145,131	884,141	359,979	216,151
<b>Total current assets</b>		<b>12,546,480</b>	<b>12,313,966</b>	<b>4,604,633</b>	<b>4,845,450</b>
<b>Total assets</b>		<b>19,445,652</b>	<b>18,975,132</b>	<b>8,953,596</b>	<b>8,905,216</b>

## Statement of Financial Position

As at 31st March	Note	Consolidated		Company	
		Audited 2020 Rs. '000	Audited 2019 Rs. '000	Audited 2020 Rs. '000	Audited 2019 Rs. '000
<b>Equity and liabilities</b>					
<b>Equity</b>					
Stated capital	24	331,774	331,774	331,774	331,774
Capital reserves	25.1	675,744	675,744	442,458	442,458
Revenue Reserves	25.2	8,313,697	7,242,868	4,418,749	3,999,725
<b>Total Equity attributable to equity holders of the Company</b>		<b>9,321,215</b>	<b>8,250,386</b>	<b>5,192,981</b>	<b>4,773,957</b>
Non-controlling interest		1,335,444	1,102,415	–	–
<b>Total equity</b>		<b>10,656,659</b>	<b>9,352,801</b>	<b>5,192,981</b>	<b>4,773,957</b>
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	26.1	150,340	55,218	150,340	52,427
Non-current lease liability	14.3	98,969	–	76,052	–
Employee benefit obligations	27	648,202	561,000	514,000	449,605
Deferred tax liabilities	28.2	157,979	203,891	94,193	124,499
<b>Total non-current liabilities</b>		<b>1,055,490</b>	<b>820,109</b>	<b>834,585</b>	<b>626,531</b>
<b>Current liabilities</b>					
Trade and other payables	29	2,156,971	2,200,996	654,466	450,267
Interest-bearing loans and borrowings	26.2	2,936,426	4,285,249	1,650,121	2,567,083
Current lease liability	14.3	42,259	–	19,667	–
Other current liabilities	30	494,134	552,910	75,445	47,454
Amounts due to subsidiaries	18.1	–	–	237,293	252,239
Amounts due to other related parties	18.2	1,875,289	1,580,262	251,929	187,685
Income tax payable		228,424	182,805	37,109	–
<b>Total current liabilities</b>		<b>7,733,503</b>	<b>8,802,222</b>	<b>2,926,030</b>	<b>3,504,728</b>
<b>Total liabilities</b>		<b>8,788,993</b>	<b>9,622,331</b>	<b>3,760,615</b>	<b>4,131,259</b>
<b>Total equity and liabilities</b>		<b>19,445,652</b>	<b>18,975,132</b>	<b>8,953,596</b>	<b>8,905,216</b>

I certify that the Financial Statements set out on pages 42 to 107 have been prepared in accordance with the Companies Act No. 07 of 2007.

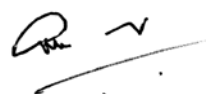


Jeevani Abeyratne  
Director – Finance

The Notes to the Financial Statements on pages 50 to 107 form an integral part of these Financial Statements.

The Directors are responsible for these Financial Statements.

Signed for and on behalf of the Board,



Mohan Pandithage  
Chairman  
12th June 2020



Rajitha Kariyawasan  
Managing Director  
12th June 2020

# Statement of Changes in Equity

Consolidated	Attributable to equity holders of the parent								
	Other Reserves								
	Stated capital	Capital reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	General reserve	Retained earnings	Total	Non-controlling interest	Total equity
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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 year		–	–	–	–	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 loss 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
Effect of transition to SLFRS 16				(128)		(5,775)	(5,903)	–	(5,903)
Balance as at 1st April 2019 – Restated	331,774	675,744	277,190	807,963	519,353	5,632,459	8,244,483	1,102,415	9,346,898
Profit for the year		–	–	–	–	1,558,596	1,558,596	207,448	1,766,044
Translation of foreign entities		–	–	18,763	–	–	18,763	27,684	46,447
Actuarial loss on employee benefit obligations		–	–	–	–	(212)	(212)	(2,671)	(2,883)
Income tax on other comprehensive income		–	–	–	–	152	152	568	720
Movement in reserves of equity accounted investees		–	–	–	–	30,562	30,562	–	30,562
Net loss on equity instruments designated at fair value through OCI		–	(85,443)	–	–	–	(85,443)	–	(85,443)
Other comprehensive income for the period		–	(85,443)	18,763	–	30,502	(36,178)	25,581	(10,597)
Dividends		–	–	–	–	(445,686)	(445,686)	–	(445,686)
Balance as at 31st March 2020	331,774	675,744	191,747	826,726	519,353	6,775,871	9,321,215	1,335,444	10,656,659



## Statement of Changes in Equity

Company	Stated capital	Capital reserve	General reserve	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 31st March 2018</b>	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 loss on employee benefit obligations		–	–	–	(31,442)	(31,442)
Income tax on other comprehensive income		(13,925)	–	–	4,402	(9,523)
Net loss on equity instruments designated at fairvalue through OCI		–	–	(30,516)	–	(30,516)
<b>Other comprehensive income for the period</b>		85,539	–	(30,516)	(27,040)	27,983
Dividends		–	–	–	(415,973)	(415,973)
<b>Balance as at 31st March 2019</b>	331,774	442,458	519,353	277,190	3,203,182	4,773,957
Profit for the year		–	–	–	947,812	947,812
Actuarial gain on employee benefit obligations		–	–	–	2,722	2,722
Income tax on other comprehensive income		–	–	–	(381)	(381)
Net loss on equity instruments designated at fairvalue through OCI		–	–	(85,443)	–	(85,443)
<b>Other comprehensive income for the period</b>		–	–	(85,443)	2,341	(83,102)
Dividends		–	–	–	(445,686)	(445,686)
<b>Balance as at 31st March 2020</b>	331,774	442,458	519,353	191,747	3,707,649	5,192,981

The Notes to the Financial Statements on pages 50 to 107 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		Company	
		Audited 2020 Rs. '000	Audited 2019 Rs. '000	Audited 2020 Rs. '000	Audited 2019 Rs. '000
<b>Operating activities</b>					
Profit before tax		2,175,806	1,352,898	1,042,896	278,727
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>					
Depreciation and impairment of property, plant and equipment	13	559,002	479,139	173,018	137,572
Amortisation of intangible assets	14	25,966	41,682	8,715	9,275
(Gain)/loss on disposal of property, plant and equipment	7.1	(7,898)	(1,594)	(6,396)	–
(Gain)/loss on translation of foreign currencies		5,418	10,521	39,552	(308)
Exchange difference on translation of foreign entities		61,310	105,706	–	–
Impairment of property, plant and equipment	7.2	–	10,239	–	–
Finance income	8.1	(233,131)	(468,810)	(212,761)	(438,966)
Finance costs	8.2	555,699	764,983	272,191	511,108
Dividend income – subsidiaries	7.1	–	–	(295,693)	(261,327)
Share of profit of an associate	17	3,245	(124,372)	–	–
Provision for slow moving inventories	19	25,612	15,403	22,074	3,000
Provision for unrealised profit on inventories	19	82,145	109,501	–	–
Provision/(reversal) for expected credit loss	20	12,610	(4,673)	–	–
Provision for employee benefit obligations	27	101,991	85,934	79,763	67,872
<b>Cash generated from operations before working capital changes</b>		<b>3,367,775</b>	<b>2,376,558</b>	<b>1,123,359</b>	<b>306,953</b>
<b>Working capital adjustments:</b>					
(Increase)/decrease in trade and other receivables and prepayments		(143,731)	(737,010)	247,779	(400,639)
(Increase)/decrease in amounts receivable from related parties		(2,416)	15,139	602,523	(85,072)
(Increase)/decrease in inventories		24,597	(2,845,957)	(457,727)	(463,941)
Increase/(decrease) in trade and other payables		(135,977)	750,939	199,014	39,142
Increase/(decrease) in amounts due to related parties		234,652	392,684	(11,078)	100,546
		3,344,900	(47,647)	1,703,870	(503,010)
Interest paid		(321,033)	(311,998)	(131,670)	(133,383)
Income tax paid		(399,135)	(138,173)	(88,661)	(10,248)
Employee benefit paid	27	(16,763)	(38,593)	(12,647)	(37,164)
<b>Net cash flows from/(used in) operating activities</b>		<b>2,607,969</b>	<b>(536,411)</b>	<b>1,470,892</b>	<b>(683,805)</b>

## Statement of Cash Flows

For the year ended 31st March	Note	Consolidated		Company	
		Audited 2020 Rs. '000	Audited 2019 Rs. '000	Audited 2020 Rs. '000	Audited 2019 Rs. '000
<b>Investing activities</b>					
Proceeds from sale of property, plant and equipment		9,515	5,384	6,708	–
Purchase of property, plant and equipment	13	(691,559)	(389,598)	(472,593)	(118,889)
Investment in subsidiary Shares		–	–	–	(7,874)
Loans for plant development	21	(12,918)	–	–	–
Proceeds from long-term loans and receivables	20	4,673	9,342	–	–
Acquisition of intangible assets	15	(2,991)	–	(1,007)	–
Interest received	8.1	12,120	5,724	44,175	45,367
Dividend received from equity accounted investees	17.1	1,579	3,716	1,579	3,716
Other dividends received	8.1	16,724	28,774	310,837	290,099
<b>Net cash flows from/(used) in investing activities</b>		(662,857)	(336,658)	(110,301)	212,419
<b>Net cash inflow/(outflow) before financing activities</b>		1,945,112	(873,069)	1,360,591	(471,386)
<b>Financing activities</b>					
Proceeds from borrowings		179,840	–	179,840	–
Repayment of borrowings	26	(184,128)	(229,807)	(99,217)	(84,124)
Lease rental paid		(59,981)	–	(30,530)	–
Dividends paid to equity holders of the parent	29	(352,136)	(235,150)	(352,136)	(235,150)
Dividends paid to non-controlling interest		–	(47,286)	–	–
<b>Net cash flows from/(used in) financing activities</b>		(416,405)	(512,243)	(302,043)	(319,274)
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,528,707	(1,385,312)	1,058,548	(790,659)
Cash and cash equivalents at beginning of the period	23	(3,215,586)	(1,830,274)	(2,263,231)	(1,472,572)
<b>Cash and cash equivalents at end of the period</b>	23	(1,686,879)	(3,215,586)	(1,204,683)	(2,263,231)
<b>Analysis of cash and cash equivalents as at 31st March</b>					
Cash in hand and at bank	23	865,160	762,226	158,817	205,843
Short-term deposits		279,971	121,915	201,162	10,308
		1,145,131	884,141	359,979	216,151
Bank overdrafts and short-term loans		(2,832,010)	(4,099,727)	(1,564,662)	(2,479,382)
<b>Cash and cash equivalents</b>		(1,686,879)	(3,215,586)	(1,204,683)	(2,263,231)

The Notes to the Financial Statements on pages 50 to 107 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 seventeen companies, seven [viz., Haycarb PLC, Puritas (Pvt) Ltd., Recogen (Pvt) Ltd., Ultracarb (Pvt) Ltd., Lakdiyatha (Pvt) Ltd., Haycarb Value Added Products (Pvt) Ltd., and Carbotels (Pvt) Ltd.] are incorporated and domiciled in Sri Lanka. The information on incorporation and principal activities of these companies are given on page 114 of the Annual Report.

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Haycarb PLC, as at and for the year ended 31st March 2020 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 page 114 and 115 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 31st March 2020 were authorised for issue by the Directors on 12th June 2020.

### 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.
- ▶ Employee 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 38 to the Financial Statements.

### 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.

The Group applied SLFRS 16 with effect from 1st April 2019. Due to the transition method chosen in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

## 2.6 Rounding

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

## 2.7 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

The consolidated financial statements encompass the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees (Associates and Joint Ventures).

Subsidiaries and equity-accounted investees are disclosed in Note 16 and 17 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 in 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 39 to the financial statements are prepared for a common financial year, which ends on 31st March.

The subsidiaries with 31st December financial year ends prepare for consolidation 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.

## Notes to the Financial Statements

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 gain and loss 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 its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then 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 gain arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised loss are eliminated in the same way as unrealised gain, 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 measure 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 remeasured at its acquisition date fair value and any resulting gain or loss recognised in Income Statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured 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 reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in Income Statement.

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

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

### 3.3 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
- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

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

### 3.5 Fair Value Measurement

The Group measures financial instruments such as Fair Value through Other Comprehensive Income/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 21
- ▶ Property (land) under revaluation model – Note 13
- ▶ Financial instruments (including those carried at amortised cost) – Note 21

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

## Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

#### 3.6.5 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 gain and loss on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in Income Statement. Gain 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 Leases

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

#### 3.6.7.1 Group as a Lessee

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

##### 3.6.7.1.1 Right-of-use Assets

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

Description	Period
Buildings	5-10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 14 – Impairment of Assets.

#### 3.6.7.1.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### 3.6.7.1.3 Short-term Leases and Leases Low-Value Assets

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

#### 3.6.7.2 Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Income Statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### 3.7 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 Derecognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss 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 loss. 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 loss.

#### 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 Income Statement 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	– 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 marketplace (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 gain and loss 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 method (EIR) and are subject to impairment. Gain and loss are recognised in Income Statement when the asset is derecognised, modified, or impaired.

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

##### 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 on "Financial Instruments: Presentation" and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gain and loss on these financial assets are never recycled to Income Statement. 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 gain 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 non-listed equity investments under this category.

#### 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.

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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 21
- Debt instruments at fair value through OCI Note 21
- Trade receivables, including contract assets Note 19 and 20

The Group recognises an allowance for expected credit loss (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 loss 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 loss 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.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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 and Hedge Accounting

#### 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 21 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 five 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

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since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in Income Statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

Intangible assets with indefinite useful lives are tested for impairment annually as at 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 contributions 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 on "Employee Benefits". The present value of the defined benefit obligation is determined

by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 27. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. 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 five years of continued service.

The liability is not externally funded. This liability is computed based on legal liability method or the following basis by the respective entities.

Length of each service (Years)	Number 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 33 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 35 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 from 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 recognised 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

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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 as it accrues.

### 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.

### Gain and Loss

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

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

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

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

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

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

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

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 16 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 2019/20, 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 16 Leases

SLFRS 16 supersedes LKAS 17 on “Leases”, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, without restating comparative information. Instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transitional provisions in the standard. The impact on adoption of SLFRS 16 is reflected in Note 14 to the Financial Statements. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

##### 4.5.1.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 on “Income Taxes”. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ▶ Whether an entity considers uncertain tax treatments separately
- ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax loss, unused tax credits and tax rates
- ▶ How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the Consolidated Financial Statements of the Group.

##### 4.5.1.3 Amendments to SLFRS 9:

Prepayment features with negative compensation under SLFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are “solely payments of principal and interest on the principal amount outstanding” (the SPPI criterion)

and the instrument is held within the appropriate business model for that classification. The amendments to SLFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the Consolidated Financial Statements of the Group.

#### 4.5.1.4 Amendments to LKAS 19:

##### Plan Amendment, Curtailment or Settlement

The amendments to LKAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the Consolidated Financial Statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

#### 4.5.1.5 Amendments to LKAS 28:

##### Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies SLFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in SLFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying SLFRS 9, an entity does not take account of any loss of the associate or joint venture, or any impairment loss on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying LKAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

#### 4.5.1.6 Annual Improvements 2015-2017 Cycle

##### SLFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no significant impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

##### SLFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in SLFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no significant impact on the Consolidated Financial Statements of the Group as there is no transaction where a joint control is obtained.

##### LKAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no significant impact on the Consolidated Financial Statements of the Group.

##### LKAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1st January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no significant impact on the Consolidated Financial Statements of the Group.

### 4.6 Standards Issued but not yet Effective

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

#### 4.6.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

#### 4.6.2 Amendments to LKAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 on "Presentation of Financial Statements" and LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments to the definition of material are not expected to have a significant impact on the Group's Consolidated Financial Statements.

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### 5.1 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.

#### COVID-19 Impact

The Directors assessment of going concern received greater attention due to the uncertainties posed by the COVID-19 outbreak. The effect of halting Sri Lankan manufacturing operations during March 2020 resulted in short term drop of sales volumes. However the impact of the closure and future outlook doesn't affect the Directors determination that the Company is a going concern. The Company also took swift measures to reduce its cost base to protect the net income and implemented additional health and safety measures in its operations.

#### 5.2 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 15 to the Financial Statements.

#### 5.3 Recognition of Goodwill on "Cash-Generating Units" Acquired During the Year

In accounting for business combinations under acquisition method, the Group measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

The determination of the fair values of assets acquired and liabilities assumed requires significant judgement and assumptions which are provided in Note 15 to the Financial Statements.

## 5.4 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 establishes 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.

## 5.5 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 employee benefit obligations are given in Note 27 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

## 5.6 Impairment of Property, Plant and Equipment and Intangible Assets other than Goodwill

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Further details are disclosed in Notes 13 and 15 to the Financial Statements.

## 5.7 Revaluation of Land

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

## 5.8 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. The Group also holds 50% of the issued capital of Solar One Ceylon (Pvt) 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.

## 5.9 Valuation of Inventories

The Group has applied judgement in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the ageing of items of inventories, dates for possible expiry and expectations in relation to how the inventories will be utilised or sold. Judgement has also been applied by Management in determining net realisable value of inventories (NRV). The estimates and judgements applied in the determination of NRV are influenced by expectations of sales relating to identified goods and historically realised sales prices.

At the physical verification, the weight of Charcoal and Activated Carbon stocks with different moisture level are recomputed based on the standard moisture levels of 12% and 6% respectively and compared with the book balances recorded at the same standard rates.

## 6. REVENUE

### Timing of Revenue Recognition

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Sale of goods</b>				
Goods transferred at a point in time	27,542,093	26,068,872	8,229,711	7,576,802
Services transferred over time	3,295,245	2,800,015	–	–
	30,837,338	28,868,887	8,229,711	7,576,802
Intra-group revenue	(8,014,595)	(7,950,942)	–	–
<b>Total revenue from contracts with customers</b>	<b>22,822,743</b>	<b>20,917,945</b>	<b>8,229,711</b>	<b>7,576,802</b>

### 6.1 Contract Balances

Contract assets of the Group relating to projects in progress amount to Rs. 272,175,000/- (2019 – Rs. 613,078,000/-) and is reflected within Inventories in Note 19. Contract liabilities of the Group relate to payments received in advance as reflected in Note 30 and amounts to Rs. 494,134,000/- (2019 – Rs. 552,910,000/-)

## 7. OTHER OPERATING INCOME/EXPENSE

### 7.1 Other Operating Income

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Export incentive income	4,469	3,568	–	–
Net gain on disposal of property, plant and equipment	7,898	1,594	6,396	–
Fees for marketing services	–	–	62,235	61,571
Sundry income	102,214	27,225	13,702	9,291
Rental income	–	–	8,753	9,020
Income from technical consultations	1,320	1,320	68,715	70,149
Dividend income – subsidiaries	–	–	295,693	261,327
	115,901	33,707	455,494	411,358

### 7.2 Other Operating Expenses

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Impairment of property, plant and equipment	–	10,239	–	–
	–	10,239	–	–

## 8. NET FINANCE COST

### 8.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Dividend income – quoted	15,713	28,773	15,711	28,773
– unquoted	1,011	1	1,011	3,716
Interest income on loans and receivables	12,120	5,724	44,175	45,367
Gain on translation of foreign currency	204,287	434,312	151,864	361,110
<b>Total finance income</b>	<b>233,131</b>	<b>468,810</b>	<b>212,761</b>	<b>438,966</b>

### 8.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Interest cost – Short-term borrowings	277,886	254,684	123,717	124,307
– Long-term borrowings	43,147	57,314	7,953	9,076
Lease interest	20,276	–	13,163	–
Loss on translating foreign currency	214,390	452,985	127,358	377,725
<b>Total finance costs</b>	<b>555,699</b>	<b>764,983</b>	<b>272,191</b>	<b>511,108</b>
<b>Net finance cost</b>	<b>(322,568)</b>	<b>(296,173)</b>	<b>(59,430)</b>	<b>(72,142)</b>

## 9. PROFIT BEFORE TAX

### 9.1 Profit Before Tax Attributable to:

For the year ended 31st March	Consolidated	
	2020 Rs. '000	2019 Rs. '000
Haycarb PLC	1,042,896	278,727
Subsidiaries	1,506,167	1,324,268
Equity accounted investees	(3,245)	124,372
	2,545,818	1,727,367
Unrealised profit on intra-group sales	(82,145)	(109,501)
Intra-group adjustments	(287,867)	(264,967)
<b>Profit before tax</b>	<b>2,175,806</b>	<b>1,352,898</b>

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

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Depreciation on property, plant and equipment	515,329	479,139	150,401	137,572
Directors' emoluments including Non-Executive Directors' consultation fees	184,406	156,876	152,107	118,292
Auditor's remuneration (fees and expenses):				
– Ernst & Young	3,360	3,014	1,821	1,821
– Others	13,444	11,828	–	–
Fees paid to Auditors for non-audit work				
– Ernst & Young	7,170	8,671	1,203	2,931
– Others	646	1,532	–	–
Donations	9,026	3,610	5,701	2,073
Provision for slow moving inventories	25,612	15,403	22,074	3,000
Provision of unrealised profits in inventories	82,145	109,501	–	–
Provision/(reversal) for bad and doubtful debts	12,610	(4,673)	–	–
Staff training and development cost	7,398	2,231	6,522	1,169
Legal/litigation fees	5,182	14,588	1,310	626
Staff costs (Note 9.2.1)	2,133,398	1,845,141	843,854	739,496

### 9.2.1 Staff Costs

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Defined contribution plan cost	156,699	133,883	96,914	84,975
Defined benefit plan cost	101,991	85,934	79,763	67,872
Other staff cost	1,874,708	1,625,324	667,177	586,649
	2,133,398	1,845,141	843,854	739,496
Number of employees at year end	1,507	1,436	831	781



## 10. TAX EXPENSE

**10.1** 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% up to nine months ended 31st December 2019 and 24% for the balance three months ended 31st March 2020.

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 2018/19 – 14%).

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

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

The overseas companies, namely Eurocarb Products Ltd., Haycarb Holding Australia (Pvt) Ltd., Haycarb USA Inc., Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., and PT Mapalus Makawanua Charcoal Industry, PT Haycarb Palu Mitra and Puricarb Pte Ltd. are liable to tax at 19%, 30%, 21%, 20%, 20%, 25%, 25%, and 17% respectively.

Haycarb Holdings Bitung Ltd. is exempt from tax.

## 10.2 Tax Expense

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Sri Lanka taxes</b>				
Haycarb PLC	121,994	3,558	121,994	3,558
Subsidiaries	44,360	47,152	–	–
	166,354	50,710	121,994	3,558
<b>Overseas taxes</b>				
Subsidiaries	298,482	176,973	–	–
	464,836	227,683	121,994	3,558
<b>Under/(over) provision in respect of previous years</b>				
Haycarb PLC	3,777	6,690	3,777	6,690
Subsidiaries	(4,278)	(24,110)	–	–
	(501)	(17,420)	3,777	6,690
<b>Deferred taxation</b>				
Haycarb PLC	(30,306)	6,869	(30,306)	6,869
Subsidiaries	(36,746)	36,870	–	–
	(67,052)	43,739	(30,306)	6,869
Tax on dividend income	11,760	33,868	–	–
Total income tax provisions	409,042	287,870	95,465	17,117
Tax on other comprehensive income	720	(16,674)	(381)	(9,523)
<b>Tax expense</b>	<b>409,762</b>	<b>271,196</b>	<b>95,084</b>	<b>7,594</b>

### 10.3 Tax Reconciliation Statement

For the year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit before tax	2,175,806	1,352,898	1,042,896	278,727
Share of profit of equity accounted investees	3,245	(124,372)	–	–
Consolidation adjustments	370,011	374,468	–	–
	2,549,062	1,602,994	1,042,896	278,727
Tax exempt income	(618,824)	(454,306)	(239,618)	(293,815)
Disallowable expenses	867,164	687,009	410,967	262,703
Allowable expenses	(610,302)	(780,087)	(387,038)	(267,569)
Tax loss brought forward	(161,843)	(291,715)	–	–
Other taxable income	71,898	63,722	44,175	45,367
Tax loss carried forward	182,539	161,843	–	–
<b>Taxable profit</b>	<b>2,279,694</b>	<b>989,461</b>	<b>871,382</b>	<b>25,412</b>
Tax @ 12%	–	–	–	–
Tax @ 14%	126,887	3,558	121,994	3,558
Tax @ 24%	3,739	–	–	–
Tax @ 28%	31,437	47,152	–	–
Tax at other rates	302,772	176,973	–	–
	464,835	227,683	121,994	3,558
Under/(over) provision in previous year	(501)	(17,420)	3,777	6,690
Deferred tax charge/(credit)	(66,332)	27,066	(30,687)	(2,654)
Tax on dividend income	11,760	33,868	–	–
<b>Tax expense for the year</b>	<b>409,762</b>	<b>271,196</b>	<b>95,084</b>	<b>7,594</b>

## 11. EARNINGS/NET ASSETS PER SHARE

### 11.1 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	2020	2019	2020	2019
Profit attributable to equity holders (Rs.'000)	1,558,596	955,411	947,812	271,133
Weighted average number of ordinary shares*	29,712,375	29,712,375	29,712,375	29,712,375
Basic earnings per ordinary share (Rs.)	52.46	32.16	31.90	9.13

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

### 11.2 Net Assets per Share

	Consolidated		Company	
As at 31st March	2020	2019	2020	2019
Net assets attributable to equity holders (Rs. '000)	9,321,215	8,250,386	5,192,981	4,773,957
Number of ordinary shares	29,712,375	29,712,375	29,712,375	29,712,375
Net assets per share (Rs.)	313.71	277.68	174.78	160.67

## 12. DIVIDENDS

For the year ended 31st March	2020 Rs. '000	2019 Rs. '000
1st Interim dividend – 3/- per share (2018/19 – Rs. 2/- per share)	89,137	59,425
2nd Interim dividend – 3/- per share (2018/19 – Rs. 6/- per share)	89,137	178,274
3rd Interim dividend – 9/- per share	267,412	–
	445,686	237,699
Dividend per ordinary share (Rs.)	15	8
Dividend payout ratio (%)	29	25

### 13. PROPERTY, PLANT AND EQUIPMENT

#### 13.1 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
<b>Cost or valuation</b>							
<b>As at 31st March 2018</b>	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
<b>As at 31st March 2019</b>	1,302,017	1,553,245	5,959,484	221,553	194,176	75,631	9,306,106
Additions	7,388	70,804	355,475	24,632	17,108	6,673	482,080
Disposals and impairment	–	–	(125)	(15,603)	(212)	(100)	(16,040)
Effect of movement in exchange rate	(4,517)	2,714	2,869	(166)	2,968	–	3,868
<b>As at 31st March 2020</b>	1,304,888	1,626,763	6,317,703	230,416	214,040	82,204	9,776,014
<b>Depreciation and impairment</b>							
<b>As at 31 March 2018</b>	–	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
<b>As at 31st March 2019</b>	–	444,814	3,331,334	114,283	128,414	65,589	4,084,434
Depreciation charge for the year	–	55,966	405,009	31,751	17,333	5,270	515,329
Disposals and impairment	–	–	(20)	(14,243)	(61)	(100)	(14,424)
Effect of movement in exchange rate	–	2,879	14,328	(205)	1,858	–	18,860
<b>As at 31st March 2020</b>	–	503,659	3,750,651	131,586	147,544	70,759	4,604,199
<b>Capital work-in-progress</b>							
<b>As at 31st March 2020</b>	–	–	–	–	–	–	462,856
As at 31st March 2019	–	–	–	–	–	–	253,377
<b>Impairment provision</b>							
<b>As at 31st March 2020</b>	–	–	(25,543)	–	–	–	(25,543)
As at 31st March 2019	–	–	(25,543)	–	–	–	(25,543)
<b>Net book value</b>							
<b>As at 31st March 2020</b>	1,304,888	1,123,104	2,541,509	98,830	66,496	11,445	5,609,128
As at 31st March 2019	1,302,017	1,108,430	2,602,607	107,271	65,762	10,042	5,449,506

(a) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2020 amounted to Rs. 1,722,167,160/- (2019 – 1,660,584,700/-).

(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's 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 2020 freehold land Rs.'000	Cost as at 31st March 2020 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	191,390	73,507
	Wewalduwa Stores – Wewalduwa	31.03.2019	2 A – 1R – 32.04 P	6	697	273,428	4,309
						651,545	164,684
Recogen (Pvt) Ltd.	Badalgama Factory – Badalgama	31.03.2019	10 A – 3R – 15 P	4	50	90,203	14,918
Carbokarn Co. Ltd.	Ratchburi Province – Thailand	31.03.2019	15 A – 2R – 22P	20	81	207,145	93,288
Shizuka Co. Ltd.	Chonburi Province – Thailand	31.03.2019	24 A – 2R – 19P	12	31	129,271	81,875
PT Mapalus Makawanua Charcoal Industry	Bitung City – Indonesia	31.03.2019	8 A – 3R – 28P	8	100	134,644	47,933
PT Haycarb Palu Mitra	Palu City – Indonesia	31.03.2019	6A – 3R – 37.5P	18	86	92,080	65,342
						1,304,888	468,040

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	2020 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value	1,304,888	–	–	1,304,888

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

During the reporting period ended 31st March 2020, 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 below:

Company	Details of assets	Banks mortgaged to	Cost Rs. '000
PT Mapalus Makawanua	Land and building	Panin BNI	183,564
PT Haycarb Palu Mitra	Land and building	HSBC (Indonesia)	244,655
PT Haycarb Palu Mitra	Machinery and tools	HSBC (Indonesia)	414,035

## 13.2 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
<b>Cost or valuation</b>							
<b>As at 31st March 2018</b>	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
<b>As at 31st March 2019</b>	650,781	466,576	1,567,129	83,064	58,775	65,196	2,891,521
Additions	764	34,884	208,742	24,527	3,780	5,094	277,791
Disposals	–	–	–	(7,500)	–	–	(7,500)
<b>As at 31st March 2020</b>	651,545	501,460	1,775,871	100,091	62,555	70,290	3,161,812
<b>Depreciation and impairment</b>							
<b>As at 31st March 2018</b>	–	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
<b>As at 31st March 2019</b>	–	102,875	855,128	56,790	38,157	58,162	1,111,111
Depreciation charge for the year	–	9,352	113,476	19,771	4,063	3,739	150,401
Disposals	–	–	–	(7,188)	–	–	(7,188)
<b>As at 31st March 2020</b>	–	112,227	968,604	69,373	42,220	61,901	1,254,325
<b>Capital work-in-progress</b>							
<b>As at 31st March 2020</b>	–	–	–	–	–	–	308,359
As at 31st March 2019	–	–	–	–	–	–	113,556
<b>Impairment Provision</b>							
<b>As at 31st March 2020</b>	–	–	(25,543)	–	–	–	(25,543)
As at 31st March 2019	–	–	(25,543)	–	–	–	(25,543)
<b>Net book value</b>							
<b>As at 31st March 2020</b>	651,545	389,233	781,724	30,718	20,335	8,389	2,190,303
As at 31st March 2019	650,781	363,701	686,458	26,274	20,618	7,034	1,868,423

(a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31st March 2020 amounted to Rs. 461,245,139/- (2019 – Rs. 449,737,968/-).

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

## 14. RIGHT-OF-USE ASSETS/LEASES LIABILITY

### 14.1 First time adoption of SLFRS 16 – “Leases”

The Group as a lessee has applied SLFRS 16 as initial application with effect from 1st April 2019 using the modified retrospective approach (Cumulative Catchup – Transition Method) and therefore the comparative information has not been restated and continues to be reported under LKAS 17. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets of the Group includes building premises taken on rent which were previously recognised as operating leases under LKAS 17.

### 14.2 Rights-of-Use Asset

The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability at the initial application date (present value of future lease payments discounted using the Company's incremental borrowing rate) adjusted for any lease payments made at or before the initial application date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of right-of-use lease assets of the Company is as follows:

Right-of-use assets	Consolidated	Company
	Lease hold Buildings	Lease hold Buildings
As at 1st April 2019	174,287	113,086
Additions	–	–
Amortisation expense	(43,673)	(22,617)
As at 31st March 2020	130,614	90,469

### 14.3 Lease Liability/Lease Creditor

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Group's incremental borrowing rate. The movement of Lease creditor for the period is as follows:

Lease creditor	Consolidated	Company
	Lease hold Buildings	Lease hold Buildings
As at 1st April 2019	180,190	113,086
Additions	–	–
Accretion of interest	20,276	13,163
Payments to lease creditors	(59,981)	(30,530)
Exchange difference	743	–
As at 31st March 2020	141,228	95,719
Current	42,259	19,667
Non-current	98,969	76,052
Total lease liability as at 31st March 2020	141,228	95,719

## Notes to the Financial Statements

Following are the amounts recognised in Income Statement for the year ended 31st March 2020:

	Consolidated	Company
Amortisation of right-of-use assets	43,673	22,617
Interest expense on lease liabilities	20,276	13,163
Total amount recognised in profit or loss	63,949	35,780

Following are the amounts recognised in financial statements as at 1st April 2019: (SLFRS 16 Initial Recognition)

At 1st April 2019	Consolidated	Company
<b>Assets</b>		
Right-of-use assets	174,287	113,086
<b>Equity and liabilities</b>		
Exchange reserve	(128)	–
Revenue reserves	(5,775)	–
Lease liability	180,190	113,086
<b>Total</b>	<b>174,287</b>	<b>113,086</b>

## 15. 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
<b>Cost</b>							
<b>As at 31st March 2018</b>	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	–	–	–
<b>As at 31st March 2019</b>	111,784	257,206	125,103	494,093	81,736	42,392	124,128
Additions	2,991	–	–	2,991	1,007	–	1,007
Effect of movement in exchange rate	1,476	–	3,156	4,632	–	–	–
<b>As at 31st March 2020</b>	<b>116,251</b>	<b>257,206</b>	<b>128,259</b>	<b>501,716</b>	<b>82,743</b>	<b>42,392</b>	<b>125,135</b>
<b>Amortisation and impairment</b>							
<b>As at 31st March 2018</b>	(86,759)	(55,164)	(57,055)	(198,978)	(80,075)	(16,958)	(97,033)
Amortisation	(8,104)	–	(33,579)	(41,683)	(797)	(8,478)	(9,275)
Effect of movement in exchange rate	(298)	–	(4,630)	(4,928)	–	–	–
<b>As at 31st March 2019</b>	<b>(95,161)</b>	<b>(55,164)</b>	<b>(95,264)</b>	<b>(245,589)</b>	<b>(80,872)</b>	<b>(25,436)</b>	<b>(106,308)</b>
Amortisation	(6,832)	–	(19,135)	(25,967)	(238)	(8,478)	(8,716)
Effect of movement in exchange rate	(707)	–	(2,580)	(3,287)	–	–	–
<b>As at 31st March 2020</b>	<b>(102,700)</b>	<b>(55,164)</b>	<b>(116,979)</b>	<b>(274,843)</b>	<b>(81,110)</b>	<b>(33,914)</b>	<b>(115,024)</b>
<b>Net book value</b>							
<b>As at 31st March 2020</b>	<b>13,551</b>	<b>202,042</b>	<b>11,280</b>	<b>226,873</b>	<b>1,633</b>	<b>8,478</b>	<b>10,111</b>
As at 31st March 2019	16,623	202,042	29,839	248,504	864	16,956	17,820



**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, 8% 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 expected economic benefit.

**Product Development**

The Group has recognised an intangible asset in respect of new product developments. The Management is of the opinion that the Group is capable of generating future economic benefits through these products. This is being equally amortised over a period of 3 to 5 years.

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

## 16. INVESTMENTS

### 16.1 Company Investments in Subsidiaries

Investee	Company holding		Number of shares		Value	
As at 31st March	2020 %	2019 %	2020	2019	2020 Rs. '000	2019 Rs. '000
<b>Unquoted investments</b>						
Eurocarb Products Ltd.	100	100	100,000	100,000	4,064	4,064
Haycarb Holdings Australia (Pty) Ltd.	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.	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	100	336,797	336,797	7,874	7,874
<b>Company investment in subsidiaries (at cost)</b>					1,594,769	1,594,769
Provision for fall in value for Recogen (Pvt) Ltd.					(100,000)	(100,000)
<b>Company investment in subsidiaries</b>					1,494,769	1,494,769

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

## 16.2 Indirect Investments in Subsidiaries

Investee	Effective holding		Number of shares		Value	
	2020 %	2019 %	2020	2019	2020 Rs. '000	2019 Rs. '000
As at 31st March						
<b>Unquoted investments</b>						
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 114 and 115.

## 17. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

As at 31st March	Holding (%)	Consolidated		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Carbotels (Pvt) Ltd. (Note 17.1)	25.2	530,968	489,587	92,903	92,903
Lakdiyatha (Pvt) Ltd. (Note 17.1)	49.0	78,535	94,178	–	–
		609,503	583,765	92,903	92,903

### 17.1 Movement in Equity-Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance at the beginning of the year	94,178	99,822	489,587	417,104	583,765	516,926
Share of results	(15,643)	(5,644)	12,398	130,016	(3,245)	124,372
Movement in reserves	–	–	30,562	(53,817)	30,562	(53,817)
Dividends	–	–	(1,579)	(3,716)	(1,579)	(3,716)
<b>Balance at the end of the year</b>	<b>78,535</b>	<b>94,178</b>	<b>530,968</b>	<b>489,587</b>	<b>609,503</b>	<b>583,765</b>

## 17.2 Summarised Financials

	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
As at 31st March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Balance sheet</b>						
Non-current asset	150,462	147,717	2,001,070	1,864,808	2,151,532	2,012,525
Current asset	101,634	128,669	108,267	95,445	209,901	224,114
<b>Total assets</b>	<b>252,096</b>	<b>276,386</b>	<b>2,109,337</b>	<b>1,960,253</b>	<b>2,361,433</b>	<b>2,236,639</b>
Non-current liabilities	(48,250)	(36,551)	–	(220)	(48,250)	(36,771)
Current liabilities	(43,572)	(47,635)	(2,319)	(17,222)	(45,891)	(64,857)
<b>Total liabilities</b>	<b>(91,822)</b>	<b>(84,186)</b>	<b>(2,319)</b>	<b>(17,442)</b>	<b>(94,141)</b>	<b>(101,628)</b>
<b>Net Assets</b>	<b>160,274</b>	<b>192,200</b>	<b>2,107,018</b>	<b>1,942,811</b>	<b>2,267,292</b>	<b>2,135,011</b>
<b>Group carrying amount of the investment</b>	<b>78,535</b>	<b>94,178</b>	<b>530,968</b>	<b>489,587</b>	<b>609,503</b>	<b>583,765</b>
Revenue	21,171	21,171	–	–	21,171	21,171
Profit/(loss) from continuing operation	(35,832)	(18,071)	37,099	461,873	1,267	443,802
Profit after tax	(31,924)	(11,518)	49,197	515,935	17,273	527,453
Other comprehensive income	–	–	121,279	(239,186)	121,279	(239,186)
Total comprehensive income	(31,924)	(11,518)	170,476	276,749	138,552	265,231
Group share of profit for the year	(15,643)	(5,644)	12,398	130,016	(3,245)	124,372

## 18. RELATED PARTY DISCLOSURES

### 18.1 Amounts due to Subsidiaries

	Company	
As at 31st March	2020 Rs. '000	2019 Rs. '000
Recogen (Pvt) Ltd.	65,469	37,572
Haycarb Value Added Products (Pvt) Ltd.	105,029	105,947
Puritas (Pvt) Ltd.	6,071	–
PT Mapalus Makawanua Charcoal Industry	–	88,685
Haycarb USA Inc.	36,206	20,035
PT. Haycarb Palu Mitra	24,518	–
	<b>237,293</b>	<b>252,239</b>

**18.2 Amounts due to Other Related Parties**

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Hayleys PLC	238,606	182,950	234,750	179,582
MIT Cargo (Pvt) Ltd.	31	571	31	518
Mountain Hawk Express (Pvt) Ltd.	1,456	1,293	1,456	1,293
Mountain Hawk (Pvt) Ltd.	221	–	221	–
Hayleys Fibre PLC	–	7,489	–	–
Key Management Personnel – Carbokarn Co. Ltd.*	1,527,059	1,291,281	–	–
Chas P. Hayley & Company (Pvt) Ltd.	92,901	81,049	563	444
Advantis Projects & Engineering (Pvt) Ltd.	7,892	699	7,892	699
PT. Advantis Akaza Indonesia	–	9,781	–	–
Hayleys Aventura (Pvt) Ltd.	1,173	2,350	1,173	2,350
Hayleys Business Solutions (Pvt) Ltd.	1,317	361	1,317	361
Hayleys Travels (Pvt) Ltd.	2,205	46	2,205	46
Advantis Freight (Pvt) Ltd.	653	2,389	653	2,389
Hayleys Consumer Products Ltd.	–	3	–	3
Singer (Sri Lanka) PLC	561	–	454	–
Logiwiz Ltd.	1,102	–	1,102	–
Hayleys Tours (Pvt) Ltd.	51	–	51	–
Hayleys Advantis Ltd.	12	–	12	–
Amaya Leisure PLC	49	–	49	–
	1,875,289	1,580,262	251,929	187,685

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

### 18.3 Amounts due from Subsidiaries

As at 31st March	Company	
	2020 Rs. '000	2019 Rs. '000
Puritas (Pvt) Ltd.	98,958	80,520
Haycarb Holdings Australia (Pty) Ltd.	–	7,667
Carbokarn Co. Ltd.	45,536	89,628
Eurocarb Products Ltd.	7,051	6,984
Haycarb Holdings Bitung Ltd.	–	161,411
PT. Mapalus Makawanua Charcoal Industry	438,570	677,939
Ultracarb (Pvt) Ltd.	567	18,846
PT. Haycarb Palu Mitra	116,062	266,983
	706,745	1,309,978
<b>Amount classified as non-current receivables</b>	<b>(238,000)</b>	<b>(268,000)</b>
<b>Amount classified as current receivables</b>	<b>468,744</b>	<b>1,041,978</b>

### 18.4 Amounts due from Other Related Parties

As at 31st March	Relationship	Consolidated		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Hayleys Consumer Products Ltd.	Affiliate	4,393	–	–	–
Dipped Products PLC	Affiliate	8,150	7,539	8,137	7,539
Hayleys Agriculture Holding Ltd.	Affiliate	478	–	–	–
Hayleys Fabric PLC	Affiliate	324	–	–	–
Ravi Industries Ltd.	Affiliate	475	–	–	–
Chas P. Hayley & Company (Pvt) Ltd.	Affiliate	414	420	–	–
Alumex PLC	Affiliate	2,653	4,131	–	–
		16,887	12,090	8,137	7,539

### 18.5 Amounts due from Equity-Accounted Investees

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Lakdiyatha (Pvt) Ltd.	13,881	16,263	125	12
	13,881	16,263	125	12

## 19. INVENTORIES

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Raw materials and consumables	3,289,920	2,890,733	1,308,233	959,204
Finished/semi-finished goods	3,542,906	3,625,787	938,609	829,908
Project in progress	272,175	613,078	–	–
Provision for unrealised profits	(332,496)	(250,351)	–	–
	6,772,505	6,879,247	2,246,842	1,789,112
Provision for slow-moving items	(97,826)	(72,214)	(67,923)	(45,850)
<b>Total inventories at the lower of cost and net realisable value</b>	<b>6,674,679</b>	<b>6,807,033</b>	<b>2,178,919</b>	<b>1,743,262</b>

## 20. TRADE AND OTHER RECEIVABLES

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trade receivables – External customers	4,129,326	4,068,567	578,359	644,516
– Inter company	–	–	861,645	980,206
Less: Provision for expected credit losses	(33,136)	(20,525)	–	–
	4,096,190	4,048,042	1,440,004	1,624,722
Loans to employees	12,860	13,527	12,860	13,527
	<b>4,109,050</b>	<b>4,061,569</b>	<b>1,452,863</b>	<b>1,638,249</b>

The age analysis of trade receivables is as follows :

Consolidated	Total	Neither past due nor impaired	0-60 Days	61-120 Days	Above 120 Days
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March 2020	4,129,326	2,483,816	1,033,736	161,815	449,959
Balance as at 31st March 2019	4,068,567	2,888,860	773,811	111,458	294,439
Company	Total	Neither past due nor impaired	0-60 Days	61-120 Days	Above 120 Days
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March 2020	578,359	462,032	102,701	11,414	2,212
Balance as at 31st March 2019	644,516	547,195	97,321	–	–

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

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
At the beginning of the year	3,409	3,474	3,409	3,474
Granted during the year	950	1,860	950	1,860
	4,359	5,334	4,359	5,334
Repaid during the year	(1,323)	(1,925)	(1,323)	(1,925)
<b>At the end of the year</b>	<b>3,036</b>	<b>3,409</b>	<b>3,036</b>	<b>3,409</b>
Number of loans over Rs. 20,000/-	28	46	28	46

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

See Note 34 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. 4,109,050,000/- (31st March 2019 – Rs. 4,061,569,000/-),  
Company Rs. 1,452,863,000/- (31st March 2019 – Rs. 1,638,249,000/-).

## 21. OTHER NON-CURRENT FINANCIAL ASSETS

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Financial assets designated at FVOCI</b>				
Unquoted equity shares				
– Quality Seed Co. Ltd.	490	490	490	490
– Barrack Gold Corporation	193	193	–	–
– Exchange differences	(11)	–	–	–
	672	683	490	490
Quoted equity shares – Dipped Products PLC				
Fair value of quoted equity shares at beginning of the period	317,361	347,877	317,361	347,876
Fair value adjustment	(85,443)	(30,516)	(85,443)	(30,516)
Fair value of quoted equity shares at end of the period	231,918	317,361	231,918	317,361
	232,590	318,044	232,408	317,851
<b>Loans and receivables</b>				
Receivable from finance lease				
– At the beginning of the year	31,575	37,325	–	–
– Granted during the year	12,918	–	–	–
– Settlements during the year	(4,673)	(9,342)	–	–
Exchange differences	1,415	3,592	–	–
As at 31st March	41,235	31,575	–	–
<b>Total other non-current financial assets</b>	<b>273,825</b>	<b>349,619</b>	<b>232,408</b>	<b>317,851</b>

## Financial assets designated at FVOCI

A significant portion of the Financial assets designated at FVOCI 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 2020, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

### Assets measured at fair value

	31st March 2020 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial assets designated at FVOCI	232,590	231,918	–	672

During the reporting period ending 31st March 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

## 22. OTHER CURRENT ASSETS

	Consolidated		Company	
As at 31st March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Deposits and payments in advance	363,323	331,836	126,055	85,942
Other debtors	214,174	162,021	9,811	75,683
Tax recoverables	9,355	39,013	–	36,634
	586,852	532,870	135,866	198,259

## 23. CASH IN HAND AND AT BANK

	Consolidated		Company	
As at 31st March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash in hand	9,270	7,270	2,406	5,458
Bank balances	855,890	754,956	156,411	200,385
Short-term deposits	279,971	121,915	201,162	10,308
	1,145,131	884,141	359,979	216,151



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

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Bank and cash balances	865,160	762,226	158,817	205,843
Short-term deposits	279,971	121,915	201,162	10,308
Bank overdrafts and short-term loans	(2,832,010)	(4,099,727)	(1,564,662)	(2,479,382)
<b>Cash and cash equivalents</b>	<b>(1,686,879)</b>	<b>(3,215,586)</b>	<b>(1,204,683)</b>	<b>(2,263,231)</b>

## 24. STATED CAPITAL

### Issued and fully-paid – ordinary shares

Company	As at 31st March 2020		As at 31st March 2019	
	Number	Rs. '000	Number	Rs. '000
At the beginning of the year	29,712,375	331,774	29,712,375	331,774
Issued and fully-paid ordinary shares	29,712,375	331,774	29,712,375	331,774
<b>At the end of the year</b>	<b>29,712,375</b>	<b>331,774</b>	<b>29,712,375</b>	<b>331,774</b>

## 25. RESERVES

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Capital Reserve (Note 25.1)	675,744	675,744	442,458	442,458
Revenue Reserves (Note 25.2)	8,313,697	7,242,868	4,418,749	3,999,725

## 25.1 Capital Reserves

	Revaluation surplus Rs. '000	Reserve on amalgamation Rs. '000	Legal reserve Rs. '000	Total Rs. '000
<b>Consolidated</b>				
Balance as at 1st April 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
Revaluation surplus during the year	–	–	–	–
Tax effect on revalued assets	–	–	–	–
Movement in reserve in equity accounted investee	–	–	–	–
<b>Balance as at 31st March 2020</b>	<b>643,318</b>	<b>25,885</b>	<b>6,541</b>	<b>675,744</b>
<b>Company</b>				
Balance as at 1st April 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
Revaluation surplus during the year	–	–	–	–
Tax effect on revalued assets	–	–	–	–
<b>Balance as at 31st March 2020</b>	<b>418,700</b>	<b>23,758</b>	<b>–</b>	<b>442,458</b>

- ▶ Legal reserve relates to a statutory reserve created under Carbokarn Co. Ltd. Thailand.
- ▶ Reserve on amalgamation consists the reserve created at the time of amalgamation of Deltacarb Ltd. and Pelaco Ltd. with Haycarb PLC in year 1999 and year 2004 respectively.
- ▶ Revaluation surplus consists of net surplus resulting from the valuation of Property, plant and equipment. The unrealised amount cannot be distributed to shareholders.

## 25.2 Revenue Reserves

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Fair value reserve of financial assets at FVOCI	191,747	277,190	191,747	277,190
Exchange fluctuation reserve	826,726	808,091	–	–
General reserve	519,353	519,353	519,353	519,353
<b>Retained Earnings</b>				
Haycarb PLC	3,707,649	3,203,182	3,707,649	3,203,182
Subsidiaries	2,576,122	1,968,691	–	–
Associates	492,100	466,361	–	–
	6,775,871	5,638,234	3,707,649	3,203,182
	8,313,697	7,242,868	4,418,749	3,999,725

### 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

Fair value reserve of financial assets at FVOCI related to change in fair value of Financial assets designated at FVOCI.

## 26. INTEREST-BEARING LOANS AND BORROWINGS

### 26.1 Non-Current Liabilities

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Non-current interest-bearing loans and borrowings</b>				
<b>Secured term loans</b>				
At the beginning of the year	240,740	442,830	140,128	207,945
New loans obtained during the year	179,840	–	179,840	–
Effect of movements in foreign exchange during the year	18,304	27,717	15,048	16,307
	438,884	470,547	335,016	224,252
Repayments during the year	(184,128)	(229,807)	(99,217)	(84,124)
At the end of the year	254,756	240,740	235,799	140,128
Transferred to current liabilities	(104,416)	(185,522)	(85,459)	(87,701)
<b>Repayable after one year</b>	150,340	55,218	150,340	52,427

## 26.2 Current Liabilities

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Current interest-bearing loans and borrowings</b>				
Short-term loans	2,087,179	2,795,305	908,069	1,584,810
Bank overdrafts	744,831	1,304,422	656,593	894,572
<b>Short-term loans and bank overdrafts</b>	<b>2,832,010</b>	<b>4,099,727</b>	<b>1,564,662</b>	<b>2,479,382</b>
Current portion of term loans	104,416	185,522	85,459	87,701
<b>Total current interest-bearing loans and borrowings</b>	<b>2,936,426</b>	<b>4,285,249</b>	<b>1,650,121</b>	<b>2,567,083</b>

## 26.3 Analysis of Secured Term Loans by Year of Repayment

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Repayable between 1-2 years from the year end	45,889	55,218	150,340	52,427
Repayable between 2-5 years from the year end	104,451	–	–	–
<b>Total non-current borrowings</b>	<b>150,340</b>	<b>55,218</b>	<b>150,340</b>	<b>52,427</b>

## 26.4 Secured Term Loans Repayable after One Year

Company	Lender	Rate of interest	31st March 2020 Rs. '000	Repayment terms	Security
Haycarb PLC	HSBC	1 month – LIBOR + 2.75%	7,912	60 equal monthly instalments commencing from June 2016	
	Standard Chartered	3 month – LIBOR + 3%	142,428	20 equal quarterly instalments commencing from November 2019	
<b>Total secured term loans repayable after one year</b>			<b>150,340</b>		

Fair value of the interest-bearing loans and borrowings of the Group is Rs. 3,086,766,000/- (31st March 2019 – Rs. 4,340,467,000/-)  
Company Rs. 1,800,461,000/- (31st March 2019 – Rs. 2,619,509,000/-).

## 27. EMPLOYEE BENEFIT OBLIGATIONS

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>(i) Expenses recognised in Income Statement</b>				
Current service cost	47,032	41,364	30,928	27,296
Interest cost on employee benefit obligations	54,959	44,569	48,835	40,576
<b>The total expense is recognised in administrative expenses in the income statement</b>	<b>101,991</b>	<b>85,933</b>	<b>79,763</b>	<b>67,872</b>
<b>(ii) Actuarial gain and loss recognised directly in OCI</b>				
Actuarial (gain)/loss	2,883	39,836	(2,722)	31,442
	2,883	39,836	(2,722)	31,442
<b>(iii) Present value of unfunded gratuity</b>				
Present value of unfunded gratuity	648,202	561,000	514,000	449,605
<b>Total gratuity provision</b>	<b>648,202</b>	<b>561,000</b>	<b>514,000</b>	<b>449,605</b>
<b>(iv) Provision for employee benefit obligations</b>				
Employee benefit obligations at 1st April	561,000	464,424	449,605	387,455
Interest cost	54,959	44,569	48,835	40,576
Current service cost	47,032	41,364	30,929	27,296
Benefits paid	(16,763)	(38,593)	(12,647)	(37,164)
Actuarial loss/(gain) on obligations	2,883	39,836	(2,722)	31,442
Effect of movement in exchange rate	(909)	9,400	—	—
<b>Employee benefit obligations as at 31st March</b>	<b>648,202</b>	<b>561,000</b>	<b>514,000</b>	<b>449,605</b>
<b>Legal Liability</b>	<b>534,104</b>	<b>418,568</b>	<b>422,410</b>	<b>327,367</b>

As at 31st March	Consolidated		Company	
	2020 %	2019 %	2020 %	2019 %
<b>Sri Lanka</b>				
Discount rate:	10	11	10	11
Salary escalation rate	9	10	9	10
<b>Indonesia</b>				
Discount rate:	8.35	8.35		
Salary escalation rate	9	8		
<b>Thailand</b>				
Discount rate:	3.26	3.26		
Salary escalation rate	3	3		

## Notes to the Financial Statements

### Distribution of the Employee Benefit Obligations over Future Working Lifetime

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Less than or equal to 1 year	84,665	69,320	45,784	35,530
Over 1 year and less than or equal to 5 years	267,596	232,670	220,828	189,834
Over 5 year and less than or equal to 10 years	135,962	117,536	107,892	90,992
Over 10 years	159,979	141,474	139,496	133,249
	648,202	561,000	514,000	449,605

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 2020 was carried out by a professionally qualified Actuaries, Actuarial and Management Consultant (Pvt) Ltd. for Sri Lanka, and Thailand entities and PT Sentra Jasa Aktuaria for Indonesia entities.

### Sensitivity Analysis

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
One percentage point increase (+1%) in discount rate	613,652	522,783	482,189	420,691
One percentage point decrease (-1%) in discount rate	707,335	601,381	549,606	482,066
One percentage point increase (+1%) salary escalation rate	710,613	604,091	552,092	484,192
One percentage point decrease (-1%) salary escalation rate	610,072	519,830	479,459	418,340

## 28. DEFERRED TAX ASSETS/LIABILITIES

### 28.1 Deferred Tax Assets

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
At the beginning of the year	29,772	81,551	—	—
Origination and reversal of temporary differences	19,457	(51,779)	—	—
At the end of the year	49,229	29,772	—	—

Deferred tax assets are attributable to the followings:

As at 31st March	Consolidated	
	2020 Rs. '000	2019 Rs. '000
<b>Group</b>		
Property, plant and equipment	(1,630)	(1,814)
Inventory provisions	6,553	5,659
Debtor provisions	9,207	4,881
Tax loss carry-forward	6,660	9,259
Employee benefit obligations	27,840	11,787
Other items	599	–
<b>Net deferred tax assets</b>	<b>49,229</b>	<b>29,772</b>

Movement of deferred tax assets are attributable to the followings:

	Balance as at 31st March 2019 Rs. '000	Recognised in Income Statement Rs. '000	Recognised in Other Comprehensive Income Rs. '000	Balance as at 31st March 2020 Rs. '000
<b>Group</b>				
Property, plant and equipment	(1,814)	184	–	(1,630)
Inventory provisions	5,659	894	–	6,553
Debtor provisions	4,881	4,326	–	9,207
Tax loss carry-forward	9,259	(2,599)	–	6,660
Employee benefit obligations	11,787	16,801	(748)	27,840
Other items	–	599	–	599
<b>Net deferred tax assets</b>	<b>29,772</b>	<b>20,205</b>	<b>(748)</b>	<b>49,229</b>

## 28.2 Deferred Tax Liabilities

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
At the beginning of the year	203,891	219,199	124,499	117,630
Origination and reversal of temporary differences	(45,912)	(15,308)	(30,306)	6,869
At the end of the year	157,979	203,891	94,193	124,499

## Notes to the Financial Statements

Deferred tax liabilities are attributable to the followings:

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Property, plant and equipment	(275,466)	(306,831)	(176,257)	(193,863)
Inventory provisions	9,509	7,396	9,509	6,419
Tax loss carried-forward	33,535	32,098	–	–
Employee benefit obligations	71,960	63,375	71,960	62,945
Debtor provisions	1,658	71	–	–
Other items	825	–	595	–
<b>Net deferred tax liabilities</b>	<b>(157,979)</b>	<b>(203,891)</b>	<b>(94,193)</b>	<b>(124,499)</b>

Movement of deferred tax liabilities are attributable to the followings:

	Balance as at 31st March 2019	Recognised in Income Statement	Recognised in Other Comprehensive Income	Balance as at 31st March 2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Consolidated</b>				
Property, plant and equipment	(306,831)	31,365	–	(275,466)
Inventory provisions	7,396	2,113	–	9,509
Tax loss carried-forward	32,098	1,437	–	33,535
Employee benefit obligations	63,375	8,614	(29)	71,960
Debtor provisions	71	1,587	–	1,658
Other items	–	825	–	825
<b>Net deferred tax liabilities</b>	<b>(203,891)</b>	<b>45,941</b>	<b>(29)</b>	<b>(157,979)</b>
<b>Company</b>				
Property, plant and equipment	(193,863)	17,606	–	(176,257)
Inventory provisions	6,419	3,090	–	9,509
Employee benefit obligations	62,945	9,396	(381)	71,960
Other items	–	595	–	595
<b>Net deferred tax liabilities</b>	<b>(124,499)</b>	<b>30,687</b>	<b>(381)</b>	<b>(94,193)</b>



## 29. TRADE AND OTHER PAYABLES

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trade payables	649,293	798,514	135,146	104,540
Freight payables	158,281	112,924	129,489	86,460
Salaries and wages	44,588	25,639	28,749	22,007
Dividend payable (Note 29.1)	101,018	67,844	101,018	67,844
Accrued expenses and other payables	1,203,791	1,196,075	260,064	169,417
	2,156,971	2,200,996	654,466	450,267

### 29.1 Dividend Payable

	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
As at 1st April – recognised under dividend payable	67,844	7,771	67,844	7,771
As at 1st April – recognised under related party payable	120,751	–	120,751	–
Declared during the year	445,686	463,259	445,686	415,973
Dividends paid to equity holders of the parent	(352,136)	(235,150)	(352,136)	(235,150)
Dividends paid to non-controlling interests	–	(47,285)	–	–
As at 31st March – recognised under related party payable	(181,126)	(120,751)	(181,126)	(120,751)
<b>As at 31st March – recognised under dividend payable</b>	<b>101,018</b>	<b>67,844</b>	<b>101,018</b>	<b>67,844</b>

Fair value of the trade and other payables of the Group Rs. 2,156,971,000/- (31st March 2019 – Rs. 2,200,996,000/-).  
Company Rs. 654,466,000/- (31st March 2019 – Rs. 450,267,000/-).

## 30. OTHER CURRENT LIABILITIES

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Payments received in advance	494,134	552,910	75,445	47,454
	494,134	552,910	75,445	47,454

### 31. 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 below:

As at 31st March	Carbokarn Co. Ltd (Group)		PT. Haycarb Palu Mitra	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Revenue	4,231,563	5,030,628	1,456,011	1,129,170
Profit before tax	285,161	285,660	214,331	42,687
Cash flows from operating activities	499,642	(132,891)	163,685	45,594
Cash flows from investing activities	(177,152)	(159,123)	(19,945)	(7,489)
Cash flows from financing activities	209,359	(94,573)	(142,913)	(10,164)
Non-current assets	1,458,578	1,398,290	489,726	549,007
Current assets	2,749,641	2,825,247	685,382	698,209
<b>Total assets</b>	<b>4,208,219</b>	<b>4,223,537</b>	<b>1,175,108</b>	<b>1,247,216</b>
Non-current liabilities	461,953	31,259	431,058	731,902
Current liabilities	1,641,238	2,488,838	406,232	302,838
<b>Total liabilities</b>	<b>2,103,191</b>	<b>2,520,097</b>	<b>837,290</b>	<b>1,034,740</b>
<b>Equity attributable to the Parent of the Company</b>	<b>1,052,514</b>	<b>851,720</b>	<b>202,690</b>	<b>127,486</b>
Non-controlling interest	1,052,514	851,720	135,128	84,990
Non-controlling interest (%)	50	50	40	40

### 32. 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 16 and 17 also under Group companies on page 114 and 115 Business segment classification is also given under Group companies.

- 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.
- 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.
- Haycarb PLC provides factory space to its subsidiaries and charge rent. In addition, the Company incurs common expenses such as administration and personnel. Such costs are allocated to subsidiaries.
- Transactions with Haylex (Japan) Ltd., Hayleys Consumer Products (Pvt) Ltd., Hayleys Fabrics PLC., Royal Ceramics PLC, Logiventures (Pvt) Ltd., Alumex PLC, Dipped Products PLC, Ravi Industries (Pvt) Ltd., The Kingsburry PLC, Horana Plantations PLC, Rileys (Pvt) Ltd., Quaitty Seeds Co. Ltd., Amaya Leisure PLC, Hayleys Agriculture Holdings Ltd., Logiwiz Ltd., Kelani Valley Plantations PLC, Hayleys Aventura (Pvt) Ltd., MIT Cargo (Pvt) Ltd., Civaro Lanka (Pvt) Ltd., Mountain Hawk Electronics Ltd., Chas P. Hayley Company (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., Pan Asia Bank PLC, Singer Finance PLC and Sampath Bank PLC are given below under details of related party transactions with affiliates.

## Related Party Disclosures

Year ended 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Transactions with related parties</b>				
<b>Fully-owned subsidiaries</b>				
Sales of Activated Carbon	—	—	3,059,480	2,813,481
Purchase of raw material	—	—	145,245	288,765
Reimbursement of salaries/Bonus	—	—	165,515	141,524
Dividend Income	—	—	294,113	216,456
Current account interest received	—	—	45,440	48,612
Rental Income	—	—	8,753	9,020
Purchase of services	—	—	97,410	92,730
Income from guarantees and short term funds	—	—	1,200	1,781
Income on Services rendered	—	—	23,871	23,092
<b>Partly-owned subsidiaries</b>				
Sales of goods and services	—	—	7,299	3,353
Sale of raw material & consumables	—	—	106,363	449,321
Income from services provided	—	—	74,854	51,814
Dividend Income	—	—	—	44,871
Purchase of services	—	—	—	2,187
Cost of guarantees and short term funds	—	—	8,955	10,314
<b>Equity accounted investee</b>				
Dividend received	—	—	1,579	3,716
Services related expenses paid	433	264	—	—
<b>Parent – Hayleys PLC</b>				
Services related expenses paid	210,541	13,854	191,723	185,933
Dividend Paid	301,595	—	301,595	156,211
<b>Affiliates</b>				
Sales of goods and services	371,565	3,238	362,012	638,885
Purchase of goods and services	269,202	335,999	—	107,184
Dividend Income	—	—	15,711	28,773
Interest Income	—	—	9	12
Loans obtained from Directors Carbokarn Co. Ltd.	235,778	361,938	—	—

### 33. COMMITMENTS AND CONTINGENCIES

#### Capital Expenditure Commitments

The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2020, for, which no provision has been made in the Financial Statements amounts to Rs. 44,338,920/- (2018/19 – Rs. 54,967,000/-) for the Group and Rs. 37,282,075/- (2018/19 – Rs. 7,164,000/-) for the Company. Capital expenditure approved by the Directors but not contracted for was Rs. 218,464,175/- (2018/19 – Rs. 106,669,000/-) for the Group and Rs. 170,128,216/- (2018/19 – Rs. 93,946,000/-) for the Company.

#### Contingent Liabilities

The contingent liability as at 31st March 2020 on guarantees given by Haycarb PLC to third parties amounted to Rs. 3,907,722,947/- (2018/19 – Rs. 2,590,374,000/-). Of this sum, Rs. 3,635,751,482/- (2018/19 – Rs. 2,118,803,000/-) relates to facilities obtained by subsidiaries.

### 34. 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:

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Sri Lankan Rupees	526,794	723,537	19,722	–
Australian Dollar	142,012	241,460	–	–
Sterling Pound	20,135	16,232	57,280	66,989
Euro	603,091	177,825	76,696	–
United States Dollar	2,125,872	2,218,243	1,286,306	1,557,733
Thai Baht	195,635	206,892	–	–
Maldivian Rufiyaa	219,163	185,293	–	–
Indonesian Rupiah	263,488	278,560	–	–
	4,096,190	4,048,042	1,440,004	1,624,722

## Investments

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

## Cash and Cash Equivalents

The Group held cash in hand and at Bank of Rs. 1,145,131/- at 31st March 2020, 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 2020	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)	744,831	1,693,553	498,042	150,340	–	3,086,766
Trade and other payables	431,764	1,617,267	107,940	–	–	2,156,971

## Notes to the Financial Statements

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

## Company

Year ended 31st March 2020	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)	656,593	908,069	85,459	150,340	–	1,800,461
Trade and other payables	131,543	417,472	105,451	–	–	654,466

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

## 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 2020.

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 2020.

## 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 relate 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 the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

As at 31st March	Increase/Decrease in basis points	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
US Dollar borrowings	50	15,434	12,215	9,002	11,149

## Foreign Currency Risk

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

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

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

As at 31st March	Increase/Decrease %	Change in US\$ rate			
		Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	0.5	207	4,061	1,403	895

As at 31st March	Increase/Decrease %	Change in Thai Baht rate			
		Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	0.5	1,374	1,123	—	—

## Notes to the Financial Statements

Change in Indonesian Rupiah rate					
As at 31st March	Increase/Decrease %	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	0.5	3,582	2,850	—	—

Change in GBP rate					
As at 31st March	Increase/Decrease %	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	0.5	140	276	221	46

Change in AUD rate					
As at 31st March	Increase/Decrease %	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	0.5	19	211	—	—

Change in Euro rate					
As at 31st March	Increase/Decrease %	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	0.5	2,508	1,602	383	—

Change in MVR rate					
As at 31st March	Increase/Decrease %	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	0.5	540	334	—	—



## Equity Price Risk

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

## Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital, reserves, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group has not given any collateral as at 31st March 2020 other than those disclosed in Note 13.

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

As at 31st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Interest-bearing borrowings – external	3,086,765	4,340,467	1,800,461	2,619,510
Interest-bearing borrowings – related party	1,527,059	1,291,281	–	–
Total equity	10,656,659	9,352,801	5,192,981	4,773,957
Total equity and debt	15,270,483	14,984,549	6,993,442	7,393,467
Gearing ratio	30%	38%	26%	35%

## 35. 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

	External Rs. '000	Intra-group Rs. '000	Consolidated	
			2020 Rs. '000	2019 Rs. '000
Activated carbon	19,276,649	8,010,806	27,287,455	25,972,037
Environmental engineering	3,546,094	3,789	3,549,883	2,896,850
	22,822,743	8,014,595	30,837,338	28,868,887
Intra-group sales			(8,014,595)	(7,950,942)
			22,822,743	20,917,945

## Notes to the Financial Statements

### Profit Before Tax

	Consolidated	
	2020 Rs. '000	2019 Rs. '000
Activated carbon	1,923,000	927,484
Environmental engineering	256,050	301,042
Purification – associate	(15,642)	(5,644)
Leisure – associate	12,398	130,016
	2,175,806	1,352,898

As at 31st March	Total assets		Provision for liabilities and charges		Trade and other payables	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Activated carbon	16,782,139	16,259,930	806,182	764,891	1,579,397	1,929,420
Environmental engineering	2,054,010	2,131,437	–	–	1,071,708	824,486
	18,836,149	18,391,367	806,182	764,891	2,651,105	2,753,906
Investment in associates and others	609,503	583,765				
	19,445,652	18,975,132				

As at 31st March	Capital expenditure		Depreciation	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Activated carbon	690,856	388,364	556,814	476,831
Environmental engineering	703	1,234	2,188	2,308
	691,559	389,598	559,002	479,139

### Cash Flows from

As at 31st March	2020		2019	
	Activated carbon Rs. '000	Environmental engineering Rs. '000	Activated carbon Rs. '000	Environmental engineering Rs. '000
Operating activities	2,252,119	355,850	(722,018)	185,607
Investing activities	(658,823)	(4,034)	(338,919)	2,261
Financing activities	(416,405)	–	(421,414)	(90,829)
	1,176,891	351,816	(1,482,351)	97,039

## Geographical Segments

### Turnover – Net

	External Rs. '000	Intra-group Rs. '000	Consolidated	
			2020 Rs. '000	2019 Rs. '000
USA	3,353,539	–	3,353,539	3,465,124
Europe	2,652,279	–	2,652,279	2,145,831
Australia	1,723,059	–	1,723,059	1,739,703
Sri Lanka	8,037,389	3,187,422	11,224,811	9,901,980
Other Asian countries	7,056,477	4,827,173	11,883,650	11,616,249
	22,822,743	8,014,595	30,837,338	28,868,887
Intra-group sales			(8,014,595)	(7,950,942)
			22,822,743	20,917,945

### Profit Before Tax

	Consolidated	
	2020 Rs. '000	2019 Rs. '000
USA	44,052	52,944
Europe	(36,697)	74,660
Australia	142,697	33,710
Sri Lanka	1,416,082	636,194
Other Asian countries	979,684	929,858
	2,545,818	1,727,366
Consolidation adjustments	(370,012)	(374,468)
	2,175,806	1,352,898

## Assets and Liabilities

As at 31st March	Non-interest – bearing liabilities					
	Total assets		Provision for liabilities and charges		Trade and other payables	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
USA	1,269,181	1,269,668	–	–	207,915	150,913
Europe	1,037,993	1,069,669	–	–	76,142	260,961
Australia	499,132	599,850	–	–	56,468	42,805
Sri Lanka	6,906,881	5,852,725	616,075	655,135	1,539,826	1,168,160
Other Asian countries	9,122,962	9,599,455	190,107	109,756	770,754	1,131,067
	18,836,149	18,391,367	806,182	764,891	2,651,105	2,753,906
Investments in associates and other	609,503	583,765				
	19,445,652	18,975,132				

Year ended 31st March	Capital Expenditure		Depreciation	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
USA	959	771	1,508	5,547
Europe	11,146	5,600	10,727	9,922
Australia	–	–	1,365	1,352
Sri Lanka	484,223	134,680	235,253	222,827
Other Asian countries	195,231	248,547	310,149	239,491
	691,559	389,598	559,002	479,139

## 36. 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.

### 37. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

As at 31st March	Average		Year end	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
US Dollar	180.284	169.551	189.906	176.092
Australian Dollar	117.317	123.278	122.335	124.809
Pound Sterling	234.401	222.047	228.629	230.213
Thai Baht	5.819	5.254	5.789	5.540
Indonesian Rupiah	0.0127	0.0118	0.0116	0.0124
Euro	200.194	195.815	209.415	197.773
Indian Rupee	2.535	2.429	2.501	2.546

### 38. FUNCTIONAL CURRENCY

Company	Functional currency
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah
PT Haycarb Palu Mitra	Indonesian Rupiah
Haycarb Holdings Bitung Ltd.	United States Dollar
Eurocarb Products Ltd.	Sterling Pounds
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Haycarb USA Inc.	United States Dollar
Carbokarn Co. Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
Shizuka Co. Ltd.	Thai Baht
Puricarb Pte. Ltd.	Euro
Haycarb Activated Carbon (Pvt) Limited (Chennai, India)	Indian Rupee

### 39. 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 has financial year end as 31st December.

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

# Statement of Group Value Added

## GROUP VALUE ADDED

	2020 Rs. '000	2019 Rs. '000
Revenue	22,822,743	20,917,945
Other operating income	115,901	33,707
	22,938,644	20,951,652
Cost of materials and services brought in	(17,568,256)	(17,091,867)
<b>Value added</b>	<b>5,370,388</b>	<b>3,859,785</b>

## DISTRIBUTION OF VALUE ADDED

	%	2020 Rs. '000	%	2019 Rs. '000
To employees as remuneration	40	2,136,281	49	1,884,977
To Government revenue				
– Sri Lanka	5	244,786	5	187,254
– Overseas	6	346,125	3	132,824
To providers of capital	10	528,482	11	438,289
– Interest on borrowings		321,033		311,998
– Minority interest		207,448		126,291
To shareholders as dividends	8	445,685	6	237,699
Retained in the business	31	1,669,029	25	978,741
– Depreciation		559,002		479,139
– Profit retained		1,110,027		499,602
	100	5,370,388	100	3,859,785

# Investor Information

## 1. SHAREHOLDERS

Haycarb PLC – Ordinary Shareholders as at 31st March 2020.

Number of shares held		Residents			Non-Residents			Total		
		Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
1 –	1,000	1,556	307,320	1.0343	26	10,441	0.0352	1,582	317,761	1.06946
1,001 –	10,000	429	1,475,992	4.9676	18	82,660	0.2782	447	1,558,652	5.24580
10,001 –	100,000	97	2,298,430	7.7356	9	251,670	0.8470	106	2,550,100	8.58262
100,001 –	1,000,000	9	2,226,880	7.4948	6	1,516,314	5.1033	15	3,743,194	12.59810
Over 1,000,000		2	21,542,668	72.5040	0	–	0.0000	2	21,542,668	72.50403
		2,093	27,851,290	93.7363	59	1,861,085	6.2637	2,152	29,712,375	100.0000
Category										
Individuals		1,923	3,841,514	12.9290	55	1,175,352	3.9558	1,978	5,016,866	16.8848
Institutions		170	24,009,776	80.8073	4	685,733	2.3079	174	24,695,509	83.1152
		2,093	27,851,290	93.7363	59	1,861,085	6.2637	2,152	29,712,375	100.0000

As at 31st March 2020, there were 2,152 (31st March 2019 – 2,100) registered shareholders.

## 2. MARKET VALUE

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

	2019/20		2018/19	
	Rs.	Date	Rs.	Date
Highest price	198.90	1st November 2019	154.90	14th January 2019
Lowest price	122.20	26th April 2019	119.10	5th April 2018
Closing price	160.00	20th March 2020	127.00	29th March 2019
Number of transactions	1,546		670	
Number of shares traded	772,380		574,349	
Value of shares traded	121,940,586		73,607,820	

### 3. QUARTERLY FINANCIAL DATA

	Unaudited 3 months ended 30th June 2019 Rs. '000	Unaudited 6 months ended 30th September 2019 Rs. '000	Unaudited 9 months ended 31st December 2019 Rs. '000	Audited 12 months ended 31st March 2020 Rs. '000
Revenue	5,340,800	11,309,656	17,580,785	22,822,743
Profit before tax from continuing operations	367,389	844,984	1,578,259	2,175,806
Profit for the period from continuing operations	301,412	656,745	1,275,326	1,766,044
Profit attributable to equity holders of the Company	267,717	606,958	1,095,766	1,558,596
Property, plant and equipment, investments and non-current assets	6,849,482	7,049,342	7,202,594	6,849,943
Current assets	13,034,342	13,456,644	12,495,349	12,546,480
Current liabilities	9,217,355	9,471,138	7,827,437	7,733,503
Shareholders funds	8,531,897	8,878,987	9,407,189	9,321,215

### 4. TOP 20 SHAREHOLDERS

Name of the Shareholder	Number of shares as at 31st March 2020	%	Number of shares as at 31st March 2019	%
Hayleys PLC No. 3 Share Investment Account	20,125,103	67.73	20,125,103	67.73
Employees' Provident Fund	1,417,565	4.77	1,417,565	4.77
Employees' Trust Fund Board	780,829	2.63	780,829	2.63
Mr. T. Ueda	417,206	1.40	417,206	1.40
Promar Overseas SA	397,682	1.34	397,682	1.34
Mrs. J.K.P. Singh	290,376	0.98	290,376	0.98
J.B. Cocoshell (Pvt) Ltd.	280,265	0.94	96,356	0.32
Bank of Ceylon No. 1 Account	251,067	0.84	251,067	0.84
Dr. D. Jayanthi	240,000	0.81	230,000	0.77
Harnam Holdings SDN BHD	168,050	0.57	175,000	0.59
E.W. Balasuriya & Co. (Pvt) Ltd.	152,089	0.51	152,089	0.51
National Savings Bank	151,813	0.51	413,914	1.39
Mr. Z.G. Carimjee	135,000	0.45	135,000	0.45
Mrs. L. Sivagurunathan	128,717	0.43	34,934	0.12
Mr. H.S. Gill	123,000	0.41	123,000	0.41
Hallsville Trading Group Inc.	120,000	0.40	120,000	0.40
Commercial Bank of Ceylon PLC A/C No. 4	107,100	0.36	107,100	0.36
Mr. J.S.A.B. Singh and Mrs. G.K.A.H. Singh	100,000	0.34	100,000	0.34
Miss. M.P. Radhakrishnan	76,610	0.26	67,000	0.23
Miss. A. Radhakrishnan	76,500	0.26	67,000	0.23
<b>Total</b>	<b>25,538,972</b>	<b>85.95</b>	<b>25,501,221</b>	<b>85.83</b>



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

Name of Director	As at 31st March 2020	As at 31st March 2019
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 51.01% of the total issued shares of Hayleys PLC which has 20,125,105 shares in Haycarb PLC.

## 6. PUBLIC HOLDING

- ▶ The percentage of shares held by public calculated as per the Colombo Stock Exchange Listing Rules as at 31st March 2020, is 32.20% (2019 – 32.20%) held by 2,146 Ordinary Shareholders (2019 – 2,094).
- ▶ Market capitalisation as at 31st March 2020 is Rs. 4,753,980,000/- (closing Share price Rs. 160/- X 29,712,375 Ordinary Shares).
- ▶ Float –adjusted market capitalisation as at 31st March 2020 is Rs. 1,530,781,560/- (Market capitalisation – Rs. 4,753,980,000/- X Public holding – 32.20%).
- ▶ Company complies with the Listing Rule 7.3.1(a) under Option 5 by having 20% or more public holding with a float-adjusted market capitalisation of less than Rs. 2.5 billion.

# Ten Year Financial Review

Year ended 31st March	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Trading Results</b>				
Group turnover	22,822,743	20,917,945	15,518,079	13,553,576
Profit before taxation	2,175,806	1,352,898	926,423	1,189,535
Group taxation	(409,762)	(271,196)	(152,799)	(249,735)
Profit after taxation (Continuing operations)	1,766,044	1,081,702	773,624	939,800
Minority interest	(207,448)	(126,291)	(101,260)	(135,436)
Profit attributable to equity holders	1,558,596	955,411	672,364	804,364
<b>Balance Sheet</b>				
Share capital	331,774	331,774	331,774	331,774
Capital reserves	675,744	675,744	648,703	717,597
Revenue reserves	8,313,697	7,242,868	6,447,363	5,696,455
Minority interest	1,335,444	1,102,415	909,771	776,762
	10,656,659	9,352,801	8,337,611	7,522,588
Property, plant and equipment, investments, and non-current assets	6,541,684	6,412,662	6,105,545	5,953,584
Intangible assets	226,873	248,504	285,856	279,201
Current assets	12,546,480	12,313,966	8,891,056	8,002,701
Current liabilities	(7,733,503)	(8,802,222)	(6,041,736)	(5,808,013)
Provisions and creditors due after one year	(1,055,490)	(820,109)	(903,110)	(904,885)
	10,526,044	9,352,801	8,337,611	7,522,588
<b>Ratios and Statistics</b>				
Return on shareholders' equity (%)	17%	12%	12%	12%
Dividend (Rs. '000)	445,686	237,699	178,274	178,274
Dividend per share	15.00	8.00	6.00	6.00
Annual sales growth index (Base - 2010) **	450%	412%	306%	267%
Earnings per share at year end * (Rs.)	52.46	32.16	29.45	27.07
Net assets per share at year end * (Rs.)	313.71	277.68	249.99	227.04
Market price per share (Rs.)	160.00	127.00	120.00	151.00
Price earning ratio	3.05	3.95	4.08	5.58
Current ratio (Times)	1.62	1.40	1.47	1.38
Liquidity ratio (Times)	0.76	0.93	0.80	0.77

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 2020.

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

2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
11,705,825	11,933,848	10,338,684	10,149,637	8,508,896	6,400,233
1,119,078	1,070,336	1,044,083	1,227,707	656,822	724,197
(220,910)	(196,404)	(152,106)	(192,708)	(133,808)	(149,853)
898,168	873,932	891,977	1,034,999	523,014	574,344
(216,950)	(178,947)	(104,197)	(89,691)	(51,822)	(69,259)
681,218	694,985	787,780	945,308	471,192	505,085
331,774	331,774	331,774	331,774	331,774	331,774
570,848	570,848	373,907	373,907	296,707	213,330
5,013,363	4,800,584	4,061,796	3,675,876	2,961,061	2,587,343
710,435	590,724	468,418	344,247	270,721	260,786
6,626,420	6,293,930	5,235,895	4,725,804	3,860,263	3,393,233
5,161,474	5,059,453	4,275,533	3,724,931	2,616,262	2,009,828
263,598	260,903	251,223	240,018	132,000	63,447
7,204,985	5,696,413	4,986,749	4,466,440	3,710,435	2,504,592
(5,244,079)	(3,923,488)	(3,357,492)	(2,907,846)	(2,083,981)	(1,072,575)
(759,558)	(799,351)	(920,118)	(797,739)	(514,453)	(112,059)
6,626,420	6,293,930	5,235,895	4,725,804	3,860,263	3,393,233
12%	12%	17%	21%	13%	16%
178,274	178,274	178,274	207,986	163,418	148,562
6.00	6.00	6.00	7.00	5.50	5.00
231%	235%	204%	200%	168%	126%
22.93	23.39	26.51	31.82	15.86	17.00
199.11	191.95	160.45	147.89	120.81	105.42
160.00	183.00	181.00	176.00	160.00	155.40
6.98	7.82	6.83	5.53	10.09	9.14
1.37	1.45	1.47	1.54	1.78	2.33
0.70	0.68	0.85	0.79	0.84	1.37

# Group Profile

	Incorporation	Stated/Share Capital	Group Interest
<b>Haycarb PLC</b> <b>Manufacturing and Marketing of Activated Carbon</b>			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	S.C. Ganegoda
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	A.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	
A.M. Pandithage H.S.R. Kariyawasan	Ms. S.S. Ragunathan	L. Teague A. Kaur 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	A.M. Pandithage (Chairman) H.S.R. Kariyawasan A.A.M. Caderbhoy	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 Number PQ 59

### NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the Forty-Seventh 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 Monday, 27th July 2020 at 4.00pm 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 2020, with the Report of the Auditors thereon.
2. To re-elect Mr. M.S.P. Udaya Kumara, who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. B. Balaratnarajah, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. M.H. Jamaldeen, who retires by rotation at the Annual General Meeting, a Director.
5. To reappoint Dr. S.A.K. Abayawardana, who retires having attained the age of Seventy-Three years and the Company has received special notice of the undernoted ordinary resolution in compliance with section 211 of the Companies Act No. 07 of 2007 in relation to his reappointment.

#### Ordinary Resolution

That, Sarath Ananda Kumara Abayawardana retiring Director, who has attained the age of Seventy-Three years be and is hereby reappointed a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director

6. To reappoint Mr. A.M. Senaratna, who retires having attained the age of Seventy One 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, Arjun Michael Senaratna retiring Director, who has attained the age of Seventy-One years be and is hereby reappointed a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.

7. To ratify the sum of Rs. 3,700,718/- made as donations for the year 2019/20 in excess of the sum approved by the shareholders.
8. To authorise the Directors to determine contributions to charities for the year 2020/21.
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 2020/21.

#### NOTE:

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 4.00pm on 25th July 2020.

By Order of the Board,

## HAYCARB PLC

### HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo

30th June 2020





# Form of Proxy

**HAYCARB PLC**

Company Number PQ 59

I/We\* ..... (full name of Shareholder\*\*)

NIC number/Reg. number of Shareholder (\*\*) .....

of .....

being Shareholder/Shareholders\* of HAYCARB PLC hereby appoint:

1. .... (full name of proxyholder\*\*)

NIC number/Reg. number of proxyholder (\*\*) .....

of .....or, failing him/them.

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our\* proxy to attend and vote as indicated hereunder for me/us\* and on my/our\* behalf of at the Forty-Seventh Annual General Meeting of the Company to be held on Monday, 27th July 2020 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 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. M.S.P. Udaya Kumara, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. B. Balaratnarajah, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. M.H. Jamaldeen, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Dr. S.A.K. Abayawardana, who retires having attained the age of Seventy-Three years, a Director by passing the Ordinary Resolution set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
6. To reappoint Mr. A.M. Senaratna, who retires having attained the age of Seventy One years, a Director by passing the Ordinary Resolution set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
7. To ratify the sum of Rs. 3,700,718/- made as donations for the year 2019/20 in excess of the sum approved by the shareholders	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to determine contributions to charities for the year 2020/21.	<input type="checkbox"/>	<input type="checkbox"/>
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 2020/21.	<input type="checkbox"/>	<input type="checkbox"/>

(\*\*) 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 .....2020.

Witnesses : .....

Signature : .....

Name : .....

Address : .....

NIC No. : .....

.....  
Signature of Shareholder

**Note:**

- (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.

## Form of Proxy

### 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 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  
Phone: +94 11 262 7659  
Email: info.sec@hayleys.com

## Registered Office

400, Deans Road, Colombo 10, Sri Lanka.  
Phone: +94 11 262 7000, 267 7364  
Fax: +94 11 269 9630  
Email: 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  
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



## This Annual Report is Carbon Neutral

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www.carbonfund.org

## **“Better living through Carbon”**

Leading edge Activated Carbon Technology  
for every industry and purpose

### **Our Vision**

“To be the leading global brand for Activated Carbon  
and foremost provider for Water Purification Systems  
in Sri Lanka and the Region, renowned for technical  
excellence, customer centricity, innovation and  
sustainable business practices”

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Fax: +94 11 269 9630  
E-mail: haycarbgroup@haycarb.com

[www.haycarb.com](http://www.haycarb.com)

