



HAYCARB
Activated carbon solutions



pure intent

Nothing is more powerful than an idea whose time has come

HAYCARB PLC ANNUAL REPORT 2020/21

Pure Intent

**“Nothing is more powerful than an
idea whose time has come”**

– Victor Hugo

As one of the world's leading entities producing coconut shell derived activated carbon and providing purification solutions, we are “pure of intent”, from within a “green”, sustainable operating environment. The Company has just enjoyed its best year ever, which clearly vindicates this ethos. It also distinguishes Haycarb as a business whose “time has come”. The power of success and growth achieved heralds the unfolding of an exciting new era of sustained well being for the Company.

CONTENTS

04 INTRODUCTION

- ➔ About this Report 04
- ➔ About Haycarb 06
- ➔ Milestones 12

14 OVERVIEW

This section provides the reader of this report with an overview of our financial and operational performance during 2020-21.

- ➔ Joint Statement from the Chairman and the Managing Director 14
- ➔ Financial Review 17

22 BUSINESS CONTEXT AND OUTLOOK

This section provides the reader with information about how the operating environment is impacting our business, and how we are tailoring our long-term strategy and business model accordingly. It addresses how we are mitigating risks, capitalising on opportunities, and engaging with our stakeholders to determine what matters most to them.

- ➔ Strategy 23
- ➔ Stakeholder Engagement 24
- ➔ Factors Impacting Our Value Creation Process 28
- ➔ Our Business Model 32

34 PERFORMANCE AGAINST STRATEGY

This section is our Management Discussion and Analysis. While the Financial Review covers the details of our financial performance for the year 2020-21, this section dives deeper into how this performance was achieved through progress on our four strategic pillars.

- ➔ Summary 35
- ➔ Innovation 36
- ➔ Technical Excellence 40
- ➔ Customer Centricity 46
- ➔ Sustainability 50



57 STEWARDSHIP

This section details our commitment to sound and effective corporate governance.

- ➔ Board of Directors 58
- ➔ Management Team 62
- ➔ Corporate Governance 64
- ➔ Annual Report of the Board of Directors on the Affairs of the Company 82
- ➔ Statement of Directors' Responsibility 86
- ➔ Related Party Transactions Review Committee Report 87
- ➔ Audit Committee Report 88
- ➔ Remuneration Committee Report 90

91 FINANCIAL STATEMENTS

- ➔ Independent Auditors' Report 92
- ➔ Income Statement 94
- ➔ Statement of Comprehensive Income 95
- ➔ Statement of Financial Position 96
- ➔ Statement of Changes in Equity 98
- ➔ Statement of Cash Flows 100
- ➔ Notes to the Financial Statements 102

163 SUPPLEMENTARY

- ➔ Statement of Group Value Added 164
- ➔ Investor Information 165
- ➔ Ten Year Financial Review 168
- ➔ Group Profile 170
- ➔ GRI Content Index 172
- ➔ Glossary 176
- ➔ Notice of Meeting 177
- ➔ Form of Proxy Enclosed
- ➔ Corporate Information Inner Back Cover

GRI – 102-10, 102-11, 102-12, 102-45, 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54

ABOUT THIS REPORT

This is Haycarb PLC's first Integrated Annual Report. An Integrated Report is the evolution of corporate reporting that goes beyond the traditional financial reporting. An Integrated Report explains how an organisation creates value over time to benefit its stakeholders and how its business model interacts with its operating environment and its capitals: financial, manufactured, human, social, and natural capital.

This Integrated Report serves as a means for Haycarb to disclose a holistic overview of the Company's operations to its stakeholders that includes its strategy, governance, performance, and prospects within the context of the operating environment and how we create value in the short, medium, and long term.

This Annual Report is available as –



- ▶ A concise Integrated Annual Report in print form



- ▶ PDF format

REPORT BOUNDARY

This Report covers the operations of Haycarb PLC (referred to as "Haycarb" or the "Company") and its subsidiaries only, unless otherwise stated. The boundary for financial reporting includes Haycarb and its subsidiaries and associate companies (referred to as "the Haycarb Group" or "the Group").

There are no restatements of information provided in previous reports and no significant changes from previous reporting periods in the scope and aspect boundaries. During the year under review, no significant changes in the organisation type, structure, ownership, supply chain, or topic boundaries took place.

REPORTING PERIOD

This Report covers the 12-month period from 1st April 2020 to 31st March 2021 and is consistent with our usual annual reporting cycle for financial and sustainability reporting.

The most recent Annual Report covered the 12-month period from 1st April 2019 to 31st March 2020.

REPORTING GUIDELINES AND FRAMEWORKS

Overall reporting

- ▶ International Integrated Reporting Council's Integrated Reporting Framework**
- ▶ Smart Integrated Reporting Methodology™
- ▶ "Guidelines for the Presentation of Annual Reports 2021", published by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Sustainability reporting

- ▶ GRI Standards*
- ▶ UN Global Compact principles
- ▶ UN Sustainability Development Goals

Financial/Operational

- ▶ Companies Act No. 07 of 2007
- ▶ Sri Lanka Accounting Standards (SLFRS/LKAS)

Corporate governance

- ▶ Code of Best Practice on Corporate Governance, 2017
- ▶ Listing Rules of the Colombo Stock Exchange

* This Integrated Annual Report has been prepared in accordance with the GRI Standards: Core option.

** As provided in paragraphs 2.10 and 2.17 – 2.19 of the Integrated Reporting Framework, organisations are not required to adopt the Framework's categorisation of capitals and as such, the capitals have been categorised in a way that best describes the Company's value creation process. The discussion of our value creation process is based on our strategic imperatives and their implementation.

COMPLIANCE

The information contained herein, as in the past, is in compliance with all applicable laws, regulations, and standards.

ABOUT THIS REPORT

Quality assurance

In the preparation of this Integrated Report, Haycarb has made every effort to present information as accurately and clearly as possible. The Company has taken six qualitative criteria into consideration when preparing both the written and visual elements (figures, graphs, tables):



Accuracy and Consistency

The content presented in this Report is supported by internal controls that facilitate the traceability and verifiability of information.



Balance

Every effort has been made to present a balanced review of relevant material information.



Clarity

This Report utilises a variety of text and visual elements to increase readability and coherence, while maintaining concision.



Comparability

This Report covers the performance of the current and previous reporting periods. Where applicable, benchmarks (country, industry, etc.) are also presented when relevant and available.



Completeness

This Report covers the material impacts within and under the direct control of the Company, external impacts that are indirectly influenced by our engagement with stakeholders, and the impact of our CSR initiatives.



Credibility and Reliability

This Report's financial information has been verified by reputed external assurance service providers.

External assurance

Provided by Ernst & Young Sri Lanka on the Financial Statements, including the Notes to the Accounts.

Precautionary principle

Haycarb is cognisant of the direct and indirect social and environmental impact of our activities. The Company actively avoids or reduces negative impacts through various processes including monitoring of the supply chain, dedicated green products and projects, and risk management processes. Although the Company's business model and operations do not directly create a significantly negative impact on the environment, every effort is made to reduce our carbon footprint, as outlined throughout this report.

Queries

For any clarification on this Report, please contact us at –
Haycarb PLC
400, Deans Road,
Colombo 10,
Sri Lanka
Email: haycarbgroup@haycarb.com

ABOUT HAYCARB

GRI – 102-16

WHO WE ARE

Vision

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

Our Values

- ▶ **Abide by principles of fair competition**
- ▶ **Equal opportunity employer**
Compliance with labour laws, treat employees with dignity and protect right of association, and provide a safe and healthy working environment
- ▶ **Business integrity**
No to bribery and corruption
- ▶ **Environment**
Committed to reducing environmental impact, including greenhouse gas emissions
- ▶ **Consumers**
Provide world class quality products and services which consistently offer value in terms of price and quality
- ▶ **Corporate responsibility**
- ▶ **Public activities**
Seek to improve business environment through direct representation or through trade association. No support or affiliation for any political parties
- ▶ **Enhancing shareholder value**
- ▶ **Regulatory compliance**

UN Global Compact

Haycarb has adopted the UN Global Compact principles of sustainable growth.

WHAT WE DO

Established in 1973, Haycarb PLC is a leading manufacturer and marketer of coconut shell activated carbon. The Company has a capacity of 55,000 metric tons (MT) per annum of activated carbon and accounts for over 16% of the global market share.


Haycarb manufactures a range of activated carbon products, including standard, washed and impregnated activated carbon in granular, powder and extruded pellet forms. These activated carbon products have a wide array of applications across several industries, including water treatment, air treatment, gold recovery, the food and beverage industry, energy storage, and specialty applications.

Leveraging its in-house research and development and engineering capabilities, Haycarb also offers a total solutions suite to customers, including activated carbon testing and product development, regeneration of spent activated carbon, and designing and implementation of activated carbon-based environmental engineering systems.




Haycarb's environmental engineering arm, Puritas (Private) Ltd., was incorporated in 1995 as a fully-owned subsidiary to function as an expert environmental service provider, creating solutions for environmental sustainability and management, a developing concern in the modern world. Puritas is renowned for its water and wastewater treatment plants designed and built in Sri Lanka, the Republic of Maldives, Thailand and Indonesia. It is the exclusive representative of Veolia Water (the world's leading water service provider) in Sri Lanka and the Republic of Maldives. It also provides variety of industries with access to the most reliable specialty chemicals for water related applications from Solenis USA.

Puritas also manufactures and markets activated carbon-based purification products, ranging from facemasks to odour remover products under the brands of “Oxypura”, “Mr. Fresh”, and “Bin Fresh”. In addition, it provides Activated Carbon solutions for various applications such as water purification, air purification, decolorising applications and deodorising applications in Sri Lanka and Maldives.

Haycarb is listed on the Colombo Stock Exchange and with an annual turnover of approximately USD 135 million, the Company is one of the largest companies in the coconut shell-activated carbon industry.


Main segments	Sub-segments	Products and services categorisation
Activated Carbon 	Manufacture and marketing of coconut shell-based activated carbon products	Water Treatment Carbons
		Air Purification Carbons
		Food and Beverages industry applications
		Energy Storage Carbon
		Gold Recovery Carbon
		Speciality Carbon
	Regeneration of used activated carbon	

ABOUT HAYCARB


Main segments	Sub-segments	Products and services categorisation
Environmental Engineering 	Design and install water treatment systems	Raw water treatment projects
		Wastewater treatment projects
		Sewage treatment projects
	Collaboration with Veolia France on large scale water treatment systems – SL and Maldives	
	Maintenance of Water and wastewater treatment systems	
	Chemical sales	
	Activated Carbon Products	Oxypura Facemasks
Purification Associate 	BOT wastewater treatment system, Passikudah Holiday Resort	Bin Fresh
		Mr. Fresh
Leisure Associate 	Investment in Tourism (Hotels)	Activated Carbon Sachets
		Activated Carbon – Sri Lanka Region

GRI – 102-2

Activated Carbon solutions

Main segments	Sub-segments	Products and services categorisation
Water Total solutions for water purification using cutting edge carbon manufacturing technologies. 	Wastewater treatment Products with excellent adsorption properties that effectively remove dissolved organics to meet stringent environment regulations.	Effluent water treatment
		Mercury and heavy metal removal
	Industrial water treatment Tailor-made activated carbon media products that effectively adsorb impurities and remove undesired colour and odour-forming compounds.	Industrial water filters
		Desalination systems
		Condensate boiler feed water treatment
	Potable water treatment Granular Activated Carbons and Powder Activated Carbons to eliminate taste and odour-forming compounds from drinking water.	Municipality water treatment
		General water filters
		Filter cartridges and carbon block
		Chloramine removal
		Bacteriostatic filters
		Soil water treatment


ABOUT HAYCARB

Main segments	Sub-segments	Products and services categorisation
Air/Gas A range of standard, impregnated, and specialised activated carbon products for a wide range of air purification applications. 	Ultrapure water Activated carbon products geared to achieve incredibly low levels of total organic content in line with extremely stringent quality standards.	Condensate boiler feeder water treatment Dialysis Electronics industry
	Beverage industry Superior granular and powdered carbon products specifically designed to retain the organoleptic character of beverages.	Bottling water treatment Carbonated drinks and alcohol Fruit juice manufacturing
	Swimming pools and aquariums Activated carbon products with large pore networks and superior adsorption capabilities.	Aquariums Swimming pool filters
	Personal protection Activated carbon products that protect humans from toxic fumes and other gases.	Industrial respirators Military applications Personal respirators and face masks
	Waste gas treatment Activated carbon products for the removal of toxic fumes and hazardous gases from industrial processes.	Flue gas treatment Industrial waste gases Mercury vapour removal
	Solvent recovery Activated carbon products for the recovery of organic solvents used in industrial processes.	
	CO₂ purification Activated carbon products for the purification of carbon dioxide prior to being used in industrial processes and beverages.	Industrial CO ₂ production Beverage industry
	Sewage air treatment Activated carbon products for the removal of highly malodorous and pungent odours released in sewage treatment plants.	
	Air filters Activated carbon solutions for the removal of nuisance odours and harmful gases that enter through ventilation and air conditioning systems.	Circulation air filters Control room corrosive contaminant removal Air filters for equipment Pressure swing adsorption Compressed air
	Petroleum and gas purification Cutting edge adsorption technologies and purification solutions geared for the petrochemical industry.	Hydrocarbon sweetening Boiler condensate Pressure swing adsorption Gas scrubbers Natural gas production and purification Vapour recovery units

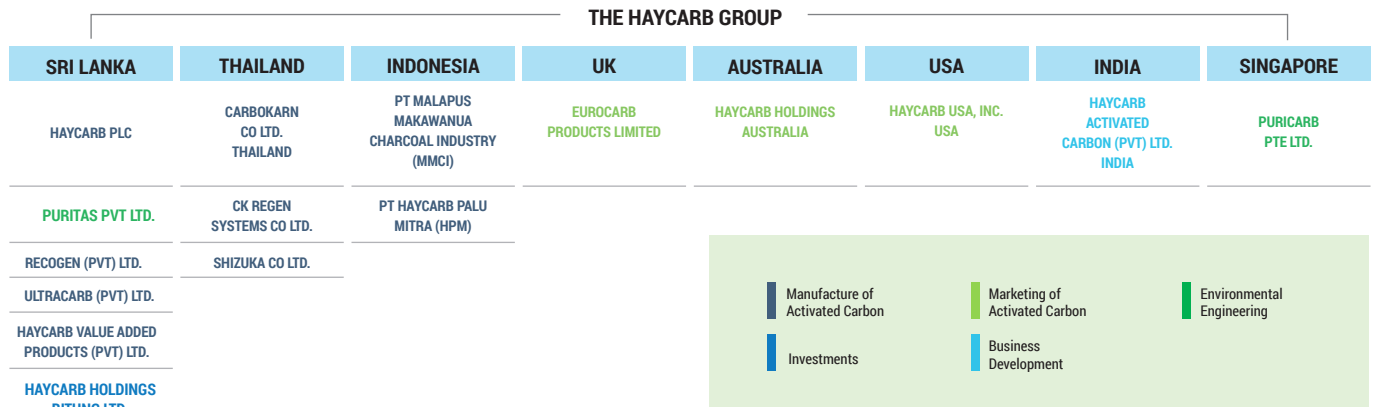
ABOUT HAYCARB

Main segments	Sub-segments	Products and services categorisation
Food and beverage Powdered Activated Carbon and Granular Activated Carbon products that comply with international food grade product standards for diverse applications in the food and beverage processing industry. 	Alcoholic beverages Powdered activated carbon and granular activated carbon products for liquid phase and gas phase applications in the liquor and brewing industry.	Beer Wine Spirits
	Fruit juices Carbon solutions for the purification of fruit juices to reduce mycotoxins.	
	Water treatment Superior granular and powdered carbon products specifically designed to retain the organoleptic character of beverages.	
	Additives and supplements Total purification solutions for a diverse array of food additives and supplements production.	
	Edible oil purification Tailor-made range of Powder Activated Carbons for the purification of edible oils.	Coconut oil Food oils
	Decaffeination A range of products that can be used at the consumer level to decaffeinate tea and coffee.	
Energy Specialised Activated Carbon products for energy storage. 	A special carbon series manufactured for both ultra capacitors and battery applications	
Gold Technically superior activated carbons for efficient gold extraction. 	CIP/CIL/CIC gold extraction Activated carbon for Carbon-In-Pulp (CIP), Carbon-In-Leach (CIL), and Carbon-In-Circuit (CIC) processes in gold mining.	
	Heap leach gold extraction Tailor-made activated carbon products for heap leach gold extraction manufactured using cutting edge activation and processing technologies.	
	Rare metal recovery A novel range of products for the recovery of precious metals such as silver, copper, nickel, and zinc.	

ABOUT HAYCARB

Main segments	Sub-segments	Products and services categorisation
Speciality Activated carbons for specialised application segments that adhere to specific adsorption requirements. 	Chemical processing Purification solutions for different stages in the manufacturing processes of the chemical processing industry.	Fertiliser and agrochemicals Organic chemicals Inorganic/Polymer chemicals
	Cigarette filters Activated carbon products for the retention of a wide range of vapour phase, semi-volatile, and low molecular weight contaminants in cigarette smoke.	
	Automotive Bespoke activated carbon products highly sought after by modern automobile manufacturers.	Evaporative Loss Control Devices (ELCD) Cabin air filter Adsorbed Natural Gas (ANG)
	Nuclear Precision manufactured activated carbon products for outstanding adsorption capabilities offering a comprehensive purification and adsorption solution.	Radio iodine and methyl iodide removal Nuclear delay beds
	Catalytic carbon Activated carbon product range comprised of standard high activity coconut shell-based granular grades and acid washed grades that have enhanced catalytic carrier properties.	
	Medical and pharmaceutical Activated carbon products leveraging advanced manufacturing capabilities to meet the purification requirements of the industry.	Poison adsorption Dialysis Therapeutics and additives Solvents

ABOUT HAYCARB



*Equity Accounted Investees

Lakdiyatha (Pvt) Ltd.

Carbotels (Pvt) Ltd.

GRI – 102-4, 102-6

WHERE WE ARE

Haycarb operates six activated carbon manufacturing locations in Sri Lanka, Thailand, and Indonesia. The Company operates a global sales network including marketing subsidiaries in USA, UK, and Australia.



MILESTONES

1973

- ▶ Incorporation of Haycarb

1975

- ▶ Listed in the Colombo Stock Exchange

1977

- ▶ First export to Nevada

1984

- ▶ Sorb-Tech, a 49% owned joint venture marketing company incorporated in the USA, was the first overseas investment of the Group. One of the earliest Sri Lankan companies to step outside its shores

1986

- ▶ Established Haycarb Holdings Australia and Eurocarb Products

1989

- ▶ Became one of the first Sri Lankan companies to surpass Rs. 100 million net profit
- ▶ Established an Independent quality control system at Haycarb

1990

- ▶ Haycarb became a leading high quality activated carbon manufacturer through the introduction of new value added products such as pelletized carbons, impregnated carbons, washed carbons and ultrafine powdered carbons

1996

- ▶ Innovation of theoretical and practical model for activation mass balance (CTC vs yield)
- ▶ Innovation of Haycarb Crushing theory
- ▶ Obtained the first ISO 9002 certification in Sri Lanka
- ▶ Purchase of Badalgama factory

1995

- ▶ Development of 80x325 product manufacture in pulverisers
- ▶ Venturing in to providing solutions for water and waste water treatment through establishing Puritas (Pvt) Ltd.

- ▶ The SorbTech name was changed to Haymark in the USA, and shareholding was increased from 49% to 100%

1993

- ▶ Acquired shares in Carbokarn Co. Ltd. and opened first manufacturing plant outside Sri Lanka

1991

- ▶ Achieved Market Capitalisation of Rs. 1 billion

1999

- ▶ Obtained the first ISO 9001 certification in Sri Lanka

2002

- ▶ Forward integration to Spent Carbon Regeneration business in Thailand – CK Regen Systems Thailand

2003

- ▶ Technology to manufacture green charcoal was developed through establishing Recogen (Pvt) Ltd.
- ▶ Development of H₂S removal MgO pelleted carbon

2005

- ▶ Contracted with one the largest cigarette filter manufacturers in the world
- ▶ First manufacturing facility in Indonesia- PT Mapalus Makawanua Charcoal Industry to increase manufacturing footprint of the group
- ▶ Launch of activated carbon products through introducing the Oxytura facemarks in Sri Lanka

2010

- ▶ Innovation of EDLC carbon – through fully owned subsidiary Ultracarb (Pvt.) Ltd.
- ▶ Obtained the NSF Certification in Sri Lanka
- ▶ Capacity expansion in Thailand and Indonesia to reach a global capacity of 25,000 MT
- ▶ Launch of Haycarb Group's new logo

2009

- ▶ Launched Mr. Fresh, Bin Fresh Odour Remover Products Range
- ▶ Winning the account for the largest gold mine in Russia lead the entry into the Russian gold mining sector

2008

- ▶ Received the Patent for Oxytura Facemask Design
- ▶ Received the Patent for Green Charcoal manufacturing through Recogen (Pvt) Ltd.

2007

- ▶ Obtained the first Halal Certification in Indonesia

2011

- ▶ Innovation of Flue gas activation technology
- ▶ Obtained the first ISO 14001 certification in Sri Lanka
- ▶ All Sri Lanka entities transition to SAP NetWeaver 6.0 to improve processes and provide better service to customers and stakeholders
- ▶ First cycle of audits for carbon credits verification under the Kyoto Protocol was successfully completed

2012

- ▶ Commissioned Sri Lanka's first-ever BOT project in wastewater sector together with Veolia India, at National Holiday Resort Passikudah
- ▶ Expansion of manufacturing footprint in Thailand – investing in Shizuka with manufacturing plant in Ratchapuri Province

2013

- ▶ Reached a Profit before tax of LKR 1 billion
- ▶ Innovation of oil free activation technology
- ▶ Increase capacity to manufacture a range of new value added activated carbon products through establishing Haycarb Value Added Products (Pvt) Ltd.
- ▶ Contracted with large distributors in China to actively promote Haycarb products


PROFITABLE PERFORMANCE

INNOVATION

TECHNICAL EXCELLENCE

CUSTOMER CENTRICITY

SUSTAINABILITY

MILESTONES

2015

- ▶ Development of Monochloramine removal carbon-MCA
- ▶ *Puritas Sath Diyawara* was recognised as Asia's leading SME CSR Project at Asia Responsible Entrepreneurship Awards

2014

- ▶ Obtained the Kosher Certification in Indonesia and Thailand
- ▶ Award of first Island Infrastructure project in L.Maamendhoo, Maldives to Puritas
- ▶ Expanding manufacturing footprint in Indonesia through a joint venture in Palu Province, Central Sulawesi. PT Palu Mitra
- ▶ Launched the first project under *Puritas Sath Diyawara* in Maithreepura, Padaviya
- ▶ Haymark was rebranded as Haycarb USA in line with our vision to create Haycarb brand identity in USA

2016

- ▶ Launched Oxytura Raptor, Valve facemasks and Clipit Car Odour Remover
- ▶ Development of Classifier Technology for POU water treatment carbon
- ▶ Lean Project of Activation Output increase by 10%
- ▶ 3M/Exodus product production plant implementation
- ▶ Commencement of monitoring OEE in factory operations
- ▶ *Puritas Sath Diyawara* was recognised as Asia's leading Health Promotion Project and "Going Beyond" was recognised as Asia's leading Social Empowerment Project at Asia Responsible Entrepreneurship Awards
- ▶ Commencement of "Haritha Angara" Eco Friendly Pit construction scheme

2017

- ▶ Obtained the HACCP, GMP and WQA (USA) Sustainability Certification in Sri Lanka
- ▶ LPG system and fuel switching for cleaner emission and cost saving
- ▶ New drying technology implementation for powder drying
- ▶ Water reduction by 10% per MT in Washing Plant
- ▶ Start of works of Greater Male Water Supply Scheme Project with Veolia, France
- ▶ Awarded first project under World Bank Funded Water Supply and Sanitation Improvement Project (WaSSIP)
- ▶ 'Going Beyond' was recognised as Asia's leading Social Empowerment Project
- ▶ "Haritha Angara" was recognised as Asia's leading Green Leadership Project at Asia Responsible Entrepreneurship Awards

2018

- ▶ Crossed USD 100 million in turnover
- ▶ Innovation of washed powder carbon dryer
- ▶ Obtained the first ISO 22000 certification in Sri Lanka
- ▶ Expansion of Gold carbon business in West Africa
- ▶ *Puritas Sath Diyawara* was recognised as World's Best CSR Project in "Water" category at Energy Globe Awards 2017/18

2019

- ▶ Establishment of Polysilicone carbon
- ▶ Establishment of Food grade carbon – GMP
- ▶ Obtained the Organic Certification – OMRI – USA in Sri Lanka

2020

- ▶ Launch of "Oxytura Care" face mask
- ▶ Establish chemically activated wood carbon products and processes in Thailand
- ▶ Obtained the SLS:1672:2020 COVID Management System certification in Sri Lanka
- ▶ Received Bacteria Filtration Efficiency (BFE), Virus Filtration Efficiency (VFE) certifications for Oxytura Care from Bureau Veritas Sri Lanka and Hong Kong
- ▶ Output increment in regeneration kilns
- ▶ Significant capacity improvements in the washing plants in Sri Lanka and Thailand
- ▶ Virtual Tour set up for enabling virtual customer audits
- ▶ Total manufacturing capacity over 50,000MT
- ▶ Launch of 25 for 25 sustainable initiatives in celebration of Puritas' 25th Anniversary

2021

- ▶ Reached a Profit before tax of Rs. 4.4 billion
- ▶ Introduction of Haycarb group's first integrated report
- ▶ 1:10 ordinary shares split
- ▶ Market Capitalisation crossed Rs. 25 billion
- ▶ ISO 22000:2018 (Haycarb Sri Lanka)
- ▶ Increased Ultracarb plant (EDLC) capacity by 100%
- ▶ Global Manufacturing Capacity crosses 55,000
- ▶ Removal of fossil fuels usage for AT process (for volatile gas combustion in VBC) in the pellet plant
- ▶ Launched Oxytura Sportec and Posh Minis facemasks
- ▶ Maintained Customer Satisfaction Score above 80% for 5th consecutive year.
- ▶ 2/3 of raw material for Sri Lankan operations now comes from green sources
- ▶ Gold award winner in the Engineering and Pollution Control category at The Green World Awards 2020 (UK)

GRI – 102-14

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

“Our stellar success over the year under review is testament to a long-term strategic plan, developed and implemented over the last decade with a clarity of vision and mission.”



MOHAN PANDITHAGE
Chairman

RAJITHA KARIYAWASAN
Managing Director

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

It gives us great pleasure to present Haycarb PLC's first integrated Annual Report and Financial Statements for the year ended 31st March 2021.

During the year under review, your Company recorded the strongest financial performance of its over 45-year history, marked by heightened profitability and a strong balance sheet. Haycarb Group reported a profit before tax and profit after tax of Rs. 4.49 billion and Rs. 3.56 billion, respectively. Gross profit increased to Rs. 7.5 billion, accompanied by a 25% increase in the gross profit margin to reach 29.6%. The increase in the Company's profitability was reflected in an ROE of 24%, compared to 17% last year.

The earnings per share increased to Rs. 10.25, and the net asset value per share showed a significant increase from Rs. 31.37 to Rs. 45.10. The Company invested Rs. 1 billion in capital projects in addition to significant increases in working capital to support the growth in the business.

As a result of this outstanding performance, the Company paid four interim dividends totalling Rs. 3.70 per share. During the year, the ordinary shares of the Company were subdivided by splitting each issued ordinary share to 10 ordinary shares, increasing the total number of issued ordinary shares to 297,123,750 from 29,712,375.

Your Board of Directors proposed a final dividend of Rs. 0.50 per share for the year ending 31st March 2021, totalling the dividends paid during the year to Rs. 4.20 per share.

STRONG, ORGANIC GROWTH

Haycarb's business model is anchored on the four strategic pillars of Innovation, Technical Excellence, Customer Centricity and Sustainability, which is practiced as a way of life in all aspects of our operations. This integrated report presents our core strengths, resources and processes that are developed within each of these pillars.

Haycarb Group recorded a total turnover of Rs. 25.48 billion, a growth of 12% over the previous year. The primary driver of this performance was the activated carbon turnover, which increased to Rs. 23.1 billion from Rs. 19.3 billion in 2019/20. A surge in overall sales volumes of all activated carbons, together with a significant contribution made by the increase in value added products, resulted in the higher turnover, which is creditable against the backdrop of lockdowns during the first wave of COVID-19 in 1Q 2020/21 that negatively impacted manufacturing operations. R&D efforts to broaden the value added portfolio coupled with an incisive marketing strategy saw heightened sales in energy storage, point of use (POU), gold recovery, respirator, pelletised and impregnated carbons, enhancing Haycarb's position in the specialised and high-end market segments. Significant incursions were also made into new and existing markets with sales in China, Russia and West African region showing strong growth. The devaluation of the rupee against the USD also resulted in the increase in reported turnover.

Throughout the reporting year, a consistent supply of our key raw material, coconut charcoal, became very challenging due to COVID-19 disruptions in every country in which we operate. Added to this impact was the global shipping crisis, which resulted in constrained space with a rapid increase in ocean freight that made the importation of charcoal extremely costly. Both these factors resulted in a significant increase in coconut charcoal costs,

an impact that we had to share with our customers. We are very much appreciative of the understanding and support extended by our loyal clients to share these cost increases during this unprecedented time.

Puritas, the environmental engineering arm of the Group, reported a revenue of Rs. 2.2 billion against a revenue of Rs. 3.5 billion the previous year. Throughout 2019/20, uncertainties in regional markets, including Sri Lanka, Maldives, Bangladesh and Myanmar, stymied the progress of Puritas' primary business line, the design and installation of water and wastewater treatment projects. These challenges were exacerbated by the COVID-19 pandemic in the year under review, with global restrictions on movement and a worldwide economic recession disrupting two of Puritas' main customer segments: tourism and housing construction.

Nevertheless, Puritas made noteworthy strides by securing significant projects in Sri Lanka under the Water Supply and Sanitation Improvement Projects (WaSSIP initiative), which is administered by the Ministry of Water Supply and the Climate Resilient Integrated Water Management Projects funded by the UNDP. Puritas will increasingly look towards such larger scale collaborations in the future. Furthermore, Puritas' revenue was bolstered by a sharp increase in sales of activated carbon products including its range of Oxytura Care face masks specifically designed and produced to protect against the transmission of COVID-19.

“The engine of our success this year has been our employees, and they are directly responsible for the giant strides we have made. The commitment and tirelessness displayed by our people, at times in the face of personal risk, exemplifies our unique culture, built over time and inculcated consistently across our network.”

RESILIENCE BUILT ON STRONG FUNDAMENTALS

During the time of COVID-19, it has become commonplace to talk about resilience – but resilience is a quality that is years in the making. Our stellar success over the year under review is testament to a long-term strategic plan, developed and implemented over the last decade with a clarity of vision and mission, and then put into action. In that regard, it is fitting that our performance this year is presented in the form of an Integrated Report since it reveals the multifaceted and deep-rooted drivers of our value creation process. While the reader of this Report will find further details of our imperatives, objectives, and performance in the Management Discussion and Analysis and elsewhere, it is worth reflecting on three particular elements that were crucial to the progress made this year.

First, Haycarb's emphasis and focus on capacity building and increasing value addition capabilities across all manufacturing facilities is evident in its investment of over Rs. 7 billion in capital expenditure during the last 10 years. This enhanced manufacturing potential allowed us to respond swiftly to meet demands and gain footholds in new markets.

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

Despite the economic fallout of the pandemic, we continued our forward-looking investment plans with over Rs. 1 billion invested in capital projects during 2020/21, with a special focus on increasing capacities and building our value added and premium product manufacturing capabilities. We anticipate that these investments will yield good results in the near term, allowing us to capitalise on emerging opportunities and provide customers with the excellence and reliability that is our hallmark. Furthermore, the combined efforts of our manufacturing, engineering, R&D and technical teams to practice lean and continuous improvement philosophies generated process efficiencies and added significant savings, notably in the reduction in usage of fossil fuels and water for industrial use.

Second, a key competitive differentiator that sets Haycarb apart is its diverse, extensive raw material procurement network, which is spread across all the major coconut producing countries in the region, and our manufacturing footprint that spans three countries. Our efforts in backward integration (such as our green charcoaling projects *Haritha Angara* in Sri Lanka and Vertical Kiln Charcoaling in Thailand) and our protocol of maintaining considerable buffer stocks enabled the Company to compensate for disruptions in supply caused by the pandemic and deliver on time to our customers. Our strength in supply chain management also helped us navigate further shortages of raw materials in Q3 and Q4, allowing us to continue the momentum built in the early part of the financial year. Key investments in equipping our six manufacturing plants across three countries with consistent processes, advanced technology, quality/SHE certifications, and experienced management teams have resulted in superior performance in the most challenging period in the history of Haycarb.

Third, our Business Development and Marketing teams from across our network built on years of market research to quickly identify areas of demand. We optimised Hayleys Group synergies to serve clients during this time of crisis with creative, workable delivery solutions. A highlight of the year was the launching of an innovative Virtual Factory Tour software platform, enabling clients to view our production facility virtually for plant audits and certifications. These innovations and solutions in logistics, delivery, and customer interfaces will become ever more crucial to remaining competitive and relevant as we navigate the impact of COVID-19 in the next financial year and beyond.

HARNESSING OUR UNIQUE CORPORATE CULTURE

The engine of our success this year has been our employees, and they are directly responsible for the giant strides we have made. The commitment and tirelessness displayed by our people, at times in the face of personal risk, exemplifies our unique culture, built over time and inculcated consistently across our network. In turn, Haycarb viewed it as a matter of pride to retain all employees at full remuneration and ensure job security whilst granting annual increments and bonuses to all our personnel in spite of the uncertain and challenging business climate when the pandemic struck us hard in March 2020. Employee welfare was treated as paramount, with health and safety protocols adhering to Government directives introduced at all work sites to protect employees from the spread of COVID-19, in addition to industrial health and safety protocols followed diligently at all times. The Company implemented a strict regime of PCR testing in line with Government guidelines, and provided a range of facilities for employees and families that faced difficulties due to COVID-19,

such as providing transport for employees to travel safely to work, special meal programmes, provision of vitamins/herbal drinks to boost immunity, protective personal equipment, access to medical consultation via online sessions and financial assistance for quarantine and medical care.

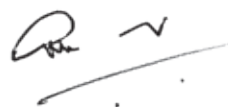
Another vital aspect of our culture is sustainability, which for Haycarb is not simply supplementary but an intrinsic core element of our business strategy. In spite of the impact of COVID-19, the footprint of our flagship community service venture, *Puritas Sath Diyawara*, was expanded to provide over 190,000 litres of purified water per day to over 43,800 beneficiaries in villages affected by the Chronic Kidney Disease (CKD) in the North, North Central, and Uva Provinces. Haycarb also responded to the need of the hour by investing approximately Rs. 14 million towards COVID-19 relief initiatives, including donations of face masks and sanitisers to public servants and workers on the frontline of the pandemic, medical equipment to the Intensive Care Unit (ICU) of the Infectious Diseases Hospital (IDH), and other essential items to various affected communities. In celebration of Puritas' 25th anniversary, the subsidiary launched 25 social and environmental sustainability-focused initiatives including volunteering 2,725 hours for social services and for initiatives under *Puritas Sath Diyawara*. The Company also continued to carry out its environmental CSR activities, such as tree planting, across communities in its three manufacturing locations (Sri Lanka, Thailand and Indonesia).

As we look towards the next year, our primary goal is to consolidate the excellent performance of 2020/21 and prepare for the next wave of growth. The COVID-19 pandemic will continue to affect daily life, creating economic uncertainty, and short-term agility must be balanced against long-term planning. However, we remain supremely confident in our strategy and vision, and seek to build on the groundwork that has brought us this far. Backed by our core values, enduring relationships, and strong manufacturing and supply base, the Company is in a strategic position to capitalise on the opportunities that arise out of the emphasis placed on sustainability and personal protection globally.

APPRECIATION

We warmly welcome Ms. Shamalie Gunawardana to the Board of Directors and look forward to her engagement and contribution.

We thank our employees who acted as one team to overcome the unprecedented challenges during the year due to impact of the COVID-19 pandemic that affected all business units. We extend a special thank you to our valuable customers globally, for the trust placed in us and for partnering with us to find solutions to complexities in supply chain dynamics and delivery channels. Our colleagues on the Board join us in also thanking our business partners, shareholders, suppliers and other stakeholders for their support and loyalty extended throughout the year.



Mohan Pandithage
Chairman

18th May 2021



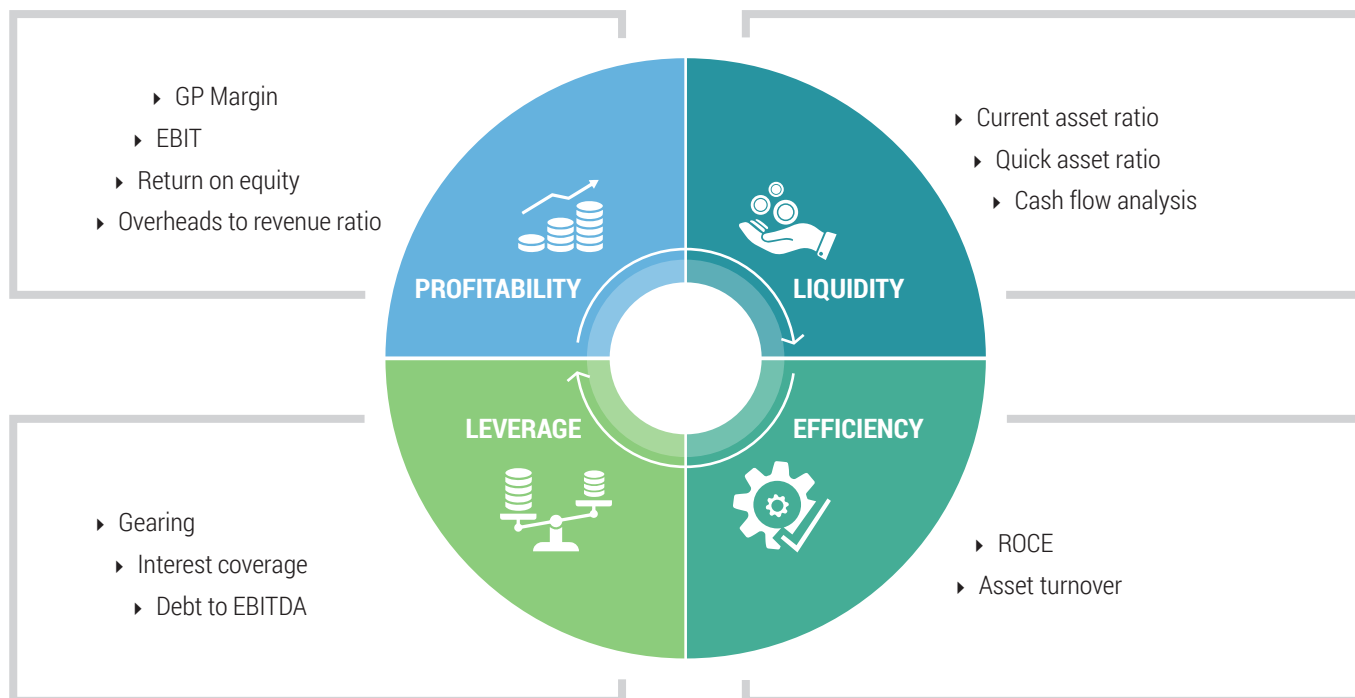
Rajitha Kariyawasan
Managing Director

GRI – 102-7, 201-1

FINANCIAL REVIEW

The Haycarb Group considered the threats from the COVID pandemic as an opportunity to capitalise on its preparedness with in-house capacity and capabilities to thrive at its best. The Company managed to record the best ever performance of its history to date; reporting a profit before tax of Rs. 4.49 billion.

The financial performance of the Group is explained under four key aspects as depicted below:

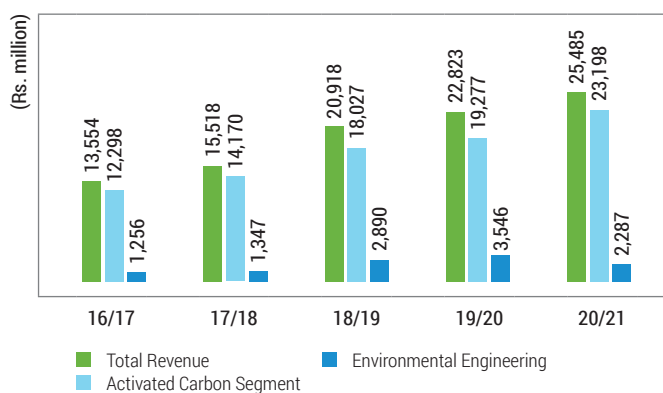


PROFITABILITY

Turnover

Haycarb Group recorded a turnover of Rs. 25.5 billion, surpassing the USD 100 million mark consecutively for the fourth year. The Group's turnover grew by 12% (2019/20 – Rs. 22.8 billion) fueled by the overall increase in activated carbon volumes, higher contribution by the value added product portfolio and price adjustments made in line with unprecedented cost increases owing to the pandemic. The rupee depreciation also impacted positively to the top line growth. The environmental engineering segment of the Group recorded a significant growth in the face mask revenue for the year, even though the COVID-19 pandemic negatively impacted its primary business line – water and waste water treatment projects.

TURNOVER

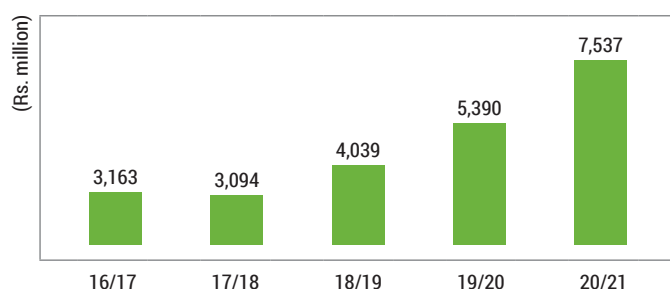


FINANCIAL REVIEW

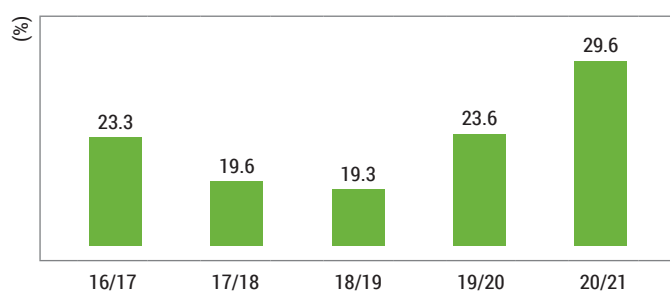
Gross Profit and Gross Profit Margin

The Group recorded a Gross Profit of Rs. 7.5 billion, an increase of 40% from the previously reported Rs. 5.4 billion in 2019/20. The Gross Profit margin improved to 29.6% from 23.6% recorded in 2019/20. The increase in sales volume, growth in the value added product portfolio including energy storage carbons and cost savings generated by lean initiatives, contributed to margin improvements.

GROSS PROFIT



GROSS PROFIT MARGIN



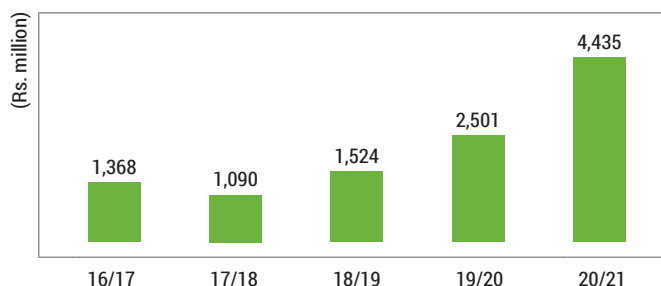
Earnings before Interest and Tax (EBIT)

The operating profit (EBIT) of the Group grew to Rs. 4.43 billion, an increase of 77% compared to Rs. 2.5 billion in 2019/20, reflecting the outstanding performance of the Company despite the headwinds caused by the pandemic.

It is noteworthy to report the 12% increase in revenue for the year with a significant increase in overall sales volumes and growth in value added product portfolio in spite of unprecedented challenges including lock-down measures experienced in the locations that we operate. The group managed to achieve significant operational efficiencies despite additional expenses incurred to combat the effects of COVID-19 pandemic. Travel expenses and costs of physical marketing efforts were reduced during the year. These were innovatively addressed through on-line platforms discussed elsewhere in this report. The cost savings achieved through the lean platform amounted to Rs. 197 million. The improved cash flow and exchange gains enabled the company to record significant savings in finance expenses.

Haycarb Group reported a profit before tax of Rs. 4.49 billion, a 106% increase compared to Rs. 2.18 billion reported in 2019/20. Profit after tax too followed a similar trend and improved to Rs. 3.6 billion from Rs. 1.8 billion.

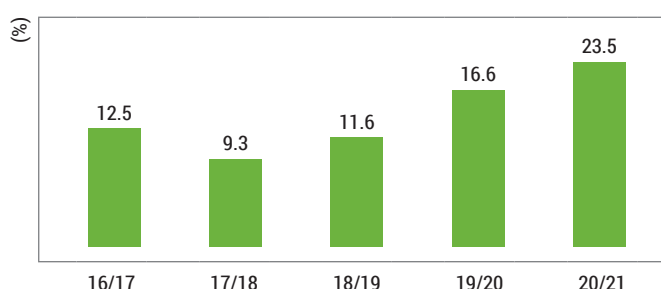
EBIT



Return on Equity (ROE)

Reflecting the increase in profit for the year, the ROE improved to 23.5%.

ROE

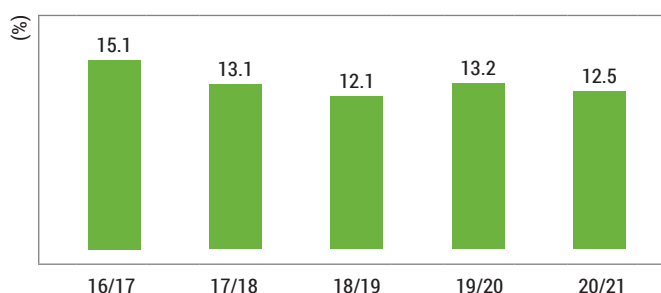


The improvement of the operating efficiency of the Group which is depicted by the net margin ratio improving to 14% and the improvement in finance leverage ratio resulted in the significant improvement of ROE, in spite of decrease of asset turnover to 1.0 times.

Overheads to Revenue Ratio

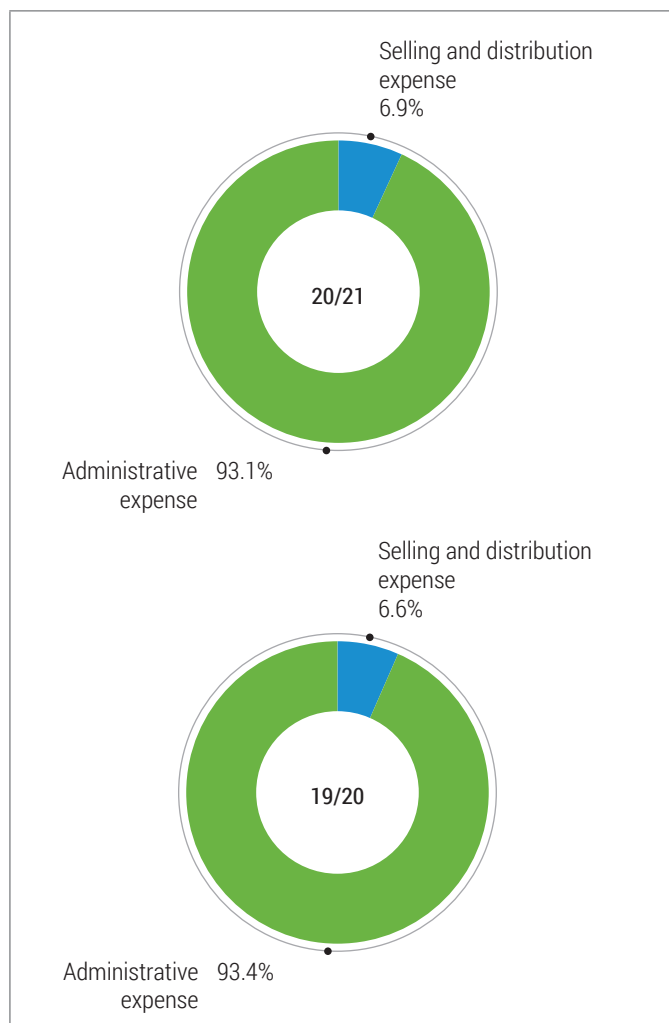
The overheads cost to revenue ratio declined to 12.5% during the year mainly due to the higher revenue base and management of overhead costs.

OVERHEADS COST TO REVENUE RATIO



FINANCIAL REVIEW

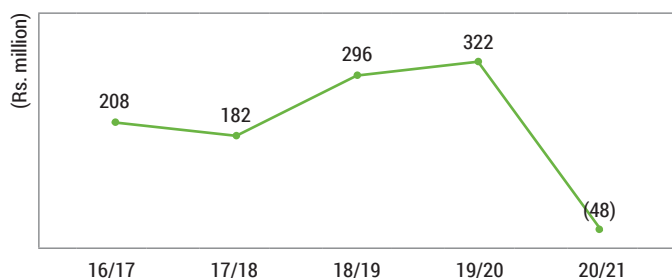
OVERHEAD COST



Net Finance Cost

Net finance cost of the Group of Rs. 322 million in 19/20 turned out to be a net finance income of Rs. 48 million in 2020/21. This was mainly due to a substantial growth in dividend income from investments, the reduction in interest rates, more cash generated as a result of better performance and the net exchange gain attributable to the devaluation of the local currencies.

NET FINANCE COST



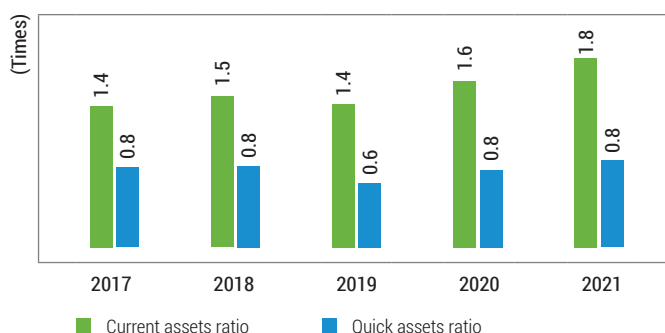
LIQUIDITY

Current Asset and Quick Assets Ratio

The Haycarb Group has maintained the current asset ratio at 1.8 times and quick assets ratio at 0.8 times for the year 2020/21, presenting a stronger stance on the liquidity of the Company compared to 2019/20.

This was a result of higher inventory and debtors generated due to the larger capacity of operations during the year, generation of funds through better financial performance and strategy of funding capital expenditure through long-term debt.

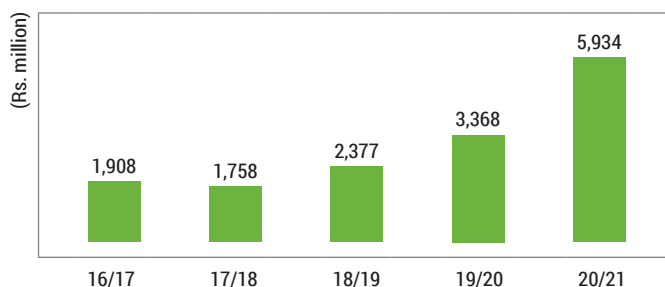
CURRENT AND QUICK ASSET RATIO



Cash Flow Analysis

Analysis of cash flows reflects the increase in positive cash generation from operating activities before working capital changes, in year 2020/21 due to improved performance.

CASH GENERATED BEFORE WORKING CAPITAL CHANGES



The operating cash flows indicate investment in debtors and inventory due to growth in the business while cash outflows from investing activities increased mainly due to over Rs. 1 billion investments made during the year to facilitate in house capacity enhancements. It is also notable that a part of the funds generated through the exceptional performance during 2020/21 was also distributed among the shareholders by way of dividends.

FINANCIAL REVIEW

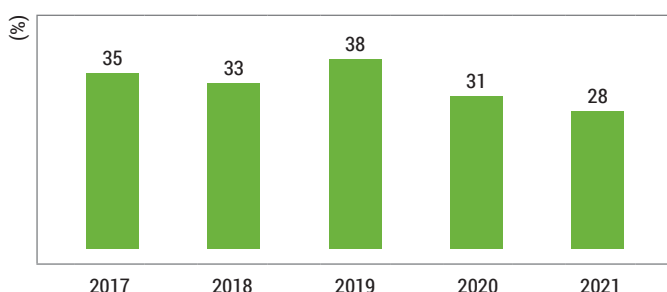
LEVERAGE

Gearing Ratio

Group borrowings increased from Rs. 4,755 million as at 31st March 2020 to Rs. 5,873 million as at 31st March 2021. Despite the higher borrowings position, both the debt to equity ratio and the gearing ratio declined due to the higher equity base with the commendable profitability during the year.

In terms of the composition, short term loans accounted for more than 60% of the borrowings portfolio. Further, capital projects were funded predominantly through funds organically generated through the increased profitability during the year and long-term loans.

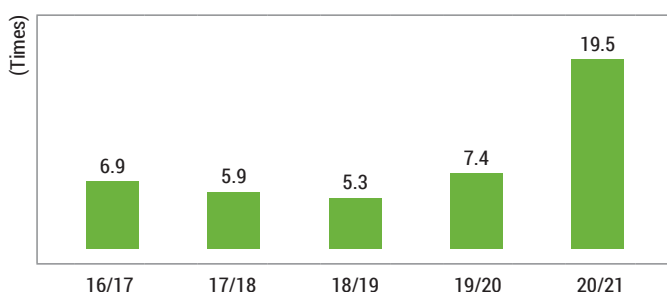
GEARING RATIO



Interest Coverage

In terms of Interest Coverage, Haycarb has improved its ability to service its financial commitments to lenders from 7.4 times to 19.5 times due to both lower interest costs and higher profitability depicting the strength of the Company's financial health.

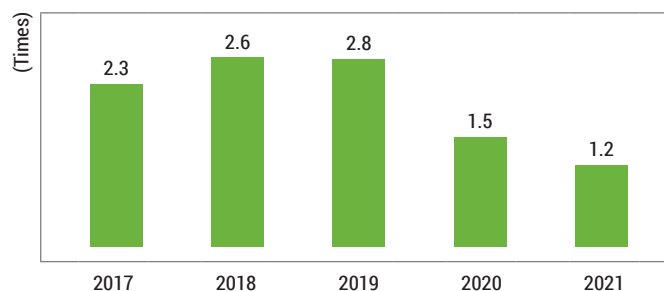
INTEREST COVERAGE



Debt to EBITDA

The Debt to EBITDA ratio is 1.2 times, a reduction of 20% compared to last year (2019/20 – 1.6). The Company's financial strength to service debt improved significantly during the year due to the higher profitability reported.

DEBT TO EBITDA

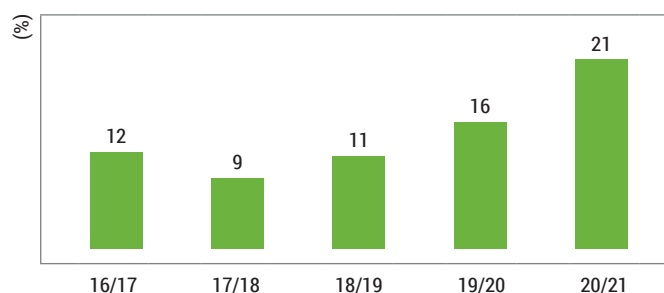


EFFICIENCY

ROCE

ROCE increased to 21% during the year under review, mainly due to the higher profitability recorded in the activated carbon segment despite the increase in capital employed due to increase in debt and shareholder funds.

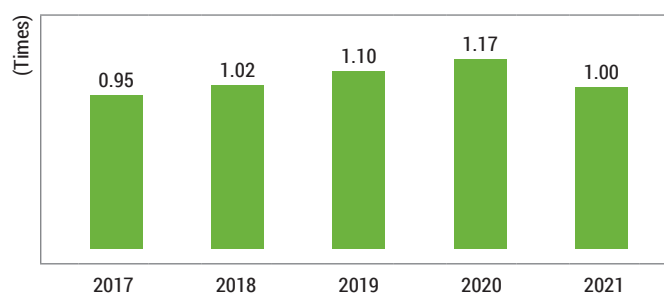
ROCE



Assets Turnover

The assets turnover ratio shows a decline from 1.17 times to 1.00 time due to the significant capital and working capital investments made during the year and increase in fair value of financial assets through OCI which outweighed the increase in total revenue. The returns on the capital investments made to expand in-house capacity and capabilities are expected to be generated in the near-term.

ASSETS TURNOVER RATIO

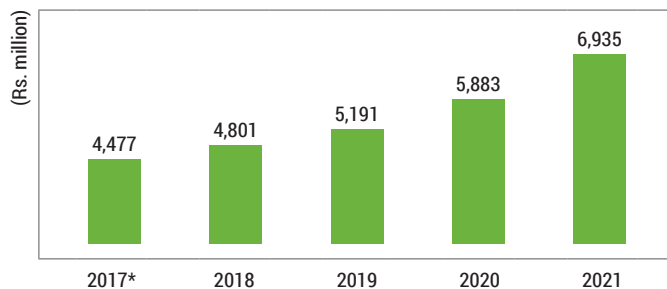


FINANCIAL REVIEW

Investments in Assets

Over Rs. 1 billion capital expenditure incurred during the year was mainly focused on enhancing the in-house capacity and capabilities to produce value added carbons. Key projects included investments to enhance capacity of Pellets, Washing and EDLC plants, installation of activation kilns and post activation equipment.

CUMULATIVE INVESTMENT IN CAPEX – 10 YEARS



*Total from 2012 to 2017

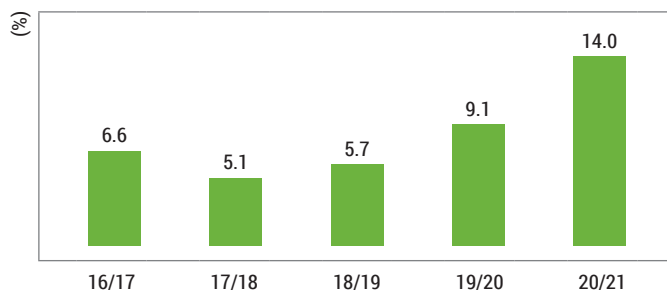
Investor Capital (Equity Ratios)

Significant improvements recorded in overall operating performance and enhanced profitability as explained above led to improved returns to the shareholders.

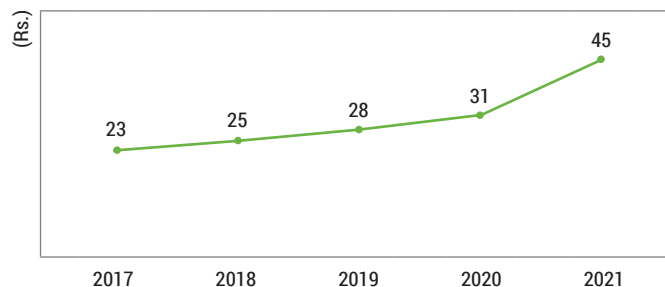
Accordingly, Return on assets ratio increased from 9% to 14%, reflecting effective utilisation of assets in terms of profitability. The earnings per share increased by 95% to Rs. 10.25 compared to FY 2019/20. The net asset value per share recorded a substantial increase from Rs. 31.37 to Rs. 45.10. P/E ratio improved to 9.07 as at 31st March 2021. (3.05 as at 31st March 2020)

The dividend payout ratio was 36%. Considering the improved performance for the year, the Company paid four interim dividends totalling to Rs. 3.70 per share for the year under review amounting to Rs. 1,099 million compared to Rs. 445 million in 2019/20. The board of directors has proposed a final dividend of Rs. 0.50 per share subject to approval of the shareholders at the AGM.

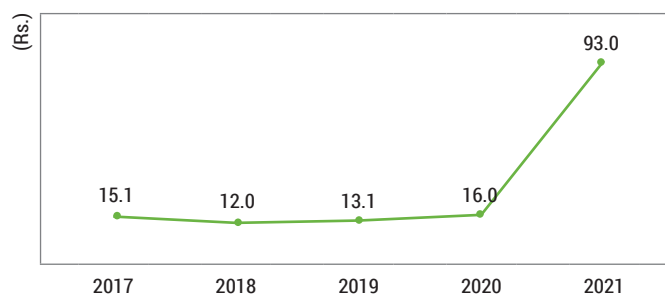
ROA*



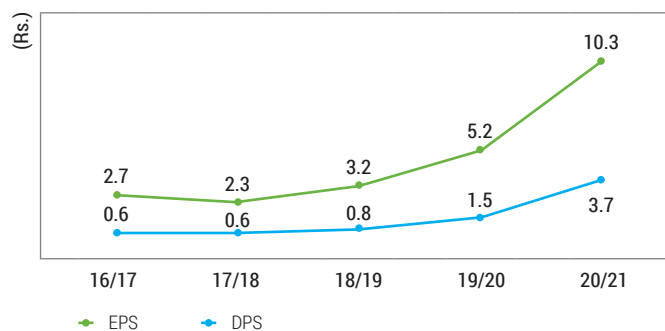
NET ASSETS VALUE PER SHARE*



MARKET PRICE PER SHARE*

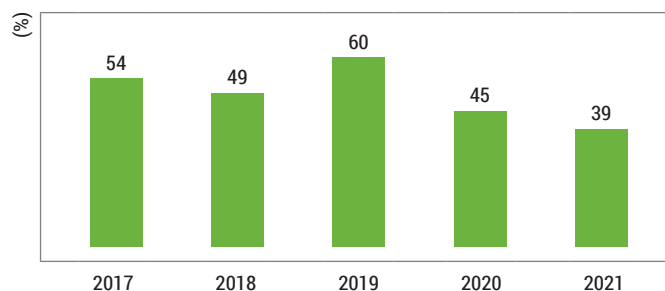


EPS VS DPS*



*Calculations are based on increased number of shares following to the subdivision of 10 ordinary shares for each 1 ordinary share issued that took place on the 10th of February 2021. Prior year numbers including market prices per share have been restated for comparison purpose.

DEBT TO EQUITY





Business Context and Outlook

- 23 Strategy
- 24 Stakeholder Engagement
- 28 Factors Impacting Our Value Creation Process
- 32 Our Business Model

STRATEGY

The foundation of Haycarb's success is a clear, purposive, long-term strategic plan, developed and implemented with a clarity of vision. In our execution of this strategy, we combine a disciplined approach with agility to respond to market conditions and the demands of our stakeholders. The strategy seeks to build on our competitive advantages and differentiators to position ourselves at the forefront of the global coconut shell activated carbon market and environmental engineering solutions in Sri Lanka and in the region. It sets out a roadmap to ensure that we can create sustainable value for our stakeholders over the short, medium, and long term.

OUR VISION

"To be the leading global brand for Coconut Activated Carbon and a leading provider of Water Purification Systems in Sri Lanka and in the region, renowned for customer centricity, technical excellence, innovation and sustainable business practices."

KEY DRIVERS OF THE BUSINESS

Customer Centric

approach to our business is enshrined in the values and culture of the organisation

Technical Excellence

in process and product has been the foundation on which we have grown assuring consistency and quality to all our customers globally

Innovative

implementation and review form a constant cycle of competitive value creation

Green

emphasising energy conservation and effective and efficient resource management at every stage from production through to delivery

"PURE" STRATEGIES

CONSOLIDATE

Development of high value added carbons

Key business development initiatives to attract demand for technically superior, value added carbons

Integrate technology and process capabilities of all Haycarb manufacturing locations

Align information systems and new online communication tools to integrate customer interface

Integrate the COVID-19 safety management system with the safety and quality management systems

Leverage on the logistics support synergising with the parent company volumes and capabilities

Consolidate and integrate the funding capabilities at efficient cost of capital

EXPAND

Expansion of global marketing and customer footprint and end-user activated carbon product reach

Foster greater strategic alliances with end customers along with technical collaborations

Addition of new capacity in a new location; expand value added capabilities of existing plants

Add new technology and knowhow to commercialise new product developments

Regional expansion of the Environmental Engineering business

Enhance the knowledge, expert base, empowerment, accountability and personal development of Haycarb Global Teams

Extend reach to support the wellbeing of our stakeholders

BACKWARD INTEGRATION

Ensure the optimum capacity utilisation of Recogen process

"Haritha Angara" (Green Charcoaling propagation) and enter into supplier collaborations for the backward integration of charcoaling

Expansion of Vertical Charcoal Plant technology in Thailand

Introduce the "Haritha Angara" model in Indonesia and ensure its propagation

Collaborative frameworks with the Coconut Development Authorities at each country we operate in, to expand the coconut plantation, growth and sustainability

Ensure environmental sustainability as a key pillar implementation across the supply chain and marketing of the same concept

FORWARD INTEGRATION

Extend Haycarb's technical and engineering resources to work on collaborative development projects with end customers of coconut activated carbon

Synergize Haycarb's technical and engineering expertise to resolve and improve customer application solutions

Provide end to end logistics and warehousing solutions to customers

Create new business opportunities through strategic alliances to provide carbon services including expansion of the regeneration business

SHORT/ MEDIUM TERM

P

Profitable performance

U

Unique products and processes

R

Responsible towards stakeholders

E

Environmentally friendly

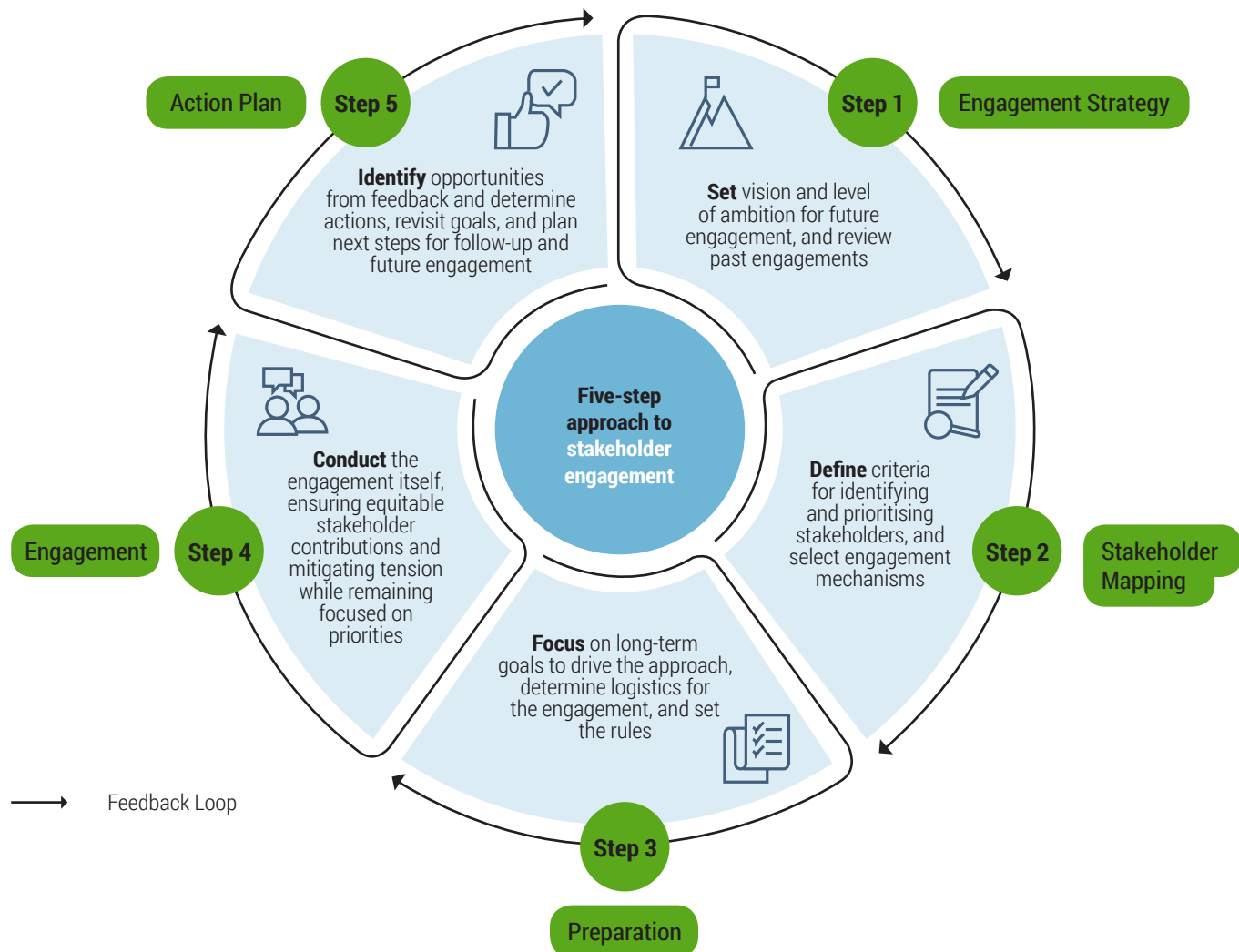
GRI – 102-17, 102-21, 102-40, 102-42, 102-43, 102-44, 102-47, 103-1, 103-2, 103-3

STAKEHOLDER ENGAGEMENT

RELATIONSHIPS WITH OUR STAKEHOLDERS

Stakeholders are individuals or groups that have a considerable impact on our operations. Our principal stakeholders are investors, customers, employees, suppliers, business partners, society and environment, and the regulators. We understand the importance of clear, transparent, consistent engagement with our stakeholder groups, and we have

implemented strategies to meet their expectations. We deliver sustainable performance by aligning with stakeholder interests and balancing their short and longer term interests. The changes brought about by the COVID-19 pandemic impacted the manner of engagement with our stakeholders. Continuous engagement with our stakeholders enables us to improve our business model and strategic planning processes.



STAKEHOLDER ENGAGEMENT

Stakeholder	How did we engage?	What were the key issues material to our stakeholders?	What was our response?
Investors	<ul style="list-style-type: none"> ▶ CSE website ▶ Social media platforms ▶ Annual General Meeting ▶ Annual reports and interim financial statements ▶ Newspapers and other online communications 	<ul style="list-style-type: none"> ▶ Dividend payments ▶ Overall return on investment including capital gains ▶ Financial strength and resilience ▶ Business risk management ▶ Integrity of management ▶ Business reputation ▶ Safeguarding assets ▶ Reinvest to grow ▶ Regulatory compliance ▶ Sustainability 	<ul style="list-style-type: none"> ▶ Better financial performance during the year ▶ Higher dividend payout ▶ Risk management culture ▶ Adhered to the Company's Code of Conduct ▶ Public affairs management and prompt responses where needed ▶ Reinvestment of earnings over Rs. 1 billion ▶ Balanced profitability in the short term and sustainable profitable growth in the long term ▶ More transparent information through integrated reporting
	<p>Level of engagement Keep informed and interactive</p>		
	<p>Frequency of engagement Quarterly/Annually</p>		
Customers	<ul style="list-style-type: none"> ▶ Virtual plant tours ▶ Social media platforms ▶ Frequent contact via emails, phone calls, video conferencing and mobile messaging 	<ul style="list-style-type: none"> ▶ Reliable delivery ▶ Consistent quality of products supplied ▶ Assurance of privacy ▶ Product improvement ▶ Driving and sharing of supply chain and process efficiencies ▶ Ethical business practices ▶ Speedy complaint resolution 	<ul style="list-style-type: none"> ▶ Resilient and innovative delivery solutions ▶ Robust system of quality assurance at all factories ▶ Investment in NPD's and technical advancement for manufacturing processes ▶ Provide positive customer experiences
	<p>Level of engagement Interactive</p>		
	<p>Frequency of engagement Frequent</p>		
Employees and trade unions	<ul style="list-style-type: none"> ▶ Increase communication through digital channels ▶ Monthly virtual town hall meetings ▶ Open door policy with Senior Management ▶ Special caring facilities for COVID related issues 	<ul style="list-style-type: none"> ▶ Workplace safety and protection from COVID-19 ▶ Job security and assurance of remuneration ▶ Employer reputation and engagement with the community and environment ▶ Career progression ▶ Skill development ▶ Work-life balance ▶ Human rights at the workplace 	<ul style="list-style-type: none"> ▶ A range of strict safety measures to protect from COVID-19 ▶ Ensured job security and on-time salary pay including increments and bonus even during a challenging period due to COVID-19 ▶ Medical benefits and additional support during COVID-19 pandemic as required ▶ Training and development ▶ Support personal and professional growth ▶ Promote and maintain harmonious relationships ▶ Recognise and reward exceptional performers
	<p>Level of engagement Involved and interactive</p>		
	<p>Frequency of engagement Frequent</p>		

STAKEHOLDER ENGAGEMENT

Stakeholder	How did we engage?	What were the key issues material to our stakeholders?	What was our response?
Suppliers	<ul style="list-style-type: none"> ▶ Continuous engagement and monitoring through phone conversations, video conferencing and mobile messaging and emails ▶ Individual meetings ▶ Supplier screening 	<ul style="list-style-type: none"> ▶ Price stability and sustainable quantity demand throughout the year for raw material procurement ▶ Incentive for improvements ▶ Compliance with environmental regulations enforced by regulators – Ethical/sustainable business practices ▶ Professionalism and on time support ▶ Accountability ▶ Sustainability and functionality of the supply chain 	<ul style="list-style-type: none"> ▶ Guaranteed periodic price, payment on delivery and full purchase of supply ▶ Additional incentives for improvements ▶ Expansion and continuation of <i>Haritha Angara</i> sharing technology for sustainable charcoaling practices and providing financial support for transition ▶ Vertical Kiln charcoaling (Thailand)
	<p>Level of engagement</p> <p>Involved and interactive</p>		
	<p>Frequency of engagement</p> <p>Frequent</p>		
Business Partners	<ul style="list-style-type: none"> ▶ Frequent contact via emails, phone calls, mobile messaging and video conferencing 	<ul style="list-style-type: none"> ▶ Collaborate to improve performance of relevant business units (JVs in Thailand/Indonesia) ▶ Working with distributors to increase sales ▶ Maintaining cordial relationships with other business partners ▶ Ethical conduct ▶ Professionalism and accountability ▶ Partner wealth maximisation 	<ul style="list-style-type: none"> ▶ Sharing technical knowledge assistance and support ▶ Encouraged participation for key decisions ▶ Sustainable profitability and liquidity management ▶ Transparent information sharing ▶ Collaboration and goal congruence ▶ Discuss and negotiate with banks for favourable terms and lower interest cost, relief in borrowings during COVID-19-affected times
	<p>Level of engagement</p> <p>Involved and interactive</p>		
	<p>Frequency of engagement</p> <p>Frequent</p>		
Society and Environment	<ul style="list-style-type: none"> ▶ Print media including e-newspapers ▶ Company web site ▶ Social media ▶ Face to face engagement with communities where the manufacturing plants are located 	<ul style="list-style-type: none"> ▶ Avoid environmental pollution (E.g. noise, water, air) ▶ Cordial relationships (community engagement) in business locations ▶ Supporting communities/up-lifting living standards ▶ Societal health and well-being ▶ Social investment ▶ Ethical sourcing ▶ Employment generation ▶ Conservation and environmental protection initiatives ▶ Resource efficiency ▶ Energy conservation ▶ Reducing carbon footprint 	<ul style="list-style-type: none"> ▶ Compliance with all regulatory measures (E.g. Environmental regulations, COVID-19 measures) ▶ Emission reduction ▶ Supporting families living in the vicinity of factories in all countries (addressing COVID-19 challenges, school book distributions) ▶ Investments in CSR activities such as <i>Puritas Sath Diyawara, Going Beyond</i>, Turtle conservation and tree planting ▶ Engage in environmentally friendly green initiatives ▶ Donation of medical equipment's to hospitals, face masks for frontline workers especially to address COVID-19 challenges. ▶ Increase direct and indirect employment through expansions
	<p>Level of engagement</p> <p>Interactive</p>		
	<p>Frequency of engagement</p> <p>As and when required</p>		

STAKEHOLDER ENGAGEMENT

Stakeholder	How did we engage?	What were the key issues material to our stakeholders?	What was our response?
Government, Industry, Regulatory Bodies and Media	<ul style="list-style-type: none"> ▶ Postal communications ▶ Phone calls and emails ▶ Video conferencing ▶ Face to face engagement 	<ul style="list-style-type: none"> ▶ Compliance to all laws and regulations ▶ Good governance practices ▶ Ethically-driven business model ▶ Transparency ▶ Fair and transparent framework and work practices ▶ Promote voluntary compliance 	<ul style="list-style-type: none"> ▶ Compliance to all legal and regulatory requirements ▶ Develop, communicate, and promote good governance and ethical behaviour at all levels ▶ Provide timely and accurate information ▶ Immediate response to queries made by the authorities
	<div>Level of engagement</div> <div>Keep informed</div>		
	<div>Frequency of engagement</div> <div>Regular and as and when required</div>		
Certifications Bodies	<ul style="list-style-type: none"> ▶ Frequent contact, consultation and collaboration with relevant Haycarb team ▶ Audits ▶ Meetings ▶ Training Sessions 	<ul style="list-style-type: none"> ▶ Compliance with regulations and standards of certifications ▶ Transparent and timely disclosure ▶ Reputation of certification body 	<ul style="list-style-type: none"> ▶ Demonstrate full compliance and maintenance of all required standards ▶ Show improvements in any areas that need to be addressed ▶ Disclose all necessary information fully, transparently and on time
	<div>Level of engagement</div> <div>Keep informed</div>		
	<div>Frequency of engagement</div> <div>Regular and as and when required</div>		
Financial Institutions	<ul style="list-style-type: none"> ▶ Frequent dialogue with management ▶ Published accounts and annual report 	<ul style="list-style-type: none"> ▶ Meet payment obligations and adhere to covenants ▶ Responsible corporate management ▶ Regulatory and legal compliance 	<ul style="list-style-type: none"> ▶ Timely loan and interest payments ▶ Prudent and sustainable financial and operational management ▶ Compliance with all legal and regulatory requirements ▶ Disclose all necessary information fully, transparently and on time
	<div>Level of engagement</div> <div>Keep informed</div>		
	<div>Frequency of engagement</div> <div>Frequent</div>		

GRI – 102-15, 102-29, 102-30, 102-31, 102-47, 103-1, 103-2, 103-3

FACTORS IMPACTING OUR VALUE CREATION PROCESS

2020-21 was a year of significant social and economic upheaval triggered by the COVID-19 pandemic, which forced people around the world into lockdown, upended livelihoods and economies, and tested the limits of health systems around the globe. As a Group competing in global markets, with significant dependence on the natural environment, Haycarb's ability to create value is impacted by a range of risk factors in this operating environment. Our strategies in response shaped how we mitigate these risks and seize emerging opportunities.

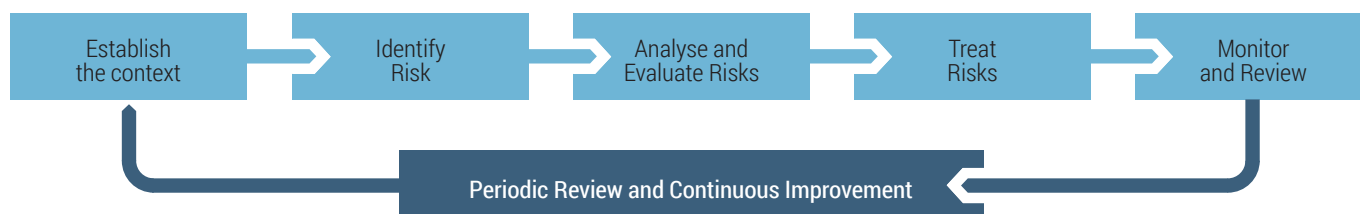
The global activated carbon market is expected to register a growth of 6-8% per annum. The activated carbon business has been quite resilient to economic downturns due to the base demand for most large scale applications in water and air treatment, which generally fall under essential services/utilities in most countries. In addition, the scope of possibilities for the activated carbon market in the coming decade is promising. As environmental concerns increasingly come to the forefront of public consciousness, and the body of research into links between the environment and health grows larger, the demand for purification and filtering mediums is set to grow considerably. Markets like the USA, the world's largest consumer of activated carbon, and the European Union and UK already have in place stringent environmental regulations in water filtration and air purification, particularly around concerns of industrial pollution, and these mechanisms will only be further strengthened in the coming years. In developing regions like India and China, the growth in the activated carbon industry will be aided by an emphasis on investments in water purifications, along with a set of regulatory changes like revisions in the environmental protection law in China.

We will capitalise on increasing opportunities for our impregnated, pelleted and superfine grades for specialised application in the USA and Europe, while increasing our presence for high quality products in air and Water treatment applications in China and South East Asia. The emphasis on Energy Storage carbons will be a primary area for future value creation at Haycarb. With increased legislation on reduction of vehicle emissions in Europe and the United States, the conversion to hybrid and fully electric vehicles will be inevitable. In China with the drive towards electrification of mass transportation such as bus and rail, provides further opportunities for our energy storage carbon range.

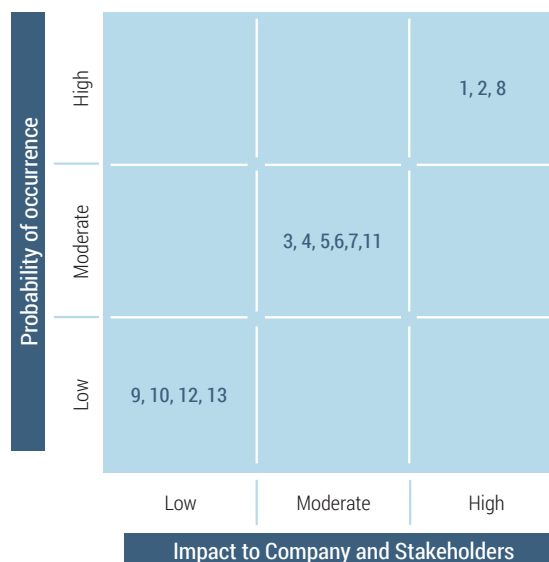
While the trends driving market growth indicate potential, a significant restraint on growth is the supply and price volatility of raw materials – concerns that will inevitably intensify as demand grows. As the reader will note in the information below and elsewhere in this annual report, one of Haycarb's key strategic differentiators is a diverse, extensive procurement network that has fuelled the Company's recent growth. As such, we believe that we are in a strong position to capitalise on the possibilities of the activated carbon market in the coming years.

In this section, we elaborate on the factors which have had (and could have) the most relevance and influence on our ability to create value over the short, medium and long term, as well as how we are managing and governing our responses. Risks and relevant matters, along with our responses, are reviewed regularly by our Board and senior management together with input from all our stakeholders in the context of a constantly changing environment. Our risk identification, evaluation and management framework are closely linked to our strategic pillars and our stakeholder relationships to ensure an integrated approach to our long-term planning.

RISK ASSESSMENT AND MANAGEMENT PROCESS



These risk factors have different probabilities of occurrence and presents varying degrees of impact on our Company and the stakeholders, as illustrated by the matrix below. The risk factors and strategic responses are discussed in detail subsequently.



FACTORS IMPACTING OUR VALUE CREATION PROCESS

Risk Factor #1 Raw material availability and fluctuation of raw material prices		Nature of risk	Risk rating
		External	High
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> Underutilisation of manufacturing capacity High costs of sourcing raw material Issues relating to raw material quality 	<ul style="list-style-type: none"> Increase in raw material prices were evident during the year due to the seasonal fluctuations of crop availability, worsened with the logistics and manufacturing issues due to the COVID-19 pandemic 	<ul style="list-style-type: none"> Established manufacturing facilities in three major coconut producing countries Sri Lanka, Indonesia, and Thailand, with plans to expand to a 4th location Backward integration to charcoaling, and partnering with charcoal/shell suppliers Consolidating international procurement network (India, the Philippines) Collection centres and procurement network established outside the coconut triangle of Sri Lanka Regeneration of spent carbon 	
Risk Factor #2 Rapid global spread of infectious diseases		Nature of risk	Risk rating
		External	High
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> Disruption in global supply chain and knock-on effect on downstream manufacturing High logistic costs Reduced capacity utilisation due to lockdowns and quarantines Reduction in the supply of labour Reduced availability of labour due to quarantines, fear of contagion and unwell workers. 	<ul style="list-style-type: none"> The detrimental impact of the COVID-19 pandemic was evident across all locations of the Haycarb Group's companies. Sri Lanka was the most affected due to lock down in Q1 2020/21 Travel restrictions All measures were taken very early on to ensure employee safety and as a result, no significant issues were reported during the year 	<ul style="list-style-type: none"> Adequate measures to ensure safety of employees Cost rationalisation and curtailment of non-essential expenditure to manage liquidity Frequent online communication – Virtual town hall meetings with employees, virtual factory tours, social media platforms Work from home option for employees wherever possible (based on function) Regular health checks and monitoring of all employees Strict compliance with all government guidelines and hygienic practices 	
Risk Factor #3 Low-cost competition for activated carbon products		Nature of risk	Risk rating
		External	Moderate
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> Loss of orders/customers 	<ul style="list-style-type: none"> Haycarb's focus on value added carbons outweighed the unfavourable impact posed by low-cost competition for standard grades 	<ul style="list-style-type: none"> Maintain competitive pricing More focus on creating and production of value added carbons Provide other value additions to customers such as superior after sales services, faster delivery, sharing of technical knowhow to create better output Streamlining our distribution and delivery cost to customers 	
Risk Factor #4 Low-cost competition for water treatment projects of small/medium scale (Environmental engineering)		Nature of risk	Risk rating
		External	Moderate
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> Reduction in margins Loss of new contracts 	<ul style="list-style-type: none"> Increase in competition detrimentally impacted the profitability of the environmental engineering sector 	<ul style="list-style-type: none"> Superior service through technical excellence, cost-effective solutions, and timely deliveries. Concentrate on larger scale projects Expansion of overseas project locations 	
Risk Factor #5 Natural disasters specific to Indonesian region		Nature of risk	Risk rating
		External	Moderate
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> Collateral damage Disruption in manufacturing process 	<ul style="list-style-type: none"> No impact 	<ul style="list-style-type: none"> Established emergency response plan and a business recovery plan Adequate insurance and compensation schemes 	

FACTORS IMPACTING OUR VALUE CREATION PROCESS

Risk Factor #6 Global economic growth and trade cycles		Nature of risk	Risk rating
		External	Moderate
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> ▶ Haycarb is an export-oriented company and therefore the global changes have a significant impact on the supply and demand of activated carbon ▶ Disruptions to cash flow management and funding mechanisms 	<ul style="list-style-type: none"> ▶ Economic recession triggered by COVID-19 ▶ BREXIT ▶ Asian economic growth (E.g. China) 	<ul style="list-style-type: none"> ▶ Forecast and predict expected outcomes and proactively be prepared for both risks and opportunities ▶ In the case of BREXIT, maintain physical and legal presence on the ground in the UK through our marketing subsidiary, Eurocarb Products Ltd., to mitigate risks and capitalise on opportunities ▶ Required short term measures to ensure uninterrupted and cost-efficient flow of our goods and services to our customers in EU was implemented and plans are underway to establish the required structures in the medium term 	
Risk Factor #7 Regulatory and compliance risks		Nature of risk	Risk rating
		External	Moderate
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> ▶ Reputational impact ▶ Changes in operational procedures leading to higher costs ▶ Financial impacts arising from penalties, legal action, etc. 	<ul style="list-style-type: none"> ▶ Regulatory changes were introduced by the Sri Lankan Government on foreign currency earnings resulting in involuntary foreign currency conversions and higher administrative burden ▶ Changing regulations for importation of goods ▶ Increased regulations for domestic and international travel including health checks and quarantine regulations 	<ul style="list-style-type: none"> ▶ Persistent monitoring of performance and other related parameters ▶ Compliance reporting ▶ Constant monitoring of regulatory changes and installing processes and allocating resources to ensure compliance and smooth operations 	
Risk Factor #8 Cyberthreats		Nature of risk	Risk rating
		External	High
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> ▶ Detrimental financial implications due to exposure on cyberthreats mainly arising from online work procedures (e.g. authorisation of financial transactions online) ▶ Company information confidentiality breach 	<ul style="list-style-type: none"> ▶ Minimal cyberthreats were reported with the current practices and procedures in place (only a few phishing attacks to corporate emails where the system flagged the incident and negated the impact) 	<ul style="list-style-type: none"> ▶ Continuous monitoring of online activities ▶ Periodic IT audit review ▶ Update programmes and systems regularly (Up to date antivirus software, usage of strong passwords and frequent changes in passwords, using licensed software) ▶ Raising awareness on cyberthreats among the Group employees (e.g. Awareness messages via email, conducting simulated scenarios on cyberattacks) ▶ Integrate cyber risk management as a key element within corporate governance 	
Risk Factor #9 Risks stemming from manufacturing operations		Nature of risk	Risk rating
		Internal	Low
Potential impacts	2020/21 Outcomes	Our strategic response	
<ul style="list-style-type: none"> ▶ Exposure to occupational risks and injuries ▶ Breakdown of machinery/equipment ▶ Escalation of operational costs ▶ Environmental pollution 	<ul style="list-style-type: none"> ▶ Certain curtailments were evident during the year in the manufacturing operations due to issues which arose with the COVID-19 pandemic. This mainly included limited factory operations and logistic issues on delivery of products 	<ul style="list-style-type: none"> ▶ Better predictability and resource allocation through SAP implementation ▶ Independent safety audits ▶ Proactive monitoring of all socio and environmental performance indicators ▶ Maintain valid EPLs, reduction/recycling of waste and maintain ISO 14001 certification, support suppliers to carry out environmentally friendly charcoal operations and carrying out projects relating to manufacture in-house "pollution free" charcoal ▶ Adopting lean management practices 	

FACTORS IMPACTING OUR VALUE CREATION PROCESS

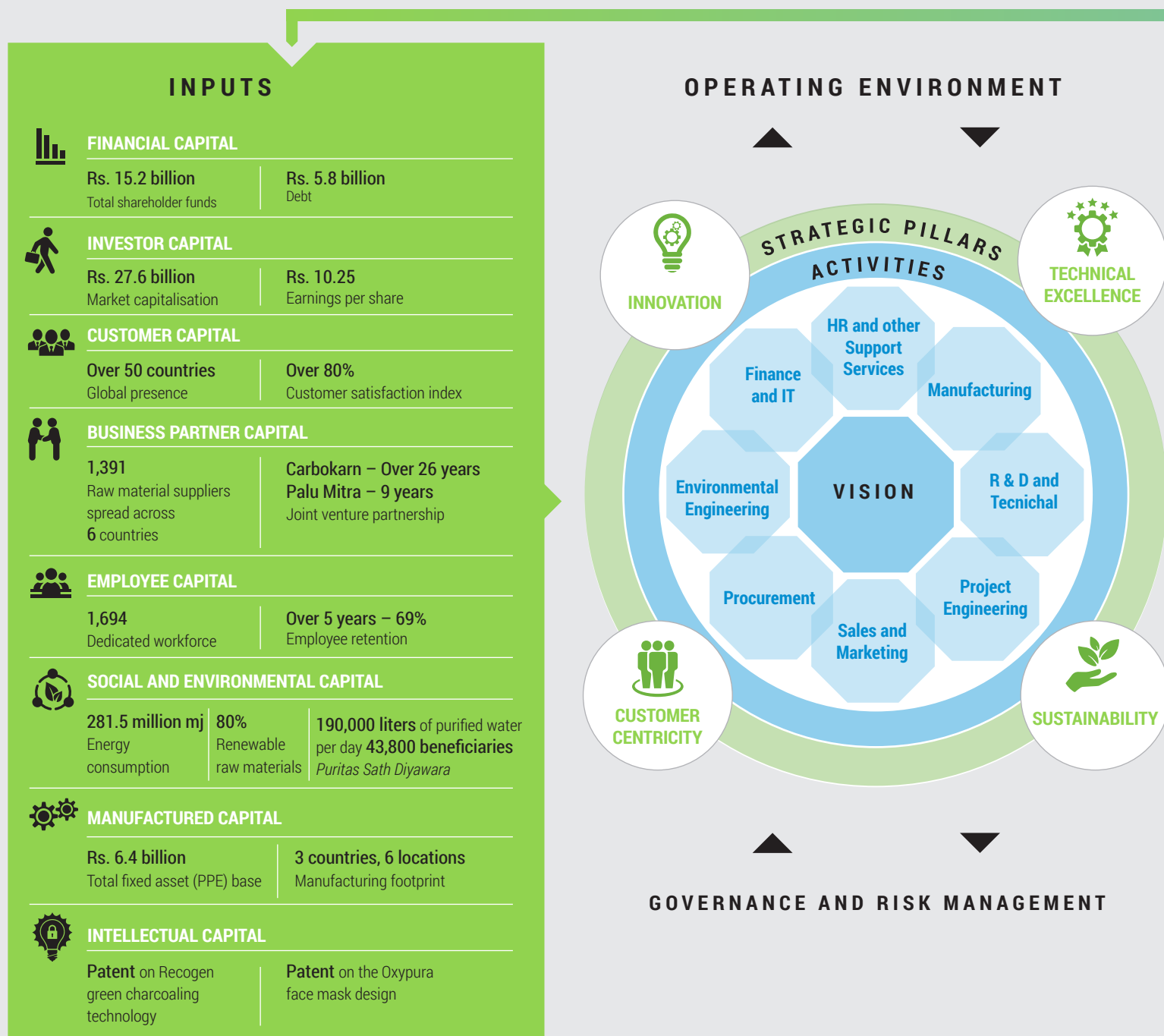
Risk Factor #10 Credit risk		Nature of risk	Risk rating
		Internal	Low
Potential impacts	2020/21 Outcomes	Our strategic response	
▶ Detrimental financial implications	▶ No significant credit risk was evident	▶ Insurance of credit risk wherever possible ▶ Screen buyers prior to entering agreements and continuous monitoring on buyer performance ▶ Investment of surplus funds only to be done with approved counterparties ▶ Opt for secure payment terms wherever possible	
Risk Factor #11 Market risk		Nature of risk	Risk rating
		Internal	Moderate
Potential impacts	2020/21 Outcomes	Our strategic response	
▶ Detrimental financial implications	▶ Significant decline in interest rates ▶ Significant variations in currency fluctuations	▶ Manage Group's short-term and long-term obligations through maintaining a balanced portfolio of fixed and variable interest rate loans ▶ Maintain natural hedging between foreign currency remittances and loans ▶ Enter into foreign currency forward contracts where necessary ▶ Enter into agreements with approved and recognised finance institutions	
Risk Factor #12 Liquidity risk		Nature of risk	Risk rating
		Internal	Low
Potential impacts	2020/21 Outcomes	Our strategic response	
▶ Detrimental financial implications	▶ With adequate funding, Haycarb was able to maintain a strong liquidity position during the year which facilitated the commendable performance of the Company	▶ Maintaining adequate funding facilities with banks ▶ Negotiating effective credit terms with creditors ▶ Consistent working capital management	
Risk Factor #13 Attraction and retention of employees and labour shortages		Nature of risk	Risk rating
		Internal	Low
Potential impacts	2020/21 Outcomes	Our strategic response	
▶ Affects continuity of operations ▶ Possible escalation of costs	▶ Haycarb was able to maintain a strong position as an employer fulfilling financial obligations and duty of care	▶ Proper reward and recognition, in-line with the achievement of the growth objectives ▶ Maintain strong employee agreements and good relationships with labour unions ▶ Ongoing emphasis on automation	

Refer Note 34 on page 152 for further details on credit risk, liquidity risk and market risk.

OUR BUSINESS MODEL

The elaboration of an organization's value creation model is an essential component of the integrated reporting process. A value creation model specifies a company's process for transforming inputs, through its activities, into outputs and outcomes that realise the organisation's strategic objectives.

For the reader of this report, it is helpful to briefly clarify some of the terms used in the following visual depiction of Haycarb's business model. Inputs refer to the "capitals" – stocks of value – the organisation uses as resources to initiate the value creation process. These input capitals include financial capital, reflected in the Statement of Financial Position, along with what might be termed "off-balance sheet" capitals, i.e., capitals not captured in purely financial



OUR BUSINESS MODEL

terms, like the strength of stakeholder relationships or corporate culture. The strategic pillars, give shape and direction to these capitals as they flow into Haycarb's core activities. The activities generate outputs (the organisation's key products and services), which, in turn, help the business achieve their desired outcomes.

A value creation model is by nature generic, capturing the essential processes of the business. The Management Discussion and Analysis provide details of Haycarb's performance across the year 2020-21 and the progress made towards the desired outcomes.

OUTPUTS

A range of activated carbons

- ▶ Revenue Rs. 23.2 billion
- ▶ PBT Rs. 4.26 billion

Environmental engineering solutions

- ▶ Revenue Rs. 2.2 billion
- ▶ PBT Rs 0.22 billion

Specialized end user products

- ▶ Over 94% increase in Oxypura face mask sales

Generation of zero emission renewable energy

- ▶ 1,827,480 kWh generated by Recogen plant

GHG emission mitigation measures

- ▶ Constructed 69 new pollution free charcoal pits during 2020/21
- ▶ Process improvements Reduced CO₂e 1,240 MT during 2020/21

Puritas Sath Diyawara

- ▶ 3 new projects 10,215 beneficiaries in CKD affected villages

OUTCOMES

Increase in Shareholder Value

- ▶ Earnings per share growth 95%
- ▶ % Net assets per share growth 43%

Strength, Stability and Group synergies from long-term institutional investors

- ▶ Synergies in logistics with Hayleys group companies

New applications, products and markets

- ▶ New products introduced; Activated Carbon – 8, Environmental engineering solutions and activated carbon consumer products – 5

Innovative and updated processes

- ▶ 8 new processes introduced

Service and delivery solutions that enhance our value proposition

- ▶ Launch of the Haycarb Virtual factory tour platform

Scaled up production, capability and capacity

- ▶ Manufacturing capacity of 55,000MT and increase in 3,000 MT of value added product capability

Building our standards, tacit knowledge and the skills of our people

- ▶ Over 10 local and international certifications
- ▶ Senior management retention – Over 10 years – 83%
- ▶ Over 100 graduates employed

A broad, deep and durable customer base

- ▶ 99% customer retention rate

A high performing and resilient employee base

- ▶ Team of 1,694 committed and strong employees that ensured continuity of operations with innovative processes to face the unprecedented challenges of COVID-19 and related lockdowns

A diversified, resilient supply chain

- ▶ Long standing global supplier base in all coconut producing countries in South East Asia

A socially and environmentally responsible core business

- ▶ *Puritas Sath Diyawara* added 3 projects to supply a total of 190,000 litres of drinking water per day to 43,800 beneficiaries (through all 19 projects)
- ▶ 36 new suppliers assisted to build pollution free charcoaling pits through Harithangara
- ▶ *Going beyond* provides 5,000 children access to libraries and computer centers and over 2,800 schoolchildren with school essentials for 6th consecutive year
- ▶ Yearly donation of human consumption carbons to Health Ministry to save lives
- ▶ Community support during the COVID-19 challenge through providing PPE and medical equipment to Government/Health Authorities and supporting local communities



















Performance Against Strategy

- 35 Summary
- 36 Innovation
- 41 Technical Excellence
- 46 Customer Centricity
- 50 Sustainability

GRI – 102-7, 305-5

SUMMARY

	Category	2020/21	2019/20	2018/19
 Innovation <ul style="list-style-type: none"> ▶ Intellectual Capital ▶ Manufactured Capital ▶ Employee Capital  	New Products	13	14	12
	No. of processes improved	8	6	4
	Products in pipeline	12	6	4
 Technical Excellence <ul style="list-style-type: none"> ▶ Intellectual Capital ▶ Manufactured Capital ▶ Employee Capital    	Global manufacturing capacity (MT)	55,000	50,000	50,000
	Total sales volumes (MT)	46,070	44,002	39,048
	Investments in capital projects (Rs. million)	1,052	692	391
	New certifications	2	3	2
	Permanent employees receiving regular performance reviews (%)	100	100	100
	Females who occupy Executive Board Member positions (%)	25	25	25
 Customer Centricity <ul style="list-style-type: none"> ▶ Customer Capital ▶ Business Partner Capital 	Customer base	915	801	797
	Customer satisfaction score (%)	Above 80	Above 80	Above 80
	Investment in supplier development (Rs.)	44,800,000	22,900,000	17,350,000
 Sustainability <ul style="list-style-type: none"> ▶ Social and Environmental Capital ▶ Manufacturing Capital ▶ Intellectual Capital     	Suppliers supported through development programs	35	31	45
	Energy consumption (mj)	281,497,021	230,046,007	214,912,434
	Total emission (Kg CO ₂ eq)	34,409,825	26,367,660	25,771,572
	% of raw material suppliers from green charcoaling sources (Haritha Angara)	66	53	40
	Investments in <i>Puritas Sath Diyawara</i> and <i>Going Beyond</i> projects (Rs.)	7,486,204	1,157,271	1,020,114
	Number of beneficiaries (<i>Puritas Sath Diyawara</i> and <i>Going Beyond</i>)	43,808	33,500	33,500

INNOVATION



Innovation, as a strategic pillar covers the full spectrum of our business from product to process to delivery, positioning Haycarb at the forefront of the activated carbon market. It drives our value creation model, allowing us to discover new opportunities, develop products and services that respond to shifting customer needs, enhance our internal capabilities and productivity, and grow the Company sustainably.

In addition, other innovations in after sales service, logistics and delivery, and sharing of technical knowledge allows us to differentiate our brand. These strengths in innovation work synergistically with our other strategic pillars, allowing us to develop sustainable solutions that meet the exact requirements of our customers.



What are we trying to achieve?

Branch out into new applications and products

Innovate and update our processes and equipment

Create service and delivery solutions to enhance our value proposition



What are our focus areas?

New product development

New process development, existing process improvements and equipment design

Service and delivery solutions

GRI – 102-2

NEW PRODUCT DEVELOPMENT

The potential for value creation in the activated carbon market increasingly lies in new, emerging, specialised applications and products – and special needs require special attention. Our effort and investment in developing products under this range has allowed us to provide solutions for a wide range of critical applications including water, air, personal protective equipment, respirator and energy storage segments. Our superior product development capabilities also ensure tailor-made particle size distributions, adsorption and breakthrough characteristics, carbon lattice and surface modifications coupled with superior purity and hardness. This approach to specialised and value-added products also allows us to mitigate the risk posed by low-cost competition for standard grades of activated carbon and focus on emerging needs and markets.

INNOVATION

Key Research and Development (R&D) initiatives and investments in 2020-21

Activated Carbon

- ▶ Energy Storage Carbons (Electrochemical Double-Layer Capacitor carbon-EDLC)
- ▶ Chloramine removal carbon series development
- ▶ Coconut pellet new developments including impregnated pellets
- ▶ Respirator carbons – including multi-gas respirator carbons
- ▶ Impregnated carbons for room air filters (formaldehyde removal)

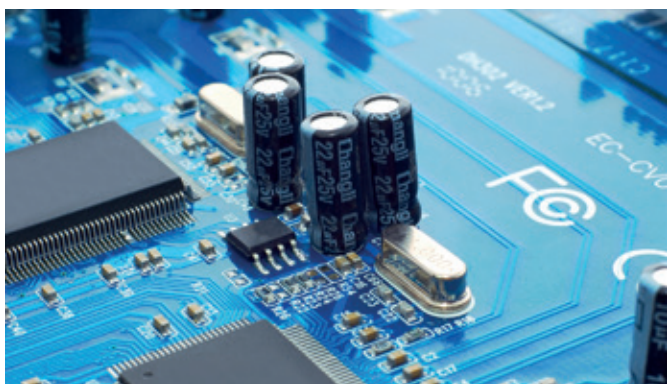
Environmental Engineering and Activated carbon products

- ▶ Development of Domestic Sewage Treatment System
- ▶ Development of a superior treatment system for infectious wastewater in hospitals
- ▶ New Oxypura facemask product range
- ▶ Puritas containerised treatment systems

Important developments

EDLC

We are one of the leading suppliers to Electrochemical Double Layer Capacitor or supercapacitor industry, which is a revolutionary device found in a diverse array of applications from electronic equipment such as high speed servers and data backup devices to hybrid and electric vehicles. The Haycarb Energy Carbon series is a special carbon range manufactured for EDLC, including R&D into the development of products for battery applications.



Super-capacitors in an electronic circuit

This product is not only futuristic in terms of the superior technology developed by in-house scientists but also environmentally friendly and contributes to battery and super capacitor performance levels exceeding expectations. The extensive pore network of these specialised products gives a very high specific surface area contributing to high double-layer capacity for EDLC products. The consistent particle size distribution coupled with high purity and guaranteed low internal resistance (ESR) ensures high efficiency, electrode stability and longer life across a range of voltage levels and temperatures.

This year, significant strides were made in product development, to improve product performance positioning to capture an even larger market share in the coming years.

Respirator carbons

Haycarb Activated Carbon for air purification includes a variety of products for personal protection with special focus on protecting humans against toxic fumes and other gases. We offer standard and impregnated grades of carbon for diverse types of respirators for use in industrial operations, military applications and consumer applications including facemasks. These products are manufactured with special considerations to remove organic contaminants, acid gases as well as alkali gases through both physisorption and chemisorption showing enhanced capacity to remove contaminants from air pathways.

Our special surface modified hydrophobic carbon performs significantly better than other respiratory carbons in high-humidity conditions. The dual adsorption feature of Haycarb activated carbon combined with carefully controlled surface chemistry and consistent particle size distribution with superior pore structure is industry recognised and we continue our investment in R&D to develop new and customised products in respiratory carbon series. Further product development is in process to expand our portfolio of offerings.



Activated carbon for respirator gas masks

INNOVATION



Exhaust Air Treatment



Gas storage

Oxypura Multipurpose Activated Carbon Facemask

Oxypura is a popular brand in the anti-pollution facemask industry, which has accumulated immense value for over 15 years. The particulate matter filter and specialised activated carbon filters in each facemask has enabled Oxypura to achieve a unique market positioning. Oxypura air purifying facemasks are used to remove a wide variety of gaseous and particulate contaminants, bad odors and organic vapors through both activated carbon and particulate matter filters, providing multi-layered protection against atmospheric pollutants. These masks are compact, light-weight and comfortable to wear. Our product line includes masks for a range of uses, including for general public, motorcyclists and pedestrians for protection from harmful vehicle emissions, for farmers and plantation/horticultural workers exposed to various agrochemicals, and for factory works, painters, carpenters, etc., who are exposed to gases, solvents and particulates.

During the year 2020, we launched “Oxypura Care” to extend enhanced protection to customers following the COVID-19 pandemic. Oxypura Care is tested by Bureau Veritas Hong Kong, Bureau Veritas Sri Lanka and Nelson Labs USA and has the capacity to filter particles greater than 0.3 microns at 95% efficiency. Furthermore, the facemask has a Bacteria Filtration Efficiency (BFE) of 99% and Virus Filtration Efficiency of 98% ensuring the wearer the optimum protection through 14 washing cycles.



Clockwise from right Oxypura Care, Sportec, Oxypura Shield and Posh Minis

Oxypura SPORTEC was added to the portfolio to cater to the needs of sports enthusiasts with an active lifestyle. SPORTEC is equipped with moisture wicking outer fabric and a one-way exhalation valve providing the comfort the wearer is seeking for. “Posh Minis” the new addition to Oxypura Junior portfolio with exclusive collection of outer designs, comes in four different sizes for children of all ages. Both SPORTEC and Posh Minis are equipped with a particulate matter filter and an activated carbon filter which have similar capability as the Oxypura Care range.

Puritas containerised treatment systems

The containerised sewage treatment plants were launched to meet specific budget and space constraints of clients. Built in a container, this treatment plant is ideal for small hotels, restaurants, hypermarkets, apartments and medium sized hospitals. These systems are price competitive, have high mobility, easily installable, and space efficient.



Puritas containerised sewage treatment plant

INNOVATION

PROCESS IMPROVEMENTS AND EQUIPMENT DESIGN

While driving our new product development, we also emphasize innovation in our manufacturing processes, and equipment design enabling us to enhance cost efficiencies and reduce our carbon footprint. During the year under review, we made crucial improvements to several processes, including –

- ▶ Washing process improvements (Optimising the chemical composition to reduce water usage and to improve throughput of the washing operation)
- ▶ Pellet plant capacity improvement by optimisation of AT Process
- ▶ Process improvements to produce powder grade carbons more efficiently (Development of Whizzer Controlled Classification Process -80x200, innovative VCC system and development of Powder Carbon Drying Methodology for 80x325, 100x325 grades)
- ▶ Removal of fossil fuels usage for AT process (for volatile gas combustion in VBC) in pellet plant. Overall Sectoral Award in the Hayleys Group Chairmans awards for best innovation 2020/21.



Pellet plant capacity improvement

The latter innovation is a particularly important illustration of our resourcefulness in the production process. The volatile gases produced during the pellet production process were burnt by using LP Gas in a chamber called VBC prior to being released into the environment. With the development of this innovative self-combustion technique for auto combustion of the generated volatile gases in a newly designed VBC, the fossil fuel LPG was eliminated from the process with large carbon footprint savings and savings of cost of production of pelletised carbons.

SERVICE AND DELIVERY SOLUTIONS

Innovation is a hallmark of our marketing and delivery services as well, reinforcing our belief that product and process development needs to be complemented by other creative solutions to cater to our customers. We provide engineering support, technical evaluations and advice on existing systems, as well as develop and provide systems design and

installation for industries utilising activated carbon as a solution. Haycarb employs an in-house team of over 25 dedicated engineers responsible for production design as well as systems design for our customers. Our engineers have set up green field activated carbon factories overseas and are engaged in continuous improvement of our manufacturing processes. In addition, Haycarb also provides technical advice, systems design, engineering support and installation of regeneration systems onsite, as well as after sales and logistical management services.



New boiler installation- Madampe Sri Lanka

During 2020-21, when the pandemic disrupted supply chains across the world, our extensive market research operation allowed us to identify areas of demand, and we optimised the Hayleys Group synergies to serve clients during the time of crisis (such as securing shipping space from all shipping locations globally). The Hayleys Board, set up a task force headed by Hayleys Group Freight Management (GFM) and the Hayleys Strategic Business Development Unit (SBDU) to closely monitor vessel bookings and rate negotiations out of Sri Lanka, Indonesia and Thailand. We held regular conference calls with overseas plants and shipping lines to get bookings and space released for Haycarb Group shipments, and negotiated new short to medium terms contracts to manage the escalating freight costs to certain destinations.

Our Marketing team developed a novel solution to face the challenges brought forth by the pandemic, in particular, to enable clients to view our production facility virtually, prior to placing their orders. Due to global travel restrictions during the year, the clients were unable to visit our plant to make an assessment tour. The virtual tour solution provides real-time reporting to clients by streaming the process virtually. This provides a near experience of a physical factory visit to clients. Especially in the post-COVID era, this tool can be used to showcase our capabilities to customers at exhibitions and at overseas meetings. Whilst using the platform for audits, this is also useful in resolving technical issues and for explaining the process with evidence. Going forward, we will move to a cloud solution to store and access information with ease, efficiency and security.

TECHNICAL EXCELLENCE



The foundation of Haycarb's success is technical excellence in equipment and plant, and process and product design and development. We design and manufacture custom carbons and environmental engineering solutions that meet stringent requirements, providing our global customer base superior quality and consistency.

Haycarb has continuously invested in modern systems and technologies to benchmark industry best standards in all operational locations. We have a strong in-house team of R&D and technical personnel distributed across each of our manufacturing locations in Sri Lanka and overseas, committed to ensuring the highest product quality and consistency across our operations. Our R&D and QC laboratories are equipped with up-to-date, state-of-the-art equipment to carry out standard and special testing of carbon. Our people are trained and qualified to conduct all standard

analyses and testing required to ensure the optimal quality of our range of products, as well as all special application-related testing requirements for our customers with specialised carbon needs. The Company employees over 50 Engineers and Chemists across all locations. Our technical excellence extends to our backward integration as well, with our green charcoaling ventures over the last decade and a half – Recogen, *Haritha Angara*, and vertical kiln charcoaling – becoming an essential part of our supply chain.



What are we trying to achieve?

Scale up our production capability, and capacity while maintaining zero product defects

Build our standards, tacit knowledge, and the skills of our people



What are our focus areas?

Investments in building our capabilities and capacities, including expansion into a new overseas production location

A range of activated carbons

Specialised end user products

Environmental engineering solutions

Standards, certifications

Empowered, technically competent, diverse teams

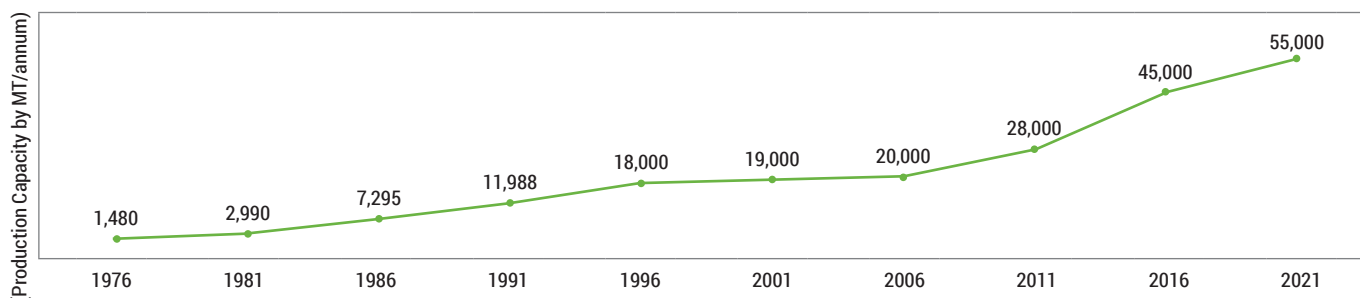
INVESTMENTS IN BUILDING OUR CAPABILITIES AND CAPACITIES

During the year under review, manufacturing capacity expanded to 55,000 MT, a 15,000 MT increase since 2015. The Haycarb facilities in Madampe and Badalgama in Sri Lanka have a production capacity of 30,000 Tonnes Per Annum (TPA), while Bitung and Palu in Indonesia have a collective capacity of 13,000 TPA, and Chonburi and Ratchaburi in Thailand, 12,000 TPA. Expansion into a new overseas manufacturing location is planned to be initiated in due course. It should be noted that this expansion in capacity has not compromised our quality with our ethos of zero product defects. In our capacity growth in new products like EDLC carbons, for example, we have maintained a standard of zero defects since inception in 2010.

TECHNICAL EXCELLENCE

The growth in manufacturing capacity is reflected in the steadily increasing global sales volumes. Total sales volumes increased from 36,469 MT in 2015/16 to 46,070 MT in 2020/21.

GLOBAL MANUFACTURING CAPACITY



Over the past 10 years, Haycarb has invested in excess of Rs. 7 billion on capacity building and value additions at its multiple manufacturing facilities.

In 2020/21, despite the market disruptions following the emergence of COVID-19, we continued with our investment plans, deploying over Rs. 1 billion towards the following capital infrastructure projects:

- ▶ Expansion of pellet plant capacity
- ▶ Expansion of Ultracarb capacity
- ▶ Packing section relocation and post-activation processing equipment enhancement in Sri Lanka
- ▶ Impregnation plant capacity enhancement
- ▶ Activation capacity enhancement in Sri Lanka
- ▶ Powder processing and classification capacity enhancement in Sri Lanka
- ▶ Expansion and upgrading of face mask manufacturing facility
- ▶ Improvement of employee facilities in Sri Lanka
- ▶ Expansion of lab facilities in Sri Lanka
- ▶ Washing plant capacity enhancement



Section of Pulverizer and VCC installation-Badalgama Sri Lanka

Coupled with our incisive market strategy (outlined under Customer Centricity), these capacity enhancements have driven our progress, and we now have a presence in almost all coconut carbon applications. Our activated carbon business in the gold industry over the last five years has been a targeted area of expansion, and has shown an 11% increase in share of our total sales. In that period, we have also shown exponential growth in our specialised carbons, with our impregnated carbon range showing the strongest surge.



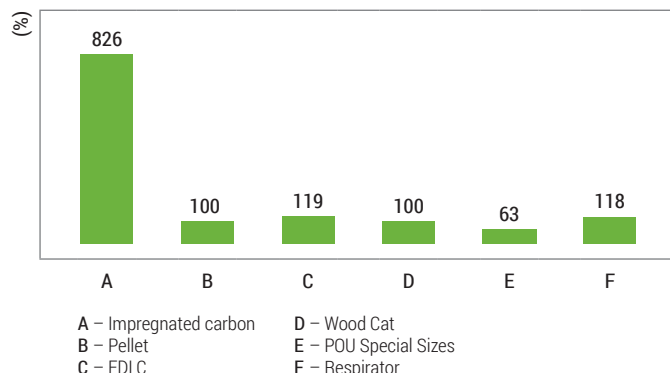
Kiln P2 installation-Badalgama Sri Lanka

Application wise activated carbon sales composition

Year	Application				
	Water %	Gold %	Respirator %	Air treatment %	Others %
2015/16	46	19	5	24	6
2016/17	51	24	4	19	2
2017/18	49	25	4	20	2
2018/19	44	28	4	22	2
2019/20	44	28	4	22	2
2020/21	45	30	4	20	1

TECHNICAL EXCELLENCE

GROWTH IN SPECIALIZED END USER PRODUCTS FROM 2015/16 – 2020/21



ENVIRONMENTAL ENGINEERING SOLUTIONS

Haycarb's environmental engineering arm, Puritas, offers water and wastewater treatment solutions through state-of-the-art technology for water purification. Puritas has successfully implemented over 400 projects over the last 25 years in water purification and been awarded 101 projects within the last 5 years. As at the end of the current financial year, there were 36 ongoing water purification projects under the Group.

Puritas similarly adopts a technical approach that aims to provide superior value to our customers. The engineering team at Puritas carefully studies the client's requirement during the design stage to understand the objective and budget for the project and offers a balanced solution. Broadly, Puritas follows a four-stage process, considering the full range of treatments to meet the exact needs of the customer:

1. Primary treatment (screening and settling-out solid waste from the wastewater)
2. Secondary treatment (use of biological and chemical processes to remove dissolved and suspended organics and some inorganic compounds.)
3. Tertiary treatment (removal of remaining organic, inorganic compounds, and substances, such as the nitrogen and phosphorus before disposal, recycling and reuse of wastewater)
4. Advanced treatment (sophisticated treatment mechanisms to achieve specific objectives such as desalination, zero-liquid discharge etc.)

Further post-monitoring solutions are offered to take-out the operational burden from client's shoulders empowering them to focus on its core operations.

In addition, Puritas's technical team regularly upgrades its Oxytura mask range design in an effort to continuously improve the fit and comfort for the wearer.

STANDARDS AND CERTIFICATIONS

Haycarb manufacturing plants have obtained quality accreditations to endorse the excellent production standards of these facilities.

Haycarb – Sri Lanka

Haycarb Sri Lanka facilities are accredited for ISO, HACCP, Good Manufacturing Practice (GMP), Halal Certification, WQA Sustainability Certification, KOSHER Certification, and has also obtained the SLS Certification for COVID-19 management systems, addressing a range of risk elements.

- ▶ ISO 14001:2015 Recertification by SGS-Sri Lanka
- ▶ ISO 9001: 2015 Recertification by SLSI – Sri Lanka
- ▶ ISO 22000: 2018 Certification from SGS – Sri Lanka
- ▶ HACCP Certification from SGS – Sri Lanka
- ▶ GMP Certification from SGS – Sri Lanka
- ▶ Halal Certification from the Halal Accreditation Council
- ▶ WQA Sustainability Certification WQA – USA
- ▶ KOSHER Certification Orthodox Union – USA
- ▶ Certificate of Conformity, Covid-19 Management System SLS 1672: 2020 from SLSI – Sri Lanka
- ▶ NSF Product Certification by NSF International USA

Puritas – Sri Lanka

- ▶ ISO 9001: 2015 Recertification by SLSI – Sri Lanka
- ▶ C2 Grade on Main Construction Contractor's Registration – CIDA Sri Lanka
- ▶ EM1 Grade on Specialist Construction Contractor's Registration – CIDA Sri Lanka

PT Mapalus Makawanua Industry – Indonesia

- ▶ ISO9001: 2015 Recertification by SLSI – Sri Lanka
- ▶ Halal Certification from the Halal Accreditation Council
- ▶ KOSHER Certification Orthodox Union – USA
- ▶ NSF Product Certification by NSF International USA

Haycarb Palu Mitra – Indonesia

- ▶ ISO 9001: 2015 Recertification by SLSI – Sri Lanka
- ▶ Halal Certification from the Halal Accreditation Council
- ▶ NSF Product Certification by NSF International USA

Carbokarn – Thailand

- ▶ ISO 9001: 2015 Recertification by SGS – Thailand
- ▶ NSF Product Certification by NSF International USA
- ▶ ISO 14001: 2015 Recertification by SLSI – Sri Lanka

CK Regen Systems – Thailand

- ▶ ISO 9001:2015 Recertification by SGS – Thailand
- ▶ ISO 14001:2015 Recertification by SLSI – Sri Lanka

TECHNICAL EXCELLENCE

Shizuka – Thailand

- ▶ ISO9001: 2015 Recertification by SGS – Thailand

Eurocarb Products – UK

- ▶ ISO 9001: 2015 Certification
- ▶ REACH registration



Performance enhancement

Haycarb has enthusiastically adopted lean manufacturing and waste management systems to enhance production efficiencies. The Lean Six Sigma methodology has been deployed across the production facilities and 50 initiatives were launched across seven factories through the lean platform during the year. 5S and continuous improvement philosophies are promoted and reinforced as a way of life among all our employees to inculcate a performance mindset.

COVID-19 operational practices and certifications

Haycarb rose to the challenge of fighting the spread of COVID-19 with a range of counter measures to protect its employees, suppliers and customers. The Haycarb Global Pandemic Task Force (Haycarb-GPTF), headed by the Managing Director, was appointed to direct the Group's response, and stringent hygiene and safety practices, as per World Health Organisation (WHO) and country – specific health regulations, were immediately implemented among all Haycarb business premises. A set of new Standard Operating Procedures and work instructions for hygiene and safety practices were developed, documented, and disseminated at all Haycarb workplaces. The Certificate of Conformity, the SLS 1672:2020 COVID-19 Safety Management System, was obtained from the Sri Lanka Standards Institution, confirming the exceptional quality of Haycarb safety protocols.

GRI – 102-7, 102-8, 401-1, 401-3, 403-6, 404-1, 404-2, 404-3, 405-1

EMPOWERED, TECHNICALLY COMPETENT AND DIVERSE TEAM

Our employees, who form the intellectual capital base of Haycarb, represent a key strategic advantage. Our capacity enhancement has been achieved purely through in-house engineering capabilities and initiatives

from our technical and R&D team of over 50 engineers and chemists. Their expertise ensures that the Company remains at the forefront of the industry, positioning us to make rapid incursions into new markets and emerging opportunities. The entire Group benefits from technology transfers among the different Haycarb manufacturing facilities in Asia, enabling consistent multi-country product capability. We also build a culture of common standards and knowledge sharing by strategically placing Sri Lanka trained factory managers and executives in overseas locations.

Our sales and marketing force are extensively skilled at market research, identifying areas of expansion, and designing and implementing creative solutions to offer our customers the best logistics and after-sales support. Our wider base of production assistants are talented and motivated, displaying a company-wide ethos of commitment towards growing the business. All these attributes were at the heart of our unprecedented success across a challenging year, where our entire team stepped up to take Haycarb to new heights.

Employee profile

As at end March 2021, the total employee cadre of the Group, was 1,694, with total employees in Sri Lanka at 1,092.

Total employees of the Haycarb Group as at 31st March 2021						
	Sri Lanka		Overseas/Foreign		Total	
	Male	Female	Male	Female	Male	Female
Executive Directors of the Parent Company	5	2	1	–	6	2
Managerial/ Executives	207	27	53	17	260	44
Supervisory/ Clerical	41	7	16	19	57	26
Production Assistants/Other	783	20	363	133	1,146	153
Total	1,036	56	433	169	1,469	225

Gender Parity

Women comprise 13% of the workforce of the Haycarb Group across all operational locations. Women are also represented at the highest governing body, comprising 25% of the Haycarb Executive Board of Directors. It must be pointed out that the under-representation of women at Haycarb reflects larger trends in the industry. Heavy manufacturing environments have traditionally been male-majority occupations and have proven resistant to change. Nevertheless, Haycarb is committed to building a diverse talent pool and continues to refine its HR policies and practices to ensure that all employees are treated fairly and equitably in a conducive environment. The policy framework supporting diversity and gender parity includes equal opportunity, anti-sexual harassment, and a dedicated grievance handling mechanism for harassment related grievances.

TECHNICAL EXCELLENCE

Recruitment, development, and retention

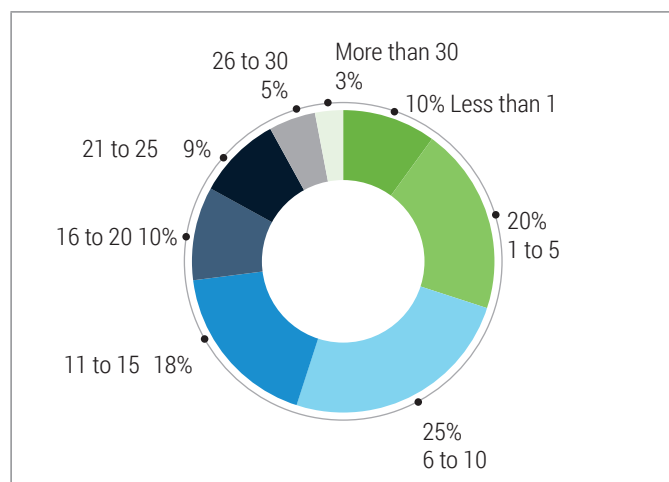
Haycarb treats all of its employees as an asset and invests in retaining and developing its employees. We attempt to attract the best talent in the market through competitive remuneration and all recruitments are based on formal, transparent procedures. During the year, a total of 431 employees, including 37 women, were recruited by Haycarb across its operating locations. Meanwhile, a total of 244 employees left the Group during the year.

	Age analysis							
	Age							
	Total	Below 20	20-30	31-40	41-49	50-54	55-60	Over 60
Executive Directors of the Parent Company	8	–	–	–	–	4	3	1
Managerial/Executives	304	–	83	114	75	21	7	4
Total	312	–	83	114	75	25	10	5
Supervisory/Clerical	83	2	38	20	12	6	4	1
Production Assistants/Other	1,299	14	458	409	274	126	18	–
Total	1,382	16	496	429	286	132	22	1
Grand Total	1,694	16	579	543	361	157	32	6

Over 45% at the executive level and above have been with the Company longer than a decade, and 70% for longer than 5 years. They have been crucial in driving our intellectual capital growth and progress. This is crucial in maintaining our technical excellence as we work to ensure that knowledge and skills are retained and transmitted throughout all operational locations and across generations of employees.

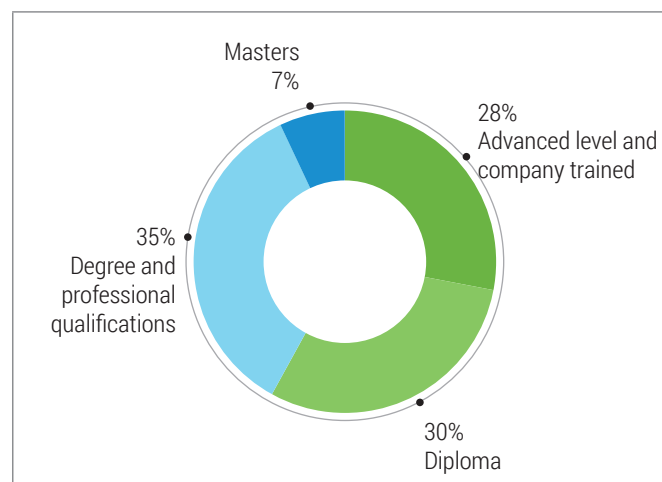
success of the Group. Despite a curtailed training programme during the year under review due to the pandemic, Haycarb invested in both internal and external training programmes for its staff. A total of 2,676 hours of training, including 293 hours for female employees, were conducted across all grades. Next year, we plan to resume our robust training schedule with a heightened focus on online and virtual training modules.

EXECUTIVES AND ABOVE – YEARS OF SERVICE



Haycarb invests heavily in developing its intellectual capital by enhancing the skills of its people through a regular training and development calendar. Training and development is a continuous process at Haycarb where employees are encouraged to develop their knowledge and competencies to achieve their career goals and personal objectives, along with driving the

EXECUTIVES AND ABOVE – QUALIFICATIONS



Employee safety and welfare

Haycarb has a comprehensive health and safety policy ensuring a hazard-free environment for all employees. During the current financial year, employee safety was treated as paramount with many new health and safety protocols introduced at all work stations to protect employees from

TECHNICAL EXCELLENCE

COVID-19 and to prevent contamination of work environments. Haycarb implemented changes to work routines and procedures to reduce employee exposure to the virus and to facilitate social distancing by establishing shift operations, and, wherever possible, introduced a remote working mechanism by providing printers, laptops and internet connectivity for employees at home. Continuous awareness programmes were conducted on preventing the spread of the virus among employees and other stakeholders, together with regular random PCR testing of employees and providing vitamins and herbal drinks to boost immunity. Haycarb provided a range of facilities for employees and families that faced difficulties due to COVID-19, such as providing transport for employees to travel safely to work and paying for private quarantine facilities and medical care. When possible, overseas staff were brought back to Sri Lanka for vacations or family emergencies (in compliance with the quarantine regulations of each country). The total investment in employee protection from COVID-19 was approximately Rs. 50 million.

Most importantly, recognising that our people are our most valuable resources, Haycarb retained all employees at full remuneration and ensured job security. All increments and bonuses were paid in full during the year. In a year unlike any other, our staff drove the Group to its most successful period yet, and we are proud that we affirmed our financial and wider commitments to them.



Above and beyond the statutory payments and safety measures, Haycarb provides a range of highly attractive benefits to its employees to create a happy and comfortable work environment. Some of these benefits include:

- ▶ Subsidised meals for factory employees during work
- ▶ Recreation facilities (like sport and exercising facilities)
- ▶ Accommodation facilities for factory staff

- ▶ Medical and hospitalisation benefits
- ▶ Reimbursement of professional institutions subscriptions
- ▶ Uniforms
- ▶ Festival advance
- ▶ Travelling and vehicle maintenance allowances
- ▶ Employees/family gatherings – except in 2021 due to COVID-19 restrictions. (E.g. *Suhada Hamuwa* conducted once a year)

AWARDS

Haycarb is a world-renowned brand, with a global reputation for quality and technical excellence that has been locally and internationally acknowledged through a multitude of accolades. During the year under review, the reputation for excellence was undiminished with the Haycarb Group winning awards for industrial excellence and environmental consciousness. The list of awards for 2020/21 include:

- ▶ The Green World Awards 2020 (UK) – Gold award in the Engineering and Pollution Control category
- ▶ The Ceylon National Chamber of Industries (CNCI) Achiever Awards 2020 for Industrial Excellence
 - Merit Award in the National level manufacturing sector, extra-large category
 - Top 10 award National level
- ▶ National Chamber of Exporters of Sri Lanka – 28th Annual NCE Export Awards 2020 – Silver Award in the extra-large category of Coconut products sector
- ▶ Ministry of Plantations and Coconut Development Authority – The Best Export Income earner in Shell Products for the year 2019



CUSTOMER CENTRICITY



The customer is at the heart of all our efforts where customer requirements and expectations guide the design, development and delivery of products and services.

Backed by a multi-country manufacturing model, Haycarb can supply customer requirements of a diverse range of activated carbon products of a superior quality anywhere in the world, and is one of the few players in the market managing the entire supply chain from raw material selection to manufacture to marketing and delivery. The continuous growth of the Haycarb's clientele, with many long-standing relationships, demonstrates the effectiveness of our customer engagement strategy and the customer-centric focus of our operations.



What are we trying to achieve?

A broad, deep, and durable customer base

A diversified, resilient supply chain



What are our focus areas?

Increase in customer base

Durability of customer relationships and customer satisfaction

Geographical spread of the supply chain

Strengthened relationships with suppliers/subcontractors

Strengthened relationships with business partners and our marketing network

CUSTOMER CENTRICITY

GRI – 102-6

INCREASE IN CUSTOMER BASE

Undeterred by the global disruptions brought on by COVID-19, Haycarb has continued to maintain its service standards and meet its customers' requirements, steadily expanding its global clientele. Driven by a strong marketing and positioning strategy, Haycarb experienced a strong growth in its customer base within the last seven years. Our emerging market strategy targets growing markets in Asia for water and air treatment through a combination of traditional distributors and direct sales that ensures a wide coverage of price points and value propositions. The second target market is the gold mining segment, specifically in markets with low penetration such as Russia, East and West Africa and South America. The third market segment is the high value coconut carbon businesses in the water, cigarette filter, air purification, and energy storage in mature markets of USA, Europe, China and South Korea.

The Haycarb global footprint extends across the globe into all five continents reaching markets in over 50 countries and hundreds of customers with a wide range of different product and applications.

In the recent past, business growth has been fuelled by expansion of sales in markets such as China, Russia and the CIS, West and East Africa. The identification and appointment of key distributors, a penetrative pricing strategy and large manufacturing capacity, has been effectively deployed to expand our market share. In addition, reduced manufacturing/supply lead times for new business and supply reliability has allowed Haycarb to win a

larger number of direct end user accounts, many of whom have qualified us as their preferred supplier. These initiatives provided the foundations for a successful year under review and allowed us to mitigate the risks of the COVID-19 pandemic.

Meanwhile, in markets such as Indonesia, Japan and South Korea, Haycarb has successfully expanded its existing market share by providing targeted solutions for municipal water treatment, edible oil purification and specialised powder applications. A strategy of optimising specifications to allow release of stock material coupled with direct commission-based sales has worked well in these markets to offer a competitive product offering to customers.

Growth in the gold business has also been achieved by utilising a network of exclusive and non-exclusive distributors, the latter being mine specific technical consultants. In the case of large international mining groups, business was secured with a combination of direct supply that allowed for competitive pricing and the assurance of in situ stock through distributors for emergency backup supply.

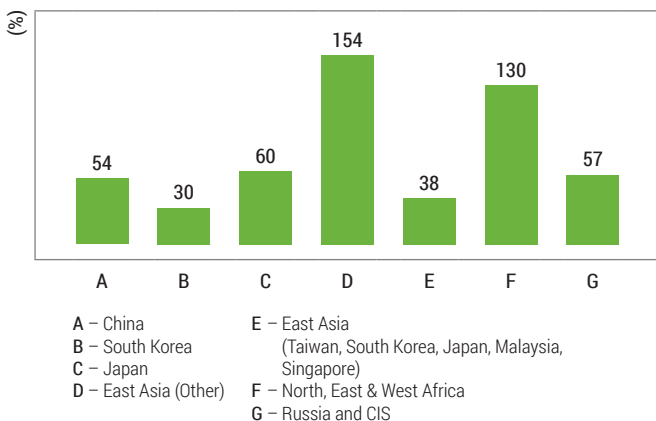
Overall activated carbon import and export statistics were closely monitored and analysed to ensure we were aware of the global movement of activated carbon, which included tracking major producers, buyers, markets, products and distribution channels. The information was effectively used to map the business and target areas of opportunity in an informed manner.

GLOBAL PRESENCE



CUSTOMER CENTRICITY

GROWTH IN TARGET MARKETS



DURABILITY OF CUSTOMER RELATIONSHIPS AND CUSTOMER SATISFACTION

Haycarb emphasises understanding and even pre-empting the needs of its customers. We invest in regular customer communications, including customer visits to strengthen existing relationships and develop new clientele. We use these interactions to ascertain brand perceptions and customer opinions about Haycarb's products, delivery efficiency and effectiveness. Furthermore the Company regularly participates in global exhibitions to showcase new products and applications and build its brand presence in key markets. Effective communications are also maintained through social media platforms such as LinkedIn, Facebook, the official website and the Haycarb Virtual Experience. The virtual experience platform came about as a solution to overcome travel restrictions that prevented customers visiting our plants to undertake audits as part of the supplier qualification process. The virtual experience uses a novel platform where the plants can be visited online along with the key sales and technical team from Haycarb, simulating an actual plant tour & audit.

In order to continually improve our service, customer satisfaction is monitored through feedback surveys. The activated carbon segment has sustained a customer satisfaction score of 80% over the last five years. Crucial to our success has been forging lasting ties with customers, as we develop our own capacities to meet their changing needs over time. Some of the relationships we have maintained include –

- ▶ 35+ year relationship with one of the largest distributors for the gold mining industry
- ▶ 25+ year relationships with large distributors in South Korea and Japan
- ▶ 15+ year relationship with one of the largest distributors in Russia and the CIS region
- ▶ 15+ year relationship with one of the largest cigarette filter manufacturers in the world
- ▶ 15-20 year relationship with several multinational end users who buy products ranging from cigarette filters to high end respirator carbons

Puritas has similarly maintained a customer satisfaction score above 85% over the last three years.

GRI – 102-9

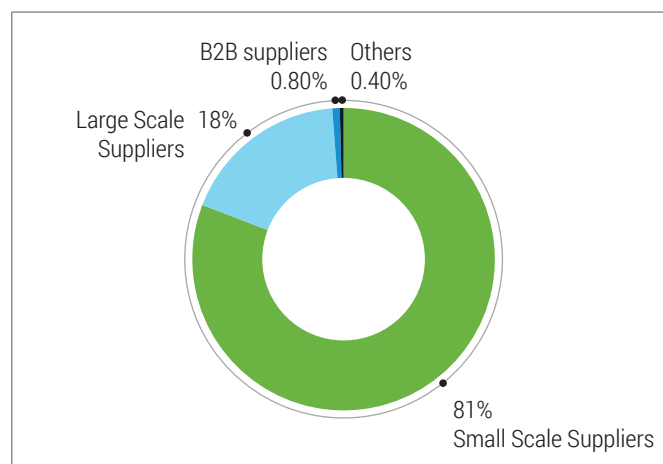
GEOGRAPHICAL SPREAD OF SUPPLY CHAIN

The reliability of the Haycarb supply base was demonstrated during the most challenging crisis of recent times, the emergence of the COVID-19 pandemic. Our manufacturing locations are strategically situated in Sri Lanka, Thailand and Indonesia ensuring convenient access to the primary raw material of coconut shell charcoal within plant locations and regional countries such as India and Philippines. This multi-country manufacturing model mitigates geographic risk factors associated with manufacturing and the raw material supply. We have in place a highly efficient and effective raw material procurement system that ensures competitive pricing and uninterrupted production at the Haycarb's multiple production locations.



Raw material supply chain network

PROFILE OF SUPPLIERS



CUSTOMER CENTRICITY

STRENGTHENED RELATIONSHIPS WITH SUPPLIERS/SUBCONTRACTORS

Haycarb invests in building long-term relationships with its suppliers by supporting them through timely payments and trustworthy dealings. In Sri Lanka, strong supplier relationships are evidenced by the fact that 39% of the supplier base have been partners with Haycarb for 5 years, and 27% for over 10 years. Haycarb has established long-term ties with suppliers throughout its diverse supplier chain network in Sri Lanka and overseas.

Average Length of Sri Lankan Supplier Partnerships

	%
Less than 1 year	44
1-5 years	17
5-10 years	12
10-15 years	9
15-20 years	9
20+ years	9

Puritas works with a strong subcontractor base to deliver its water and wastewater treatment solutions to the highest standards in Sri Lanka, Maldives and key overseas markets in the region. The sub-contractor base has been expanded with the expansion of projects under the World Bank funded Water Supply and Sanitation Improvement Project (WaSSIP) implemented by the Ministry of Water Supply and the Climate Resilient Integrated Water Management Projects funded by the UNDP. These sub-contractors are operating in over seven districts around Sri Lanka, which has diversified risks in terms of dependency and operational feasibility. Raw materials are imported from multiple countries including China, Taiwan, Thailand, Japan, Singapore and the European continent.

STRENGTHENED RELATIONSHIPS WITH BUSINESS PARTNERS

Joint Venture Partners

Haycarb's strategic joint venture partnerships in Thailand and Indonesia have added valuable local market expertise and strengthened our integration to the local business culture and environment.

Haycarb has a 26-year long partnership in Carbokarn Company Ltd., the holding Company of the manufacturing and activated carbon regeneration base in Thailand. Their expertise has added strength to the operations through areas such as management of the local raw material procurement network, marketing and management of activated carbon sales in Thailand, industrial relations and compliance with local regulations and standards.

In Indonesia, PT Haycarb Palu Mitra was established with a 60:40 partnership with Indonesian local partners in 2012. This venture was the first green field construction undertaken by Haycarb in an overseas location. The relationship has strengthened our activated carbon sales network in Indonesia.

Puritas has maintained over 10-years relationship with Veolia (formerly Vivendi), a French transnational specialising in water management, waste management, and energy services. Puritas teamed up with Veolia to develop large scale water and wastewater systems for communities in Sri Lanka. The relationship sets the industry standards by introducing the latest European technology and sustainable solutions to Sri Lanka's water/wastewater treatment industry.

Global Distributors

Haycarb has a diverse network of distributors strategically positioned in key markets of USA, UK & Europe, China, Russia, Africa, Japan, South Korea, Thailand and Indonesia.

This network, is an essential component of our supply chain and has been developed with care over the years to ensure maximum access to the range of Haycarb products. The marketing team at head office together with our marketing subsidiaries Eurocarb, Haycarb Holdings Australia and Haycarb USA coordinates the network of our long standing global distributors.

Industry initiatives

Haycarb collaborates with external institutions on a number of industry initiatives that contribute towards the advancement of the industry. The Haycarb Research and Development Division supports the Coconut Research Institute of Sri Lanka in its research relating to the various properties of coconut shell in Sri Lanka.

We work with the Institute of Engineers of Sri Lanka through mentoring and apprentice programmes of Engineering graduates and undergraduates to develop the habit of systematic design with the support of 3 mentors from the Project Engineering Division.

GRI – 102-13

Memberships in industry associations

Haycarb is a highly respected member and active contributor at a number of industry associations, including –

- ▶ National Chamber of Exporters – Sri Lanka
- ▶ National Chamber of Commerce – Sri Lanka
- ▶ Export Development Board – Sri Lanka
- ▶ Industrial Association of Sri Lanka

Banks

Banks are indispensable partners of Haycarb, facilitating smooth international trade on a daily basis and include banks from Sri Lanka and other countries. Trading relations with most of its banking partners have been maintained for over 10 years, and for over 20 years with some, indicating the strength of Haycarb's financial partnerships.

SUSTAINABILITY



Haycarb recognizes that its business has considerable economic, social and environmental outcomes and impacts, which need to be effectively and efficiently managed to mitigate risks and capitalize on opportunities for the benefit of our stakeholders across Sri Lanka and the world.

Our commitment to sustainability is ingrained in our core business activities and outlook. Our systems are continuously reviewed and aligned to ensure that we reduce our carbon footprint and wastage to drive our growth through a sustainable business model. As a world leader in coconut shell activated carbon, with over 60% of our product being used to purify air and water globally, we take pride in ensuring all our processes are continuously improved so that they are best in class. Our environmental engineering arm, engages in impactful community projects, both as part of our essential business and through community service projects. Haycarb has adopted UN Global Compact Principles on sustainability and our Sri Lankan operations are ISO 14001 certified.

As social and environmental concerns increasingly come to the forefront of public consciousness, we recognize that a lot of work remains to be done, both within our organization, and, perhaps more importantly, in dialogue and collaboration with stakeholders and the diverse communities we serve. Although we are proud of our achievements in sustainability and the contributions we have made, our focus is firmly on building on our foundations to have an even greater impact in the future.



What are we trying to achieve?

A socially and environmentally responsible core business

Impactful Environmental Engineering projects

Impactful Community projects



What are our focus areas?

Sustainable solutions for a cleaner environment through sourcing, manufacturing, and application of products

Puritas water purification solutions

Solutions addressing health and well-being of communities

SUSTAINABILITY

GRI – 203-1, 203-2, 308-1, 308-2, 413-1

SUSTAINABLE SOLUTIONS FOR A CLEANER ENVIRONMENT THROUGH SOURCING, MANUFACTURING, AND APPLICATION OF PRODUCTS

A sustainable supply chain

The traditional “pit method” through which coconut shell charcoal, Haycarb’s principal raw material, is produced releases methane and carbon monoxide into the environment, contributing to the increase of green-house gasses. As a leading manufacturer in the industry, we realise that we have a responsibility to create a sustainable, environmentally-friendly supply base of raw materials. Our focus is both on general environmental harm reduction as well as supporting our suppliers through a variety of means to viably convert their businesses to green charcoaling. We also screen suppliers for environmental criteria with over 90% of raw material quantity sourced by environmentally friendly charcoal pits.

Recogen

Recogen (Pvt) Ltd., a 100% owned subsidiary of Haycarb PLC, is dedicated to ensuring the continuance of the activated carbon industry in Sri Lanka by guaranteeing sustainable raw material supply. Through an environmentally friendly manufacturing process patented by Haycarb, Recogen currently produces up to 6,250 MT of charcoal per annum while simultaneously combusting the gases released in the production process (methane, carbon monoxide, and hydrogen) to operate a boiler/steam turbine producing 4.5 million kWh of electricity and feeding it into the national grid. Furthermore, Recogen can earn additional income in the form of carbon credits under the Kyoto Protocol as it is registered under the ‘International Environmental Treaty’ of the UNFCCC (United Nations Framework Convention on Climate Change).

During the reporting period, Recogen yielded 4,005 MT of charcoal and generated 1,827,480 Kwh of power.

Haritha Angara

Haritha Angara is a community service project initiated by Haycarb in 2014 to encourage and empower our local charcoal suppliers to adopt pollution free charcoaling in Sri Lanka. The programme provides suppliers with financial and technical support to convert from traditional open pit charcoaling sites into environmentally friendly closed-pit charcoaling and involves building units to combust the greenhouse gases that are released during the charcoaling process.

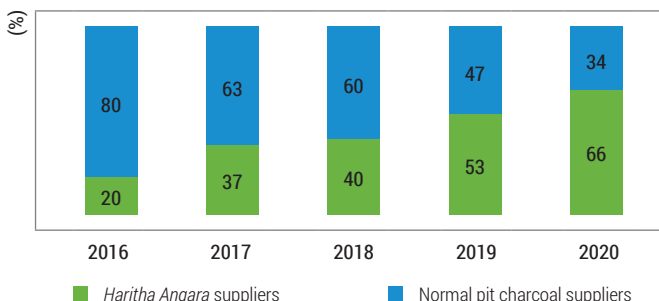
The *Haritha Angara* project has benefitted over 500 families directly and over 3,000 people indirectly, provides financial support to communities, contributes to protecting the environment, and ultimately helps Haycarb ensure that it can continue to supply a sustainable, high-quality product to customers. Over 330 pits have been constructed with capacity to yield approximately 3,500 – 4,000 MT of charcoal per month.



Haritha Angara Environment friendly closed charcoaling pit

During the reporting period, 51 pits were constructed and 32 suppliers were assisted with an investment of Rs. 34.8 million to convert their operations to closed-pit charcoaling. Over the next 2 years, a total of 100 environment friendly pits and 25 sheds are slated to be constructed.

COMPOSITION OF CHARCOAL SUPPLIERS



Vertical kiln charcoaling

Thailand embraced the transition to environmentally friendly charcoaling process through the Vertical Charcoal Kilns projects in 2015. 38 charcoaling kilns have been established thus far in Thailand, producing 450 MT of charcoal per month. During the year under review, these kilns supplied 20% of the supply to our Thailand manufacturing operations.

SUSTAINABILITY

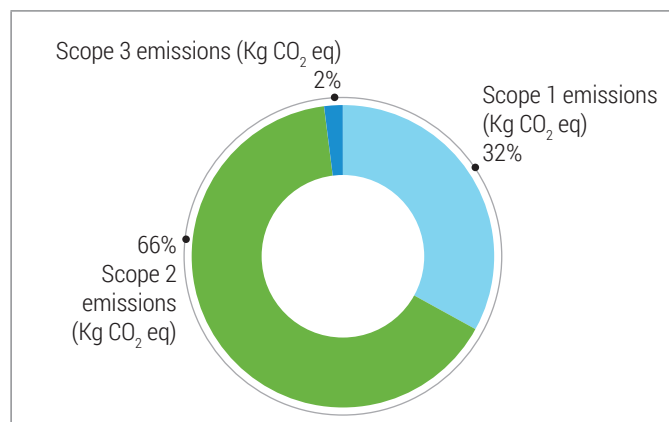
GRI – 302-1, 302-3, 302-4, 303-5, 305-1, 305-2, 305-3, 305-4, 306-3

Sustainable lean projects

Haycarb engaged in several projects during the period under review to enhance the sustainability of our operations by reducing carbon footprint, improving throughput, and resulting in better waste management. The savings from these initiatives accounted to Rs. 197 million and a reduction in CO₂e of 1,240 MT during the year under review. Some of the notable sustainable lean projects successfully executed over the current year include:

- ▶ Removal of fossil fuels for AT process in the pellet plant (for volatile gas combustion in VBC)
- ▶ Output increment in regeneration kilns
- ▶ Washing and drying capacity enhancement
- ▶ Productivity improvement in de-stoning at post activation operations
- ▶ Cleaning de-stoner rejects
- ▶ Extracting usable fines products from material rejects
- ▶ Reducing LPG consumption by reducing turndown ratio of kiln burners
- ▶ Improving the yield of 6x12 product for gold orders
- ▶ Usage of backwash water for scrubber operation – CK Regen Systems Thailand
- ▶ Activation yield improvement – MMCI Indonesia
- ▶ Post activation yield improvement of 4/8 product – MMCI Indonesia
- ▶ Post activation yield improvement of 6/12 local orders – HPM Indonesia

GHG EMISSION



281,497,021
(Mj)

**ENERGY
CONSUMPTION**



11,507
(Mj/revenue million)

**ENERGY
INTENSITY**



3,804,995
(Mj)

**TOTAL ENERGY
GENERATED**



34,409,825
(Kg CO₂ eq)

**TOTAL
EMISSION**



1,380
(Kg CO₂ eq/Turnover million)

**EMISSION
INTENSITY**



4,781,522
(kg)

**TOTAL
WASTE**



498,406,491
(L)

**TOTAL WATER
CONSUMPTION**



19,557
(L/Revenue million)

**WATER
INTENSITY**

PURITAS WATER PURIFICATION SOLUTIONS

Haycarb Group leverages its extensive environmental engineering expertise to provide solutions that positively impact stakeholders across the island and beyond. Haycarb's environmental engineering arm, Puritas (Pvt) Ltd., provides turnkey solutions for water and wastewater treatment. Puritas has expanded its operations to international markets including Maldives, Thailand and Indonesia.

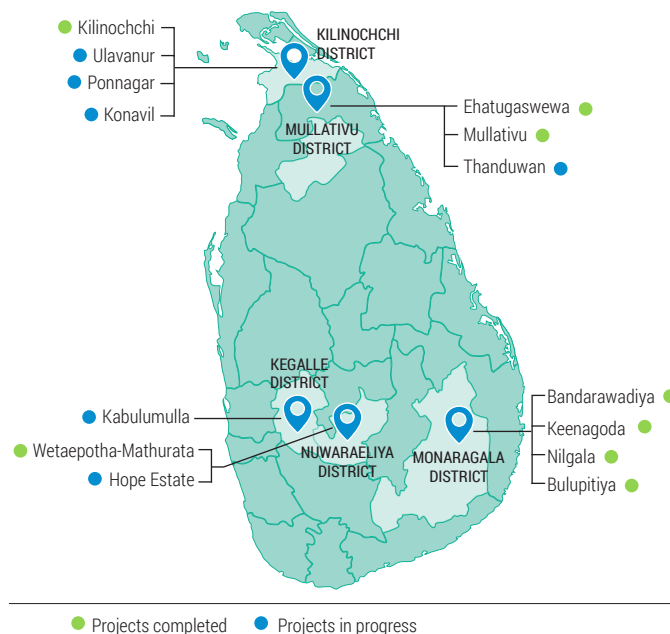
Water treatment for industries and municipalities	Drinking water treatment	11,170,000 litres per day treated
	Water softening/deionizing	
	Boiler feed water for industrial use	
Sewage water treatment	For municipalities, factories, office complexes, hotels, apartments, etc.	20,409,000 litres per day treated
Industrial effluent water treatment for industries	For all industries	11,941,000 litres per day treated

SUSTAINABILITY

WaSSIP projects

World Bank funded Water Supply and Sanitation Improvement Project (WaSSIP) implemented by Ministry of Water Supply, seeks to increase access to pipe-borne water facilities and sanitation in seven priority districts in Sri Lanka. As the implementing arm for 14 projects carried-out by WaSSIP, Puritas has expanded its role in helping rural communities access public infrastructure and uplift their health and living conditions. Puritas has now completed 8 projects while presently engaged in 6 projects. Over 10,000 families have benefited through these infrastructure projects, with the majority of the beneficiaries engaged in farming and agro related industries that are vital for the national economy.

District	Project	Status
Nuwaraeliya	Wataepotha – Mathurata	Completed
	Hope Estate	On-going
Monaragala	Bandarawadiya	Completed
	Keenagoda	Completed
	Nilgala	Completed
	Bulupitiya	Completed
Mullaitivu	Mullaitivu	Completed
	Ehatugaswewa	Completed
	Thanduwan	On-going
Kilinochchi	Kilinochchi	Completed
	Ulawanur	On-going
	Ponnagar	On-going
	Konavil	On-going
Kegalle	Kabulumulla	On-going



CRIWMP projects

Funded by the Global Climate Fund, the United Nations Development Program (UNDP) Climate Resilient Integrated Water Management Project (CRIWMP) has projects in 7 dry zone districts in Sri Lanka, with the Ministry of Mahaweli Development and Environment serving as the implementing arm. Puritas has been awarded 2 projects thus far, through which it helps over 4000 people access water supply facilities:

- Thalakolawewa RWSS – Kurunegala District (Completed)
- Andiyappikulam RWSS – Vavuniya District (In progress)

Infrastructure development projects in Maldives

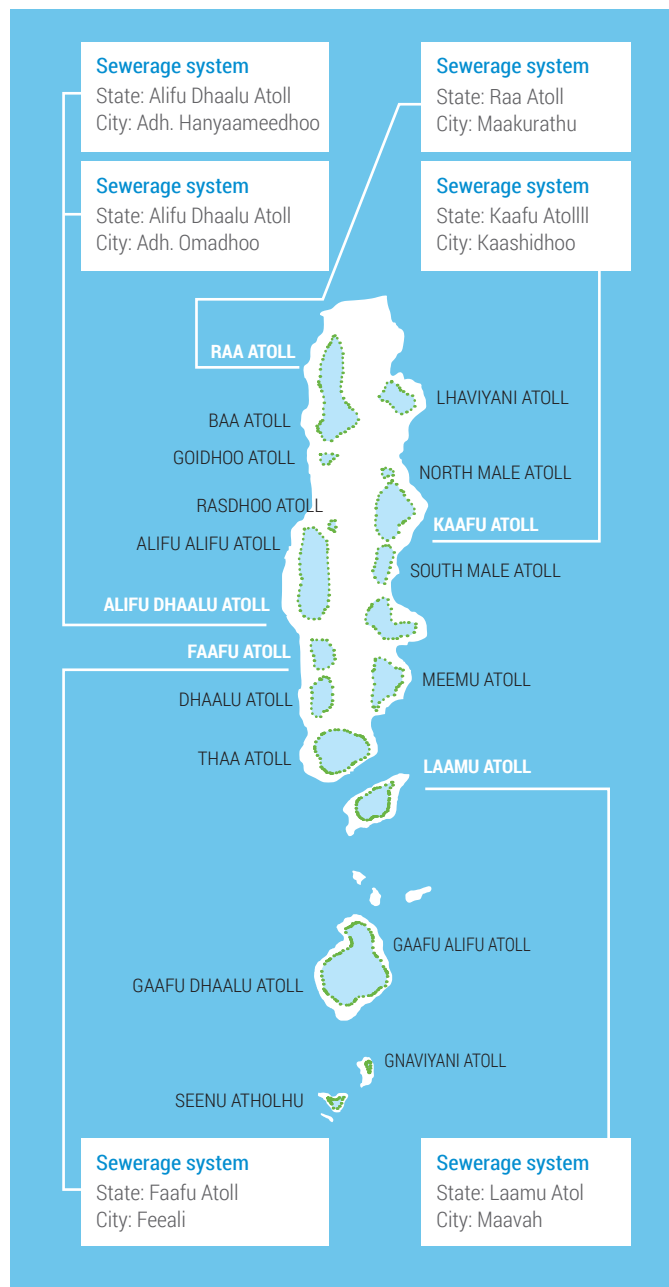
Completed projects

- Water pipe laying work
State: Seenu Atoll
City: Addu City
- Design and construction of sewerage services
State: Laamu Atoll
City: L. Maamendhoo, Addu City
- Water pipe laying work
State: Seenu Atoll
City: Hithadhoo Island North and South, Addu City
- Design and construction of Central Area sewerage and discharge pump station and sea outfall
State: Seenu Atoll
City: Hithadhoo Island, Addu City
- Water pipe laying work
State: Seenu Atoll
City: Maradhoo and Maradhoo Feydhoo, Addu City

SUSTAINABILITY

- ▶ Water pipe laying work
State: Seenu Atoll
City: Meedhoo, Addu City
- ▶ Water supply facility
State: Thaa Atoll
City: Thimarafushi Island

Ongoing projects



Puritas Sath Diyawara

Puritas Sath Diyawara is the flagship corporate social responsibility initiative of the Hayleys Group. The initiative co-ordinated and implemented by Puritas, aims to eradicate chronic kidney disease (CKD) by providing clean drinking water for residents in the Northern, North Central and Uva provinces.

- ▶ **190,000** litres of purified water per day
- ▶ Over **43,800** people have benefited
- ▶ **23** villages served
- ▶ **19** projects
- ▶ **Rs. 82 million** investment



SUSTAINABILITY

The initiative has facilitated over 43,808 people to have access to purified drinking water thus far. Over 10,930 families across 23 villages have benefited from the initiative, in addition to providing over 275 direct job opportunities and 170 indirect job opportunities that benefit over 2,200 dependents. Three new projects were completed in Mahiyanganaya with the funding of Haycarb Group, Hayleys Fibre PLC and Hayleys Advantis Ltd. catering over 10,000 people in Badulla district during the year.

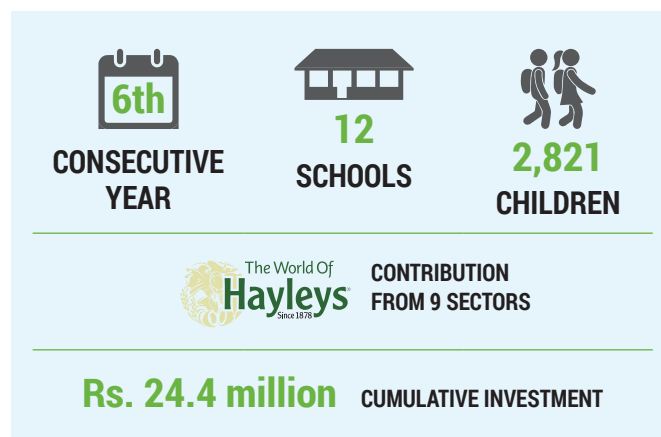
The initiative has also provided over 5,000 children with access to five libraries and computer centres. Community Based Organisations (CBO) have been formed for select villages and 80 CBO officials have been provided with leadership training from senior executives of Puritas and its sister companies. The CBOs are provided with financial resources to cover fixed and operational expenses, as well as meet various needs such as provide short-term loans to farmers, facilitate village infrastructure development, and provide scholarships to children from low-income families.

PROJECTS IN OPERATION

Village	No. of Families Benefited	No. of People Benefited	Status
1. D10, Maithreepura	500	1,542	Completed
2. Balayawewa	350	1,557	Completed
3. Kiriketuwewa and Sinhala Ataweerawewa	600	2,495	Completed
4. Pihimbayagollewa	300	2,153	Completed
5. Nikawewa – Left	320	1,600	Completed
6. Billewa	450	1,953	Completed
7. Thanthrimale	600	2,500	Completed
8. Parangiyawadiya	300	1,250	Completed
9. Ananthapuram, Sivanagar, Iranapalai	900	3,004	Completed
10. Neriyaikulam	700	2,243	Completed
11. Welikanda	350	1,442	Completed
12. Rathmalgahawewa	700	2,112	Completed
13. Ulukkulama	500	1,579	Completed
14. Meegassegama	470	2,500	Completed
15. Pahala Kedithokkuwa	400	2,097	Completed
16. Dutuwewa	750	3,500	Completed
17. Ginnoruwa and Viranagama	1,112	3,825	Completed
18. Bathalayaya	1,040	3,990	Completed
19. Agal Oya	788	2,400	Completed
TOTAL	10,930	43,808	

Puritas Sath Diyawara – Going Beyond

“Going Beyond” is an extension of the *Sath Diyawara* project to provide school essentials to children living in the villages affected by Chronic Kidney Disease (CKD). The initiative was implemented for the sixth consecutive year in villages that benefited under *Puritas Sath Diyawara* and is funded by nine Hayleys’ business sectors.



SOLUTIONS ADDRESSING HEALTH AND WELL-BEING OF COMMUNITIES

Beyond our core business, Haycarb is committed to helping with solutions that meaningfully address the needs, health, and wellbeing of the communities we operates within.

With the Oxypura brand, Puritas entered the consumer products segment with products such as activated carbon-based facemasks and odour removal products. Oxypura products are exported to several international markets including USA, United Kingdom, Singapore, Australia, India, Macedonia, Maldives, and Thailand.

Oxypura has a long history of partnering with its stakeholders and adversely affected segments in the community through initiatives such as donating its facemasks to public servants and as the pandemic gripped the nation, Haycarb donated 15,000 facemasks to Sri Lanka Army, National Operations Centre for Prevention of COVID-19 Outbreak, Ministry of Health and Sri Lanka Police.

Haycarb also invested approximately LKR 14 million towards COVID-19 relief. This investment covered a donation to the Intensive Care Unit (ICU) of the Infectious Diseases Hospital (IDH), and essential items to employees and the communities of Madampe, Badalgama, and Wewalduduwa.

Haycarb also regularly donates medical grade activated carbon to the national hospitals of Sri Lanka through the Ministry of Health for the treatment of patients who have ingested poisonous substances.

Due to the travel restrictions imposed by the global pandemic, air travel and the associated carbon footprint significantly decreased compared to the previous reporting period, equivalent to 23.88% of the total GHG emissions by Haycarb.

SUSTAINABILITY

GRI – 304-3

Puritas 25th Anniversary celebration initiatives

In celebration of Puritas' 25th anniversary, the subsidiary launched 25 sustainability-focused initiatives, which included:

- ▶ Volunteering 2,725 hours and investing approximately LKR 1.7 million in *Sath Diyawara* projects
- ▶ An indigenous tree planting initiative in collaboration with the Colombo Municipal Council
- ▶ Installing our first barrier near the bridge between the Nawala and Narahenpita junction to trap waste, which is then collected by Sri Lanka Land Development Corporation (SLLDC) waste collectors
- ▶ Launching the "Be PAWsitive" initiative to feed street dogs
- ▶ Establishing elephant eco fences with lime plants
- ▶ Establishing bee/butterfly/bird hubs, which are essential to our food chain, in Viharamahadevi Park
- ▶ Replenishing the hope for purified drinking water by recommissioning abandoned RO Plants
- ▶ Establishing a domestic sewerage treatment system in Viharamahadevi park
- ▶ Supporting the livelihoods of the Eastern Vedda community
- ▶ Providing birth certificates for over 200 children in Neriyaikulam in Vavuniya
- ▶ Building a sea turtle conservation hatchery in the Kirigalbe Turtle Conservation Centre in Kumana National Park, which was involved in conserving 4,059 eggs while releasing over 2,000 hatchlings to the ocean from December 2020 onwards
- ▶ Building a database of children with exceptional talents who need assistance living in rural villages and a platform to match donors interested in bringing such talent to the national and global stage
- ▶ Implementing initiatives to encourage children from *Puritas Sath Diyawara* villages to appreciate and nurture the environment through their own creative ideas
- ▶ Establishing water filters in village schools where the availability of purified drinking water is limited
- ▶ Inspirational session at Ranaviru Home with Guardians of the Nation and partnering with their annual talent show

International subsidiaries

Carbokarn and Shizuka (Thailand)

- ▶ Donated THB 124,000 to help over 10,000 beneficiaries in schools and provinces
- ▶ Planted 450 trees
- ▶ Commenced a tree planting project in Ratchaburi to plant 1,000 trees by June 2021

PT Mapalus Makawanua charcoal industry (Indonesia)

- ▶ Donated IDR 85 million worth of dry rations to 580 low-income families in villages
- ▶ Donated 2,500 facemasks worth IDR 26 million to stop the spread of COVID-19



Stewardship

- 58 Board of Directors
- 62 Management Team
- 64 Corporate Governance
- 82 Annual Report of the Board of Directors on the Affairs of the Company
- 86 Statement of Directors' Responsibility
- 87 Related Party Transactions Review Committee Report
- 88 Audit Committee Report
- 90 Remuneration Committee Report

GRI – 102-22, 102-23

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 – The Institute of Chartered Accountants of Sri Lanka; Honoured 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. He is also the Managing Director of Eco Solutions Sector and the Deputy Chairman of Dipped Products PLC.

Appointed to the 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 hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and 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, 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, 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, Hayleys Fabric PLC, and Dipped Products PLC. He is also a Director of Dhammika and Priscilla Perera Foundation.

ARJUN SENARATNA

Appointed to the Board in November 2005. Previously held senior positions with Amsterdam based TNT/TPG (Now CEVA/FedEx); including membership on 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 Chartered Public Accountant CPA, CMA Canada.

BOARD OF DIRECTORS

SARATH GANEGODA

Appointed to the Board 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 Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Rejoined Hayleys in March 2007 and appointed to the Group Management Committee in July 2007. He is a member of the Board of Hayleys PLC and has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products 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

Serves 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 Master's 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. A Fellow of The Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of Institute of Chartered Management Accountants of Sri Lanka (FCMA), Mr. Rajapakse holds a Master of Business Administration (MBA) from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

During his professional career that spanned nearly four decades, he has held the honorary positions of President, Vice-President and Council Member (elect) of The Institute of Chartered Accountants of Sri Lanka (ICASL), Former Chairman of Auditing Standards Committee of ICASL, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer for Cricket World Cup 2011, Board member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation of Asia Pacific Accountants (CAPA). He has also served in the directorates of National Development Bank PLC, NDB Capital Ltd. – Bangladesh, The Finance Company PLC, Uni Dil Packaging Ltd. and Uni Dil Packaging and Solutions Ltd.

Mr. Sujeewa Rajapakse is a Managing Partner of BDO Partners which is the local representative of BDO – the fifth largest accounting network in the world. At present he serves as the Chairman of People's Bank, and as the Deputy Chairman of Softlogic Life Insurance PLC. Also, an Independent Non-Executive Director of Dipped Product PLC, Hayleys Agriculture Holdings Ltd. and Director – Lankan Alliance Finance Limited, Bangladesh. Mr. Rajapakse is a Council member of the University of Sri Jayewardenepura.

M.S.P. UDAYA KUMARA

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

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

BOARD OF DIRECTORS

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. Appointed as Vice Chairman of Industrial Association of Sri Lanka, Ceylon Chamber of Commerce for the year 2020/21.

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 BEng (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 Sathdiyawara*".

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.

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., Executive Managing Director of On'ally Holdings PLC 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, Regnis (Lanka) PLC and 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.

BOARD OF DIRECTORS

MS. SHAMALIE GUNAWARDANA

Appointed to the Board in March 2021. Ms. Gunawardana [L.L.M. (UK), Attorney at Law] is currently a Joint Managing Partner of Capital City Law – Colombo, a Consultant Senior Legal Advisor to CHEC Port City (Colombo) Ltd., Board Member of DFCC Bank PLC and Group Legal Consultant to International Distillers Limited. She is also a member of the Company Law Advisory Commission of Sri Lanka.

Her more recent contributions include serving as a Member of the Core Group that finalised a legal framework for the Special Economic Zone – Colombo Port City and as a Member of the Presidential Expert Working Committee on the Implementation of Data Protection in Sri Lanka.

Ms. Gunawardana was called to the Bar in 1985, started her career at Julius & Creasy and moved to the Legal Division of the Central Bank of Sri Lanka. She has held several senior public service positions including that of Director General – Legal Affairs, at the Department of the General Treasury from 2008 to 2013.

MS. BHASKARAN

Ms. Bhaskaran serves in the Company as the alternate Director to Mr. Dhammika Perera.

Currently serves as the Chief Executive Officer of Vallibel One PLC. Also serves on the Boards of Delmege Ltd. as a Director, Vallibel Power Erathna PLC and LB Finance PLC as a Non-Executive Director and as Chairperson of LB Finance Audit Committee. In addition, she serves as the alternate Director to Mr Dhammika Perera on the Boards of Hayleys Fibre PLC and Dipped Products PLC.

She 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 Financial and Accounting professional and 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

Mohan Pandithage	Chairman
Rajitha Kariyawasan	Managing Director
Ms. Jeevani Abeyratne	Director (Finance and IT)
M.S.P. Udaya Kumara	Director (Research and Development and Technical)
Brahman Balaratnarajah	Director (Manufacturing & Engineering)
Ali Asgar Munaver Caderbhoy	Director (Business Development)
Ms. Sharmila Ragunathan	Director (Environmental Engineering)
James Naylor	Director (Head of Eurocarb Products Ltd. – UK)

General Managers

Asitha Karunaratne	Sales and Marketing
Gominda Gunawardena	Manufacturing and Charcoal and Shell Procurement (Sri Lanka)

Deputy General Managers

Palitha Weerawardane	Production Planning
Manura Wickramasinghe	Environmental Engineering [Puritas (Pvt.) Ltd.]

Divisional Managers

Samantha Athukorala	R&D/Process Improvement [Puritas (Pvt) Ltd.]
Chaminda Korale	Engineering Projects
J.D. Shishira	Research and Development
Nalinda Samaranayake	Research and Development
Manjula Ranasinghe	Quality Assurance
Anuradha Gamage	Factory Manager (Madampe)
Jagath Wickramasinghe	Factory Manager (Badalgama)
A.S.D. Karunaratne	Human Resource Management
P.D.D.M. Krishantha	Human Resource Management
Asitha Kularatne	Engineering Procurement
Prabhath Liyanaarachchi	Sales and Marketing
Chrisan Kobbekaduwe	Sales and Marketing
Lalendra Adhihetty	Business Development
Prasad Weerakoon	Deputy Financial Controller
Sunimal Moraes	Production Planning
Lasantha Wickramasekara	Charcoal and Shell Procurement
P.T.R. Darshana	Production (Madampe)
Chethiya Dharmadasa	Raw Material Procurement (Indonesia, Sri Lanka)

Departmental Managers

Shantha Seneviratne	Engineering Projects
Hasanga Senanayake	Business Development [Puritas (Pvt) Ltd.]
D.M. Senaratne	Engineering Projects
Gamini Ranathunga	Engineering Maintenance (Badalgama)
Layan Kokila Gamage	Project Engineering, Civil & Structural [Puritas (Pvt) Ltd.]
Ms. Rasika Jayawardena	Information Technology
Ajith Pathiraja	Finance
Sujeewa Gurusinghe	Procurement R&D
Lalith Hapuarachchi	Quality Management Systems
Sunil Udugampala	Quality Assurance (Madampe)
Nimal Kumara	Production (Badalgama)
Saliya Samarajeeva	Engineering Maintenance (Madampe)
Dayan Ganegoda	O & M Solutions [Puritas (Pvt) Ltd.]
Ms. Piyumali Premaratne	Finance
Chamathi Tennakoon	Finance & Business Development [Puritas (Pvt) Ltd.]
Channa Wijethunga	Activated Carbon Products [Puritas (Pvt.) Ltd.]
Chaminda Abeyrathne	Safety, Health/Maintenance (Madampe)
Indika Wijeratne	Business Development
Sanjaya Kumara	Finance
Gratian Fernando	Production (Madampe)
Jagath Ratnayake	Production Planning
Dhammika Alwis	Engineering Projects
Charith Premathilaka	Production (Madampe)
Sujith Rodrigo	Engineering Projects
Uendra Jayasinghe	Safety and Health (Badalgama)

MANAGEMENT TEAM

Overseas Subsidiaries

Marketing

Eurocarb Products Ltd.

James Naylor	Managing Director
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Richard Bittel	Director Sales
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Haycarb Holdings Australia (Pty) Ltd.

Manuel Marques	Director/Chief Operating Officer
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Binupa Liyanage	Director Operations
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Haycarb USA Inc.

A.S. Pathirathna	Vice-President
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Manufacturing

Carbokarn Co. Ltd.

Prasarsk Kanchanabatr	Managing Director
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Benja Karnchanabatr	Deputy Managing Director
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Krit Karnchanabatr	Director
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Thananchai Karnchanabatr	Director (Local Sales and Marketing)
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H. Sumith Kumara	General Manager (Manufacturing – Carbokarn and CK Regen Systems)
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Ms. Chattip Techatipmanee	Finance Manager
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Ms. Yaowarech Singhapoom	Accounting Manager
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K.U.S. Warnajith	Plant Manager (Shizuka Co. Ltd.)
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PT Mapalus Makawanua Charcoal Industry

Nuwan Rupasinghe	General Manager
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Ms. Tetty Ente	Administration Manager
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Ananda Munasinghe	Manager – Quality Control
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PT Haycarb Palu Mitra

Nadun Hettiarachchi	Factory Manager
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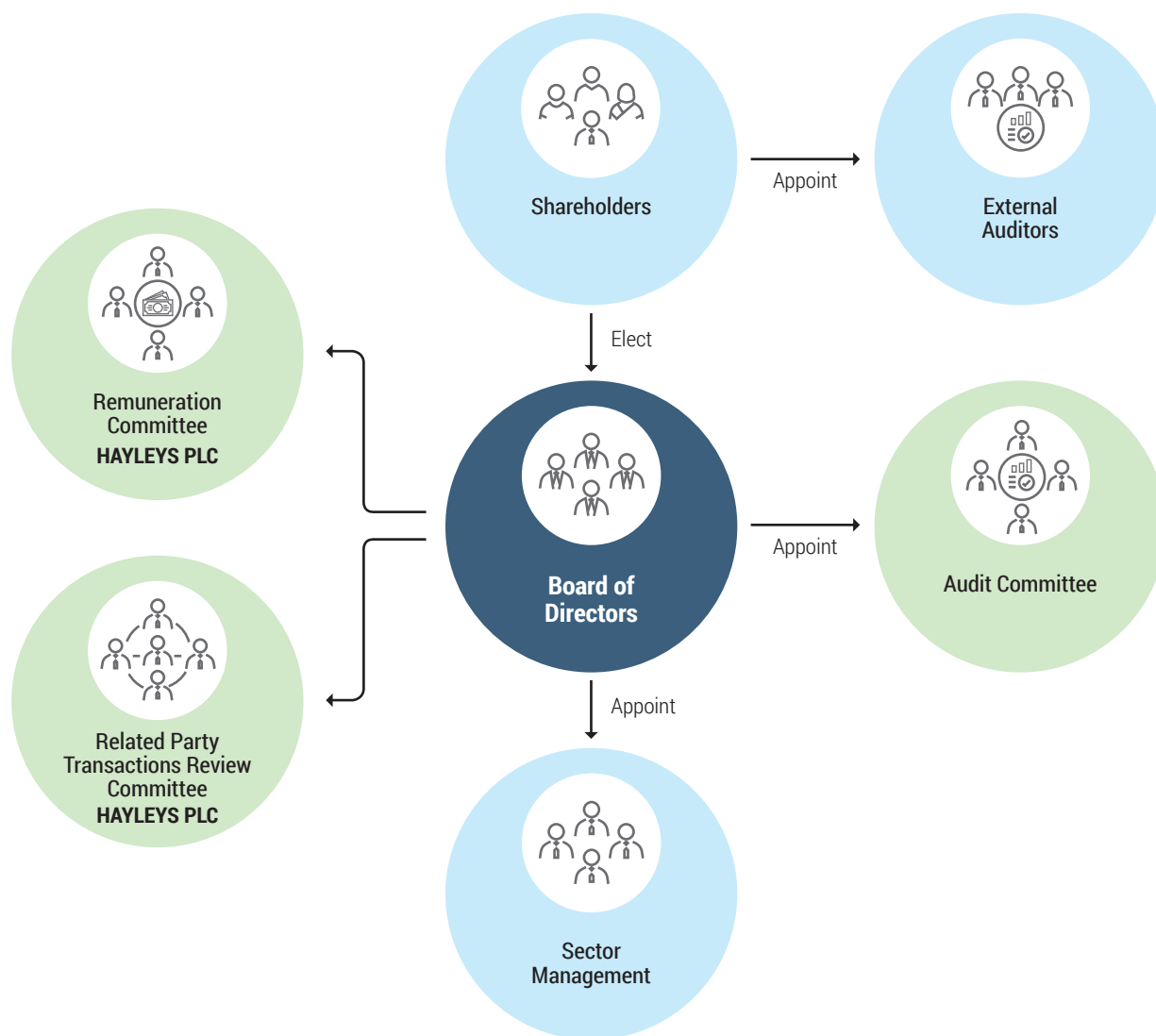
GRI – 102-18, 102-19

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 170 and 171.

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 87 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.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

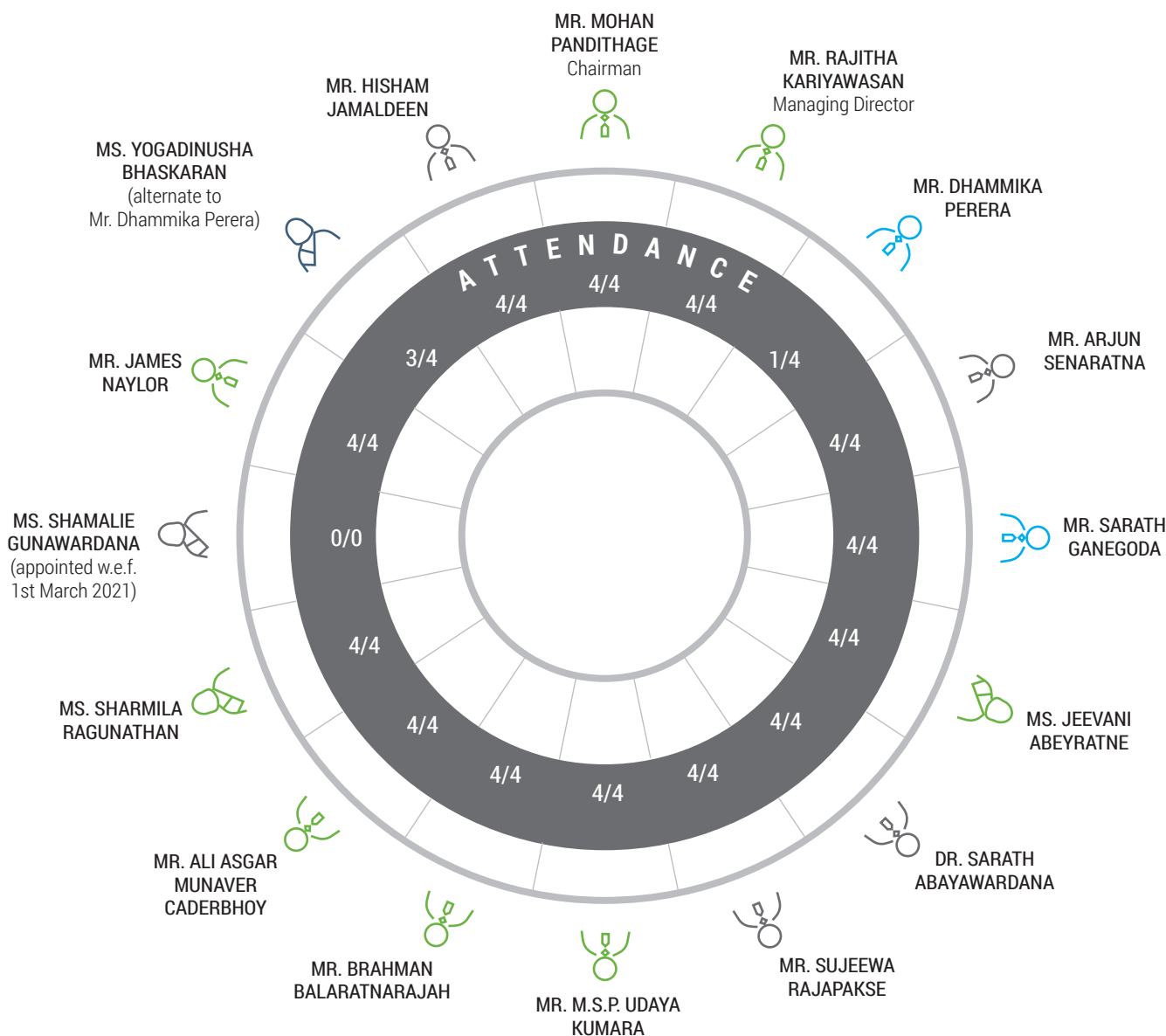
Board Responsibility

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 2021, the Board comprised 15 Directors; 7 Non-Executive Directors and 8 Executive Directors. The names of these Directors are given below and a short profile of each is given on pages 58 to 61 of this Annual Report.

The details of Directors' shareholding and directorates in other companies are given on pages 82 and 171 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:



Executive



Non-Executive



Independent Non-Executive



Alternative

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
SECTION 1: THE COMPANY			
A. Directors			
Principle: A.1 The Board			
The Board consisted of 15 Directors – 7 Non-Executive Directors and 8 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"> ▶ Financial and operational results on pre-agreed Key Performance Indicators ▶ Financial performance compared to previous periods, budgets, and targets ▶ Impact of risk factors on financial and operating results and actions to mitigate such risks ▶ Share trading of the Company and related party transactions by Key Management Personnel ▶ Compliance with laws and regulations and any non-compliances ▶ Internal control review ▶ Any other matters the Board should be aware of <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"> ▶ Providing direction and guidance to the Company promoting the sustainable long-term success of the Company and enhance shareholders value. ▶ Appointing and reviewing the performance of the Chairman and Managing Director. ▶ Ensure Executive Directors have the skills, experience and knowledge to implement strategy effectively, and adopt key management personnel succession strategy. ▶ Formulate and communicate business policy and strategy to assure sustained growth and to monitor its implementation within a framework of sustainable business development. ▶ Approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set. ▶ Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management. ▶ Reviewing, approving and monitoring annual corporate plans, corporate budgets, and capital expenditure. ▶ Ensure compliance with laws, regulations, and ethical standards. ▶ Ensure all stakeholder interests are considered in corporate decisions.

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
			<ul style="list-style-type: none"> ▶ Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations. ▶ Adequacy and the integrity of the internal control systems over financial reporting and management information systems are reviewed by the Board and the Audit Committee. ▶ Determining any changes to the discretions/authorities delegated from the Board to the key management team. ▶ Exercise accountability to shareholders and relevant stakeholders.
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.1.7	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>

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
Principle: A.2 Chairman and Chief Executive Officer (CEO)			
There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.			
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 Officer 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.
Principle: A.3 Chairman's Role			
The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.			
A.3.1	Chairman's role	Complied	<p>The Chairman's role involves:</p> <ul style="list-style-type: none"> ▶ Conducting of Board meetings ensuring effective participation of both Executive and Non-Executive Directors. The Chairman plays a key role in preserving good corporate governance. ▶ Approving the agenda for each meeting prepared in consultation with the Managing Director and the Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management, and compliance. ▶ Sufficiently detailed information of matters included in the agenda should be provided to the Directors in a timely manner. ▶ Ensuring that all Directors are aware of their duties and responsibilities. ▶ All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda. ▶ Maintaining the balance of power between Executive and Non-Executive Directors. ▶ The view of Directors on issues under consideration are ascertained. ▶ The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.
Principle: A.4 Financial Acumen			
The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
A.4	Financial acumen	Complied	The Board includes 6 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.

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
Principle: A.5 Board Balance			
It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-making.			
A.5.1	Non-Executive Directors	Complied	<p>7 out of 15 Directors on the Board are Non-Executive Directors.</p> <p>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.</p>
A.5.2	Independence of Non-Executive Directors	Complied	<p>5 out of 7 Non-Executive Directors are independent. The Board has determined that 5 Non-Executive Directors satisfy the criteria for "Independence" set out in the Listing Rules.</p>
A.5.3	Independence of Non-Executive Directors	Complied	<p>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.</p>
A.5.4	Annual declaration of independence – Non-Executive Directors	Complied	<p>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.</p>
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 and Dr. S.A.K. Abayawardena is not compromised by being a Board member for more than nine years. The Board is of the opinion that Mr. M.H. Jamaldeen has the capability to conduct himself in an independent and impartial manner on matters deliberated by the Board and his independence will not be affected by his spouse, Mrs. I. Jamaldeen being a Director of the Kingsbury PLC, a subsidiary of Hayleys PLC.</p> <p>Brief résumé of all the Directors is available on pages 58 to 61.</p>
A.5.7, A.5.8	Requirement to appoint Senior Independent Director	Not applicable	<p>This is not applicable as the Chairman and the Managing Director is not the same person.</p>
A.5.9	Chairman's meetings with Non-Executive Directors	Complied	<p>The Chairman holds meeting with the Non-Executive Directors, without Executive Directors, at least once in each year and at any other time necessary.</p>
A.5.10	Record in the Board minutes of concerns not unanimously resolved	Complied	<p>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.</p>

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
Principle: A.6 Supply of Information			
A.6.1	Timely information to the Board	Complied	The Board is provided with appropriate and timely information. The Directors are provided with quarterly reports on performance, minutes of committee meetings and such other reports and documents as necessary. In addition to the standard information additional 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.
GRI – 102-24			
Principle: A.7 Appointments to the Board			
A.7.1, A.7.2	Appointment to the Board	Complied	Hayleys PLC, the parent company's Nominations Committee functions as the Nominations Committee of the Company and makes recommendations to the Board on all new Board appointments. The Nomination Committee comprises following members. Mr. A.M. Pandithage* – Chairman Mr. Dhammika Perera** Dr. H. Cabral, PC*** * Executive Director ** Non-Executive Director *** Independent Non-Executive Director The Board annually assesses the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.
A.7.3	Disclosure of new appointments	Complied	A brief 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 disclosed in the Annual Report on pages 58 to 61.
Principle: A.8 Re-election			
A.8.1, A.8.2	Re-election of Directors	Complied	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-election by the shareholders at that Meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/reappointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
Principle: A.9 Appraisal of Board Performance			
A.9.1, A.9.2, A.9.3	Appraisal of Board performance	Complied	The performance of the Board and subcommittees is evaluated annually on self-assessment basis.
Principle: A.10 Disclosure of Information in Respect of Directors			
A.10.1	Disclosures about Directors	Complied	Name, qualification, brief profile and nature of expertise are given on pages 58 to 61 of this Annual Report. 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 65 of this Report.
Principle: A.11 Appraisal of Chief Executive Officer			
A.11.1, A.11.2	Evaluation of performance of the CEO	Complied	The short, medium and long-term objectives including financial and non-financial targets that should meet by the CEO are set and evaluate at the commencement of each fiscal year. The performances were evaluated in each quarter and ascertain whether the targets were achieved or achievement is reasonable in the circumstances.
B. Directors Remuneration			
Principle: B.1 Remuneration Procedure			
B.1.1, B.1.2, B.1.3, B.1.4, B.1.5	Establishment of Remuneration Committee	Complied	The Remuneration Committee is constituted as per the Guidelines of the Listing Rules of the CSE. The Remuneration Committee of Hayleys PLC, the parent company acts as the Committee and is responsible to overlook the aspects of remuneration of the Company. The Remuneration Committee Report is given on page 90 Payment of remuneration to Directors is disclosed on page 83 of this Report.
Principle: B.3 Disclosure of the Remuneration			
B.3.1	Disclosure of the remuneration	Complied	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. The Remuneration Committee Report is given on page 90. The total of Directors' remuneration is reported in Note 9.2 to the Financial Statements.

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
C. Relations with Shareholders			
Principle: C.1 Constructive use of the AGM and Conduct of General Meetings			
C.1.1	Notice of AGM	Complied	The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders.
C.1.2	Separate resolution for substantially separate items	Complied	<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	<p>The Company ensures that all proxy votes are properly recorded and counted.</p> <p>The level of proxies lodged on each resolution is conveyed to the Chairman.</p>
C.1.4	Answer questions at the Annual General Meeting (AGM)	Complied	The Board arranges the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary. Shareholders may bring up their concerns as appropriate with the Managing Director or the Company Secretary as appropriate.
Principle: C.2 Communication with Shareholders			
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 Secretary answers queries which are being made by the shareholders where necessary.</p>
C.2.3	Implementation of the policy and methodology for communication with shareholders	Complied	<p>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 requested in writing to do so.</p> <p>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.</p>

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
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	<p>The Chairman and the Directors answer all the queries raised by the shareholders at the AGM and Extra Ordinary General Meetings.</p> <p>The Board in conjunction with the Company Secretary formulates the process for addressing shareholder matters.</p>
Principle: C.3 Major Material Transactions			
C.3.2	Disclosure of Major Transactions to shareholders	Complied	<p>Directors are responsible for the disclosure of all proposed material transactions which if entered into would materially alter the Consolidated Group net asset base.</p> <p>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.</p>
D. Accountability and Audit			
Principle: D.1 Financial and Business Reporting			
D.1.1/D.1.2	Balance and understandable information to shareholders	Complied	<p>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, Sri Lanka Accounting Standards and Securities and Exchange Commission of Sri Lanka.</p> <p>Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner.</p>
D.1.3	CEO's and CFO's approval on Financial Statements prior to Board approval	Complied	<p>Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board.</p> <p>Responsibilities of Board of Directors and Directors Statement on Internal Controls are given on page 86 on this Report.</p>

CORPORATE GOVERNANCE

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 82 of this Annual Report which contains the following:</p> <ul style="list-style-type: none"> ▶ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka. ▶ Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested. ▶ Equitable treatment to shareholders. ▶ Compliance with best practices of corporate governance. ▶ Information relating to PPE has been given in Note 13 to the Financial Statements. ▶ Review of internal controls, risk management and reasonable assurance of effectiveness, and adherence. ▶ Going concern of the business.
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 86.</p> <p>The Auditor's Report is available on page 92 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 page 170 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 is given on pages 62 and 63.</p> <p>The eight 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>Management Report</p> <p>The Joint Statement from the Chairman and the Managing Director (pages 14 to 16) 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 14 to 16) in this Report.</p>
D.1.7	Summon an EGM to notify serious loss of capital		<p>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.</p> <p>However, such an event has not taken place since the adoption of the New Companies Act No. 07 of 2007.</p>

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
Principle: D.2 Risk Management and Internal Control			
D.2.1, D.2.2, D.2.3, D.2.4	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"> ▶ The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies. ▶ The Board reviews the strategies of the divisions and constituent companies. ▶ Annual budgeting and regular forecasting processes are in place and the Directors review performance. ▶ The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanisms. ▶ The Group is subjected to regular internal audits and system reviews. ▶ The Audit Committee reviews the plans and activities of the internal audits and the management letters of External Auditors. ▶ The Group carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment. <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 86.</p>
Principle: D.3 Audit Committee			
D.3.1, D 3.2	Composition of Audit Committee	Complied	<p>The Audit Committee comprises three Non-Executive Independent Directors and is chaired by a senior Chartered Accountant. The 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 of Hayleys PLC, 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.3.3	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 88 of this Report.
D.3.4	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" on page 88 of this Report.

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
Principle: D.4 Related Party Transactions Review Committee			
D.4.1	Related Party Transactions	Complied	Company is adhering to LKAS 24 and transactions entered into with related parties during the year is disclosed on Note 32 to the Financial Statements.
D.4.2	Composition of Related Party Transactions Review Committee	Complied	The Related Party Transactions (RPT) Review Committee of Hayleys PLC acts as the Company's Related Party Transaction Review Committee and consists of Dr. H. Cabral, PC – Independent Non-Executive (Chairman) Mr. M.Y.A. Perera – Independent Non-Executive Mr. S.C. Ganegoda – Executive
D.4.3	Terms of Reference	Complied	Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. Related Party Transactions Review Committee Report describing the duties, task and attendance of the Committee appear on page 87.
Principle: D.5 Code of Business Conduct and Ethics			
D.5.1	Disclosure on presence of Code of Business Conduct and Ethics	Complied	The Directors and members of the Senior Management team are bound with a Code of Business Conduct and Ethics which is developed by the Hayleys Group. The Code consists of important topics like conflict of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance of laws, rules and regulations etc. The Board ensures the compliance with the Code.
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 82 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.

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
Principle: D.6 Corporate Governance Disclosures			
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 64 to 81 of this Report.</p> <p>IT Governance The Company pays close attention to bringing the IT systems in line with its strategies and objectives. Upgrading of the IT systems are undertaken based on the assessments of business requirements. The IT function is supported by dedicated IT staff and the services of the Hayleys Group IT Team.</p> <p>IT Value and Alignment Investment in IT projects and systems are made after consideration is given to their suitability to the related projects. Further aspects such as cost savings, improved customer satisfaction, timely information and the balance between cost of investment and scale of operations are also taken into account when these decisions are taken.</p> <p>IT Risk Management Risks associated with cybersecurity and Information Technology are assessed in the process of risk management. Use of licensed software, close monitoring of Internet usage and mail server operations and regular update of antivirus and firewall software are some of the practices in place. The Company's IT policy includes guidance on password security, internet usage and electronic communication. In addition, special awareness sessions have been organised to create awareness on cybersecurity.</p>
SECTION 2: SHAREHOLDERS			
E. Institutional Investors			
Principle: E.1 Shareholder Voting, E.2 Evaluation of Governance Disclosures			
E.1, E.2	Shareholder voting and evaluation of governance disclosure	Complied	<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>
F. Other Investors			
Principle: F.1 Investing/Divesting Decisions, F.2 Shareholders Voting			
F.1, F.2	Adequate analysis for investment/divestment decisions and usage of voting right	Complied	<p>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.</p>

CORPORATE GOVERNANCE

Reference to CA Sri Lanka Code	Requirement	Compliance	Details of compliance
G. Internet of things and Cybersecurity			
G.1	Cybersecurity risk of sending and receiving information	Complied	Adequate systems and controls have implemented to protect against cybersecurity threats. A Disaster Recovery plan has been implemented for hardware infrastructure. Data backups and disaster recovery site are been maintained.
G.2	Implementation of a cyber-security risk management policy	Complied	The management of IT and cyber risks of the Hayleys Group companies is the responsibility of an Executive Director of the Group. The Hayleys Group Head of IT is tasked with implementing the Group IT policy while liaising with the group companies to facilitate implementation at entity level.
G.3	Include cybersecurity in Board agenda	Complied	IT and Cybersecurity is an agenda of the monthly Group Management Committee meetings of the Hayleys PLC (Parent company) with matters escalated to the Board where deemed necessary considering risk, impact and other prudential measures.
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management	Complied	IT and Cybersecurity formed part of the Haycarb PLC's annual statutory audit of Financial Statements. Further the effectiveness of Cybersecurity controls are reviewed by competent third party periodically.
G.5	Disclosures in Annual Report	Complied	Refer Principle G under Corporate Governance.
H. Environment, Society and Governance (ESG)			
Principle: H.1 ESG Reporting			
H.1.1	Provide sufficient information relating to ESG risks	Complied	The joint statement from the Chairman and Managing Director on pages 14 to 16 and page 28 to 31 highlights the ESG issues that may affect the business strategy.

CORPORATE GOVERNANCE

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 Governance 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	7 of the 15 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	5 of the 7 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 65.
7.10.3 (b)	Disclosure relating to Directors	In the event a Director does not qualify as independent against the criteria, but if the Board is of the opinion that the Director is nevertheless independent, the Board shall specify the criteria not met and the basis of its determination.	Compliant	Please refer Corporate Governance A.5.5
7.10.3 (c)	Disclosure relating to Directors	A brief Résumé of each Director should be included in the Annual Report including the areas of expertise	Compliant	Please refer pages 58 to 61.
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief Résumé of new Directors appointed to the Board with details specified in 7.10.3 (a), (b), and (c) to the Exchange	Compliant	Résumé of all new Directors appointed during the year were submitted to the CSE.
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 90.
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 90.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out: <ul style="list-style-type: none"> ▶ Names of Directors comprising of Remuneration Committee ▶ Statement of Remuneration Policy ▶ Aggregated remuneration paid to Executives and Non-Executive Directors 	Compliant	Please refer page 90.

CORPORATE GOVERNANCE

Rule No.	Subject	Applicable requirement	Compliance status	Details
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 88
7.10.6 (b)	Audit Committee functions	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
		<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 88
		The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance by the entity.	Compliant	Please refer page 88
		The Committee shall make a determination of the independence of the Auditors and shall disclose the basis of such determination.	Compliant	Please refer page 89
7.13.1	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 167

CORPORATE GOVERNANCE

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 87. 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	As above
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	As above
9.3.2 (b)		Recurrent related party transactions – If aggregate value exceeds 10% gross revenue/income as per the latest audited accounts	Compliant	As above
9.3.2 (c)	Related Party Transactions Review Committee disclosures	Names of the Directors	Compliant	As above
		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	As above

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 2021.

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 170 and 171 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 94.

Financial Statements

The Financial Statements of the Company and the Group are given on pages 94 to 162.

Auditors' Report

Auditors' Report on the Financial Statements is given on page 92.

Accounting Policies

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 102 to 118. 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 32 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' Interests in Shares

Directors of the Company who have relevant interests in the shares of the Company have disclosed their shareholdings and any acquisitions/disposals to their Boards, in compliance with section 200 of the Companies Act.

Details relating to shareholdings of Directors are given below:

	Number of shares	
	31st March 2021	1st April 2020
Mr. A.M. Pandithage (Chairman)	23,790	2,379
Mr. H.S.R. Kariyawasan* (Managing Director)	1,465,000	15,500
Mr. Dhammika Perera	—	—
Mr. A.M. Senaratna	—	—
Mr. S.C. Ganegoda	18,150	1,815
Mrs. M.J.A.S. Abeyratne	—	—
Dr. S.A.K. Abayawardana	—	—
Mr. S. Rajapakse	—	—
Mr. M.S.P. Udaya Kumara	4,620	462
Mr. B. Balaratnarajah	10,040	1,004
Ms. S.S. Ragunathan	—	—
Mr. A.A.M. Caderbhoy	—	—
Mr. J.D. Naylor	—	—
Mr. M.H. Jamaldeen	—	—
Ms. H.M.N.S. Gunawardana (appointed w.e.f. 1st March 2021)	—	—
Ms. Y. Bhaskaran (Alternate to Mr. Dhammika Perera)	—	—

* Jointly with Mrs. K.H.S. Kariyawasan

Directors' shareholding increased with sub-division of shares/purchases

Hayleys PLC holds 201,251,030 shares (67.73%) in Haycarb PLC in which Mr. A.M. Pandithage, Mr. K.D.D. Perera, Mr. S.C. Ganegoda and Mr. H.S.R. Kariyawasan are Directors and Mr. K.D.D. Perera holds 51.01% of the equity stake of Hayleys PLC.

131,000 shares were purchased by Mr. H.S.R. Kariyawasan, Managing Director of Haycarb PLC jointly with Mrs. K.H.S. Kariyawasan during the year.

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

Directors' Remuneration

The Executive Directors' Remuneration is determined within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2021 is Rs. 204,706,000/- (2019/20 – Rs.179,678,000/-), 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 2021 is Rs. 5,469,000/- (2019/20 – Rs. 4,728,000/-), 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 ultimate Parent of the Company, Hayleys PLC has obtained a Directors and Officers liability insurance, providing worldwide cover to indemnify all past, present and future Directors and Officers (D & O) of the Group. The limit on liability of the cover is USD 5 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 2020/21.

Attendance

Meetings held on 15th June 2020, 11th August 2020, 6th November 2020 and 10th February 2021.

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.

Donations

The donations made by the Company and the Group are disclosed in Note 9.2 on page 121.

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. 6,574,215.44 (2019/20 – Rs. 5,700,718/-). The ratification by the shareholders of the excess amount of Rs. 4,574,215.44 made as donations for 2020/21 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 in the pages 58 to 61 in this Report.

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

Mrs. H.M.N.S. Gunawardana, was appointed to the Board as an Independent Non-Executive Director with effect from 1st March 2021 and in terms of Article 27(2) of the Articles of Association of the Company, shareholders will be requested to elect her at the Annual General Meeting.

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 74 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 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.

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

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. Pandithage, who is 70 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

The Directors of the subsidiaries are given on pages 170 and 171.

Auditors

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

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 1,830,600 /- (2019/20 – Rs. 1,821,372/-) and Rs. 3,231,283/- (2019/20 – Rs. 3,360,070/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 1,723,803/- (2019/20 – Rs. 1,202,663/-) and Rs. 6,310,975/- (2019/20 – Rs. 7,169,627/-) 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. 25,484,559,000/- (2019/20 – Rs. 22,822,743,000/-) 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. 23,377,468,611/- (2019/20 – Rs. 20,657,050,000/-). Trade between Group companies are conducted at fair market prices.

Profits

The Group's profit before tax amounted to Rs. 4,490,262,000/- (2019/20 – Rs. 2,175,806,000/-). After deducting Rs. /- 923,755,000 (2019/20 – Rs. 409,762,000/-) for taxation, the profit was Rs. 3,566,507,000/- (2019/20 – Rs. 1,766,044,000/-). When non-controlling interest of Rs. 519,673,000/- (2019/20 – Rs. 207,448,000/-) was deducted, the profit attributable to the equity holders of the Company was Rs. 3,046,834,000/- (2019/20 – Rs. 1,558,596,000/-).

Stated Capital and Reserves

The stated capital of the Company, consisting of 297,123,750 ordinary shares, amounts to Rs. 331,774,000/-. There was no change in Stated Capital during the year.

The ordinary shares of the Company were subdivided by splitting each issued ordinary share into ten (10) ordinary shares from 10th February 2021. Consequently the total number of existing issued Ordinary Shares were increased from 29,712,375 to 297,123,750 without changing the Stated Capital of the Company which remains at Rs. 331,774,000/-.

Total Group reserves as at 31st March 2021 amount to Rs.13,069,362,000/- comprising of Capital Reserves of Rs. 686,284,000/- and Revenue Reserves of Rs. 12,383,078,000/- .The Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Dividend

First interim dividend of Rs. 4/- per share was paid to the shareholders on 27th August 2020. The second interim dividend of Rs. 5/- per share was paid to the shareholders on 21st October 2020. The third interim dividend of Rs. 14/- per share was paid to the shareholders on 23rd December 2020. The fourth interim dividend of Rs. 1.40/- (after the subdivision) per share was paid to the shareholders on 24th March 2021.

The Board of Directors has recommended the payment of Final Dividend of Rs. 0.50 (after the subdivision) per share for 2020/21 subject to the approval of the shareholders at the oncoming Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the First, Second, Third, Fourth Interim dividends paid and Final dividend proposed. A solvency certificate was obtained from the Auditors in respect of the First, Second, Third, Fourth Interim dividends paid and one has been sought in respect of the Final dividend proposed.

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

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 86.

Capital Expenditure

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 1,052,374,000/- (2019/20 – Rs. 691,559,000/-) and Rs. 732,847,000/- (2019/20 – Rs. 472,593,000/-) 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 126 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' assessment of going concern was made with due attention to the uncertainties posed by the Covid-19 outbreak, and they are of the view that the future outlook does not affect the determination that the Company is a going concern. The Company has implemented additional health and safety measures in its operation to minimise the risks posed by Covid-19 pandemic.

Shareholders

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

Share Information

Information relating to earnings, dividends, net asset, market value per share and share trading is given on pages 168 and 169.


Major Shareholdings

The twenty major shareholders as at 31st March 2021 are given on page 166 in this Report.

Annual General Meeting

The Annual General Meeting will be held on Friday 25th June 2021 at 3.30p.m. via online meeting platform. The Notice of the Annual General Meeting appears on page 177.

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
18th May 2021

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, third, fourth interim dividends paid and final dividend proposed and the 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 92 to 93 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

18th May 2021

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

- ▶ 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.

ATTENDANCE

Committee met four times during in the Financial Year 2020/21.

Meetings held on 15th June 2020, 11th August 2020, 6th November 2020 and 10th February 2021.

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

TASK OF THE COMMITTEE

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

The Committee in its re-view process recognised the adequacy of the content and quality of the information forwarded to its members by the Management.



Dr. Harsha Cabral, PC

Chairman
Related Party Transactions Review Committee of Hayleys PLC
17th May 2021

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 with regard to any transaction entered into with a related party.

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 Chief Financial Officer of Hayleys PLC and the Managing Director and Finance Director of Haycarb PLC attend the meetings of the Committee by invitation.

The role 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 2021 and the members attendance records are given below:

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

A brief profile of each member is given on pages 58 and 59 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 102 to 162. 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.

AUDIT COMMITTEE REPORT

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
14th May 2021

GRI – 102-35, 102-36

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.

The Committee met once during the year where all the members attended.

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 pre-determined 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 2020/21

- ▶ 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

18th May 2021

FINANCIAL STATEMENTS

92	Independent Auditors' Report
94	Income Statement
95	Statement of Comprehensive Income
96	Statement of Financial Position
98	Statement of Changes in Equity
100	Statement of Cash Flows
102	Notes to the Financial Statements

FINANCIAL CALENDAR

01st Quarter Report	13th August 2020
02nd Quarter Report	06th November 2020
03rd Quarter Report	10th February 2021
04th Quarter Report	19th May 2021
Annual Report 2020/21	2nd July 2021
48th Annual General Meeting	25th June 2021
1st Interim Dividend declared	04th August 2020
1st Interim Dividend paid	27th August 2020
2nd Interim Dividend declared	30th September 2020
2nd Interim Dividend paid	21st October 2020
3rd Interim Dividend declared	27th November 2020
3rd Interim Dividend paid	23th December 2020
4th Interim Dividend declared	05th March 2021
4th Interim Dividend paid	24th March 2021
Final Dividend proposed	18th May 2021
Final Dividend payable	12th July 2021

INDEPENDENT AUDITORS' REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
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 2021, 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 2021, 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.

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventories As disclosed in Note 19, inventories of the Group amounted to Rs. 8.6 billion as at 31st March 2021. Valuation of inventories was considered a key audit matter since: <ul style="list-style-type: none"> ▶ Inventories which includes raw material, semi finished goods and finished goods as of 31st March 2021, represents 34% of the total assets of the Group. ▶ Inventories are subject to estimates including moisture level adjustments depending on the category of the inventory. ▶ Significant judgements applied by the Management in the determination of inventories that are slow-moving or obsolete considering the ageing and nature of the items. 	We performed following focus audit procedures among others: <ul style="list-style-type: none"> ▶ Evaluating the key controls implemented by the Management over identifying slow-moving or obsolete inventories and measuring the level of required provisions. ▶ Assessing the appropriateness of judgements applied by Management, especially in relation to the non-expiry and continued use of activated carbon and charcoal as well as in arriving at the net realisable value; and ▶ Assessing the reasonableness of moisture level adjustments made to raw materials and finished goods by observing moisture checks on a sample basis. We also assessed the adequacy of disclosures made in relation to the valuation of inventories in Note 5.8 to the 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 A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal G B Goudian ACMA T P M Ruberu FCA FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

Other Information included in the 2021 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.



18th May 2021
Colombo

INCOME STATEMENT

For the year ended 31st March	Note	Consolidated		Company	
		Audited 2021 Rs. '000	Audited 2020 Rs. '000	Audited 2021 Rs. '000	Audited 2020 Rs. '000
Revenue	6	25,484,559	22,822,743	10,139,930	8,229,711
Cost of sales		(17,947,691)	(17,432,984)	(7,648,028)	(6,437,032)
Gross profit		7,536,868	5,389,759	2,491,902	1,792,679
Other operating income	7	94,287	115,901	797,236	455,494
Selling and distribution expenses		(219,930)	(196,827)	(24,426)	(31,981)
Administrative expenses		(2,975,521)	(2,807,214)	(1,247,116)	(1,113,866)
Results from operating activities		4,435,704	2,501,619	2,017,596	1,102,326
Finance income	8.1	372,789	233,131	280,950	212,761
Finance cost	8.2	(324,030)	(555,699)	(134,460)	(272,191)
Net Finance income/(cost)		48,759	(322,568)	146,490	(59,430)
Share of profit of equity accounted investees (net of tax)	17.2	5,799	(3,245)	–	–
Profit before tax	9	4,490,262	2,175,806	2,164,086	1,042,896
Tax expense	10.2	(923,755)	(409,762)	(270,264)	(95,084)
Profit for the year		3,566,507	1,766,044	1,893,822	947,812
Attributable to:					
Equity holders of the parent		3,046,834	1,558,596	1,893,822	947,812
Non-controlling interest		519,673	207,448	–	–
Profit for the year		3,566,507	1,766,044	1,893,822	947,812
Earnings per share					
– Basic (Rs.)	11.1	10.25	5.25	6.37	3.19
– Diluted (Rs.)	11.1	10.25	5.25	6.37	3.19
Dividend per share (Rs.)	12	3.70	1.50	3.70	1.50

The Notes to the Financial Statements on pages 102 to 162 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 2021 Rs. '000	Audited 2020 Rs. '000	Audited 2021 Rs. '000	Audited 2020 Rs. '000
Profit for the year		3,566,507	1,766,044	1,893,822	947,812
Other comprehensive income that will be reclassified to profit or loss in subsequent periods					
Net exchange differences on translation of foreign entities		664,522	46,447	–	–
Net gain/(loss) on equity instrument designated at fair value through OCI	21	1,655,980	(85,443)	1,655,980	(85,443)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) on employee benefit obligations	27	(99,345)	(2,883)	(90,219)	2,722
Tax effect on other comprehensive income	10.2	24,960	720	12,631	(381)
Movement in reserve in equity accounted investees		–	30,562	–	–
Other comprehensive income/(loss) for the year (net of tax)		2,246,117	(10,597)	1,578,392	(83,102)
Total comprehensive income for the year (net of tax)		5,812,624	1,755,447	3,472,214	864,710
Attributable to:					
Equity holders of the parent		5,179,280	1,522,418	3,472,214	864,710
Non-controlling interest		633,344	233,029	–	–
		5,812,624	1,755,447	3,472,214	864,710

The Notes to the Financial Statements on pages 102 to 162 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

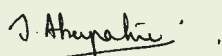
STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated		Company	
		Audited 2021 Rs. '000	Audited 2020 Rs. '000	Audited 2021 Rs. '000	Audited 2020 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	13	6,424,329	5,609,128	2,755,155	2,190,303
Right-of-use assets	14.1	163,849	130,614	103,687	90,469
Intangible assets	15	233,141	226,873	24,351	10,111
Investments in subsidiaries	16.1	–	–	1,494,769	1,494,769
Investments in equity accounted investees	17	615,302	609,503	92,903	92,903
Non-current receivables from subsidiaries	18.3	–	–	–	238,000
Other non-current financial assets	21	1,932,662	273,825	1,888,388	232,408
Deferred tax assets	28.1	62,403	49,229	–	–
Total non-current assets		9,431,686	6,899,172	6,359,253	4,348,963
Current assets					
Inventories	19	8,621,022	6,674,679	2,561,370	2,178,919
Trade and other receivables	20	4,316,402	4,109,050	2,408,600	1,452,863
Amounts due from subsidiaries	18.3	–	–	693,362	468,744
Amounts due from other related parties	18.4	15,242	16,887	–	8,137
Amounts due from equity accounted investees	18.5	38,090	13,881	165	125
Other current assets	22	634,841	586,852	220,748	135,866
Cash in hand and at bank	23	2,335,633	1,145,131	677,133	359,979
Total current assets		15,961,230	12,546,480	6,561,378	4,604,633
Total assets		25,392,916	19,445,652	12,920,631	8,953,596

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated		Company	
		Audited 2021 Rs. '000	Audited 2020 Rs. '000	Audited 2021 Rs. '000	Audited 2020 Rs. '000
Equity and liabilities					
Equity					
Stated capital	24	331,774	331,774	331,774	331,774
Capital reserves	25.1	686,284	675,744	442,458	442,458
Revenue reserves	25.2	12,383,079	8,313,697	6,791,605	4,418,749
Total Equity attributable to equity holders of the Company		13,401,137	9,321,215	7,565,837	5,192,981
Non-controlling interest		1,751,304	1,335,444	–	–
Total equity		15,152,441	10,656,659	7,565,837	5,192,981
Non-current liabilities					
Interest-bearing loans and borrowings	26.1	467,591	150,340	462,197	150,340
Non-current lease liability	14.2	112,674	98,969	78,914	76,052
Employee benefit obligations	27	858,505	648,202	672,672	514,000
Deferred tax liabilities	28.2	139,477	157,979	77,865	94,193
Total non-current liabilities		1,578,247	1,055,490	1,291,648	834,585
Current liabilities					
Trade and other payables	29	1,886,784	2,156,971	828,699	654,466
Interest-bearing loans and borrowings	26.2	4,316,882	2,936,426	2,750,655	1,650,121
Current lease liability	14.2	63,206	42,259	33,430	19,667
Other current liabilities	30	538,498	494,134	17,855	75,445
Amounts due to subsidiaries	18.1	–	–	214,177	237,293
Amounts due to other related parties	18.2	1,256,334	1,875,289	60,608	251,929
Income tax payable		600,524	228,424	157,722	37,109
Total current liabilities		8,662,228	7,733,503	4,063,146	2,926,030
Total liabilities		10,240,475	8,788,993	5,354,794	3,760,615
Total equity and liabilities		25,392,916	19,445,652	12,920,631	8,953,596

I certify that the Financial Statements set out on pages 94 to 162 have been prepared in accordance with the Companies Act No. 07 of 2007.

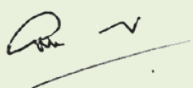


Jeevani Abeyratne
Director – Finance

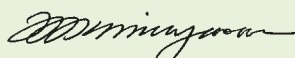
The Notes to the Financial Statements on pages 102 to 162 form an integral part of these Financial Statements.

The Directors are responsible for these Financial Statements.

Signed for and on behalf of the Board,



Mohan Pandithage
Chairman
18th May 2021



Rajitha Kariyawasan
Managing Director
18th May 2021

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 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
Net exchange differences on translation of foreign entities	–	–	–	18,763	–	–	18,763	27,684	46,447
Actuarial loss on employee benefit obligations	–	–	–	–	–	(212)	(212)	(2,671)	(2,883)
Tax on other comprehensive income	–	–	–	–	–	152	152	568	720
Movement in reserves of equity accounted investees	–	–	–	–	–	30,562	30,562	–	30,562
Net gain/(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
Profit for the year	–	–	–	–	–	3,046,834	3,046,834	519,673	3,566,507
Net exchange differences on translation of foreign entities	–	–	–	548,029	–	–	548,029	116,493	664,522
Actuarial loss on employee benefit obligations	–	–	–	–	–	(95,822)	(95,822)	(3,523)	(99,345)
Tax on other comprehensive income	–	10,540	–	–	–	13,719	24,259	701	24,960
Net gain on equity instruments designated at fair value through OCI	–	–	1,655,980	–	–	–	1,655,980	–	1,655,980
Other comprehensive income for the period	–	10,540	1,655,980	548,029	–	(82,103)	2,132,446	113,671	2,246,117
Dividends	–	–	–	–	–	(1,099,358)	(1,099,358)	(217,484)	(1,316,842)
Balance as at 31st March 2021	331,774	686,284	1,847,727	1,374,755	519,353	8,641,244	13,401,137	1,751,304	15,152,441

STATEMENT OF CHANGES IN EQUITY

Company	Stated capital Rs. '000	Capital reserve Rs. '000	General reserve Rs. '000	Fair value reserve of financial assets at FVOCI Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 31st March 2019	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
Tax on other comprehensive income	–	–	–	–	(381)	(381)
Net loss on equity instruments designated at fair value through OCI	–	–	–	(85,443)	–	(85,443)
Other comprehensive income for the period	–	–	–	(85,443)	2,341	(83,102)
Dividends	–	–	–	–	(445,686)	(445,686)
Balance as at 31st March 2020	331,774	442,458	519,353	191,747	3,707,649	5,192,981
Profit for the year	–	–	–	–	1,893,822	1,893,822
Actuarial loss on employee benefit obligations	–	–	–	–	(90,219)	(90,219)
Tax on other comprehensive income	–	–	–	–	12,631	12,631
Net gain on equity instruments designated at fair value through OCI	–	–	–	1,655,980	–	1,655,980
Other comprehensive income for the period	–	–	–	1,655,980	(77,588)	1,578,392
Dividends	–	–	–	–	(1,099,358)	(1,099,358)
Balance as at 31st March 2021	331,774	442,458	519,353	1,847,727	4,424,525	7,565,837

The Notes to the Financial Statements on pages 102 to 162 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	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cash flows from operating activities					
Profit before tax from continuing operations		4,490,262	2,175,806	2,164,086	1,042,896
Adjustments for:					
Depreciation and impairment of property, plant and equipment and right-of-use-assets	13/14	610,938	559,002	194,593	173,018
Amortisation of intangible assets	15	13,265	25,966	4,304	8,715
(Gain)/loss on disposal of property, plant and equipment	7	(19,726)	(7,898)	(19,726)	(6,396)
(Gain)/loss on translation of foreign currencies		170,425	5,418	93,708	39,552
Exchange difference on translation of foreign entities		341,528	61,310	–	–
Finance income	8.1	(372,789)	(233,131)	(280,950)	(212,761)
Finance costs	8.2	324,030	555,699	134,460	272,191
Dividend income – subsidiaries	7	–	–	(616,298)	(295,693)
Share of profit of an equity accounted investee	17.1	(5,799)	3,245	–	–
Provision for slow moving inventories	19	1,953	25,612	3,515	22,074
Unrealised profit on inventories	19	206,087	82,145	–	–
Provisions for expected credit losses	20	58,077	12,610	–	–
Provision for employee benefits obligations	27	115,623	101,991	88,562	79,763
Cash generated from operations before working capital changes		5,933,874	3,367,775	1,766,254	1,123,359
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		(316,505)	(143,731)	(1,040,617)	247,779
(Increase)/decrease in amounts receivable from related parties		(22,564)	(2,416)	21,481	602,523
(Increase)/decrease in inventories		(2,154,382)	24,597	(385,967)	(457,727)
Increase/(decrease) in trade and other payables		(139,806)	(135,977)	202,661	199,014
Increase/(decrease) in amounts due to related parties		(429,376)	234,652	(24,859)	(11,078)
		2,871,241	3,344,900	538,953	1,703,870
Interest paid		(226,852)	(321,033)	(75,915)	(131,670)
Income tax paid		(555,285)	(399,135)	(153,349)	(88,661)
Employee benefits paid	27	(23,286)	(16,763)	(20,109)	(12,647)
Net cash flows from/(used in) operating activities		2,065,818	2,607,969	289,580	1,470,892

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Consolidated		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		19,792	9,515	19,726	6,708
Purchase of property, plant and equipment	13	(1,052,374)	(691,559)	(732,847)	(472,593)
Loans for plant development	21	–	(12,918)	–	–
Proceeds from long-term loans and receivables	21	1,193	4,673	–	–
Acquisition of intangible assets	15	(18,825)	(2,991)	(18,544)	(1,007)
Interest received	8.1	51,095	12,120	55,245	44,175
Dividend received from equity accounted investees	17.1	–	1,579	–	1,579
Other dividends received	8.1	95,176	16,724	711,472	310,837
Net cash flows from/(used) in investing activities		(903,943)	(662,857)	35,052	(110,301)
Net cash inflow/(outflow) before financing activities		1,161,875	1,945,112	324,632	1,360,591
Financing activities					
Proceeds from borrowings	26	566,920	179,840	541,920	179,840
Repayment of borrowings	26	(152,372)	(184,128)	(130,621)	(99,217)
Lease rental paid	14.2	(66,805)	(59,981)	(35,066)	(30,530)
Dividend paid to equity holders of the parent	29.1	(1,374,954)	(352,136)	(1,374,954)	(352,136)
Dividend paid to non-controlling interest		(217,484)	–	–	–
Net cash flows from/(used in) financing activities		(1,244,695)	(416,405)	(998,721)	(302,043)
Net increase/(decrease) in cash and cash equivalents		(82,820)	1,528,707	(674,089)	1,058,548
Cash and cash equivalents at beginning of the period	23	(1,686,879)	(3,215,586)	(1,204,683)	(2,263,231)
Cash and cash equivalents at end of the period	23	(1,769,699)	(1,686,879)	(1,878,772)	(1,204,683)
Analysis of cash and cash equivalents as at 31st March					
Cash in hand and at bank	23	1,061,766	865,160	60,439	158,817
Short-term deposits		1,273,867	279,971	616,694	201,162
		2,335,633	1,145,131	677,133	359,979
Bank overdrafts and short-term loans		(4,105,332)	(2,832,010)	(2,555,905)	(1,564,662)
Cash and cash equivalents		(1,769,699)	(1,686,879)	(1,878,772)	(1,204,683)

The Notes to the Financial Statements on pages 102 to 162 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 170 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 2021 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 170 and 171 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 2021 were authorised for issue by the Directors on 18th May 2021.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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, including:

- ▶ 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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. Acquisition related costs are expensed as incurred and included in the administrative expenses.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination 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).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 financial assets designated at 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 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 (Years)
Buildings	20-50
Plant and machinery	10-40
Stores equipment	5-10
Motor vehicles	5
Furniture, fittings and office equipment	2-10
Data processing equipment	4
Laboratory equipment	5

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.

NOTES TO THE FINANCIAL STATEMENTS

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 (Years)
Buildings	5-10

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.

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.

The Group's lease liabilities are included in Note 14.2 to the Financial Statements.

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 derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in Income Statement when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

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, financial assets designated at 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

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

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- ▶ Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- ▶ Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- ▶ Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used for measurement of ECL are likely to be the term structures of the following variables:

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Group forecasts PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

NOTES TO THE FINANCIAL STATEMENTS

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Group has used these parameters from internally-developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- ▶ **Stage 1:** The 12-month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12-months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12-months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- ▶ **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- ▶ **Stage 3:** For loans considered credit-impaired the Group recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

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.

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

NOTES TO THE FINANCIAL STATEMENTS

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- ▶ There is 'an economic relationship' between the hedged item and the hedging instrument.
- ▶ The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- ▶ The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

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 Contingent Liabilities recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.17 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.

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 operating income" in the income statement.

Other Income

Other income is recognised on an accrual basis.

3.19 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.

3.19.1 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.

3.19.2 Finance Income and Finance Cost

Finance income comprises interest income on funds invested, dividend income, 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, and losses on hedging instruments that are recognised in the Income Statement.

3.20 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.

3.20.1 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.

3.20.2 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

3.20.3 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 for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

4.5.1.1 Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Consolidated Financial Statements of the Group, but may impact future periods should the Group enter into any business combinations.

4.5.2 Amendments to LKAS1 and LKAS 8: Definition of Material

The amendments provide a new definition of material that states, "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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other

NOTES TO THE FINANCIAL STATEMENTS

information, in the context of the Financial Statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to the Group.

4.5.3 Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no 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 SLFRS 17 – Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The amendments are effective for reporting periods beginning on or after 1st January 2023, with early application permitted. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

4.6.2 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 1 January 2021. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

4.6.3 Amendments to SLFRS 16 – COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1st June 2020. This amendment is not expected to have a material impact on the Financial Statements of the Group in the foreseeable future.

4.6.4 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

4.6.5 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS 16-Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies

NOTES TO THE FINANCIAL STATEMENTS

the amendment. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

4.6.6 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1st January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4.6.7 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

- ▶ What is meant by a right to defer settlement.
- ▶ That a right to defer must exist at the end of the reporting period.
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1st January 2022 and must be applied retrospectively. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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 to the uncertainties posed by the COVID-19 outbreak. The future outlook doesn't affect the Directors determination that the Company is a going concern. The Company has implemented additional health and safety measures in its operations.

5.2 Taxation

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

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

5.3 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

NOTES TO THE FINANCIAL STATEMENTS

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, Management considers the interest rates of government bonds, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in Note 27 to the Financial Statements.

5.4 Revaluation of property, plant and equipment and investment properties

The Group measures the freehold land (classified as property, plant and equipment) at revalued amounts, with changes in fair value being recognised in OCI. The freehold lands were valued by reference to transactions involving properties of a similar nature, location and condition.

The Group engaged a valuation specialist to assess fair values as at 31 March 2019 for the freehold lands. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 13 to the Financial Statements.

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

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

5.6 Revaluation of Land

The Group measures lands which are recognised as property, plant and equipment at revalued amount with change in value being recognised in the Statement of Other Comprehensive Income. The valuer has used 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.

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

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

5.8 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.

5.9 Provision for expected credit losses of Non-current and Current trade and receivables in Consumer and Retail sector

The Group uses a provision matrix to calculate ECLs for loans and trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the relevant sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's loans and trade receivables is disclosed in Note 20 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

6. REVENUE

Timing of Revenue Recognition

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Sale of goods				
Goods transferred at a point in time	32,263,899	27,542,093	10,139,930	8,229,711
Services transferred over time	1,722,363	3,295,245	–	–
	33,986,262	30,837,338	10,139,930	8,229,711
Intra-group revenue	(8,501,703)	(8,014,595)	–	–
Total revenue from contracts with customers	25,484,559	22,822,743	10,139,930	8,229,711

6.1 Contract Balances

Contract assets of the Group relating to projects in progress amounting to Rs. 499,023,000/- (2020 – Rs. 272,175,000/-) are reflected within Inventories in Note 19. Contract liabilities of the Group relating to payments received in advance are reflected under other current liabilities in Note 30 and amounting to Rs. 538,498,000/- (2020 – Rs. 494,134,000/-)

7. OTHER OPERATING INCOME

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Export incentives	23,177	4,469	–	–
Net gain on disposal of property, plant and equipment	19,726	7,898	19,726	6,396
Fees for marketing services	–	–	72,456	62,235
Sundry income	51,384	102,214	19,254	13,702
Rental income	–	–	9,020	8,753
Income from technical consultations	–	1,320	60,482	68,715
Dividend income – subsidiaries	–	–	616,298	295,693
	94,287	115,901	797,236	455,494

NOTES TO THE FINANCIAL STATEMENTS

8. NET FINANCE INCOME/COST

8.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Dividend income – quoted	94,145	15,713	94,145	15,711
– unquoted	1,031	1,011	1,029	1,011
Interest income on loans and receivables	51,095	12,120	55,245	44,175
Gain on translation of foreign currency	226,518	204,287	130,531	151,864
Total finance income	372,789	233,131	280,950	212,761

8.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Interest cost – Short-term borrowings	204,635	277,886	55,905	123,717
– Long-term borrowings	22,217	43,147	20,010	7,953
Lease interest	16,375	20,276	11,873	13,163
Loss on translation of foreign currency	80,803	214,390	46,672	127,358
Total finance costs	324,030	555,699	134,460	272,191
Net finance income/(cost)	48,759	(322,568)	146,490	(59,430)

9. PROFIT BEFORE TAX

9.1 Profit Before Tax Attributable to:

For the year ended 31st March	Consolidated	
	2021 Rs. '000	2020 Rs. '000
Haycarb PLC	2,164,086	1,042,896
Subsidiaries	3,125,772	1,506,167
Equity accounted investees	5,799	(3,245)
	5,295,657	2,545,818
Unrealised profit on intra-group sales	(206,087)	(82,145)
Intra-group adjustments	(599,308)	(287,867)
Profit before tax	4,490,262	2,175,806

NOTES TO THE FINANCIAL STATEMENTS

9.2 Profit Before Tax is Stated after Charging all Expenses Including the following:

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Depreciation on property, plant and equipment	560,099	515,329	167,994	150,401
Directors' emoluments including Non-Executive Directors' consultation fees	210,175	184,406	153,450	152,107
Auditor's remuneration (fees and expenses):				
– Ernst & Young	3,231	3,360	1,830	1,821
– Others	15,885	13,444	–	–
Fees paid to Auditors for non-audit work				
– Ernst & Young	6,311	7,170	1,724	1,203
– Others	3,020	646	–	–
Donations	10,726	9,026	6,574	5,701
Provision for slow moving inventories	1,953	25,612	3,515	22,074
Provision of unrealised profits in inventories	206,087	82,145	–	–
Provision/(reversal) for expected credit losses	58,076	12,610	–	–
Staff training and development cost	287	7,398	268	6,522
Legal/litigation fees	9,778	5,182	897	1,310
Staff costs (Note 9.2.1)	2,600,515	2,133,398	1,060,979	843,854

9.2.1 Staff Costs

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Defined contribution plan cost	178,121	156,699	112,737	96,914
Defined benefit plan cost	115,624	101,991	88,562	79,763
Other staff cost	2,306,770	1,874,708	859,680	667,177
	2,600,515	2,133,398	1,060,979	843,854
Number of employees at year end	1,694	1,507	994	831

NOTES TO THE FINANCIAL STATEMENTS

10. TAXATION

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 24% for the year ended 31st March 2021.

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 2019/20 – 14%).

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

The overseas companies, namely Eurocarb Products Ltd., Haycarb Holding Australia (Pvt) Ltd., Haycarb USA Inc., Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., Shizuka Co. Ltd., PT Mapalus Makawanua Charcoal industry, PT Haycarb Palu Mitra and Puricarb Pte Ltd. are liable to tax at 20%, 30%, 21%, 20%, 20%, 20%, 22%, 22% and 17% respectively.

Haycarb Holdings Bitung Ltd., is exempt for tax.

10.2 Tax Expense

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Sri Lanka taxes				
Haycarb PLC	266,621	121,994	266,621	121,994
Subsidiaries	105,997	44,360	–	–
	372,618	166,354	266,621	121,994
Overseas taxes				
Subsidiaries	521,344	298,482	–	–
	893,962	464,836	266,621	121,994
Under/(over) provision in respect of previous years				
Haycarb PLC	7,341	3,777	7,341	3,777
Subsidiaries	(5,448)	(4,278)	–	–
	1,893	(501)	7,341	3,777
Deferred taxation				
Haycarb PLC	(16,328)	(30,306)	(16,328)	(30,306)
Subsidiaries	(11,165)	(36,746)	–	–
	(27,493)	(67,052)	(16,328)	(30,306)
Tax on dividend income	30,434	11,760	–	–
Total income tax provisions	898,795	409,042	257,633	95,465
Tax on other comprehensive income	24,960	720	12,631	(381)
Tax expense	923,755	409,762	270,264	95,084

NOTES TO THE FINANCIAL STATEMENTS

10.3 Tax Reconciliation Statement

For the year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Profit before tax	4,490,262	2,175,806	2,164,086	1,042,896
Share of profit of equity accounted investees	(5,799)	3,245	–	–
Consolidation adjustments	370,011	370,011	–	–
	4,854,474	2,549,062	2,164,086	1,042,896
Tax exempt income	(897,740)	(618,824)	(438,597)	(239,618)
Disallowable expenses	1,002,149	867,164	530,876	410,967
Allowable expenses	(840,170)	(610,302)	(442,954)	(387,038)
Tax loss brought forward	(182,539)	(161,843)	–	–
Other taxable income	65,646	71,898	40,019	44,175
Tax loss carried forward	86,311	182,539	–	–
Taxable profit	4,088,131	2,279,694	1,853,430	871,382
Tax @ 14%	319,312	126,887	243,794	121,994
Tax @ 20%	180,730	45,736	–	–
Tax @ 24%	21,881	3,739	10,585	–
Tax @ 28%	–	31,437	–	–
Tax at other rates	372,038	257,036	12,242	–
	893,961	464,835	266,621	121,994
Under/(over) provision in previous year	1,893	(501)	7,341	3,777
Deferred tax credit	(2,533)	(66,332)	(3,698)	(30,687)
Tax on dividend income	30,434	11,760	–	–
Tax expense for the year	923,755	409,762	270,264	95,084

NOTES TO THE FINANCIAL STATEMENTS

11. EARNINGS/NET ASSETS PER SHARE

11.1 Earnings per Share

The calculation of basic earnings 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.

For the year ended 31st March	Consolidated		Company	
	2021	2020	2021	2020
Profit attributable to equity holders (Rs. '000)	3,046,834	1,558,596	1,893,822	947,812
Weighted average number of ordinary shares	297,123,750	297,123,750	297,123,750	297,123,750
Basic/diluted earnings per ordinary share (Rs.)*	10.25	5.25	6.37	3.19

11.2 Net Assets per Share

As at 31 March	Consolidated		Company	
	2021	2020	2021	2020
Net assets attributable to equity holders (Rs. '000)	13,401,136	9,321,215	7,565,837	5,192,981
Number of ordinary shares	297,123,750	297,123,750	297,123,750	297,123,750
Net assets per share (Rs.)*	45.10	31.37	25.46	17.48

12. DIVIDENDS

For the year ended 31st March	2021 Rs. '000	2020 Rs. '000
1st Interim dividend – Rs. 4.00/- per share (2019/20 – Rs. 3.00/- per share)	118,850	89,137
2nd Interim dividend – Rs. 5.00/- per share (2019/20 – Rs. 3.00/- per share)	148,562	89,137
3rd Interim dividend – Rs. 14.00/- per share (2019/20 – Rs. 9.00/- per share)	415,973	267,412
4th Interim dividend – Rs. 1.40/- per share	415,973	–
	1,099,358	445,686
Dividend per ordinary share (Rs.)*	3.70	1.50
Dividend payout ratio (%)	36	29

At the Board meeting held on 18th May 2021, the Directors have recommended the final dividend of Rs. 0.50 (Cents 50) per share subject to the approval by the shareholders at the Annual General Meeting to be held on 25th June 2021 and to be paid to the shareholders on 12th July 2021.

*Previous year (2020) calculations are adjusted to the share subdivision of 1:10 that took place on 10th February 2021 for comparison purpose.

NOTES TO THE FINANCIAL STATEMENTS

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
Cost or valuation							
As at 31st March 2019	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
As at 31st March 2020	1,304,888	1,626,763	6,317,703	230,416	214,040	82,204	9,776,014
Additions	18,657	177,930	519,751	60,956	14,331	10,246	801,871
Disposals and impairment	–	–	(8,148)	(18,490)	(673)	–	(27,311)
Effect of movement in exchange rate	55,849	121,792	444,486	15,495	17,659	–	655,281
As at 31st March 2021	1,379,394	1,926,485	7,273,792	288,377	245,357	92,450	11,205,855
Depreciation and impairment							
As at 31 March 2019	–	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
As at 31st March 2020	–	503,659	3,750,651	131,586	147,544	70,759	4,604,199
Depreciation charge for the year	–	63,326	441,114	30,695	18,540	6,424	560,099
Disposals and impairment	–	–	(8,133)	(18,490)	(622)	–	(27,245)
Effect of movement in exchange rate	–	45,599	265,275	8,421	12,993	–	332,288
As at 31st March 2021	–	612,584	4,448,907	152,212	178,455	77,183	5,469,341
Capital work-in-progress							
As at 31st March 2021							713,358
As at 31st March 2020							462,856
Impairment provision							
As at 31st March 2021			(25,543)				(25,543)
As at 31st March 2020			(25,543)				(25,543)
Net book value							
As at 31st March 2021	1,379,394	1,313,901	2,799,342	136,165	66,902	15,267	6,424,329
As at 31st March 2020	1,304,888	1,123,104	2,541,509	98,830	66,496	11,445	5,609,128

- (a) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2021 amounted to Rs. 2,247,252,553/- (2020 – Rs. 1,722,167,160/-).
- (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.

NOTES TO THE FINANCIAL STATEMENTS

- (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 2021 freehold land Rs.'000	Cost as at 31st March 2021 Rs.'000
Haycarb PLC	Madampe Factory – Madampe	31.03.2019	30 A – 1R – 18.50 P	14	39	196,166	96,307
	Badalgama Factory – Badalgama	31.03.2019	23 A – 2R – 18.36 P	19	49	191,390	73,507
	Wewalduwa Stores – Wewalduwa	31.03.2019	2 A – 1R – 36.04 P	6	697	273,428	4,309
						660,984	174,123
Recogen (Pvt.) Ltd.	Badalgama Factory – Badalgama	31.03.2019	10 A – 3R – 15 P	4	50	92,684	17,399
Carbokarn Co. Ltd.	Chonburi Province – Thailand	31.03.2019	15 A – 2R – 22P	20	81	224,725	110,868
Shizuka Co. Ltd.	Ratchburi Province – Thailand	31.03.2019	24 A – 2R – 19P	12	31	139,079	91,683
PT Mapalus Makawanua Charcoal Industry	Bitung City – Indonesia	31.03.2019	8A – 3R – 28P	8	100	158,889	49,808
PT Haycarb Palu Mitra	Palu City – Indonesia	31.03.2019	6A – 3R – 37.5P	18	86	103,033	71,260
						1,379,394	515,141

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	2021 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value	1,379,394	–	–	1,379,394

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

During the reporting period ended 31st March 2021, 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	Panin BNI	49,808
	Building	Panin BNI	170,215
PT Haycarb Palu Mitra	Land	HSBC (Indonesia)	71,260
	Building	HSBC (Indonesia)	227,465
	Machinery and tools	HSBC (Indonesia)	291,747

NOTES TO THE FINANCIAL STATEMENTS

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
Cost or valuation							
As at 31st March 2019	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)
As at 31st March 2020	651,545	501,460	1,775,871	100,091	62,555	70,290	3,161,812
Additions	9,439	117,519	337,704	48,476	6,145	9,676	528,959
Disposals	–	–	(3,055)	(18,490)	–	–	(21,545)
As at 31st March 2021	660,984	618,979	2,110,520	130,077	68,700	79,966	3,669,226
Depreciation and impairment							
As at 31st March 2019	–	102,875	855,128	56,790	38,157	58,162	1,111,112
Depreciation charge for the year	–	9,352	113,476	19,771	4,063	3,739	150,401
Disposals	–	–	–	(7,188)	–	–	(7,188)
As at 31st March 2020	–	112,227	968,604	69,373	42,220	61,901	1,254,325
Depreciation charge for the year	–	10,736	127,234	21,035	4,326	4,663	167,994
Disposals	–	–	(3,055)	(18,490)	–	–	(21,545)
As at 31st March 2021	–	122,963	1,092,783	71,918	46,546	66,564	1,400,774
Capital work-in-progress							
As at 31st March 2021							512,246
As at 31st March 2020							308,359
Impairment Provision							
As at 31st March 2021	–	–	(25,543)	–	–	–	(25,543)
As at 31st March 2020	–	–	(25,543)	–	–	–	(25,543)
Net book value							
As at 31st March 2021	660,984	496,016	992,194	58,159	22,154	13,402	2,755,155
As at 31st March 2020	651,545	389,233	781,724	30,718	20,335	8,389	2,190,303

- (a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31st March 2021 amounted to Rs. 540,843,962/- (2020 – Rs. 461,245,139/-).
- (b) There were no assets pledged by the Company as securities for facilities obtained from the banks.

NOTES TO THE FINANCIAL STATEMENTS

14. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

14.1 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 as follows:

Right-of-use assets	Consolidated		Company	
	Lease hold Buildings		Lease hold Buildings	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cost				
At the beginning of the period	174,287	–	113,086	–
Transfers – (SLFRS 16 Initial Recognition)	–	174,287	–	113,086
New Lease	82,536	–	39,818	–
Decreases to recognised assets	(28,177)	–	–	–
Effects of movements in foreign exchange	2,868	–	–	–
At the end of the period	231,514	174,287	152,904	113,086
Depreciation				
Opening balance	43,673	–	22,617	–
Charge for the period	50,839	43,673	26,600	22,617
Decreases to recognised assets	(28,177)	–	–	–
Effects of movements in foreign exchange	1,330	–	–	–
At the end of the period	67,665	43,673	49,217	22,617
Net book value				
At the end of the period	163,849	130,614	103,687	90,469

NOTES TO THE FINANCIAL STATEMENTS

14.2 Lease Liabilities/Lease Creditors

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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
At the beginning of the year	141,228	–	95,719	–
Transfers – (SLFRS 16 Initial Recognition)	–	180,190	–	113,086
Additions	82,536	–	39,818	–
Accretion of interest	16,375	20,276	11,873	13,163
Payments to lease creditors	(66,805)	(59,981)	(35,066)	(30,530)
Exchange difference	2,546	743	–	–
	175,880	141,228	112,344	95,719
Current	63,206	42,259	33,430	19,667
Non-current	112,674	98,969	78,914	76,052
As at 31st March	175,880	141,228	112,344	95,719

Amounts recognised in profit or loss for the year ended 31 March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Depreciation of right-of-use assets	50,839	43,673	26,599	22,617
Accretion of interest	16,375	20,276	11,873	13,163
Total amount recognised in profit or loss	67,214	63,949	38,472	35,780

NOTES TO THE FINANCIAL STATEMENTS

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
Cost							
As at 31st March 2019	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	–	–	–
As at 31st March 2020	116,251	257,206	128,259	501,716	82,743	42,392	125,135
Additions	742	–	18,082	18,824	462	18,082	18,544
Effect of movement in exchange rate	1,683	–	7,110	8,793	–	–	–
As at 31st March 2021	118,676	257,206	153,451	529,333	83,205	60,474	143,679
Amortisation and impairment							
As at 31st March 2019	95,161	55,164	95,264	245,589	80,872	25,436	106,308
Amortisation	6,832	–	19,135	25,966	238	8,478	8,716
Effect of movement in exchange rate	707	–	2,580	3,288	–	–	–
As at 31st March 2020	102,700	55,164	116,979	274,843	81,110	33,914	115,024
Amortisation	6,529	–	6,736	13,265	522	3,782	4,304
Effect of movement in exchange rate	1,124	–	6,960	8,084	–	–	–
As at 31st March 2021	110,353	55,164	130,675	296,192	81,632	37,696	119,328
Net book value							
As at 31st March 2021	8,323	202,042	22,776	233,141	1,573	22,778	24,351
As at 31st March 2020	13,552	202,042	11,280	226,873	1,633	8,478	10,111

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.

NOTES TO THE FINANCIAL STATEMENTS

Software

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

Product Development

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

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	
	2021 %	2020 %	2021	2020	2021 Rs. '000	2020 Rs. '000
As at 31st March						
Unquoted investments						
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
Company investment in subsidiaries (at cost)					1,594,769	1,594,769
Provision for fall in value for Recogen (Pvt) Ltd.					(100,000)	(100,000)
Company investment in subsidiaries					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.

NOTES TO THE FINANCIAL STATEMENTS

16.2 Indirect Investments in Subsidiaries

Investee	Effective holding		Number of shares		Value	
	2021 %	2020 %	2021	2020	2021 Rs. '000	2020 Rs. '000
As at 31st March						
Unquoted investments						
PT Mapalus Makawanua Charcoal Industry	98	98	36,395	36,395	362,574	362,574
CK Regen Systems 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 (Pte) 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 170 and 171.

17. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

As at 31st March	Holding (%)	Consolidated		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Carbotels (Pvt) Ltd. (Note 17.1)	25.2	550,954	530,968	92,903	92,903
Lakdiyatha (Pvt) Ltd. (Note 17.1)	49.0	64,348	78,535	–	–
		615,302	609,503	92,903	92,903

17.1 Movement in Equity-Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance at the beginning of the year	78,535	94,178	530,968	489,587	609,503	583,765
Share of results	(14,187)	(15,643)	19,986	12,398	5,799	(3,245)
Movement in reserves	–	–	–	30,562	–	30,562
Dividend	–	–	–	(1,579)	–	(1,579)
Balance at the end of the year	64,348	78,535	550,954	530,968	615,302	609,503

NOTES TO THE FINANCIAL STATEMENTS

17.2 Summarised Financials

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance sheet						
Non-current asset	141,714	150,462	2,060,179	2,001,070	2,201,893	2,151,532
Current asset	104,609	101,634	127,198	108,267	231,807	209,901
Total assets	246,323	252,096	2,187,377	2,109,337	2,433,700	2,361,433
Non-current liabilities	(40,041)	(48,250)	–	–	(40,042)	(48,250)
Current liabilities	(74,960)	(43,572)	(1,049)	(2,319)	(76,009)	(45,891)
Total liabilities	(115,001)	(91,822)	(1,049)	(2,319)	(116,051)	(94,141)
Net Assets	131,321	160,274	2,186,328	2,107,018	2,317,649	2,267,292
Group carrying amount of the investment	64,348	78,535	550,954	530,968	615,302	609,503
Revenue	21,171	21,171	–	–	21,171	21,171
Profit/(loss) from continuing operation	(28,719)	(35,832)	84,359	37,099	55,640	1,267
Profit after tax	(28,953)	(31,924)	79,313	49,197	50,360	17,273
Other comprehensive income	–	–	–	121,279	–	121,279
Total comprehensive income	(28,953)	(31,924)	79,313	170,476	50,360	138,552
Share of profit of equity accounted investees (net of tax)	(14,187)	(15,643)	19,986	12,398	5,799	(3,245)

18. RELATED PARTY DISCLOSURES

18.1 Amounts due to Subsidiaries

As at 31st March	Company	
	2021 Rs. '000	2020 Rs. '000
Ultracarb (Pvt) Ltd.	54,535	–
Recogen (Pvt) Ltd.	44,363	65,469
Haycarb Value Added Products (Pvt) Ltd.	75,418	105,029
Puritas (Pvt) Ltd.	10,515	6,071
Haycarb USA Inc.	29,346	36,206
PT. Haycarb Palu Mitra	–	24,518
	214,177	237,293

NOTES TO THE FINANCIAL STATEMENTS

18.2 Amounts due to Other Related Parties

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Hayleys PLC	45,501	238,606	44,444	234,750
MIT Cargo (Pvt) Ltd.	–	31	–	31
Mountain Hawk Express (Pvt) Ltd.	1,492	1,456	1,483	1,456
Mountain Hawk (Pvt) Ltd.	–	221	–	221
Hayleys Fibre PLC	47,335	–	–	–
Key Management Personnel – Carbokarn Co. Ltd.*	913,115	1,527,059	–	–
Chas P. Hayley & Company (Pvt) Ltd.	231,753	92,901	899	563
Hayleys Aventura (Pvt) Ltd.	7,038	1,173	4,585	1,173
Hayleys Business Solutions (Pvt) Ltd.	707	1,317	437	1,317
Hayleys Travels (Pvt) Ltd.	789	2,205	789	2,205
Advantis Freight (Pvt) Ltd.	1,610	653	1,597	653
Singer (Sri Lanka) PLC	563	561	–	454
Advantis Projects & Engineering (Pvt) Ltd.	3,921	7,892	3,892	7,892
Logiwiz Ltd.	1,334	1,102	1,334	1,102
Hayleys Tours (Pvt) Ltd.	–	51	–	51
Hayleys Advantis Ltd.	–	12	–	12
Amaya Leisure PLC	–	49	–	49
Other Hayleys companies	1,176	–	1,148	–
	1,256,334	1,875,289	60,608	251,929

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

NOTES TO THE FINANCIAL STATEMENTS

18.3 Amounts due from Subsidiaries

As at 31st March	Company	
	2021 Rs. '000	2020 Rs. '000
Puritas (Pvt) Ltd.	138,776	98,958
Haycarb Holdings Australia (Pty) Ltd.	13,681	–
Carbokarn Co. Ltd.	275,553	45,536
Eurocarb Products Ltd.	–	7,051
PT. Mapalus Makawanua Charcoal Industry	240,346	438,571
Ultracarb (Pvt) Ltd.	–	567
PT. Haycarb Palu Mitra	25,006	116,062
	693,362	706,745
Amount classified as non-current receivables	–	(238,000)
Amount classified as current receivables	693,362	468,744

18.4 Amounts due from Other Related Parties

As at 31st March	Relationship	Consolidated		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Hayleys Consumer Products Ltd.	Affiliate	60	4,393	–	–
Dipped Products PLC	Affiliate	1,518	8,150	–	8,137
Hayleys Agriculture Holding Ltd.	Affiliate	702	478	–	–
Hayleys Fabric PLC	Affiliate	283	324	–	–
Logiwiz Ltd.	Affiliate	352	–	–	–
The Kingsbury PLC	Affiliate	396	–	–	–
Singer (Sri Lanka) PLC	Affiliate	1,804	–	–	–
Ravi Industries Ltd	Affiliate	826	475	–	–
Amaya Beach (pvt) Ltd.	Affiliate	138	–	–	–
Chas P Hayley & Company (Pvt) Ltd.	Affiliate	–	414	–	–
Hayleys Industrial Solutions Ltd.	Affiliate	2,048	–	–	–
Hayleys Fibre PLC	Affiliate	2,734	–	–	–
Alumex PLC	Affiliate	1,649	2,653	–	–
Hayleys Group Other Companies	Affiliate	2,732	–	–	–
		15,242	16,887	–	8,137

NOTES TO THE FINANCIAL STATEMENTS

18.5 Amounts due from Equity-Accounted Investees

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Lakdiyatha (Pvt) Ltd.	38,090	13,881	165	125
	38,090	13,881	165	125

19. INVENTORIES

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Raw materials and consumables	2,971,708	3,289,920	1,192,140	1,308,233
Finished/semi-finished goods	5,788,652	3,542,906	1,440,668	938,609
Project in progress	499,024	272,175	–	–
Unrealised profits	(538,583)	(332,496)	–	–
	8,720,801	6,772,505	2,632,808	2,246,842
Provision for slow-moving items	(99,779)	(97,826)	(71,438)	(67,923)
Total inventories at the lower of cost and net realisable value	8,621,022	6,674,679	2,561,370	2,178,919

20. TRADE AND OTHER RECEIVABLES

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Trade receivables – External customers	4,396,079	4,129,326	1,107,745	578,359
– Inter-company	–	–	1,289,320	861,645
Less: Provision for expected credit losses	(91,212)	(33,136)	–	–
	4,304,867	4,096,190	2,397,065	1,440,004
Loans to employees	11,535	12,860	11,535	12,860
	4,316,402	4,109,050	2,408,600	1,452,863

NOTES TO THE FINANCIAL STATEMENTS

The age analysis of trade receivables is as follows:

Consolidated	Total Rs. '000	Neither past due nor impaired Rs. '000	0-60 Days Rs. '000	61-120 Days Rs. '000	Above 120 Days Rs. '000
Balance as at 31st March 2021	4,396,081	3,651,322	378,503	65,275	300,981
Balance as at 31st March 2020	4,129,326	2,483,816	1,033,736	161,815	449,959

Company	Total Rs. '000	Neither past due nor impaired Rs. '000	0-60 Days Rs. '000	61-120 Days Rs. '000	Above 120 Days Rs. '000
Balance as at 31st March 2021	1,107,745	830,324	256,295	19,775	1,351
Balance as at 31st March 2020	578,359	462,032	102,701	11,414	2,212

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

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
At the beginning of the year	3,036	3,409	3,036	3,409
Granted during the year	850	950	850	950
	3,886	4,359	3,886	4,359
Repaid during the year	(1,441)	(1,323)	(1,441)	(1,323)
At the end of the year	2,445	3,036	2,445	3,036
Number of loans over Rs. 20,000/-	27	28	27	28

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. 4,316,402,000/- (31st March 2020 – Rs. 4,109,050,000/-), Company Rs. 2,408,600,000/- (31st March 2020 – Rs. 1,452,863,000/-).

NOTES TO THE FINANCIAL STATEMENTS

21. OTHER NON-CURRENT FINANCIAL ASSETS

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Financial assets designated at FVOCI				
Unquoted equity shares				
– Quality Seed Co. Ltd.	490	490	490	490
– Barrack Gold Corporation	193	193	–	–
Exchange differences	42	(11)	–	–
	725	672	490	490
Quoted equity shares – Dipped Products PLC				
– Fair value of quoted equity shares at the beginning of the period	231,918	317,361	231,918	317,361
– Fair value gain/(loss)	1,655,980	(85,443)	1,655,980	(85,443)
– Fair value of quoted equity shares at the end of the period	1,887,898	231,918	1,887,898	231,918
	1,888,623	232,590	1,888,388	232,408
Loans and receivables				
Receivable from finance lease				
– At the beginning of the year	41,235	31,575	–	–
– Granted during the year	–	12,918	–	–
– Settlements during the year	(1,193)	(4,673)	–	–
– Exchange differences	3,997	1,415	–	–
As at 31st March	44,039	41,235	–	–
Total other non-current financial assets	1,932,662	273,825	1,888,388	232,408

Financial Asset Designated at Fair Value through Other Comprehensive Income (FVOCI)

A significant portion of the financial assets designated at Fair Value through OCI 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

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2021, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets measured at fair value

	31st March 2021 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial assets designated at FVOCI	1,888,623	1,887,898	–	725

During the reporting period ending 31st March 2021 there were no transfers between Level 1 and Level 2 fair value measurements.

22. OTHER CURRENT ASSETS

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Deposits and payments in advance	335,505	363,323	157,143	126,055
Other debtors	293,067	214,174	63,605	9,811
Tax recoverables	6,269	9,355	–	–
	634,841	586,852	220,748	135,866

23. CASH IN HAND AND AT BANK

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cash in hand	9,913	9,270	6,011	2,406
Bank balances	1,051,853	855,890	54,428	156,411
Short-term deposits	1,273,867	279,971	616,694	201,162
	2,335,633	1,145,131	677,133	359,979

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cash in hand and at bank	1,061,766	865,160	60,439	158,817
Short-term deposits	1,273,867	279,971	616,694	201,162
Bank overdrafts and short-term loans	(4,105,332)	(2,832,010)	(2,555,905)	(1,564,662)
Cash and cash equivalents	(1,769,699)	(1,686,879)	(1,878,772)	(1,204,683)

24. STATED CAPITAL

Issued and fully-paid – ordinary shares

	Company	
	2021 Rs. '000	2020 Rs. '000
At the beginning of the year – 29,712,375 (1st April 2019 – 29,712,375)	331,774	331,774
At the end of the year – 297,123,750 (31st March 2020 – 29,712,375)	331,774	331,774

The ordinary shares of the Company were subdivided by splitting each issued ordinary share into ten (10) ordinary shares from 10th February 2021. Consequently the total number of existing issued Ordinary Shares were increased from 29,712,375 to 297,123,750 without changing the Stated Capital of the Company which will remain at Rs. 331,773,750/-.

25. RESERVES

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Capital Reserves (Note 25.1)	686,284	675,744	442,458	442,458
Revenue Reserves (Note 25.2)	12,383,079	8,313,697	6,791,605	4,418,749

NOTES TO THE FINANCIAL STATEMENTS

25.1 Capital Reserves

	Revaluation surplus Rs. '000	Reserve on amalgamation Rs. '000	Legal reserve Rs. '000	Total Rs. '000
Consolidated				
Balance as at 1st April 2019	643,318	25,885	6,541	675,744
Balance as at 31st March 2020	643,318	25,885	6,541	675,744
Tax effect on revalued assets	10,540	–	–	10,540
Balance as at 31st March 2021	653,858	25,885	6,541	686,284
Company				
Balance as at 1st April 2019	418,700	23,758	–	442,458
Balance as at 31st March 2020	418,700	23,758	–	442,458
Balance as at 31st March 2021	418,700	23,758	–	442,458

- ▶ Legal reserve relates to a statutory reserve created under Carbokarn Co. Ltd., Thailand.
- ▶ Reserve on amalgamation consists of the reserve created at the time of amalgamation of Deltacarb Ltd., and Pelaco Ltd., with Haycarb PLC in years 1999, and 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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Fair value reserve of financial assets at FVOCI	1,847,727	191,747	1,847,727	191,747
Foreign currency translation reserve	1,374,755	826,726	–	–
General reserve	519,353	519,353	519,353	519,353
Retained Earnings				
Haycarb PLC	4,424,525	3,707,649	4,424,525	3,707,649
Subsidiaries	3,718,820	2,576,122	–	–
Associates	497,899	492,100	–	–
	8,641,244	6,775,871	4,424,525	3,707,649
	12,383,079	8,313,697	6,791,605	4,418,749

NOTES TO THE FINANCIAL STATEMENTS

General Reserve

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

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.

Foreign Currency Translation Reserve

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

26. INTEREST-BEARING LOANS AND BORROWINGS

26.1 Non-Current Liabilities

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	254,756	240,740	235,799	140,128
New loans obtained during the year	566,920	179,840	541,920	179,840
Effect of movements in foreign exchange during the year	9,837	18,304	9,849	15,048
	831,513	438,884	787,568	335,016
Repayments during the year	(152,372)	(184,128)	(130,621)	(99,217)
At the end of the year	679,141	254,756	656,947	235,799
Transferred to current liabilities	(211,550)	(104,416)	(194,750)	(85,459)
Repayable after one year	467,591	150,340	462,197	150,340

26.2 Current Liabilities

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Current interest-bearing loans and borrowings				
Short-term loans	3,337,954	2,087,179	1,864,538	908,069
Bank overdrafts	767,378	744,831	691,367	656,593
Short-term loans and bank overdrafts	4,105,332	2,832,010	2,555,905	1,564,662
Current portion of term loans	211,550	104,416	194,750	85,459
Total current interest-bearing loans and borrowings	4,316,882	2,936,426	2,750,655	1,650,121

NOTES TO THE FINANCIAL STATEMENTS

26.3 Analysis of Secured Term Loans by Year of Repayment

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Repayable between 1-2 years from the year end	187,656	150,340	182,262	150,340
Repayable between 2-5 years from the year end	279,935	–	279,935	–
Total non-current borrowings	467,591	150,340	462,197	150,340

26.4 Secured Term Loans Repayable after One Year

Company	Lender	Rate of interest	31st March 2021 Rs. '000	Repayment terms	Security
Haycarb PLC	Standard Chartered Bank	1 month – LIBOR + 3% (USD 1 million)	112,833	60 equal monthly instalments commencing from November 2019	None
	Standard Chartered Bank	1 month – LIBOR + 0.5% (USD 500,000/-)	49,958	6 equal quarterly instalments commencing from February 2021	None
	Hatton National Bank PLC	AWPLR	294,000	60 equal monthly instalments commencing from October 2020	None
	Hongkong and Shanghai Banking Corporation	4%	5,400	18 equal monthly instalments commencing from February 2021	None
Puritas (Pvt) Ltd.	National Development Bank PLC	4%	5,400	18 equal monthly instalments commencing from February 2021	None
Total secured term loans repayable after one year			467,591		

Fair value of the interest-bearing loans and borrowings of the Group Rs. 4,784,473,000/- (31st March 2020 – Rs. 3,086,766,000/-) Company Rs. 3,212,852,000/- (31st March 2020 – Rs. 1,800,461,000/-).

NOTES TO THE FINANCIAL STATEMENTS

27. EMPLOYEE BENEFIT OBLIGATIONS

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
(i) Expenses recognised in Income Statement				
Current service cost	57,856	47,032	38,168	30,928
Interest cost on employee benefit obligations	57,768	54,959	50,394	48,835
The total expense is recognised in administrative expenses in the income statement	115,624	101,991	88,562	79,763
(ii) Actuarial gain and loss recognised directly in OCI				
Actuarial (gain)/loss	99,345	2,883	90,219	(2,722)
	99,345	2,883	90,219	(2,722)
(iii) Present value of unfunded gratuity				
Present value of unfunded gratuity	858,505	648,202	672,672	514,000
Total gratuity provision	858,505	648,202	672,672	514,000
(iv) Provision for employee benefit obligations				
Employee benefit obligations at 1st April	648,202	561,000	514,000	449,605
Interest cost	57,768	54,959	50,394	48,835
Current service cost	57,856	47,032	38,168	30,929
Benefits paid	(23,286)	(16,763)	(20,109)	(12,647)
Actuarial loss/(gain) on obligations	99,345	2,883	90,219	(2,722)
Effect of movement in exchange rate	18,620	(909)	–	–
Employee benefit obligations as at 31st March	858,505	648,202	672,672	514,000
Legal Liability	680,852	534,104	510,797	442,410

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Consolidated		Company	
	2021 %	2020 %	2021 %	2020 %
Sri Lanka				
Discount rate:	8.00	10.00	8.00	10.00
Salary escalation rate	7.00	9.00	7.00	9.00
Indonesia				
Discount rate:	7.73	8.35		
Salary escalation rate	8.50	9.00		
Thailand				
Discount rate:	3.26	3.26		
Salary escalation rate	3.00	3.00		

Distribution of the Employee Benefit Obligations over Future Working Lifetime

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Less than or equal to 1 year	103,702	84,665	60,360	45,784
Over 1 year and less than or equal to 5 years	321,806	267,596	290,889	220,828
Over 5 years and less than or equal to 10 years	166,764	135,962	127,479	107,892
Over 10 years	266,233	159,979	193,944	139,496
	858,505	648,202	672,672	514,000

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 2021 was carried out by a professionally qualified Actuaries, Actuarial and Management consultant (Pvt) Ltd., for Sri Lanka, Thailand entities and PT Sentra Jasa Aktuaria for Indonesia entities.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity Analysis

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
One percentage point increase (+1%) in discount rate	801,189	613,652	630,547	482,189
One percentage point decrease (-1%) in discount rate	923,700	707,335	719,953	549,606
One percentage point increase (+1%) salary escalation rate	927,906	710,613	723,207	552,092
One percentage point decrease (-1%) salary escalation rate	796,555	610,072	626,954	479,459

28. DEFERRED TAX ASSETS/LIABILITIES

28.1 Deferred Tax Assets

As at 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
At the beginning of the year	49,229	29,772	—	—
Origination and reversal of temporary differences	13,174	19,457	—	—
At the end of the year	62,403	49,229	—	—

Deferred tax assets are attributable to the followings:

As at 31st March	Consolidated	
	2021 Rs. '000	2020 Rs. '000
Group		
Property, plant and equipment	(1,511)	(1,630)
Inventory provisions	3,429	6,553
Debtor provisions	13,710	9,207
Tax loss carry-forward	9,641	6,660
Employee benefit obligations	36,611	27,840
Other items	523	599
Net deferred tax asset	62,403	49,229

NOTES TO THE FINANCIAL STATEMENTS

Movement of deferred tax assets are attributable to the followings:

	Balance as at 31st March 2020	Recognised in Income Statement	Recognised in Other Comprehensive Income	Effect of movement in exchange rate	Balance as at 31st March 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group					
Property, plant and equipment	(1,630)	228	–	(109)	(1,511)
Inventory provision	6,553	(3,123)	–	–	3,430
Debtor provisions	9,207	4,503	–	–	13,710
Tax loss carry -forward	6,660	907	–	2,074	9,641
Retirement benefit obligations	27,840	4,830	1,723	2,218	36,611
Other items	599	(77)	–	–	522
Net deferred tax asset	49,229	7,268	1,723	4,183	62,403

28.2 Deferred Tax Liabilities

	Consolidated		Company	
As at 31st March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
At the beginning of the year	157,979	203,891	94,193	124,499
Origination and reversal of temporary differences	(18,502)	(45,912)	(16,328)	(30,306)
At the end of the year	139,477	157,979	77,865	94,193

Deferred tax liabilities are attributable to the followings:

	Consolidated		Company	
As at 31st March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Property, plant and equipment	(258,208)	(275,466)	(183,252)	(176,257)
Inventory provision	10,376	9,509	10,001	9,509
Tax loss carry-forward	12,083	33,535	–	–
Employee benefit obligations	94,563	71,960	94,174	71,960
Debtor provisions	400	1,658	–	–
Other items	1,309	825	1,212	595
Net deferred tax liabilities	(139,477)	(157,979)	(77,865)	(94,193)

NOTES TO THE FINANCIAL STATEMENTS

Movement of deferred tax liabilities are attributable to the following:

	Balance as at 31st March 2020	Recognised in Income Statement	Recognised in Other Comprehensive Income	Balance as at 31st March 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Consolidated				
Property, plant and equipment	(275,466)	6,718	10,540	(258,208)
Inventory provision	9,509	867	–	10,376
Tax loss carry-forward	33,535	(21,452)	–	12,083
Employee benefit obligations	71,960	9,906	12,697	94,563
Debtor provisions	1,658	(1,258)	–	400
Other items	825	484	–	1,309
Net deferred tax liabilities	(157,979)	(4,735)	23,237	(139,477)
Company				
Property, plant and equipment	(176,257)	(6,995)	–	(183,252)
Inventory provision	9,509	492	–	10,001
Employee benefit obligations	71,960	9,584	12,630	94,174
Other items	595	617	–	1,212
Net deferred tax liabilities	(94,193)	3,698	12,630	(77,865)

29. TRADE AND OTHER PAYABLES

	Consolidated		Company	
As at 31st March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Trade payables	713,622	649,293	291,213	135,146
Freight payables	289,994	158,281	179,863	129,489
Salaries and wages	70,299	44,588	32,349	28,749
Dividend payable (Note 29.1)	15,000	101,018	15,000	101,018
Accrued expenses and other payables	797,869	1,203,791	310,274	260,064
	1,886,784	2,156,971	828,699	654,466

NOTES TO THE FINANCIAL STATEMENTS

29.1 Dividend Payable

	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
At the beginning of the period –				
– Recognised under dividend payable	101,018	67,844	101,018	67,844
– Recognised under related party	189,578	120,750	189,578	120,750
Declared during the year	1,099,358	445,686	1,099,358	445,686
Dividend paid to equity holders of the parent	(1,374,954)	(352,136)	(1,374,954)	(352,136)
At 31st March recognised under related party	–	(181,126)	–	(181,126)
At 31st March – recognised under dividend payable	15,000	101,018	15,000	101,018

Fair value of the trade and other payables of the Group Rs. 1,886,784,000/- (31st March 2020 – Rs. 2,156,971,000/-). Company Rs. 828,698,000/- (31st March 2020 – Rs. 654,466,000/-).

30. OTHER CURRENT LIABILITIES

	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 31st March				
Payments received in advance	538,498	494,134	17,855	75,445
	538,498	494,134	17,855	75,445

NOTES TO THE FINANCIAL STATEMENTS

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:

The significant figures extracted from the financials of	Carbokarn Co. Ltd (Group)		PT. Haycarb Palu Mitra	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 31st March				
Revenue	5,976,133	4,231,563	1,416,049	1,456,011
Profit before tax	1,016,854	285,161	309,105	214,331
Cash flows from operating activities	1,814,077	499,642	74,648	163,685
Cash flows from investing activities	(175,109)	(177,152)	(9,233)	(19,945)
Cash flows from financing activities	(1,094,530)	209,359	(75,437)	(142,913)
Non-current assets	1,599,279	1,458,578	531,947	489,726
Current assets	3,100,760	2,749,641	791,755	685,382
Total assets	4,700,039	4,208,219	1,323,702	1,175,108
Non-current liabilities	366,522	461,953	19,592	431,058
Current liabilities	1,588,668	1,641,238	736,485	406,232
Total liabilities	1,955,190	2,103,191	756,077	837,290
Equity attributable to the owners of the company	1,372,425	1,052,514	340,576	202,690
Non-controlling interest	1,372,425	1,052,514	227,050	135,128
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 170 and 171 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 charges rent. In addition, the Company incurs common expenses such as administration and personnel expenses. 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 Kingsbury PLC, Horana Plantations PLC, Rileys (Pvt) Ltd., Quality 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.

NOTES TO THE FINANCIAL STATEMENTS

Related Party Disclosures

Year ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Transactions with related parties				
Fully-owned subsidiaries				
Sales of activated carbon	–	–	3,365,383	3,059,480
Purchase of raw material	–	–	45,059	145,245
Reimbursement of salaries/bonus	–	–	233,633	165,515
Dividend income	–	–	383,985	294,113
Current account interest received	–	–	31,756	45,440
Rental income	–	–	9,020	8,753
Purchase of services	–	–	107,590	97,410
Income from guarantees and short-term funds	–	–	1,238	1,200
Income on services rendered	–	–	38,723	23,871
Partly-owned subsidiaries				
Sales of goods and services	–	–	6,634	7,299
Sale of raw material and consumables	–	–	124,165	106,363
Income from services provided	–	–	92,315	74,854
Dividend income	–	–	232,313	–
Purchase of services	–	–	4,831	–
Cost of guarantees and short-term funds	–	–	6,625	8,955
Equity-accounted investee				
Dividend received	–	–	–	1,579
Services related expenses paid	809	433	–	–
Parent – Hayleys PLC				
Services related expenses paid	288,628	210,541	265,713	191,723
Dividend paid	764,754	301,595	764,754	301,595
Affiliates				
Sales of goods and services	300,073	371,565	263,942	362,012
Purchase of goods and services	554,880	269,202	–	–
Dividend income	–	–	95,174	15,711
Interest income	–	–	10	9
Loans obtained from/(repaid to) Directors Carbokarn Co. Ltd.	(613,944)	235,778	–	–

NOTES TO THE FINANCIAL STATEMENTS

33. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2021, for, which no provision has been made in the Financial Statements amounts to Rs. 210,674,245/- (2019/20 – Rs. 44,338,920/-) for the Group and Rs. 203,608,247/- (Rs. 2019/20 – Rs. 37,282,075/- for the Company. Capital expenditure approved by the Directors but not contracted for was Rs. 441,461,433/- (2019/20 – Rs. 218,464,175/-) for the Group and Rs. 371,790,330/- (2019/20 – Rs. 170,128,216/-) for the Company.

Contingent Liabilities

The contingent liability as at 31st March 2021 on guarantees given by Haycarb PLC to third parties amounted to Rs. 4,759,155,102/- (2019/20 – Rs. 3,907,722,947/-). Of this sum, Rs. 4,158,627,778/- (2019/20 – Rs. 3,635,751,482/-) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Sri Lankan Rupees	346,172	526,794	1,701	19,722
Australian Dollar	210,562	142,012	–	–
Sterling Pound	54,490	20,135	129,751	57,280
Euro	134,852	603,091	107,651	76,696
United States Dollar	2,302,596	2,125,872	2,157,962	1,286,306
Thai Baht	491,382	195,635	–	–
Maldivian Rufiyaa	154,771	219,163	–	–
Indonesian Rupiah	610,042	263,488	–	–
	4,304,867	4,096,190	2,397,065	1,440,004

Investments

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

Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 2,325,720,000/- at 31st March 2021, 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.

Consolidated

Year ended 31st March 2021	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)	767,378	3,397,441	152,062	467,592	–	4,784,473
Trade and other payables	388,904	1,399,140	98,740	–	–	1,886,784

NOTES TO THE FINANCIAL STATEMENTS

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

Company

Year ended 31st March 2021	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)	691,367	1,913,226	146,062	462,197	–	3,212,852
Trade and other payables	47,349	668,944	112,405	–	–	828,698

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

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, debt and equity investment 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 2021.

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 debt and equity investments.
- ▶ 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 2021.

NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Risk

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

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

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's and 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	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Borrowings	50	18,537	15,434	10,789	9,002

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 Percentage	Change in US\$ rate			
		Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
	0.5	327	207	104	1,403

NOTES TO THE FINANCIAL STATEMENTS

Change in Thai Baht rate					
As at 31st March	Increase/Decrease Percentage	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
		4,326	1,374	—	—
	0.5				

Change in Indonesian Rupiah rate					
As at 31st March	Increase/Decrease Percentage	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
		2,740	3,582	—	—
	0.5				

Change in GBP rate					
As at 31st March	Increase/Decrease Percentage	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
		23	140	655	221
	0.5				

Change in AUD rate					
As at 31st March	Increase/Decrease Percentage	Consolidated Effect on profit before tax		Company Effect on profit before tax	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
		1,219	19	—	—
	0.5				

NOTES TO THE FINANCIAL STATEMENTS

		Change in Euro rate			
		Consolidated Effect on profit before tax		Company Effect on profit before tax	
As at 31st March	Increase/Decrease Percentage	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
	0.5	1,090	2,508	–	383

		Change in MVR rate			
		Consolidated Effect on profit before tax		Company Effect on profit before tax	
As at 31st March	Increase/Decrease Percentage	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
	0.5	319	540	–	–

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 2021 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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Interest-bearing borrowings – external	4,572,923	3,086,765	3,212,852	1,800,461
Interest-bearing borrowings – related party	913,115	1,527,059	–	–
Total equity	15,152,441	10,656,659	7,565,837	5,192,981
Total equity and debt	20,638,479	15,270,483	10,778,689	6,993,442
Gearing ratio percentage (%)	27	30	30	26

NOTES TO THE FINANCIAL STATEMENTS

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 the 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	
			2021 Rs. '000	2020 Rs. '000
Activated carbon	23,197,976	8,481,803	31,679,779	27,287,455
Environmental engineering	2,286,583	19,900	2,306,483	3,549,883
	25,484,559	8,501,703	33,986,262	30,837,338
Intra-group sales			(8,501,703)	(8,014,595)
			25,484,559	22,822,743

Profit Before Tax

	Consolidated	
	2021 Rs. '000	2020 Rs. '000
Activated carbon	4,263,279	1,923,000
Environmental engineering	221,184	256,050
Purification – associate	(14,187)	(15,642)
Leisure – associate	19,986	12,398
	4,490,262	2,175,806

As at 31st March	Total assets		Provision for liabilities and charges		Trade and other payables	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Activated carbon	22,805,636	16,782,139	997,982	806,182	1,805,416	1,579,397
Environmental engineering	1,971,978	2,054,010	–	–	619,866	1,071,708
	24,777,614	18,836,149	997,982	806,182	2,425,282	2,651,105
Investment in associates and others	615,302	609,503				
	25,392,916	19,445,652				

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Capital expenditure		Depreciation	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Activated carbon	1,050,393	690,856	608,750	556,814
Environmental engineering	1,981	703	2,188	2,188
	1,052,374	691,559	610,938	559,002

Cash Flows from

As at 31st March	2021		2020	
	Activated carbon Rs. '000	Environmental engineering Rs. '000	Activated carbon Rs. '000	Environmental engineering Rs. '000
Operating activities	2,298,340	(232,522)	2,252,119	355,850
Investing activities	(892,241)	(11,702)	(658,823)	(4,034)
Financing activities	(1,204,795)	(39,900)	(416,405)	–
	201,304	(284,124)	1,176,891	351,816

Geographical Segments

Turnover – Net

	External Rs. '000	Intra-group Rs. '000	Consolidated	
			2021 Rs. '000	2020 Rs. '000
USA	3,468,223	–	3,468,223	3,353,539
Europe	3,033,700	–	3,033,700	2,652,279
Australia	1,691,336	–	1,691,336	1,723,059
Sri Lanka	9,898,461	3,644,945	13,543,406	11,224,811
Other Asian countries	7,392,839	4,856,758	12,249,597	11,883,650
	25,484,559	8,501,703	33,986,262	30,837,338
Intra-group sales			(8,501,703)	(8,014,595)
			25,484,559	22,822,743

NOTES TO THE FINANCIAL STATEMENTS

Profit Before Tax

	Consolidated	
	2021 Rs. '000	2020 Rs. '000
USA	107,252	44,052
Europe	137,726	(36,697)
Australia	283,927	142,697
Sri Lanka	2,259,017	1,416,082
Other Asian countries	1,902,422	979,684
	4,690,344	2,545,818
Consolidation adjustments	(200,082)	(370,012)
	4,490,262	2,175,806

Assets and Liabilities

As at 31st March	Non-interest – bearing liabilities					
	Total assets		Provision for liabilities and charges		Trade and other payables	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
USA	1,816,448	1,269,181	–	–	207,915	207,915
Europe	1,256,877	1,037,993	–	–	76,142	76,142
Australia	737,322	499,132	–	–	56,468	56,468
Sri Lanka	10,916,411	6,906,881	807,875	616,075	1,539,826	1,539,826
Other Asian countries	10,050,556	9,122,962	190,107	190,107	544,931	770,754
	24,777,614	18,836,149	997,982	806,182	2,425,282	2,651,105
Investments in associates and other	615,302	609,503				
	25,392,916	19,445,652				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st March	Capital Expenditure		Depreciation	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
USA	376	959	1,626	1,508
Europe	482	11,146	11,156	10,727
Australia	–	–	1,490	1,365
Sri Lanka	832,955	484,223	252,822	235,253
Other Asian countries	218,561	195,231	336,678	310,149
	1,052,374	691,559	603,772	559,002

36. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date, which would require adjustment to or disclosure in the Financial Statements except for the following,

At the Board Meeting held on 18th May 2021, the Directors have recommended the Final Dividend of Rs. 0.50 (Cents50) per share subject to the approval by the shareholders at the Annual General Meeting to be held on 25th June 2021 and to be paid to the shareholders on 12th July 2021.

37. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

As at 31st March	Average		Year end	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
US Dollar	188.785	180.284	199.830	189.906
Australian Dollar	137.161	117.317	152.103	122.335
Pound Sterling	248.721	234.401	274.064	228.629
Thai Baht	6.098	5.819	6.350	5.789
Indonesian Rupiah	0.0131	0.0127	0.0137	0.0116
Euro	221.375	200.194	233.638	209.415
Indian Rupee	2.539	2.535	2.610	2.501

NOTES TO THE FINANCIAL STATEMENTS

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 Pound
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollar
Haycarb USA Inc.	United States Dollar
Carbokarn Co. Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
Shizuka Co. Ltd.	Thai Baht
Puricarb Pte. Ltd.	Euro
Haycarb Activated Carbon (Pvt) Limited (Chennai, India)	Indian Rupee

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 have financial year end as 31st December.

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



Supplementary

164	Statement of Group Value Added
165	Investor Information
168	Ten Year Financial Review
170	Group Profile
172	GRI Content Index
176	Glossary
177	Notice of Meeting

STATEMENT OF GROUP VALUE ADDED

GROUP VALUE ADDED

	2021 Rs. '000	2020 Rs. '000
Revenue	25,484,559	22,822,743
Other operating income	94,287	115,901
	25,578,846	22,938,644
Cost of materials and services brought in	(18,370,916)	(17,568,256)
Value added	7,207,930	5,370,388

DISTRIBUTION OF VALUE ADDED

	%	2021 Rs. '000	%	2020 Rs. '000
To employees as remuneration	37	2,699,860	40	2,136,281
To Government revenue				
– Sri Lanka	6	433,725	5	244,786
– Overseas	8	611,125	6	346,125
To providers of capital	10	746,525	10	528,482
– Interest on borrowings		226,852		321,033
– Minority interest		519,673		207,448
To shareholders as dividends	15	1,099,358	8	445,685
Retained in the business	22	1,617,337	31	1,669,029
– Depreciation		603,772		559,002
– Profit retained		1,013,565		1,110,027
	100	7,207,930	100	5,370,388

INVESTOR INFORMATION

1. SHAREHOLDERS

Haycarb PLC – Ordinary Shareholders as at 31st March 2021.

Number of shares held	Residents			Non-Residents			Total		
	Number of shareholders	Number of shares	Percentage	Number of shareholders	Number of shares	Percentage	Number of shareholders	Number of shares	Percentage
1 – 1,000	3,685	1,223,311	0.41	13	4,400	0.00	3,698	1,227,711	0.41
1,001 – 10,000	2,127	8,163,696	2.75	18	93,760	0.03	2,145	8,257,456	2.78
10,001 – 100,000	757	23,031,139	7.75	14	593,500	0.20	771	23,624,639	7.95
100,001 – 1,000,000	116	28,481,888	9.59	8	3,314,940	1.12	124	31,796,828	10.71
Over 1,000,000	8	224,339,231	75.50	4	7,877,885	2.65	12	232,217,116	78.15
	6,693	285,239,265	96.00	57	11,884,485	4.00	6,750	297,123,750	100.00
Category									
Individuals	6,313	54,115,254	18.21	49	8,269,575	2.78	6,362	62,384,829	21.00
Institutions	380	231,124,011	77.79	8	3,614,910	1.22	388	234,738,921	79.00
	6,693	285,239,265	96.00	57	11,884,485	4.00	6,750	297,123,750	100.00

As at 31st March 2021, there were 6,750 (31st March 2020 – 2,152) registered shareholders.

2. SHARE TRADING INFORMATION

	2020/21		2019/20	
	Rs.	Date	Rs.	Date
Highest price	1,700.00	8th February 2021	198.90	1st November 2019
Lowest price	82.00	5th March 2021	122.20	26 April 2019
Closing price	93.00	31st March 2021	160.00	20th March 2020
Number of transactions	62,785		1,546	
Number of shares traded	30,412,453		772,380	
Value of shares traded	9,044,442,417		121,940,586	

The ordinary shares of the Company were subdivided by splitting each issued ordinary share into ten (10) ordinary shares from 10th February 2021. Consequently the total number of existing issued ordinary shares were increased from 29,712,735 to 297,123,750 without changing the stated capital of the Company which will remain at Rs. 331,773,750/-.

INVESTOR INFORMATION

3. QUARTERLY FINANCIAL DATA

	Unaudited 3 months ended 30th June 2020 Rs. '000	Unaudited 6 months ended 30th September 2020 Rs. '000	Unaudited 9 months ended 31st December 2020 Rs. '000	Audited 12 months ended 31st March 2021 Rs. '000
Revenue	5,595,523	11,879,232	18,827,040	25,484,559
Profit before tax from continuing operations	1,042,308	2,344,261	3,445,616	4,490,262
Profit for the period from continuing operations	826,876	1,964,792	2,825,921	3,566,507
Profit attributable to equity holders of the Company	685,622	1,708,195	2,407,297	3,046,834
Property, plant and equipment, investments and non-current assets	7,157,318	7,675,885	8,401,963	9,369,283
Current assets	13,143,529	13,575,701	14,335,236	15,961,230
Current liabilities	7,374,730	6,927,475	6,931,187	8,662,229
Shareholders funds	10,381,861	11,553,099	12,582,170	13,401,136

4. TOP 20 SHAREHOLDERS

Name of the Shareholder	Number of shares as at 31st March 2021	Percentage	Number of shares as at 31st March 2020	Percentage
Hayleys PLC No. 3 Share Investment Account	201,251,030	67.73	20,125,103	67.73
Employees' Provident Fund	14,075,650	4.74	1,417,565	4.77
Mr. T. Ueda	3,574,685	1.20	417,206	1.40
Dr. D. Jayantha	2,400,000	0.81	240,000	0.81
Mrs. J.K.P. Singh	2,000,000	0.67	290,376	0.98
E.W. Balasuriya & Co. (Pvt) Ltd.	1,485,381	0.50	152,089	0.51
Mr. H.S.R. Kariyawasan/Mrs. K.H.S. Kariyawasan	1,465,000	0.49	15,500	0.05
Mr. Z.G. Carimjee	1,350,000	0.45	135,000	0.45
Mrs. L. Sivagurunathan (Deceased)	1,287,170	0.43	128,717	0.43
Mr. H.S. Gill	1,230,000	0.41	123,000	0.41
HSBC Bank PLC – Mckinley Capital Measa Fund Oeic Limited	1,073,200	0.36	–	–
Mrs. V. Saraswathi/Mr. S. Vasudevan	1,025,000	0.34	–	–
Mellom Bank N.A – Acadian Frontier Markets Equity Fund	800,930	0.27	–	–
Harnam Holdings SDN BHD	800,000	0.27	168,050	0.57
Mr. S. H. Amarasekera	798,780	0.27	90	0.00
Miss. M.P. Radhakrishnan	756,100	0.25	76,610	0.26
Miss. A. Radhakrishnan	755,000	0.25	76,500	0.26
Mr. A. Thakshanan	710,780	0.24	71,078	0.24
Hatton National Bank PLC – Senfin Growth Fund	700,000	0.24	–	–
Hallsville Trading Group Inc.	682,770	0.23	120,000	0.40
Total	238,221,476	80.15		

INVESTOR INFORMATION

5. DIRECTORS' SHAREHOLDING (AS DEFINED IN THE COLOMBO STOCK EXCHANGE RULES)

Name of the Director	As at 31st March 2021	As at 1st April 2020
Mr. A.M. Pandithage	23,790	2,379
Mr. S.C. Ganegoda	18,150	1,815
Mr. M.S.R. Kariyawasan*	1,465,000	15,500
Mr. M.S.P. Udaya Kumara	4,620	462
Mr. B. Balaratnarajah	10,040	1,004

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

- ▶ The Directors' shareholding increased with the subdivision of shares/purchases.
- ▶ Mr. Dhammika Perera holds 51.01% of the total issued shares of Hayleys PLC which has 201,251,030 shares in Haycarb PLC.

6. PUBLIC HOLDING

As at 31st March	2021 Rs.	2020 Rs.
Market capitalisation	27,632,508,750	4,753,980,000
Public holding percentage of the Company (%)	31.75	32.20
Float-adjusted market capitalisation	8,774,654,160	1,520,781,560

- ▶ The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2021, was 31.75% (2020 – 32.20%) held by 6,744 ordinary shareholder (2020 – 2,146).

The Company complies with option 2 of the Listing Rules 7.13.1 (a) – which requires 5% minimum public holding.

TEN YEAR FINANCIAL REVIEW

Year ended 31st March	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000
Trading Results				
Group turnover	25,484,559	22,822,743	20,917,945	15,518,079
Profit before taxation	4,490,262	2,175,806	1,352,898	926,423
Group taxation	(923,755)	(409,762)	(271,196)	(152,799)
Profit after taxation (Continuing operations)	3,566,507	1,766,044	1,081,702	773,624
Minority interest	(519,673)	(207,448)	(126,291)	(101,260)
Profit attributable to equity holders	3,046,834	1,558,596	955,411	672,364
Balance Sheet				
Share capital	331,774	331,774	331,774	331,774
Capital reserves	686,284	675,744	675,744	648,703
Revenue reserves	12,383,078	8,313,697	7,242,868	6,447,363
Minority interest	1,751,304	1,335,444	1,102,415	909,771
	15,152,441	10,656,659	9,352,801	8,337,611
Property, plant and equipment, investments, and non-current assets	9,198,546	6,672,299	6,412,662	6,105,545
Intangible assets	233,141	226,873	248,504	285,856
Current assets	15,961,230	12,546,480	12,313,966	8,891,056
Current liabilities	(8,662,229)	(7,733,503)	(8,802,222)	(6,041,736)
Provisions and creditors due after one year	(1,578,247)	(1,055,490)	(820,109)	(903,110)
	15,152,441	10,656,659	9,352,801	8,337,611
Ratios and Statistics				
Return on shareholders' equity (%)	24	17	12	9
Dividend (Rs. '000)	1,099,358	445,686	237,699	178,274
Dividend per share* (Rs.)	3.70	1.50	0.80	0.60
Annual sales growth index (Base – 2011) (%)	398	357	327	242
Earnings per share at year end* (Rs.)	10.25	5.25	3.22	2.26
Net assets per share at year end* (Rs.)	44.55	31.37	27.77	24.99
Market price per share** (Rs.)	93.00	160.00	127.00	120.00
Price earning ratio	9.07	3.05	3.95	4.08
Current ratio (Times)	1.84	1.62	1.40	1.47
Liquidity ratio (Times)	1.07	0.76	0.93	0.80

Figures in brackets indicate deductions.

* All previous year calculation are adjusted to the share subdivision of 1:10 that took place on 10th February 2021 for comparison purpose.

** Market price per share for previous years are not re-stated based on subdivision of shares on February 2021.

TEN YEAR FINANCIAL REVIEW

2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
13,553,576	11,705,825	11,933,848	10,338,684	10,149,637	8,508,896
1,189,535	1,119,078	1,070,336	1,044,083	1,227,707	656,822
(249,735)	(220,910)	(196,404)	(152,106)	(192,708)	(133,808)
939,800	898,168	873,932	891,977	1,034,999	523,014
(135,436)	(216,950)	(178,947)	(104,197)	(89,691)	(51,822)
804,364	681,218	694,985	787,780	945,308	471,192
331,774	331,774	331,774	331,774	331,774	331,774
717,597	570,848	570,848	373,907	373,907	296,707
5,696,455	5,013,363	4,800,584	4,061,796	3,675,876	2,961,061
776,762	710,435	590,724	468,418	344,247	270,721
7,522,588	6,626,420	6,293,930	5,235,895	4,725,804	3,860,263
5,953,584	5,161,474	5,059,453	4,275,533	3,724,931	2,616,262
279,201	263,598	260,903	251,223	240,018	132,000
8,002,701	7,204,985	5,696,413	4,986,749	4,466,440	3,710,435
(5,808,013)	(5,244,079)	(3,923,488)	(3,357,492)	(2,907,846)	(2,083,981)
(904,885)	(759,558)	(799,351)	(920,118)	(797,739)	(514,453)
7,522,588	6,626,420	6,293,930	5,235,895	4,725,804	3,860,263
12	12	12	17	21	13
178,274	178,274	178,274	178,274	207,986	163,418
0.60	0.60	0.60	0.60	0.70	0.55
212	183	186	162	159	133
2.71	2.29	2.34	2.65	3.18	1.59
22.70	19.91	19.19	16.04	14.78	12.08
151.00	160.00	183.00	181.00	176.00	160.00
5.58	6.98	7.82	6.83	5.53	10.09
1.38	1.37	1.45	1.47	1.54	1.78
0.77	0.70	0.68	0.85	0.79	0.84

GROUP PROFILE

	Incorporation	Stated/Share Capital	Group Interest
Haycarb PLC Manufacturing and Marketing of Activated Carbon			Parent Company
Eurocarb Products Ltd. Distributors of Activated Carbon Products and Technology in Europe	1986 in UK (Bristol, England)	£ 100,000	100% (Subsidiary)
Haycarb Holdings Australia (Pty) Ltd. Distributors of Activated Carbon Products and Technology in Australia	1989 in Australia (Victoria, Australia)	AUD 150,000	100% (Subsidiary)
Carbokarn Co. Ltd. Manufacture and Sale of Activated Carbon	1993 in Thailand (Bangkok, Thailand)	THB 50,000,000	50% (Subsidiary)
CK Regen Systems Co. Ltd. Regeneration of Spent Carbon	2002 in Thailand (Bangkok, Thailand)	THB 15,000,000	50% (Subsidiary)
Haycarb USA Inc. Distributors of Activated Carbon Products and Technology and Coir Fibre Pith in the USA	1983 in USA (Woodlands, Texas, USA)	USD 1,287,900	100% (Subsidiary)
Puritas (Pvt) Ltd. Environmental Engineering	1995 in Sri Lanka	Rs. 18,000,000	100% (Subsidiary)
Recogen (Pvt) Ltd. Charcoal Making and Power Generation	1997 in Sri Lanka	Rs. 370,000,000	100% (Subsidiary)
PT Mapalus Makawanua Charcoal Industry Manufacture and Sale of Activated Carbon	1985 in Indonesia (Bitung, Indonesia)	IDR. 37,102,000,000	100% (Subsidiary)
Haycarb Holdings Bitung Ltd. Investment	2005 in British Virgin Islands	USD 1,400,000	100% (Subsidiary)
Carbotels (Pvt) Ltd. Investor in Tourist Resorts	1991 in Sri Lanka	Rs. 368,665,000	25.2% (Associate)
Ultracarb (Pvt) Ltd. Manufacture and Sale of Value Added Activated Carbon	2010 in Sri Lanka	Rs. 250,000,000	100% (Subsidiary)
Lakdiyatha (Pvt) Ltd. Sewage and Wastewater Treatment Plant	2011 in Sri Lanka	Rs. 50,000,000	49% (Associate)
Shizuka Co. Ltd. Manufacture and Sale of Activated Carbon	2012 in Thailand (Ratchaburi Province, Thailand)	THB 20,000,000	50% (Subsidiary)
Haycarb Value Added Products (Pvt) Ltd. Manufacture and Sale of Value Added Activated Carbon	2012 in Sri Lanka	Rs. 400,000,010	100% (Subsidiary)
PT Haycarb Palu Mitra Manufacture and Sale of Activated Carbon	2012 in Indonesia (Palu, Indonesia)	IDR 20,508,850,000	60% (Subsidiary)
Puricarb (Pte.) Ltd. Engineering Consultancy Services	2014 in Singapore	USD 50,001	100% (Subsidiary)
Haycarb Activated Carbon (Pvt) Ltd. Business Development	2017 in India	INR 3,367,970	100% (Subsidiary)

GROUP PROFILE

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 M.H. Jamaldeen Ms. H.M.N. Shamalie Gunawardana Ms. Yogadinusha Bhaskaran (Alternate Director to Dhammika Perera)
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. Kanchanabatr (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. Kanchanabatr (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	S.P. Weerawardena
A.M. Pandithage H.S.R. Kariyawasan	Ms. S.S. Ragunathan L. Teague	Ms. S.R. Singh G.B.M.H. Dourdin
A.M. Pandithage (Chairman) P. Kanchanabatr (Managing Director) H.S.R. Kariyawasan	Y.P.A.S. Pathirathna Ms. M.J.A.S. Abeyratne Ms. C. Karnchanabatr	B. Karnchanabatr K. Karnchanabatr
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne		
J. Yaurai (President Commissioner) Ms. M.J.A.S. Abeyratne (Commissioner) M.S.P. Udaya Kumara (Commissioner)	A.M. Pandithage (President Director) H.S.R. Kariyawasan A.A.M. Caderbhoy	B. Balaratnarajah Ronny K.A. Karim
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan	Wong Yong Fei
A.M. Pandithage (Chairman) H.S.R. Kariyawasan A.A.M. Caderbhoy	Ms. M.J.A.S. Abeyratne	Elindram Srinivasulu

GRI CONTENT INDEX

GRI Standards	Disclosure	Page number (s)
GRI 102: GENERAL DISCLOSURES 2016		
Organisational profile	102-1 Name of the organisation	Inner back cover
	102-2 Activities, brands, products, and services	07, 36
	102-3 Location of headquarters	Inner back cover
	102-4 Location of operations	11
	102-5 Ownership and legal form	Inner back cover
	102-6 Markets served	11, 47
	102-7 Scale of the organisation	17, 35, 43
	102-8 Information on employees and other workers	43
	102-9 Supply chain	48
	102-10 Significant changes to the organisation and its supply chain	04
	102-11 Precautionary principle or approach	04
	102-12 External initiatives	04
	102-13 Membership of associations	49
Strategy	102-14 Statement from senior decision-maker	14
	102-15 Key impacts, risks, and opportunities	28
Ethics and integrity	102-16 Values, principles, standards, and norms of behaviour	06
	102-17 Mechanisms for advice and concerns about ethics	24

GRI CONTENT INDEX

GRI Standards	Disclosure	Page number (s)
Governance	102-18 Governance structure	64
	102-19 Delegating authority	64
	102-21 Consulting stakeholders on economic, environmental, and social topics	24
	102-22 Composition of the highest governance body and its committees	58
	102-23 Chair of the highest governance body	58
	102-24 Nominating and selecting the highest governance body	70
	102-35 Remuneration policies	90
	102-36 Process for determining remuneration	90
Stakeholder engagement	102-40 List of stakeholder groups	24
	102-42 Identifying and selecting stakeholders	24
	102-43 Approach to stakeholder engagement	24
	102-44 Key topics and concerns raised	24
Reporting practice	102-45 Entities included in the consolidated financial statements	04
	102-46 Defining report content and topic boundaries	04
	102-47 List of material topics	24, 28
	102-48 Restatements of information	04
	102-49 Changes in reporting	04
	102-50 Reporting period	04
	102-51 Date of most recent report	04
	102-52 Reporting cycle	04
	102-53 Contact point for questions regarding the report	04
	102-54 Claims of reporting in accordance with the GRI Standards	04
	102-55 GRI content index	172-175

GRI CONTENT INDEX

GRI Standards	Disclosure	Page number (s)
MANAGEMENT APPROACH GRI 103		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	24, 28
	103-2 The management approach and its components	24, 28
	103-3 Evaluation of the management approach	24, 28
ECONOMIC STANDARDS GRI 200		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	17
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	51
	203-2 Significant indirect economic impacts	51
ENVIRONMENTAL STANDARDS GRI 300		
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	52
	302-3 Energy intensity	52
	302-4 Reduction of energy consumption	52
GRI 303: Water and Effluents 2018	303-5 Water consumption	52
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	56

GRI CONTENT INDEX

GRI Standards	Disclosure	Page number (s)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	52
	305-2 Energy indirect (Scope 2) GHG emissions	52
	305-3 Other indirect (Scope 3) GHG emissions	52
	305-4 GHG emissions intensity	52
	305-5 Reduction of GHG emissions	35
	306-3 Waste generated	52
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	51
	308-2 Negative environmental impacts in the supply chain and actions taken	51
SOCIAL STANDARDS GRI 400		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	43
	401-3 Parental leave	43
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	43
	403-6 Promotion of worker health	43
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	43
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	43
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	51

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 IS HEREBY GIVEN that the Forty-eighth Annual General Meeting of Haycarb PLC will be held on Friday, 25th June 2021 at 3.30pm via online meeting platform.

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2021, with the Report of the Auditors thereon.
2. To declare the final dividend as recommended by the Directors.
3. To elect Mrs. H.M.N.S. Gunawardana, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Mr. K.D.D. Perera, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mrs. M.J.A.S. Abeyratne, who retires by rotation at the Annual General Meeting, a Director.
7. To propose the following resolution as an ordinary resolution for the reappointment of Dr. S.A.K. Abayawardana in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy-four years.

Ordinary Resolution

That, Dr. Sarath Ananda Kumara Abayawardana, who has attained the age of seventy-four years be and is hereby reappointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.

8. To propose the following resolution as an ordinary resolution for the reappointment of Mr. A.M. Senaratna, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy-one years.

Ordinary Resolution

That, Mr. Arjun Michael Senaratna, who has attained the age of seventy-one years be and is hereby reappointed a Director for a further period of one year 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.

9. To propose the following resolution as an ordinary resolution for the reappointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy years.

Ordinary Resolution

That, Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy years be and is hereby reappointed a Director for a further period of one year 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.

10. To ratify the sum of Rs. 4,574,215.44 made as donations for the year 2020/21 in excess of the sum approved by the shareholders.
11. To authorise the Directors to determine contributions to charities for the year 2021/22.
12. 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 2021/22.
13. To consider any other business of which due notice has been given.

By Order of the Board,

HAYCARB PLC

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries
Colombo

21st May 2021

NOTE :

1. A shareholder 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 with the Company Secretaries, Hayleys Group Services (Pvt) Ltd, No. 400, Deans Road, Colombo 10, or emailed to haycarbaggm@secretarial.hayleys.com not less than 48 hours before the time fixed for the Meeting.
2. Please refer the Circular to shareholders dated 21st May 2021 and follow the instructions to join the meeting virtually.
3. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend on 28th June 2021 with regard to the final dividend.

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 proxy holder**)

NIC number/Reg. number of proxy holder (**)

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-eighth Annual General Meeting of the Company to be held on Friday, 25th June 2021 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 2021 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Mrs. H.M.N.S. Gunawardana, who has been appointed by the Board, since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. K.D.D. Perera, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mrs. M.J.A.S. Abeyratne, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To propose the Ordinary Resolution as set out in the Notice for the reappointment of Dr. S.A.K. Abayawardana as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy-four years.	<input type="checkbox"/>	<input type="checkbox"/>
8. To propose the Ordinary Resolution as set out in the Notice for the reappointment of Mr. A.M. Senaratne as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy-one years.	<input type="checkbox"/>	<input type="checkbox"/>
9. To propose the Ordinary Resolution as set out in the Notice for the reappointment of Mr. A.M. Pandithage as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy years.	<input type="checkbox"/>	<input type="checkbox"/>
10. To ratify the sum of Rs. 4,574,215.44 made as donations for the year 2020/21 in excess of the sum approved by the shareholders.	<input type="checkbox"/>	<input type="checkbox"/>
11. To authorise the Directors to determine contributions to charities for the year 2021/22.	<input type="checkbox"/>	<input type="checkbox"/>
12. 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 2021/22.	<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 2021.

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.

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

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

(d) Instructions are noted on the reverse hereof.

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

(f) Please refer the "Circular to Shareholders" dated 21st May 2021 and follow the instructions to join the Meeting virtually.

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 or be emailed to haycarbaggm@secretarial.hayleys.com not less than forty-eight (48) hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at overleaf. The proxy need not be a member of the Company.
4. Please indicate with an "X" in the space provided how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the Case of a company/corporation the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. 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 7650
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 of Ceylon PLC
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



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