



STRONG BY NATURE

HAYCARB PLC

Annual Report 2021/22

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STRONG BY NATURE

Like roots that firmly ground themselves, our values remain firmly embedded in our culture. Like leaves that turn anew every season, our reach as a pioneering supplier of activated carbon keeps expanding, both locally and globally. With sustainability running in our veins and green thinking defining our innovative capabilities, strength is second nature to us; backed by the potential to overcome and a resolve to evolve.

Remaining defiant in the face of many challenges, we were able to resolutely record a noteworthy year. Our strong business acumen contributed towards consolidating our position as a world leader, bolstered by prudent product development initiatives. These measures aligned with our strategy to innovate and achieve technical excellence across our portfolio, with a customer-centric perspective geared to deliver greater value.

Strong by nature, today we stand ready to turn a new leaf in our progressive journey.



PAYMENTS TO EMPLOYEES

3.5BN 34% ↑

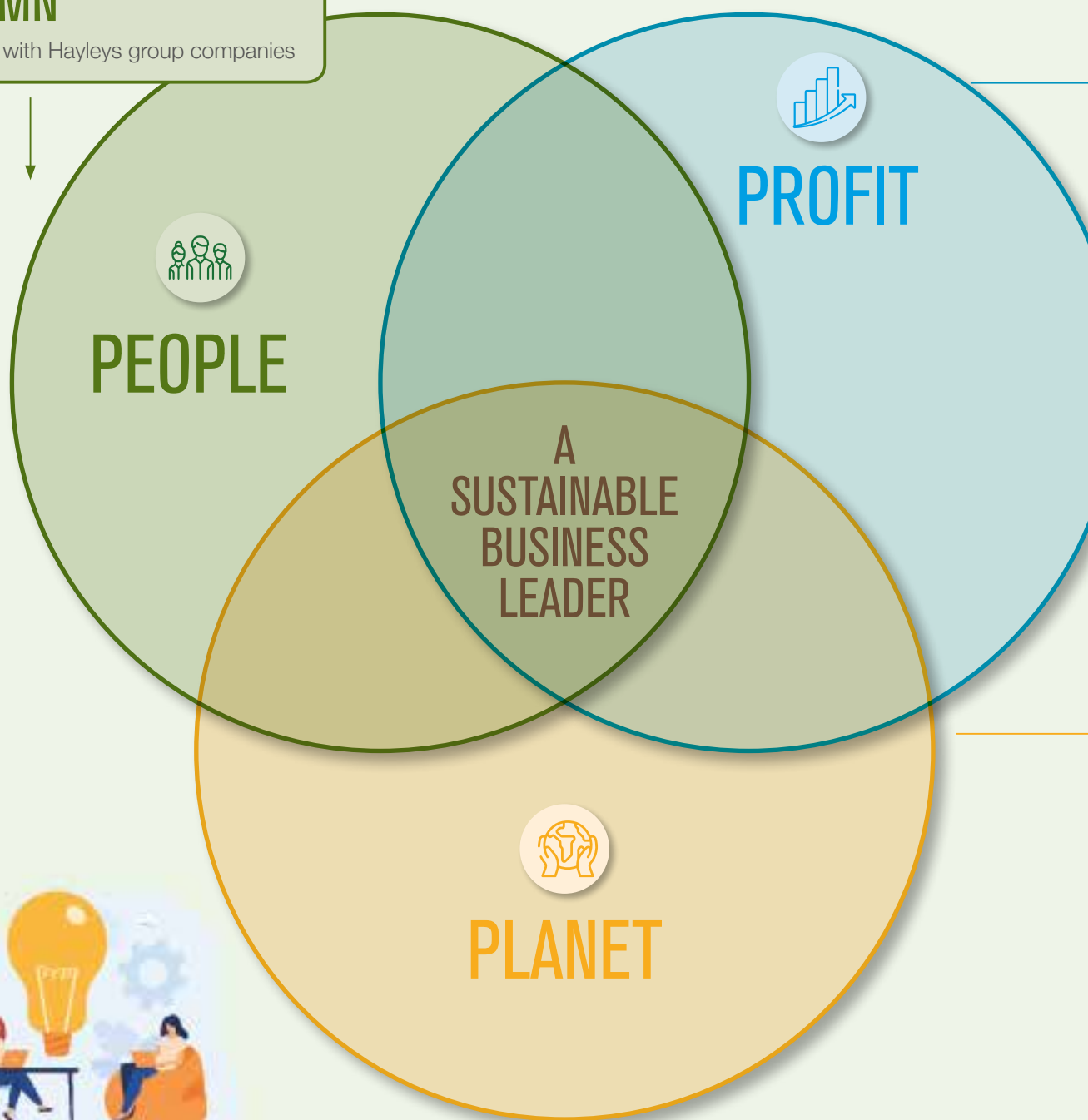
INVESTMENT IN SUPPLIER DEVELOPMENT

RS. 73MN

CUMULATIVE INVESTMENT IN SATH DIYAWARA
AND GOING BEYOND

RS. 111MN

In collaboration with Hayleys group companies





HIGHEST REVENUE
RS.33.2BN 30% ↑

HIGHEST PBT
RS.4.7 BN 4% ↑

SHAREHOLDER VALUE
RS. 20.8 BN 37% ↑



TOTAL EMISSIONS
30,212 12% ↓

RAW MATERIALS CONSUMED FROM GREEN CHARCOALING SOURCES
51% 6% ↑

POWER GENERATED AND PROVIDED TO THE NATIONAL GRID MORE THAN
1.5MN kWh 48% ↑





ABOUT THIS REPORT

This is the Integrated Annual Report of Haycarb PLC for the financial year ending 31st March 2022 which provides a balanced review of the Group's performance using financial, environmental, social and governance information. This is the second report using the <IR> Framework and seeks to provide a fair account of how its resources were allocated to create value for its key stakeholders and the resources available at the close of the reporting year. Significant efforts have been made to enhance the presentation of the report using the reporting principles outlined in the <IR> Framework, providing quantitative and qualitative indicators where relevant and available from reliable sources.

FRAMEWORKS APPLIED

This report has been prepared to provide the information required by the following:

LEGAL & REGULATORY

- » Companies Act No.7 of 2007
- » Listing Rules of the Colombo Stock Exchange
- » Sri Lanka Accounting Standards

ESG REPORTING FRAMEWORKS

- » <IR> Framework
- » GRI Standards
- » Code of Best Practice on Corporate Governance
- » UN Global Compact Principles
- » UN Sustainability Goals & Targets
- » Task Force on Carbon Related Disclosures

REPORTING BOUNDARY

The Haycarb Group comprises 15 subsidiaries and 2 associate companies. The report contains financial and non-financial information relating to the parent company and all its subsidiaries.

ASSURANCE

Assurance on financial statements, sustainability reporting and integrated reporting is provided by Ernst & Young for this report.

RESTATEMENTS OF INFORMATION

There were no restatements of information during the reporting year ending 31st March 2022.

SOURCES OF INFORMATION

Financial and non-financial information is obtained from the financial accounting systems and Group's management information systems. Financial reports are audited by independent external auditors and group internal audit teams reviewed the management information systems for reliability and accuracy. External information provided for comparison within the report is sourced from reliable sources such as the Central Bank of Sri Lanka, the Department of Census and Statistics and the International Monetary Fund.

PRECAUTIONARY PRINCIPLE

Haycarb Group is committed to taking cost effective measures to prevent environmental degradation where there are threats of serious or irreversible damage despite lack of full scientific certainty in compliance with Principle 15 of the Rio Declaration on Environment and Development.

FEEDBACK

We value feedback and welcome any suggestions you may have in terms of what you would like to see in our next report.

Please direct your feedback to:

Director Finance

Haycarb PLC
400, Deans Road, Colombo 10, Sri Lanka

E-mail: haycarbgroup@haycarb.com

This report is available in printed form and online at <https://www.haycarb.com/activated-carbon-company/responsibility>



PDF format



A concise Integrated Annual Report in print form

NAVIGATING OUR REPORT



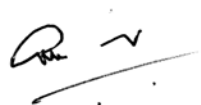
STATEMENT OF RESPONSIBILITY

The senior management of Haycarb Group is responsible for the preparation of the annual report which has been reviewed and approved by the Audit Committee and also verified independently, in accordance with the policies and methodologies set

out in the 'Corporate Governance' section of this report.

The Annual Report of the Board of Directors includes an acknowledgement of the Directors' responsibilities with regard to the Annual Report. The Board of Directors

acknowledges its responsibility to ensure the integrity of the Integrated Report and is of the opinion that the Integrated Annual Report of Haycarb PLC for the financial year ending 31st March 2022 is presented in accordance with the <IR> Framework 2021.



Chairman



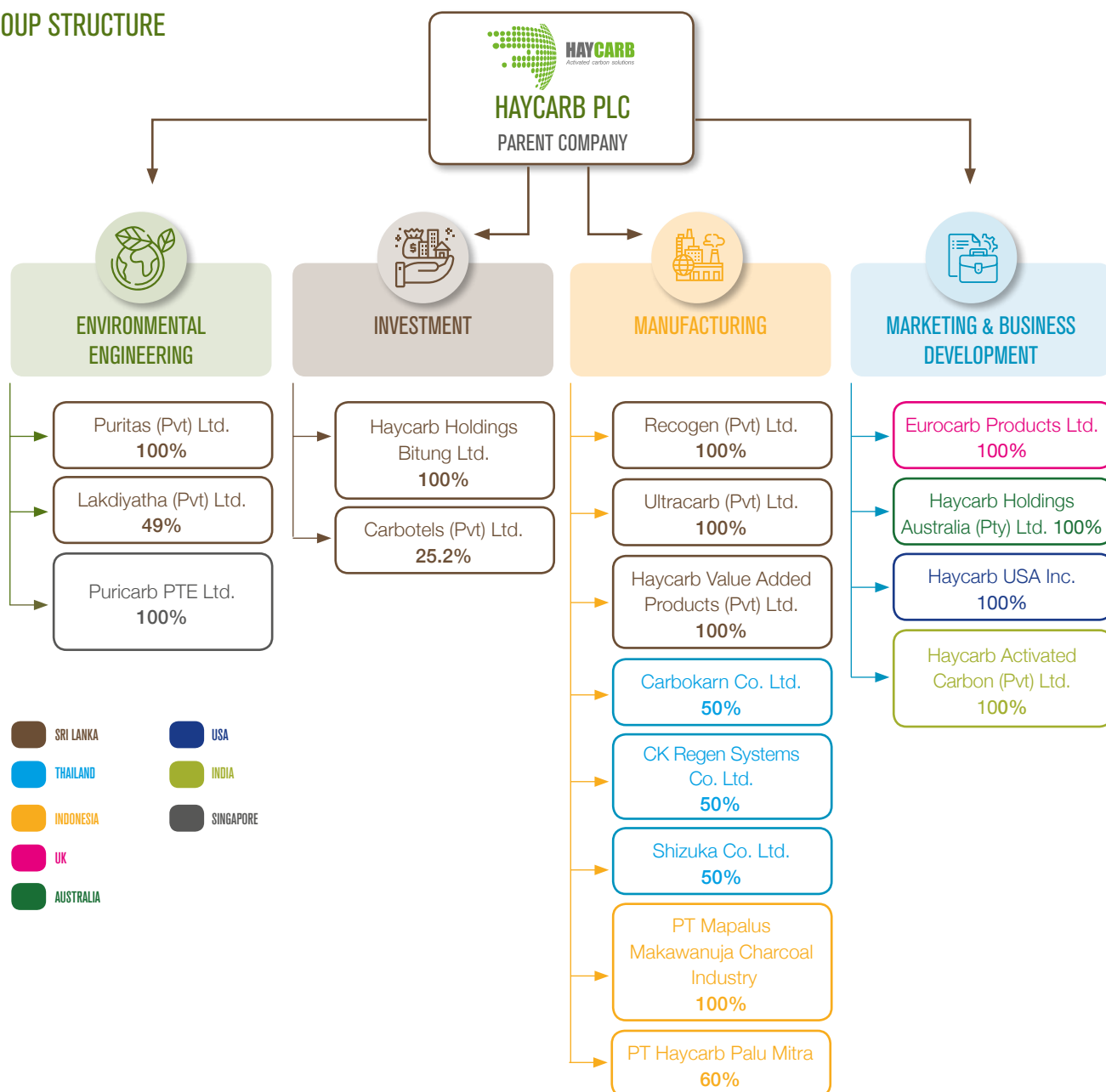
Managing Director



Chairman - Audit Committee

“Haycarb PLC is a world leading producer of coconut shell activated carbon with operations spanning 5 continents. The Group has a portfolio of over 1000 products, vital for energy and purification solutions across multiple industries underpinning our relevance in an increasingly environmentally conscious era. Innovation is key to growth, and we work closely with our B2B customers to deliver cutting edge solutions that drive mutual growth. As a subsidiary of the Hayleys Group, Haycarb inherits a legacy of strong values and a sustainability mindset which continues to be the bedrock on which we build our business.”

GROUP STRUCTURE



VISION

To be the leading global provider of 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 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 activity** - Seek to improve the business environment through direct representation or through trade association. No support or affiliation for any political parties
- » **Enhancing shareholder value**
- » **Regulatory compliance**

GLOBAL PRESENCE 🌐



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

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

1991

Achieved Market Capitalisation of Rs. 1 billion

1993

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

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%

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

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 Oxypura facemarks in Sri Lanka

2007

Obtained the first Halal Certification in Indonesia

2008

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

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

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

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
- 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.

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
- Haymark was rebranded as Haycarb USA

2015

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

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%
- Exodus product production plant implementation
- "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 Matale Water Supply Scheme Project with Veolia, France
- Awarded first project under World Bank Funded Water Supply and Sanitation Improvement Project (WaSSIP)
- "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

- New washing process to produce activated carbon to facilitate Polysilicone manufacturing process
- Establishment of Food grade carbon - GMP
- Obtained the Organic Certification - OMRI - USA in Sri Lanka

2020

- Establish chemically activated wood carbon products and processes in Thailand
- Obtained the SLS:1672:2020 Covid Management System certification in Sri Lanka
- Bureau Veritas Sri Lanka and Hong Kong tested and certified Bacteria Filtration Efficiency (BFE) of 99% and Virus Filtration Efficiency of 98% for Oxytura care face mask

- 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
- Gold award winner in the Engineering and Pollution Control category at The Green World Awards 2020 (UK)

2022

- Group revenue crossed \$ 150 Mn milestone
- Development of Hard Carbon manufacturing process
- Development and commercialization of Wood Super Premium Catalytic carbon
- Hydrophobic 3S Pellet Carbon manufacturing process
- Product development for Perfluorooctanoic acid removal applications
- Veolia Water in partnership with Puritas completed and handed over the Greater Matale Water Supply Project to the National Water Supply and Drainage Board, the largest of its kind in Sri Lanka

OUR PRODUCTS

“As concerns over air quality, water quality, energy storage and resource depletion continue to increase, our products are becoming more relevant across a growing number of industries and applications. We continue to innovate higher value-added products and provide environmental engineering solutions that are vital for the health, safety and wellbeing of people and the planet.”

ACTIVATED CARBON SEGMENT

- » De-chlorination
- » Chloramines /Monochloramine removal
- » Decolorization
- » Fusel oil removal in alcohol
- » Taste removal/control
- » Trihalomethanes removal

- » Alcoholic beverages
- » Fruit juices
- » Beverage water treatment
- » Additives & supplements
- » Edible oil purification
- » Decaffeination
- » Food coloring

AIR & GAS

- » Catalytic action in pharmaceutical synthesis
- » Antidote
- » Chloramines/Monochloramine removal
- » Dialysis water purification
- » Organics/Hydrocarbon removal
- » Pesticides/Herbicide removal
- » Polycyclic Hydrocarbon removal

FOOD & BEVERAGE INDUSTRY

MEDICAL & PHARMACEUTICAL

- » Volatile fission products adsorption
- » Radioactive Iodine & Methyl Iodine Removal
- » Xe & Kr Removal

NUCLEAR

- » Precious metals Au/Ag/Pt recovery
- » CIP/CIL/CIC/Heap Leach extraction processes

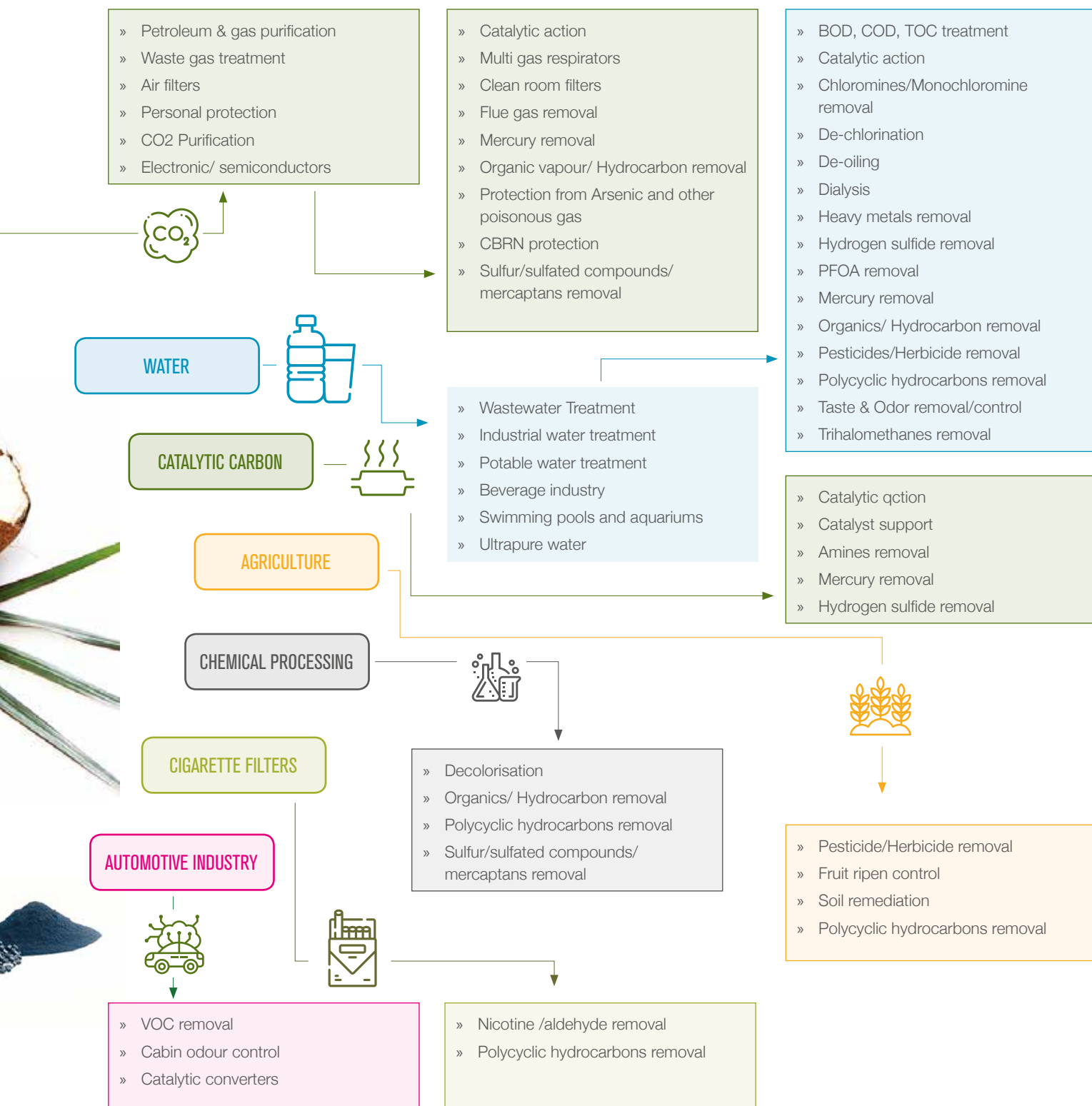
GOLD

ENERGY

- » Wind turbine pitch control application
- » Hybrid vehicle applications
- » Peak demand grid power controls
- » Urgent Power Systems (UPS)
- » Lithium-ion battery applications
- » Sodium-ion battery applications

- » Electrochemical Double Layer Supercapacitors (EDLC)
- » Non-Aqueous Electrolyte Secondary Batteries





ENVIRONMENTAL ENGINEERING SEGMENT

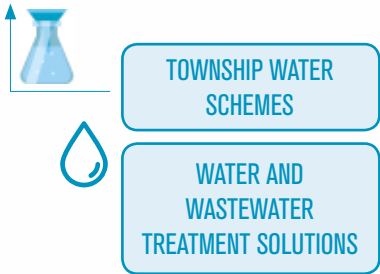
- SOLUTIONS OFFERED



- » Township Water/ Wastewater/ Sewerage Plants
- » Managing the Water Cycle for Sustainable Development of Industries



- » Domestic Modular Wastewater Purification Systems
- » Industrial Containerized Wastewater Purification Systems
- » Domestic and Commercial Drinking Water Purifiers



- » Community Scale Water/ Wastewater Purification
- » Raw Water Purification
- » Sea Water Desalination
- » Industrial Wastewater Purification
- » Wastewater Purification, Reuse and Recycling

- » Total Treatment Plant Management and Maintenance
- » Commodity & Specialty Chemicals

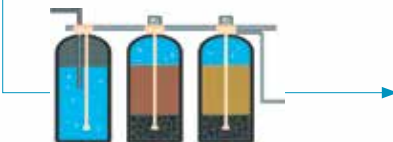




- » 'Oxypura' Anti-Pollution Facemasks
- » Domestic Odour Removal Products



ACTIVATED CARBON BASED
CONSUMER PRODUCTS



OUR SOCIO-ECONOMIC IMPACT

GRI 201-1, 203-2

Haycarb's socio-economic impact is significant as one of the country's largest exporters of agricultural products. This page sets out how we added value to the economies we operate in 2021/22.



VALUE ADDED STATEMENT

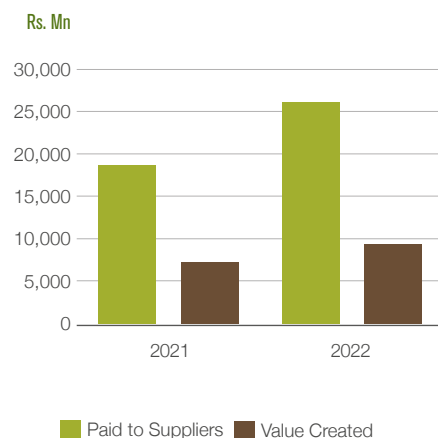
VALUE CREATED

	2022 Rs. '000	2021 Rs '000
Revenue from contracts with customers	33,160,474	25,484,559
Other operating income	249,988	94,287
	33,410,462	25,578,846
Share of profit of equity accounted investees	(21,344)	5,799
Finance income net of exchange loss	2,090,936	291,986
Cost of materials & services brought in	(26,105,215)	(18,668,701)
Value created	9,374,839	7,207,930

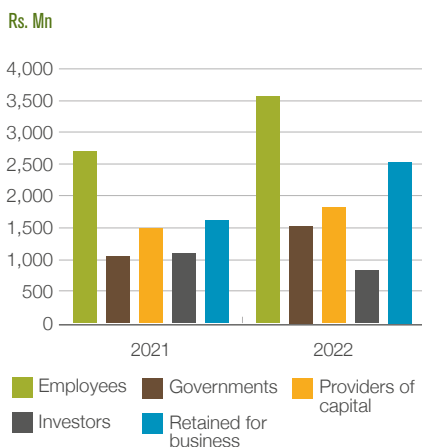
VALUE DISTRIBUTED

	2022 % Rs. '000	2021 % Rs '000
To Employees as remuneration	38 3,569,540	41 2,699,860
To Government revenue		
Sri Lanka	6 534,558	7 433,725
Overseas	11 994,247	9 611,125
To Providers of Capital	10 910,503	11 746,525
-Interest on Borrowings		226,852
-Minority Interest		519,673
To Shareholders as Dividends	9 831,946	17 1,099,358
Retained in the business	27 2,534,045	16 1,617,337
- Depreciation		603,772
- Profit retained		1,013,565
	100 9,374,839	100 7,207,930

Value Created



Value Distributed



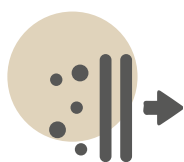
PERFORMANCE HIGHLIGHTS



	2021/22	2020/21	2019/20
Intellectual Capital			
New products (No.)	14	13	14
Products in pipeline (No.)	10	12	6
Revenue generated from new products (Rs. Mn)	1,606	1,459	1,115
New certifications (No.)	2	2	3
Investment in research development (Rs. Mn)	124	57	52



Financial Capital			
Shareholder funds (Rs. Bn)	20.8	15.2	10.7
Revenue growth (%)	30%	12%	9%
PBT (Rs Bn)	4.7	4.5	2.2
Earning per share (Rs.)	11.1	10.3	5.2
Net assets per share (Rs.)	61.2	45.1	31.4



Social and Relationship Capital			
Customer base (No.)	502	449	414
Customer satisfaction score (%)	Above 80	Above 80	Above 80
Investment in supplier development (Rs. Mn)	73	45	23
Suppliers supported through development programmes (No.)	30	35	31
Total sales volumes (MT)	46,422	46,070	44,002



Manufactured Capital			
Investments in capital projects (Rs.Mn)	1,678	1,052	692
Number of processes improved (No)	10	8	6
Total Assets base (Rs. Bn)	8.9	6.4	5.6
Global manufacturing capacity (MT)	56,800	55,000	50,000
Capacity utilization	90%	90%	90%



	2021/22	2020/21	2019/20
Human Capital			
Permanent employees receiving regular performance reviews (%)	100	100	100
Total Remuneration (Rs. Bn)	3.5	2.6	2.1
Employees (No)	1,768	1,694	1,507
Remuneration per employee (Rs. Mn)	1.9	1.5	1.4
Females who occupy Executive Board Member positions (%)	14	25	25



Natural Capital			
Energy consumption (mj)	262,368,000	281,497,021	230,046,007
Total emission (MT CO ₂ eq)	30,212	34,409	26,367
% of raw material consumed from green charcoaling sources	51%	45%	40%
Power generated to national grid- Recogen plant (kWh)	1,559,050	1,056,943	833,341
Beneficiaries: Puritas Sath Diaywara and Going Beyond (No)	59,918	56,371	43,110

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR



“ Our main value proposition is a versatile core product that can be engineered to provide a myriad of solutions for improving air quality, water quality, health and safety, gold mining productivity, chemical synthesis, and energy storage, using renewable raw material sources. ”

Dear Stakeholder,

We're delighted to report that Haycarb PLC raised the bar for the highest profit for the second consecutive year recording pre and post-tax earnings of Rs.4,656 Mn and Rs.3,721 Mn respectively - the highest recorded in its 49-year history. Our focus on innovating value-added activated carbon products for a growing range of applications and the development of both existing and new markets were key to growth and profitability during the year. The momentum gathered during the year puts the Group on a steeper growth trajectory as we move up the value chain to deliver enhanced value to our stakeholders. It is also commendable that these results were delivered during one of the most challenging years reflecting the resilience of our business and the indomitable spirit of our team.

RELEVANT & FUTURE FORWARD

Our main value proposition is a versatile core product that can be engineered to provide a myriad of solutions for improving air quality, water quality, health and safety, gold mining productivity, chemical synthesis, and energy storage, using renewable raw material sources. Accordingly, our wide portfolio of coconut shell activated carbon products thereby addresses some of humanity's greatest challenges across a broad range of industry sectors and applications, that have a significant positive bearing on humanity and earth's resources. We are shifting focus of our research and development efforts to innovate higher value-added products in the areas of enhancement of capacitance properties of our EDLC product range, introducing renewable hard carbons as anode materials for up-coming new segments of battery technology in sodium-ion batteries, improving the properties of our Chloramine removal carbons with our benchmark Wood Catalytic carbons and introducing new carbons to address the Perfluorooctanoic acid removal applications in the USA that would create the platforms of growth and higher margins for our future business.

Continuous investment in research and development to drive innovation and enabling necessary production capacity &

capability improvements to commercialise the new products have expanded our reach of new geographical segments, industry sectors and applications. We continue to grow market share, leveraging our position as one of the largest manufacturers of coconut shell activated carbon products in the world with around 16% market share.

As Sri Lanka seeks to strengthen inflows of foreign exchange through the growth in exports, it is relevant to consider the value addition and sales growth created by Haycarb to the local economy. With more than 50% of our manufactured value generated in Sri Lanka through its largest two plants, using the principal raw material coconut shell charcoal where majority is sourced locally, the domestic value addition is over 55%. The gross foreign exchange earnings generated to the Sri Lanka economy is US\$ 72Mn in the year under review that has grown by 21% compared to the previous year. We provided 1,167 jobs for employees in Sri Lanka who received Rs. 1,898 Mn in remuneration, benefits and training.

SEIZING OPPORTUNITIES AMIDST CHALLENGES

The year under review posed significant challenges to our operations across all business locations but also presented opportunities that could be seized. The impacts of the prolonged pandemic continued to disrupt business continuity as new waves spread across countries. Having manufacturing locations in three countries was a key strength as orders could be diverted, if needed, for timely delivery of products. We maintained and fine-tuned the health and safety protocols implemented in 2020 with the onset of the pandemic to ensure that the risk of infection at the workplace is minimised. Special arrangements were made to ensure that employees who were diagnosed as positive had access to healthcare and basic groceries for the household during quarantine. The Covid-19 vaccination drive implemented in all 3 countries we operate was a tremendous success where close to 99 % of our total employees receiving both vaccines whilst over 90 % of employees completing the booster shot as well. This

paved the way for stability and sustainability of our operations in all our 7 plants in Asia.

Global supply chains remain in disarray even at the time of writing and this has resulted in extended lead times, difficulties in finding shipping space as well as an exponential increase in freight charges. Our response has been to work with our parent Company's Freight Solutions Task Force to ensure shipping space is secured to all our customers on a timely basis, increase raw material and finished goods inventories and executing orders well ahead of time to allow for extended shipping times. This has enabled us to strengthen our value proposition to customers as a reliable supplier, supporting growth in relationships.

WEATHERING A PERFECT STORM

Our principal manufacturing location is Sri Lanka which accounts for over 50% of installed capacity and is also our main facility for manufacture of high value-added products. Sri Lanka's current economic crisis poses significant operational challenges that need to be managed proactively until they are resolved at a national level.

Haycarb Sri Lanka operations is insulated somewhat from the foreign exchange liquidity crisis as an exporter with adequate foreign currency inflows, to support the required import of raw materials and other inputs. Our resilience through a 30-year civil war and the global pandemic for nearly 3 years are testimony to our strength in successful crisis management, that is well backed by the considerable resources and strength of our parent Company, Hayleys PLC which is now in its 144th year of operations. Our stability is further enhanced with a strong and well experienced management team, that has a splendid track record backing the operations. Therefore, we remain confident that we will come out of the current economic crisis facing Sri Lanka, a much stronger and resilient company.

The energy crisis stemming from the lack of foreign exchange liquidity is critical as continuity of operations can be at risk. We have equipped all manufacturing plants with continuous running generators to take

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR



USD REVENUE INCREASE OF

**16.5% TO
US\$157 MN**

PROFIT AFTER TAX OF

RS.3.72 BN

IS THE HIGHEST PROFIT IN THE HISTORY OF THE
GROUP

INNOVATION DELIVERED

- » Development of Hard Carbon process
- » Wood Super Premium Catalytic carbon manufacturing process
- » New carbons for Perfluorooctanoic acid removal applications

“Haycarb group looks forward to put Sri Lanka back on the global map for the right reasons and we look to play our part in steering the country to a resilient recovery through innovative and value-added export driven growth.”

up the full load thereby enabling plants to run on diesel generators 24x7, should that worst-case situation arises. Inventories of fuel have been increased to facilitate operation of generators on site as a further precautionary measure. The energy crisis could be a catalyst to improve our energy security and accelerate our commitment to reduce emissions with renewable energy solutions such as solar powered electricity generation to our plants. We are evaluating these options as payback periods have reduced substantially in view of the higher costs of fuel and power.

Inflation climbed rapidly in the second half of the year from 5.7% in September 2021 to 18.7%, by March 2022 and soared to 29.8% in April 2022. This had a significant impact on the operational costs in Sri Lanka, particularly in the last quarter and will need further review of cost profiles to defend margins. We also expect this to increase pressure on operational costs including wages moving forward. Fortunately, inflation in Thailand and Indonesia has been manageable at 5.8% and 2.7% although it has been on an upward trend. Alongside the global crisis on oil, and escalation of prices on all inputs to industry including steel, chemicals and packing material, the cost of running the manufacturing operations has increased significantly. The devaluation of the Sri Lanka rupee has helped us to cushion this impact in the short term but we are monitoring the trend cautiously whilst accelerating our projects in Lean manufacturing targeting energy and process efficiencies as the largest opportunities to address during the immediate future.

Interest rates which started an upward trend in the second half of the year posed difficulty during the year. The sharp increase in policy interest rates of Central Bank by 700 bps in April 2022 will be a key consideration moving forward as working capital has been financed largely by short term debt.

Our environmental engineering arm, engaged in providing water and waste water treatment solutions, was impacted by the downturn in the economy and has depended on rural infrastructure projects albeit at lower margins. The segment faces further challenges due

to the suspension of government funded projects in Sri Lanka. Puritas will focus on leveraging on their expertise and brand value in effluent treatment systems and water / waste water treatment in the region during the next year.

MARKING ANOTHER MILESTONE

Haycarb PLC recorded 30% top line growth to record consolidated revenue of Rs. 33.16 Bn during the year largely supported by strong growth in the Americas and increased value addition in products. All operating regions recorded positive top line growth with Sri Lanka recording 30% growth and Thailand/Indonesia recording 18% growth reflecting strong demand.

The impact of increased freight costs and raw material prices is evident in the decline in gross profit margins from 30% in 2020/21 to 22% in 2021/22. Gross profits declined by 4.3% as a result to Rs.7.21 Bn reflecting the increased inflation and commodity prices which resulted in upward pressure on costs of inputs. Earnings Before Interest & Taxation (EBIT) reflects a sharper decline of 30.6% to Rs.3.07 Bn reflecting the same. Finance costs increased significantly from Rs.324 Mn in 2020/21 to Rs.723 Mn in 2021/22 as we financed the expanded working capital cycle largely with debt. However, the devaluation of the rupee in March 2022 boosted finance income from Rs. 372 Mn in the previous year to Rs.2.32 Bn in the current year. Accordingly, pre-tax earnings increased by 3.6% to Rs. 4.65 Bn and post-tax earnings by 4.3% to Rs. 3.72 Bn, marking a milestone for the highest profit recorded in our history, improving on the bar set last year amidst significant challenges.

Measures implemented to manage foreign exchange volatility in Sri Lanka by the Central Bank subdued the revenue growth in rupee terms as the exchange rate was held at a fixed price without allowing to free float for most of the year as evinced by the exchange rate movement during the year. Since the exchange rate was artificially fixed most part of the year, only the revenue recorded in the last three weeks of the year reflects the real rupee value of the sales, significantly understating the revenue growth achieved during the year in rupee terms.

This aberration continues through to gross margins and operating margins (EBIT) as well, disguising the impact of the value addition during the year which was a key contributor to growth.

RESILIENT AND POISED FOR GROWTH

Total assets increased by 58% to Rs.40 Bn reflecting increased capacity for growth and the resilience built up to manage supply chain delays and other potential downside risks. Property, Plant & Equipment increased by 38% to Rs.8.9 Bn of which 26% is due to increased manufacturing capacity and capabilities with the balance arising from the exchange rate impact on conversion of overseas assets. We increased inventory for raw materials and finished goods across all locations to manage supply chain issues. The increase of 83% in inventory to Rs.15.8 Bn reflects the increased stock levels as well as the increased value of inventory stored in locations outside Sri Lanka associated with the devaluation of the rupee. Trade receivables also increased by 96% to Rs.8.5 Bn with the increase in sales and the steep translation of receivables as at 31st March 2022.

The balance sheet funding is prudent with Rs. 20.8 Bn in equity, accounting for 53% of total funding. Interest bearing liabilities account for 32% of total funding amounting to Rs.13 Bn. The Group's gearing ratio is 38% which is a prudent ratio, with sufficient headroom for further funding if required. The Group will continue to monitor liquidity in both rupees and foreign currency as well as look to minimising its interest rate exposure as interest rates are expected to climb this year as well, both locally and globally. The numbers on the balance sheet are supported by manufacturing facilities in 3 countries which adds to the resilience of the Group. The pickup in economic activity, a global presence, growing demand for environmental engineering solutions and a product portfolio that is equally relevant to stable legacy businesses as well as the future forward high tech businesses positions the company for strong growth in the years ahead.

NURTURING TALENT

The results set out in this report is the collective effort of 1,768 employees located in 7 countries united by a common goal and values. A disciplined approach to innovation, technical excellence and customer centricity and sustainable mindset are part of the DNA of our team that worked together to create outstanding value in a difficult year. Haycarb has put in place a robust training and development programme to provide opportunities for learning, facilitating the career progress of our employees. It has proved a fertile ground for graduates in all disciplines including science graduates in the country to launch successful careers within a learning and mentoring culture. Our growth has also provided opportunities for career advancement and lateral mobility across our locations enabling employees to realise their career aspirations. Employee health and safety were key priorities as mentioned above.

Nurturing and retaining talent is probably the biggest challenge in the year ahead as the economic crisis in Sri Lanka provides impetus to employment migration. Yet, Sri Lanka needs to retain the best of its talent to engineer a resilient recovery. Haycarb is gearing up to attract, develop and retain the talent it needs to stay on the growth trajectory.

GOVERNANCE AS A PIVOT

Haycarb is committed to the Hayleys "Life code" which articulates the Group's commitment to ESG and includes initiatives to reduce emissions by 30% by 2030 and our environment footprint through responsible and sustainable manufacture. Governance is the pivot for ESG which is reinforced through multiple structures of review at entity Boards, Sector Board, Sector Audit Committee and structures of the parent company as well. The growth of every business is intertwined with the growth of its employees and stakeholders and understanding this concept, ensures that equilibrium is maintained in distributing value created.

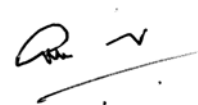
ACKNOWLEDGEMENTS

Our employees have worked with extraordinary commitment in a year of challenges at every level. We are deeply appreciative of their winning attitudes and the hard work that underpinned our success.

Ms. Sharmila Ragunathan resigned from the head of our environmental engineering segment and the Haycarb Board with effect from April 2022. We take this opportunity to thank her for her service and to wish her success.

Our heartfelt appreciation is extended to the Group's loyal customer base, who stood with us providing the much-needed revenue support when the coconut carbon costs increased globally due to on-going global supply chain challenges. Whilst Haycarb reciprocated as one of the most reliable supply partners during these years, the trust and confidence placed on us during multiple crises is commendable.

We thank all other stakeholders who have shared our journey and look forward to another successful year. Haycarb group looks forward to putting Sri Lanka back on the global map for the right reasons and we look to play our part in steering the country to a resilient recovery through innovative and value-added export driven growth.



MOHAN PANDITHAGE
Chairman



RAJITHA KARIYAWAN
Managing Director

18th May 2022

BOARD OF DIRECTORS



1. Mohan Pandithage
Chairman
2. Rajitha Kariyawasan
Managing Director
3. Dhammika Perera
Non-Executive Director

4. Arjun Senaratna
Independent Non-Executive Director
5. Sarath Ganegoda
Non-Executive Director
6. Ms. Jeevani Abeyratne
Director - Finance & IT

7. Dr. Sarath Abayawardana
Independent Non-Executive Director
8. Sujeewa Rajapakse
Independent Non-Executive Director



9. Prasanna Udaya Kumara
Director - Research & Development
and Technical
10. Brahman Balaratnarajah
Director - Manufacturing & Engineering
11. Ali Asgar Munaver Caderbhoy
Director - Business Development

12. James Naylor
Director - Head of Eurocarb
Products Ltd. - UK
13. Mohamed Hisham Jamaldeen
Independent Non-Executive Director

14. Ms. Shamalie Gunawardana
Independent Non-Executive Director
15. Ms. Yogadinusha Bhaskaran
(Alternate Director to Dhammika Perera)

BOARD OF DIRECTORS

MOHAN PANDITHAGE

Chairman and Chief Executive

Appointed to the Board of Haycarb PLC in November 2007. Joined the Hayleys Group in 1969. Appointed to the Board of Hayleys PLC in 1998 and as the Chairman and Chief Executive of Hayleys PLC in July 2009.

Fellow of the Chartered Institute of Logistics and Transport (UK). Serves as 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 (CASA).

Leadership Excellence Recognition by the Institute of Chartered Accountants of Sri Lanka. Recipient of the 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers. Honoured with a Lifetime Achievement Award by Seatrade - Sri Lanka Ports, Trade and Logistics (SLPTL) and the first-ever Sri Lanka Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). Inducted as Legend of Logistics by the Sri Lanka Logistics and Freight Forwarding Association in recognition of services rendered to Sri Lanka's logistics industry.

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 Deputy Chairman of Eco Solutions Sector and 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 Hayleys 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.

SARATH GANEGODA

Appointed to the Board of Haycarb PLC in November 2009. Rejoined Hayleys PLC in March 2007. Appointed to the Hayleys Group Management Committee in July 2007. 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. 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.

PRASANNA 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.

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 2021/22.

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, all manufacturing operations and Environmental Engineering Segment of Haycarb Group.

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.

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. Mr. Sujeewa Rajapakse is the Managing Partner of BDO Partners a firm of Chartered Accountants. 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 Solutions Ltd also the Deputy Chairman of Softlogic Life Insurance PLC.

At present he serves as the Chairman of People's Bank, and People's leasing and Finance PLC. Also, an Independent Non-Executive Director of Dipped Products PLC, Hayleys Agriculture Holdings Ltd. and Director of Lankan Alliance Finance Limited, Bangladesh. Mr. Rajapakse is a Council member of the University of Sri Jayewardenepura.

MOHAMED HISHAM JAMALDEEN

Appointed to the Board in March 2017. He has extensive experience in relation to accounting, corporate finance, acquisition and disposals, restructuring, strategic business development and partnerships and business planning. His experience spans across a range of industries including real estate, retail, leisure, manufacturing, agriculture, industrial solutions, power and energy, plantations, transportation and logistics. Given his deep level expertise in multiple industries, he is recognized as a sector specialist in a multitude of industries and provides vital support towards board level decision making.

Mr. Jamaldeen brings forth both local and global expertise having worked as the Finance Director at Newbridge Capital Investments Limited, a property investment and development company, transacting directly into UK commercial and London residential property. He has been extensively involved in all aspects of property investment especially in transactional analysis, financing, refinancing debt structures and tax assemblies. He was instrumental in transactions involving real estate assets exceeding USD 1.6 billion during his career. His international exposure and real estate experience was gained whilst at Freeman & Partners accountancy practice (UK) and subsequently at Barclays Capital (a British multinational investment Bank).

He has the distinction of being the founder Managing Director of Steradian Capital Investments, an exclusive real estate advisory and consultancy firm with both global and local clienteles who seek exposure and asset management services for real estate investment into Sri Lanka. His key responsibilities include acquisitions, structuring debt financing, and corporate structures. Mr. Jamaldeen is the key contact point for all existing foreign investors spread across Europe, East Asia and South East Asia. He has been instrumental in growing the Assets under Management to over LKR 18 billion within a short span of time. In 2020, Mr. Jamaldeen was recognised by Echelon as a trail blazer and disruptor in the investments sector for his contribution towards the sector.

He further serves as the Executive Director of Lanka Realty Investments PLC, Managing Director of On'ally Holdings PLC, and functions as a Non-Executive Director of Hayleys PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC and Talawakelle Tea Estates PLC. He was a former director of People's Bank.

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.

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.

MS. SHAMALIE GUNAWARDANA

Appointed to the Board in March 2021, Mrs. Gunawardana [L.L.M. (UK), Attorney-at-Law] is an In-house Legal Counsel of Capital City Law, Colombo. Among other positions being held, she is a Senior Legal Advisor - CHEC Port City (Colombo) Ltd., Group Legal Consultant - International Distillers Limited and a Board Member of DFCC Bank PLC. She is also a member of the Company Law Advisory Commission of Sri Lanka and a Member of the Presidential Expert Working Committee on the Implementation of Data Protection in 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.

Mrs. 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 the Director General, Legal Affairs Department of the General Treasury from 2008 to 2013.

MS. YOGADINUSHA 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 a Fellow Member of the Institute of Bankers, Sri Lanka.

MANAGEMENT TEAM



MOHAN PANDITHAGE
Chairman



RAJITHA KARIYAWASAN
Managing Director



MS. JEEVANI ABEYRATNE
Director (Finance and IT)



PRASANNA UDAYA KUMARA
Director (Research & Development
and Technical)



BRAHMAN BALARATNARAJAH
Director (Manufacturing &
Engineering)



**ALI ASGAR MUNAVER
CADERBHOJ**
Director (Business
Development)



JAMES NAYLOR
Director (Head of Eurocarb
Products Ltd. - UK)



PRASARSK KANCHANABATR
Managing Director (Carbokarn
Co. Ltd)



MANUEL MARQUES
Director/Chief Operating Officer
(Haycarb Holdings Australia (Pty) Ltd)



A.S. PATHIRATHNA
Vice-President (Haycarb USA Inc.)



BENJA KARNCHANABATR
Deputy Managing Director
(Carbokarn Co. Ltd)



ASITHA KARUNARATNE
General Manager - Sales and
Marketing



GOMINDA GUNAWARDHANA
General Manager - Manufacturing and
Raw Material Procurement (Sri Lanka)



KRIT KARNCHANABATR
Director (Carbokarn Co. Ltd)

HAYCARB (SRI LANKA) EXECUTIVE DIRECTORS

MOHAN PANDITHAGE

Chairman

RAJITHA KARIYAWASAN

Managing Director

MS. JEEVANI ABEYRATNE

Director (Finance and IT)

PRASANNA UDAYA KUMARA

Director (Research & Development and
Technical)

BRAHMAN BALARATNARAJAH

Director (Manufacturing & Engineering)

ALI ASGAR MUNAVER CADERBHOY

Director (Business Development)

JAMES NAYLOR

Director (Head of Eurocarb Products Ltd.
- UK)

GENERAL MANAGERS

ASITHA KARUNARATNE

Sales and Marketing

GOMINDA GUNAWARDHANA

Manufacturing and Raw Material
Procurement (Sri Lanka)

MANAGEMENT TEAM

DEPUTY GENERAL MANAGERS

PALITHA WEERAWARDANE

Production Planning

MANURA WICKRAMASINGHE

Environmental Engineering [Puritas (Pvt.) Ltd.]

CHAMINDA KORALE

Engineering Projects

SHISHIRA JAYAKODY

Research and Development

NALINDA SAMARANAYAKE

Research and Development

MANJULA RANASINGHE

Quality Assurance

ANURADHA GAMAGE

Factory Manager (Madampe)

JAGATH WICKRAMASINGHE

Factory Manager (Badalgama)

DIVISIONAL MANAGERS

SAMANTHA ATHUKORALA

R&D/Process Improvement [Puritas (Pvt) Ltd.]

A. S. D. KARUNARATNE

Human Resource Management

P. D. D. M. KRISHANTHA

Human Resource Management

ASITHA KULARATNE

Engineering Procurement

PRABHATH LIYANAARACHCHI

Sales and Marketing

CHRISHAN KOBBEKADUWE

Sales and Marketing

PRASAD WEERAHOON

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)

SUNIL UDUGAMPALA

Quality Assurance (Madampe)

H. SUMITH KUMARA

Production (Badalgama)

K. U. S. WARNAJITH

Sales and Marketing

D. M. SENARATHNE

Engineering Projects

AJITH PATHIRAJA

Finance

NUWAN RUPASINGHE

Business Development

DEPARTMENTAL MANAGERS

SHANTHA SENEVIRATNE

Engineering Projects

HASANGA SENANAYAKE

Business Development [Puritas (Pvt) Ltd.]

LAYAN KOKILA GAMAGE

Project Engineering, Civil & Structural [Puritas (Pvt) Ltd.]

MS. RASIKA JAYAWARDENA

Information Technology

SUJEWA GURUSINGHE

Procurement R&D

LALITH HAPUARACHCHI

Quality Management Systems

NIMAL KUMARA

Production (Badalgama)

SALIYA SAMARAJEEVA

Engineering Maintenance (Badalgama)

DAYAN GANEGODA

O & M Solutions [Puritas (Pvt) Ltd.]

MS. PIYUMALI PREMARATNE

Finance

CHAMPATHI TENNAKON

Finance & Business Development [Puritas (Pvt) Ltd.]

CHANNA WIJETHUNGA

Activated Carbon Products [Puritas (Pvt.) Ltd.]

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

MS. KALPANA DE SILVA

Business Development

HARSHANA KAMALAPRIYA

Research and Development

ASANKA SIRIMANNE

Engineering Projects

PRASAD GNANARATHNE

Engineering Projects

MAJ. RANGANA BODARAGAMA (RETD.)

Project Management (Puritas)

KALANA PIYASIRI

Engineering Maintenance (Madampe)

OVERSEAS SUBSIDIARIES**MARKETING****EUROCARB PRODUCTS LTD.****JAMES NAYLOR**

Managing Director

RICHARD BITTEL

Director Sales

HAYCARB HOLDINGS AUSTRALIA (PTY) LTD.**MANUEL MARQUES**

Director/Chief Operating Officer

BINUPA LIYANAGE

Director Operations

HAYCARB USA INC.**A. S. PATHIRATHNA**

Vice-President

MATTHEW POTOK

Director Sales

MANUFACTURING**CARBOKARN CO. LTD.****PRASARSK KANCHANABATR**

Managing Director

BENJA KARNCHANABATR

Deputy Managing Director

KRIT KARNCHANABATR

Director

THANANCHAI KARNCHANABATR

Director (Local Sales and Marketing)

CHAMINDA ABEYRATHNE

General Manager (Manufacturing - Carbokarn and CK Regen Systems)

MS. CHATTIP TECHATIPMANEE

Finance Manager

MS. YAOWARECH SINGHAPOOM

Accounting Manager

UPENDRA JAYASINGHE

Plant Manager (Shizuka Co. Ltd.)

PT MAPALUS MAKAWANUA CHARCOAL INDUSTRY**SURESH JAYANATH**

General Manager

MS. TETTY ENTE

Administration Manager

ANANDA MUNASINGHE

Manager - Quality Control

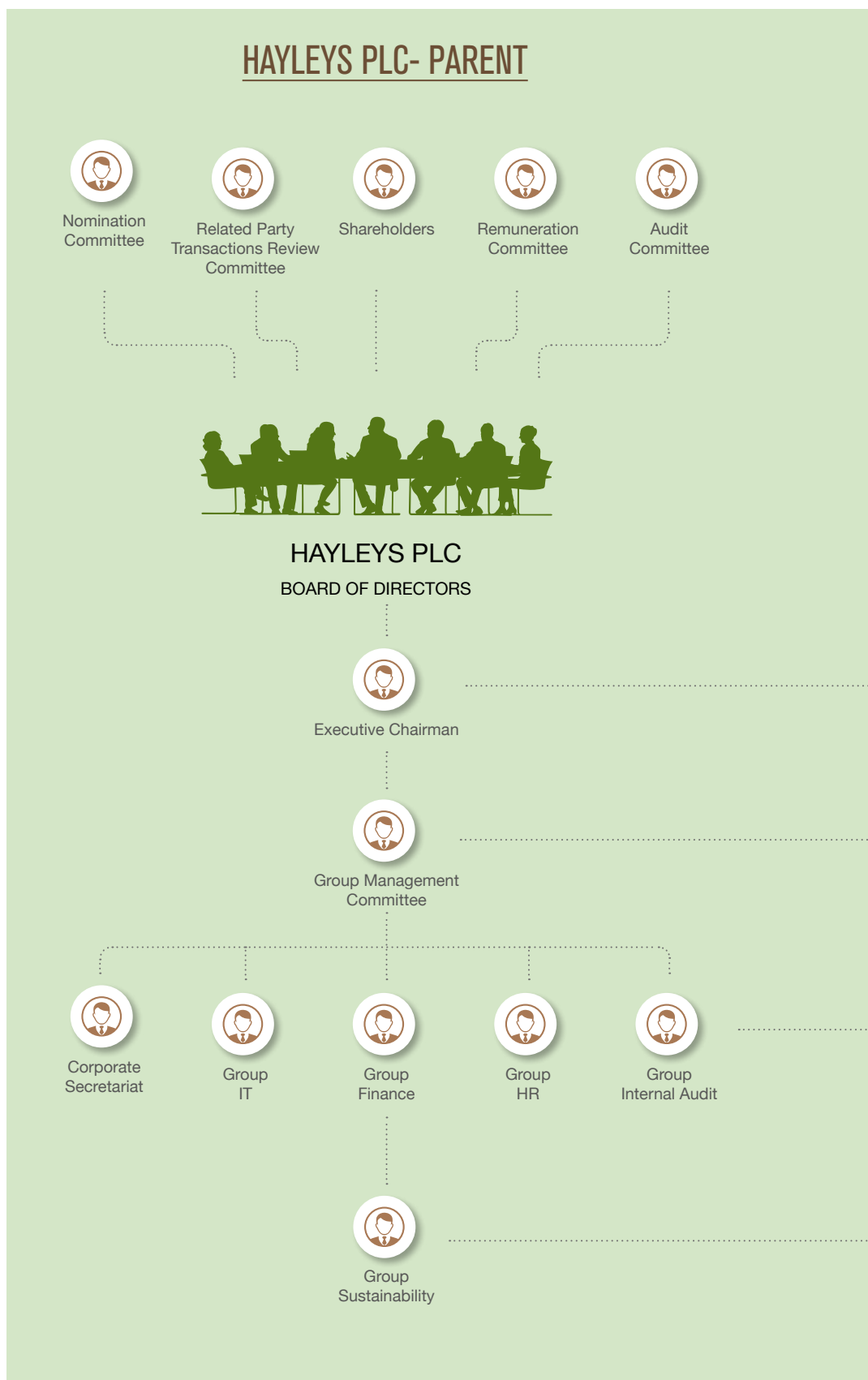
PT HAYCARB PALU MITRA**NADUN HETTIARACHCHI**

Factory Manager

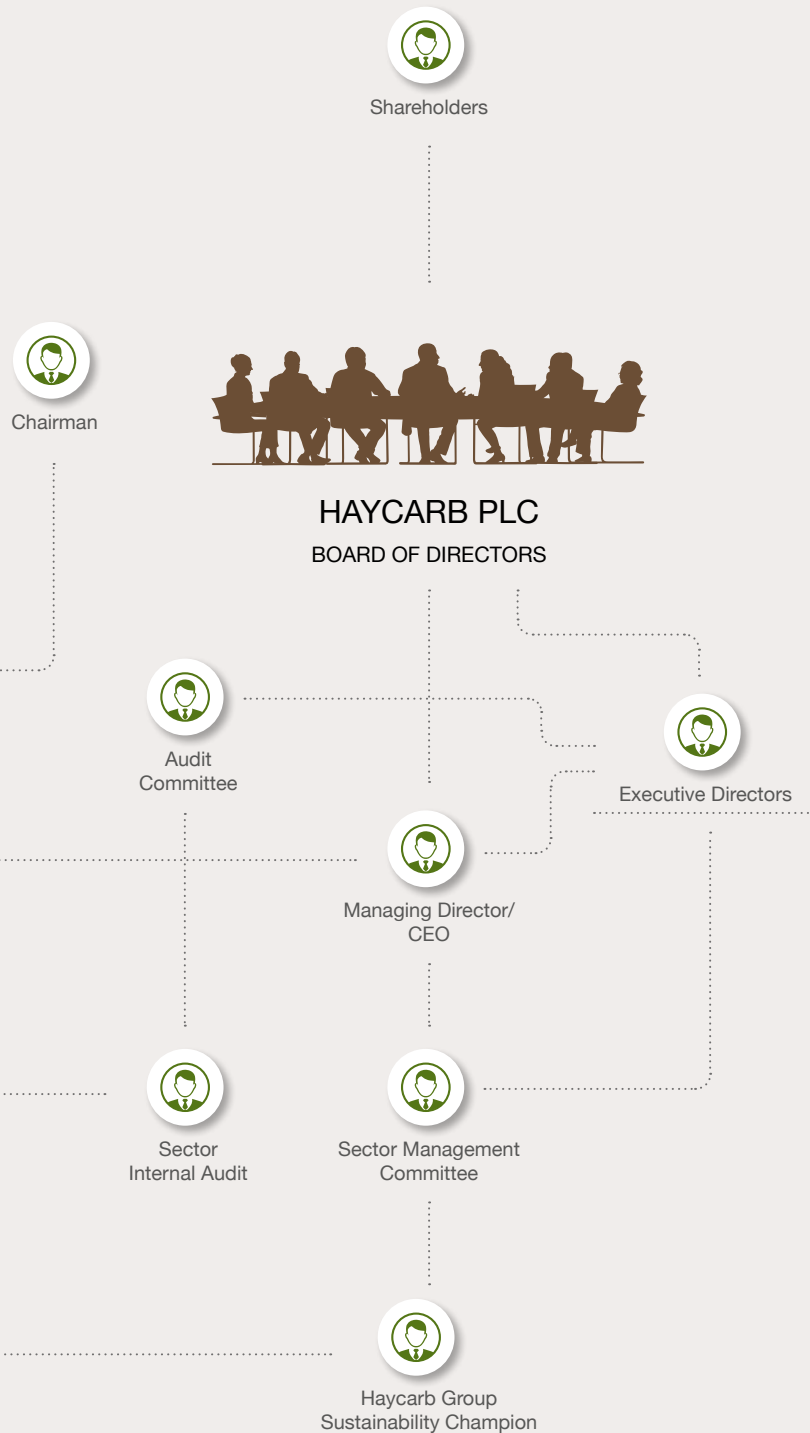
CORPORATE GOVERNANCE

GRI 2-9-27, 205-3, 206-1

“ Our corporate governance framework has powered our growth with multiple layers of oversight reinforcing accountability for implementing strategy within a clearly defined policy framework strengthened with a comprehensive system of internal controls. The Board of Directors sets strategic direction, approves policy, reviews performance and manage risks, providing guidance to management to further improve the processes that create value for the Group’s key stakeholders. As part of the Hayleys Group, Haycarb also benefits from the mature governance systems of our parent company which continue to evolve, introducing new criteria that address issues that affect our key stakeholders in line with international best practice. Group functions of the parent company also play a key role in governance, facilitating harmonization of policies, cultures, values, systems and processes across the Group. ”



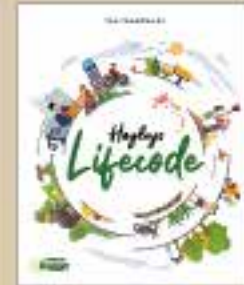
HAYCARB PLC & SUBSIDIARIES



HIGHLIGHTS 2021/22

- Revision of strategic plans to respond to volatile business landscape
- Increased oversight by Board and Audit Committee on Risk Management
- Increased oversight of Treasury functions to manage foreign exchange, interest rate volatility and liquidity
- Increased oversight of supply chain management to ensure that right products are available at the right time at the right location

HAYLEYS LIFECODE



Hayleys Group launched its ESG Framework titled the Hayleys Lifecode in January 2022. Compliance is mandatory with this comprehensive document which codifies the best practices across with clear links to the GRI standards and sustainable development goals. Each sector has worked out its plans to align with the commitments of the Group, supporting achievement of a holistic strategy.

Accordingly, Haycarb PLC has aligned its policy framework, reporting mechanisms and plans to adhere to the Hayleys Lifecode. Financial reporting, non-financial reporting, materiality determination and risk reporting processes are aligned with the Group supporting monitoring of these vital aspects of the ESG framework.

COMPOSITION IS KEY

Makeup of the Board is critical for providing effective leadership to an ambitious and innovative Group. The Board comprised 15 Directors during the period under review and their profiles are set out on page 24 to 27 and the composition is given alongside. There were eight executive directors including the Chairman and the Managing Director during the period under review. There are seven Non-Executive Directors of whom 5 are independent and account for 1/3 of the Board in accordance with section 7.10.2 of the CSE Continued Listing Rules. Diversity of the Board is fundamental to the effective functioning of the Board as it brings diverse perspectives to the matters discussed at the Board. The diversity of skills is a critical success factor and Directors are selected according to the Group's business needs of skills and experience required. The diversity of skills and experience is set out alongside. Other diversity criteria include age, gender, ethnicity and tenure on the Board also broaden the views and improve the quality of debate and deliberations.

NOMINATION & SELECTION

The Nominations Committee of the Parent Company, Hayleys PLC assists the Haycarb Group in selecting suitable candidates for the Board as required. The Nominations Committee takes into consideration the skills, competencies and experience of the Board to determine the need for new appointments to the Board and makes their recommendations accordingly.

CRITERIA FOR DETERMINING INDEPENDENCE

The overarching criteria is to get the most suitable person for the business needs of the company who also meets the independence and diversity criteria of the Board.

DETERMINING INDEPENDENCE

While all directors are expected to exercise unfettered judgement in deliberating matters set before the Board, the criteria set out in the CSE Continued Listing Rules and Schedule K of the Code are used to determine the independence of directors. Directors submit an annual declaration which is reviewed by the Company Secretaries who advise the Chairman of any changes in status. If any criteria for independent is not satisfied the Board make the determination as permitted by the Listing Rules of CSE.

CRITERIA FOR DETERMINING INDEPENDENCE

- » A Non-Executive Director
- » Should not be an employee during the period of two years immediately preceding the appointment as a Director.
- » Should not have a material business relationships with the company at present directly or indirectly
- » Should not have a material business relationship during the period of two years immediately preceding the appointment as a director of the Company directly or indirectly
- » Should not have a close family members who are directors or CEOs in the Company
- » Should not have a significant shareholding in the Company
- » Period of service
- » Should not have a connection to directors of another Company through majority of the directorships, significant shareholding, and business connection of the Company.
- » Should not have a connection to the employment of another Company through majority of the directorships, significant shareholding, material business relationship and business connection of the Company.
- » Should not have a material business relationship and shareholding of another company through majority of the directorships, significant shareholding and business connection of the Company

COMPOSITION (2021/2022)

Executive Directors
(Including Chairman and MD)



Non-Executive Directors



Independent Non-Executive Directors



Alternate Director



SKILLS DIVERSITY

Legal	1
Financial	6
Entrepreneurship	1
Engineering	3
Logistics	1
Science	3
Marketing & Business Development	1

GENDER DIVERSITY



20%
Female



80%
Male

AGE DIVERSITY

<40	-
40 – 50	02
50 – 60	08
>60	05

TENURE OF SERVICE

< 3	01
3 – 5	-
5 – 7	04
7 – 9	02
> 9	08

APPOINTMENT, RETIREMENT AND RESIGNATIONS

The Board recommends directors for appointment under the advisement of the Nomination Committee of the Group. Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange.

- A brief resume of the Director
- The nature of his expertise in relevant functional areas
- The names of companies in which the Director holds directorships or memberships in Board Committees; and
- Whether such Director can be considered 'Independent' in accordance with the CSE Listing Rules

The Board has the power to appoint directors to fill any casual vacancies that may arise during the year. The Articles of Association require that Directors appointed in this manner hold office until the next Annual General Meeting and seek election by the shareholders at that meeting ensuring shareholder participation in the election of Directors.

One third of the Directors in office retire at each Annual General Meeting by rotation with the directors who have served for the longest period since their appointment/re-appointment retiring first. Retiring Directors are generally eligible for re-election. The names of Directors submitted for election or re-election are disseminated to the CSE to enable shareholders to make a decision on their election. Provisions of the Articles of the Company do not require the Director who is the Managing Director to retire by rotation.

COMPLIANCE FRAMEWORK

The governance structure of the Haycarb Group is committed to going beyond regulatory compliance and adopting best practice to build a sound foundation for its growth aspirations. Accordingly, it has adopted the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in addition to the regulatory requirements which are set out below.

REGULATORY

- » Companies Act No.7 of 2007,
- » Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- » Continued Listing Requirements of the Colombo Stock Exchange
- » Inland Revenue Act No. 10 of 2006 and amendments
- » Inland Revenue Act No. 24 of 2017
- » Customs Ordinance No. 17 of 1869
- » Exchange Control Act No. 22 of 2017
- » Industrial Disputes Act No. 43 of 1950
- » The Shop and Office Employees Act No. 15 of 1954
- » Factories Ordinance No. 45 of 1942

VOLUNTARY STANDARDS, CODES & FRAMEWORKS

- » Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017
- » Integrated Reporting Framework
- » Global Reporting Initiative Standards
- » Requirements of Environmental & Social Certifications
- » Quality standard certifications obtained by companies

INTERNAL DOCUMENTS & POLICIES

- » Articles of Association
- » Board Charter
- » Hayleys Lifecode
- » Standard operating procedures

THE HAYLEYS WAY INTERNAL CODE OF CONDUCT

- » Shareholders
- » Employees
- » Business Integrity
- » Environment
- » Consumers
- » Corporate Responsibility
- » Public Activities
- » Conflicts of Interest
- » Regulatory Compliance
- » Fair Competition

INTEGRATION OF ESG

The parent company, Hayleys PLC launched the Hayleys Lifecode in January 2022 to harmonise ESG across the entities in the Hayleys Group. It codifies the ESG practices and processes that evolved over the years and was done in consultation with the Group entities. It clearly outlines the need for a holistic approach to decision making as set out in the Integrated Reporting Framework which is set out below.



ESG APPROACH

The Lifecode builds on the existing infrastructure to capture ESG information, the Cube, which is updated monthly, enabling review of ESG performance by the Senior Management and Haycarb Boards, Group Management Council of the parent and its Board of Directors. Importantly, it outlines the Group's commitment to ESG targets which involved commitments from all sectors and detailed plans at sector level to which Haycarb is a contributor. The ESG framework is graphically summarised below.



The Sector Sustainability Champion co-ordinates the implementation of policy and reporting functions with the Hayleys Group Sustainability Division, ensuring harmonisation of policies, targets and monitoring. A review of our capitals reports from page 90 to 139 will inform readers of our progress towards these goals.

The Hayleys Way

The ethical culture of the Hayleys Group, including Haycarb and its subsidiaries, is reinforced through The Hayleys Way which is introduced and reinforced to every new recruit during orientation, typically within one month of joining and thereafter on a regular basis. This explicitly sets out the expected behaviours of an employee of the Group including explicit statements on anti-corruption and acceptable gifts. This code of conduct is applicable to all the companies and all the employees of the Hayleys Group.

All employees including Key Management Personnel are bound by this Code which is based on the following principles:

- » The Hayleys Group is committed to conduct its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders.
- » All Hayleys companies and employees are required to comply with the laws and regulations of the countries in which they operate.
- » Every employee shall be responsible for the implementation of and compliance with the Code in his/her environment.

The Hayleys Way provides guidelines for employees on the conduct of its businesses and operations in all the countries we operate in.

A Fit for Purpose Structure

The Haycarb Group is engaged in the manufacture and marketing of activated carbons and providing environmental engineering services. Haycarb PLC has 15 subsidiaries of which 11 are located overseas as set out alongside. It also has two associate companies. Accordingly, it requires a governance structure that fits for the purpose giving the Board a sight to the Group's geographically diverse operations as



set out on page 236 to 239. The following mechanisms facilitate oversight of the geographically diverse interests by the Board of Haycarb PLC:

- » The Chairman, the Managing Director and Mr.S.Ganegoda are also members of the Hayleys Group Management Committee and the Board which review the performance of Haycarb PLC
- » Mr.K.D.D.Perera who serves as a non-executive director and is the major shareholder of Hayleys PLC also serves on both the Hayleys PLC and Haycarb PLC Boards
- » Parent company Audit Committee communicates with the Audit Committee of the subsidiary companies bi-annually, providing a forum for Audit Committee members of Haycarb PLC who are all independent directors to raise any matters of concern with the parent company Audit Committee who are also independent directors
- » Mr.Mohan Pandithage is the Chairman of all entities in the Group

- » Mr. Kariyawan is on the Board of all Group entities except for one Associate company
- » Mr. S.Ganegoda serves on the Board of Haycarb PLC, one subsidiary in Indonesia and one subsidiary in Australia.
- » Ms. M.J.A.S Abeyratne serves on the Board of 14 entities in Sri Lanka, Thailand, Indonesia, Australia, USA, Singapore and India.
- » Mr. B.Balaratnarajah currently serves on the Boards of 5 entities in Sri Lanka, Thailand, Indonesia and USA.
- » Mr. A.A.M Carderbhoy serves on the Boards of 5 entities in Sri Lanka, one subsidiary in Indonesia and one subsidiary in India
- » Mr. J.D.Naylor serves on the Board of the UK subsidiary
- » Mr.Udaya Kumara currently serves on the Boards of 4 entities in Sri Lanka, Indonesia and USA

SUB-COMMITTEES OF THE BOARD

The Board has appointed an Audit Committee with oversight responsibility for financial reporting, risk management, internal controls and reviewing work of external and internal auditors including independence of external auditors. Additionally, the Board of Haycarb PLC is supported by the Nominations, Remuneration and Related Party Transactions Review Committees of the parent company. A summary of the composition and roles of these committees is given in this report.



	Board Committee	Areas of Oversight	Composition	Further Information
Haycarb	Audit Committee	Financial Reporting Internal Controls Internal Audit External Audit	Comprises three Independent Non-Executive Directors including the Chairman of the Committee.	Report of the Audit Committee on page 62.
	Nominations Committee (Voluntary Committee)	Appointment of Key Management Personnel/ Directors Succession Planning Effectiveness of the Board and its Committees	Comprises Chairman, one Independent Non-Executive Director and one Non-Executive Director of Hayleys PLC	Refer page 48, Code ref. A.7
Hayleys PLC Committees of the Board	Remuneration Committee (Required by CSE Listing Rules)	Remuneration policy for Key Management Personnel Goals and targets for Key Management Personnel Performance evaluation	Comprises three Independent Non-Executive Directors and one non-executive director of Hayleys PLC	Report of the Remuneration Committee on page 64
	Related Party Transactions Review Committee (Required by CSE Listing Rules)	Review of related party transactions	Comprises two Independent Non-Executive Directors and one Executive Director of Hayleys PLC	Report of Related Party Transactions Review Committee on page 61



ROLES & RESPONSIBILITIES

The Chairman of Hayleys PLC (parent company) serves as Chairman of Haycarb PLC. The roles of the Chairman and the Managing Director are segregated facilitating a balance of power.

CHAIRMAN

Role

- » Leads the Board, preserving good corporate governance and ensuring that the Board works ethically and effectively.

Responsibilities

- » Setting the ethical tone for the Board and Company;
- » Setting the Board's annual work plan and the agendas, in consultation with the Company secretary and the Managing Director
- » Building and maintaining stakeholder trust and confidence;
- » Ensuring effective participation of all Board members during Board meetings.
- » Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non Executive Directors (NED).
- » Monitoring the effectiveness of the Board.

MANAGING DIRECTOR

Role

- » Accountable for implementation of Haycarb PLC's strategic plan and driving performance.

Responsibilities

- » Appointing and ensuring proper succession planning of the corporate management team, and assessing their performance;
- » Developing the Company's strategy for consideration and approval by the Board;
- » Developing and recommending to the Board budgets supporting the Company's long-term strategy.
- » Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and Corporate Governance principles.
- » Establishing an organisational structure for the Company which is appropriate for the execution of strategy;
- » Ensuring a culture that is based on the Company's values;
- » Ensuring that the Company operates within the approved risk appetite.

COMPANY SECRETARY

The office of the Company Secretary is integral to the effective functioning of the Board. Secretarial services to the Board are provided by Hayley's Group Services (Pvt) Ltd. The Company Secretary guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance.

Responsibilities include;

- » Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation.
- » Maintaining statutory registers and the minutes of Board Meetings.
- » Prompt communication to regulators and shareholders.
- » Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.
- » All Directors have access to the advice and services of this group function as necessary. Appointment and removal of the Company Secretary is a matter for the Board.

DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Directors declare their business interests on appointment and quarterly thereafter which are maintained in a register by the Company Secretary. The Register is available for inspection in terms of the Companies Act. Directors have no direct or indirect interest in a contract or in a proposed contract with the Company other than those disclosed on page 214.

The Hayleys Group Related Party Transactions Review Committee reviews all transactions that require approval in line with the Group's Related Party Transactions Policy and regulatory requirements. Related party transactions are disclosed in Note 32 to the financial statements on page 214 .

The total number of Board seats (excluding directorship in Haycarb PLC and its subsidiaries and associates) held by each director as at 31st March 2022 is given below. The Board is satisfied that all directors allocate sufficient time to enable them to discharge their duties and responsibilities.

Directorships in Other Companies

Name of Director	Director Category	No of Board seats held in Listed Companies		No of Board seats held in unlisted Companies	
		Executive Capacity	Non – Executive Capacity	Executive Capacity	Non – Executive Capacity
Mr. Mohan Pandithage	Chairman	13	2	141	13
Mr. Rajitha Kariyawasan	Managing Director	3	-	15	1
Mr. Dhammika Perera	Non-Executive Director	3	13	1	2
Mr. Arjun Senaratna	Independent Non-Executive Director	-	-	-	1
Mr. Sarath Ganegoda	Non-Executive Director	1	11	-	59*
Ms. Jeevani Abeyratne	Executive Director				
Dr. Sarath Abayawardana	Independent Non-Executive Director	-	-	-	1
Mr. Sujeewa Rajapakse	Independent Non-Executive Director	1	1	3	2
Mr. Prasanna Udaya Kumara	Executive Director	-	-	-	-
Mr. Brahman Balaratnarajah	Executive Director	-	-	-	-
Mr. Ali Asgar Munaver Caderbhoy	Executive Director	-	-	-	-
Ms. Sharmila Ragunathan (resigned w.e.f. 30th April 2022)	Executive Director	-	-	-	-
Ms. Shamalie Gunawardana	Independent Non-Executive Director	-	1	-	-
Mr. James Naylor	Executive Director	-	-	-	-
Mr. Hisham Jamaldeen	Independent Non-Executive Director	2	5	29	6
Ms. Yogadinusha Bhaskaran	Alternate Director to Mr.Dhammika Perera	1	4**	1	2

* with three alternative directorships

** with two alternative directorships

Conflict of Interest

A Director or KMP is prohibited from using his or her position, or confidential or price-sensitive information, for personal benefit or benefit of any third party, whether financially or otherwise. Directors notify the Board promptly of any conflicts of interest they may have in relation to particular items of business or other Directorships. Directors do not participate in and excuse themselves from the Meeting when the Board considers matters in which a conflict may arise.

Meetings, Minutes & Information

Board meetings are held quarterly with provision for additional meetings as and when required. An annual calendar is prepared by the Company Secretaries and dates and times are agreed at the commencement of the financial year. Meeting agendas are set by the Chairman in

consultation with the Managing Director and the Company Secretary. These are made available to the Directors before the meeting together with the relevant papers, allowing members sufficient time to review the papers and seek clarification in preparation for the meeting. Regular agenda items include performance review, risk management and approval of financial statements besides other matters.

Key Management Personnel (KMP) attend Board meetings on invitation to make presentations and update the Board on internal and external developments that impact the business. Management is open and transparent with the Board and directors are encouraged to seek further information or clarification as may be required to make an effective contribution.

All board minutes are circulated to members of the Board and formally approved at the subsequent Board meeting. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.

Resolutions concerning business matters may be passed by circulation, within regulations. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Chairman shall put the resolution to be decided in a meeting.

Attendance

Attendance of directors at meetings is given below:

		Date of Appointment	Board	Audit
Mr.Mohan Pandithage	Chairman	01.01.2007	4/4	-
Mr.Rajitha Kariyawasan	Managing Director	04.01.2010	4/4	-
Mr.Dhammika Perera	Non-Executive Director	01.11.2009		-
(Ms.Yogadinusha Bhaskaran	Alternate Director to Mr. Dhammika Perera)	01.06.2015	4/4	
Mr.Arjun Senaratna	Independent Non-Executive Director	01.11.2005	4/4	4/4
Mr.Sarath Ganegoda	Non-Executive Director	01.11.2009	4/4	-
Ms.Jeevani Abeyratne	Executive Director	01.11.2009	4/4	-
Dr.Sarath Abayawardana	Independent Non-Executive Director	02.08.2011	4/4	4/4
Mr.Sujeewa Rajapakse	Independent Non-Executive Director	30.01.2013	4/4	4/4
Mr. Prasanna Udaya Kumara	Executive Director	15.02.2015	4/4	-
Mr.Brahman Balaratnarajah	Executive Director	01.04.2015	4/4	-
Mr.Ali Asgar Munaver Caderbhoy	Executive Director	01.04.2016	4/4	-
Ms.Sharmila Ragunathan (resigned w.e.f. 30 April 2022)	Executive Director	01.04.2016	4/4	-
Ms.Shamalie Gunawardana	Independent Non-Executive Director	01.03.2021	4/4	-
Mr.James Naylor	Executive Director	01.04.2016	3/4	-
Mr.Hisham Jamaldeen	Independent Non-Executive Director	15.03.2017	4/4	-

Induction & Training for Directors

Directors are kept abreast of applicable legislation and regulation, relevant sector developments and changes in the risk and general business environment on an on-going basis. Directors undertake training and professional development as they consider necessary, which requirements are coordinated through the Company Secretary. Many are members of the Sri Lanka Institute of Directors and attend sessions from time to time. Directors also undertake other Continuous Professional Development (CPD) programmes in their personal capacity to update their knowledge on relevant and emerging topics.

Appraisal of MD

The Board of the Hayleys PLC assesses the performance of the MD annually in line with goals agreed at the beginning of the year. These goals encompass the Board's expectations in the short, medium and long term. Performance is reviewed at the end of the financial year taking into account the performance of the Group, operating environment and constructive feedback is provided. The outcome of the performance appraisal is linked to the annual increments for the fixed remuneration and determines the variable pay.

Remuneration

The Board is assisted by the Remuneration Committee of the parent company in determining remuneration of Executive Directors, Non-Executive Directors, KMP and others. Remuneration policy and schemes are designed to attract and retain the skills, capabilities and experience required to pursue business objectives.

Remuneration Policy

Remuneration of KMP and Executive Directors is linked to sustainable value creation objectives in line with Haycarb's strategy which are agreed with the parent company by the Managing Director and cascaded to direct reports and others below. Please refer page 64 for the Report of the Remuneration Committee and Terms of Reference.

The remuneration of the NED's comprise a fee for being a Director of the Board and additional fee for being a member of a committee. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related / incentive payments. Services of HR professionals are sought when required, by the Board and RC in discharging their responsibilities.

Level and Make Up of Remuneration

The remuneration packages of Executive Directors are designed to attract eminent professionals as directors with the requisite skills and experience. Remuneration of Executive Directors are compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017 and comprises fixed and variable components with the variable component linked to performance. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors. Please refer page 64 for the total Directors' Remuneration.

Accountability & Audit

This report provides a balanced assessment of the Company's financial position, performance and prospects in compliance with applicable laws and voluntarily adopted reporting standards, codes and frameworks set out on page 166. The company's position and prospects have been discussed in sufficient depth in the following sections of this annual report.

- » Chairman's and Managing Director's Review pages 18 to 21.
- » Outlook on page 89.
- » Managing Risk on page 84 to 88.

The Board approved the quarterly reports prior to publication and dissemination to the public through the CSE and the corporate website within 15 days of first three quarters and within 2 months of the

last quarter. The Audit Committee reviewed and recommended the financial statements for approval to the Board. Price sensitive information, which may have an impact on the shares of the company, have been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis. Reports required by regulators including the Department of Inland Revenue, Sri Lanka Accounting & Auditing Standards Monitory Board, and the Colombo Stock Exchange have been filed in a timely manner in compliance with specified requirements. The following reports set out further information required by the Code:

- » The Directors' Report on pages 58 to 59 (including the declaration that the company is a going concern)
- » The Statement of Directors' Responsibility on page 60
- » Report of the Auditors on page 156 to 157

EXTERNAL AUDITOR

The External Auditor is appointed by the shareholders at the Annual General Meeting in line with the provisions of the Companies Act. The Board makes recommendations in consultation with the Audit Committee in this regard. The Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements.

Assignment of non-audit services to External Auditors is reviewed by the Audit Committee to determine the whether the potential impairment of independence and objectivity of the External Auditor in carrying out his duties and responsibilities.

Shareholders approved the reappointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2021/22 at the AGM held on 25th June 2021. In compliance with Section 154 of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

CODE OF CONDUCT AND ETHICS

Haycarb is bound by the “Hayleys Way” which is the Code of conduct developed by Hayleys PLC for the Group. It applies to all employees including key management personnel and Directors and is reinforced at all levels through orientation and structured communication. The Code fosters an ethical culture and promotes compliance with relevant laws and legislation including clear statements about the Group’s zero tolerance for bribery and corruption. The Board is not aware of any material violations of any of

the provisions of the Code by any Director or employee of the Group. There were no incidents of corruption reported during the year. Further the company was not involved in any legal action for anti competitive behavior, anti-trust and monopoly practices.

WHISTLE BLOWING /GRIEVANCE MECHANISM

Mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unethical or unlawful behaviour including corruption and bribery.

The Hayleys Group Whistle-blower policy enables anonymous reporting of matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation. Independent Non-Executive Director, was appointed by the Board to handle whistle blowing matters. Information on accessibility, anonymity, processes and the policy relating to the whistle-blowing service is communicated to all employees.

INFORMATION TECHNOLOGY & CYBER SECURITY GOVERNANCE

Cybersecurity is an agenda item of the monthly Group Management Committee meetings with matters escalated to the Haycarb Board where deemed necessary considering risk, impact and other prudential measures. A Group-wide cyber threat assessment was carried out during the year and the Board reviewed the recommendations which are being implemented by the Haycarb Group IT Department.

The Haycarb IT Group works together with the Hayley’s Group IT Department, which is responsible for implementing the Group’s digital strategy including adopting IT policies and safeguarding against cyber threats. The Hayleys Group Head of IT functions as the CISO. Coverage and scope of related Group policies and guidelines are given below.

GROUP IT POLICY	GROUP INFORMATION SECURITY POLICY	PRINCIPLES	GUIDELINES FOR CORPORATE WEBSITES
<ul style="list-style-type: none"> » Group Connectivity » Access requirements/ Resource utilisation » Individual Sector Networks/ System Management » Backup & Recovery/ Software Modification » IT Equipment & Software & Third Party Involvement » IT Assets & Media disposal and procurement » Responsibility for Adherence 	<ul style="list-style-type: none"> » Protection of information from unauthorised access » Confirmation of information » Confidentiality, availability and integrity of information » Regulatory requirements » Business continuity plans » Information security training » Reporting breaches of information security » IT policy embedded in to employee induction programme 	<ul style="list-style-type: none"> » Acceptable IT Use » Password Protection Standards » Email Usage » Internet Usage » Monitoring » Enforcement 	<ul style="list-style-type: none"> » Guidelines for web hosting » Guidelines for secure web development » Enforcement

SUSTAINABILITY GOVERNANCE

Integration of ESG reporting into the Governance framework is set out on page 35 . Environmental, Social and Governance (ESG) metrics are included in the relevant sections of the Annual Report as set out below:

Economic Sustainability	Financial Capital	page 98
Environment	Natural Capital	page 132
Labour Practices	Human Capital	page 120
Society	Social and Relationship Capital	page 102
Product Responsibility	Social and Relationship Capital	page 102
Shareholder Identification, Engagement and Effective Communication	Investor Relations	page 69

RELATIONS WITH SHAREHOLDERS

The Board is accountable to shareholders and is committed to reporting performance and other regulatory matters on timely manner with sufficient information to provide a clear understanding on the subject.

COMMUNICATION WITH SHAREHOLDERS

Haycarb engages shareholders through multiple channels which include the Annual General Meeting (AGM), Annual Report, Interim Financial Statements, a dedicated investor relations page on the company's website and notification of key events through announcements which are disseminated to the public via CSE's website. Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries and at the Annual General Meeting. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM)

The Board encourages the active participation of shareholders at the AGM and makes arrangements accordingly. The Chairman, Board members and Chairpersons of Board Sub-committees are available for discussion at the AGM and respond to questions directed to them by the Shareholders. Additionally, KMPs of the Group are also present assisting the directors in this regard.

Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 working days prior to the AGM. This allows all the shareholders to review the documentation and participate effectively at the AGM. Separate resolutions are prepared for each item of business, giving shareholders the opportunity to vote on each of such matter. Voting procedures at the AGM are circulated to the shareholders in advance.

All Shareholders are encouraged to exercise their voting rights. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution. In the event there are a significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required. The outcome of the vote on each resolution is informed to CSE, soon after conclusion of the AGM.

Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

Code Ref.	Compliance and Implementation	Compliance
A. Directors		<input checked="" type="checkbox"/>
A.1 An effective Board should direct, lead and control the Company	Haycarb PLC Board comprised 15 directors of whom 8 are executive and 7 are non-executive of whom 5 are independent during the period under review. They are responsible for providing strategic direction, putting in place a policy framework, financial reporting and other information systems, internal controls, performance review, risk management and resource allocation and leading and controlling the company.	<input checked="" type="checkbox"/>
A.1.1 Regular meetings, structure and process of submitting information	<p>The Board meets quarterly with provision to meet more frequently if required. Attendance at meetings is given on page 41. Information is provided one week prior to the Board meeting and typically include the following:</p> <ul style="list-style-type: none"> » Minutes of the previous board meeting and any committee meetings during the quarter under review » Financial and operational information including progress on agreed Key Performance Indicators and » Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets; » Forecast performance for the financial year » A description of key risks and an assessment of their impact and likelihood of occurrence, » Compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board. These statements include information regarding breaches of internal controls or fraud detected during the period together with any action taken or confirm the absence thereof; » Report on the number of calls to whistle blowing line or a confirmation that there were no calls recorded » Information on human resources and capital expenditure » Share trading of the Company and related party transactions by key management personnel » Documents to which the company seal has been affixed to » Resolutions on other matters referred to the Board 	<input checked="" type="checkbox"/>
A.1.2 Role & Responsibilities of the Board	The Roles and Responsibilities of the Board as set out in the Board Charter are given on page 60	<input checked="" type="checkbox"/>
A.1.3 Act in Accordance with laws	The Board has set in place a framework of policies and procedures and risk management to ensure compliance with relevant laws, and international best practices with regards to the operations of the Haycarb Group. Directors have the power to obtain independent professional advice as deemed necessary and these functions are co-ordinated by the Group Legal Department or Group Finance, as and when it is necessary.	<input checked="" type="checkbox"/>
A.1.4 Access to advice and services of Company Secretary	<p>All Directors have access to the advice and services of the Company Secretary. These functions are provided by Hayleys Group Service (Pvt) Ltd., who are responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and laws, keeping and maintaining minutes and relevant records of the Group.</p> <p>The parent company, Hayleys PLC has obtained insurance cover for the Boards of Directors and key management personnel in the Group which covers the Directors of the Haycarb Group as well.</p>	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
A.1.5 Independent judgement	Directors bring their independent judgment to bear on decisions taken by the Board. The composition facilitates a balance of power and effective participation by all Directors. Many of the Board members are independent professionals who conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	<input checked="" type="checkbox"/>
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	<p>Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are provided week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis. Directors are expected to be familiar with the contents of papers uploaded/circulated at the meeting.</p> <p>It is estimated that Non-Executive Directors dedicate not less than 12 days per annum for the affairs of the Group and those Directors who are also on the Audit Committee dedicate a further 4 days for the affairs of the Group</p>	<input checked="" type="checkbox"/>
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	<input checked="" type="checkbox"/>
A.1.8 Board induction and Training	<p>Directors recognise the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organisations. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings by KMPs.</p> <p>Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organisation wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.</p>	<input checked="" type="checkbox"/>
A.2 Chairman & Chief Executive Officer	Functions of Chairman and Chief Executive are separated facilitating a balance of power. The Chairman of the parent serves as the Chairman of Haycarb while the Managing Director serves as the CEO.	<input checked="" type="checkbox"/>
A.3. Chairman's role in preserving good corporate governance	<p>The role of the Chairman 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. 	<input checked="" type="checkbox"/>

Code Ref.	Compliance and Implementation	Compliance
A.3.1 Conduct of Board Meetings	<p>The Chairman ensure the following:</p> <ol style="list-style-type: none"> Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management Sufficiency of information in Board packs and timely availability of the same Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group Effective participation of Executive and Non-Executive Directors, Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda Sufficient balance of power between Executive and Non-Executive Directors Views of directors are obtained and the minutes reflect the deliberations of the Board Board's control of the affairs of the company and its obligations to shareholders and stakeholders 	✓
A.4 Availability of financial acumen	The Board includes 6 Chartered/Management/Certified Public Accountants who possess the necessary financial acumen.	✓
A.5 Board Balance	7 out of 15 Directors on the Board were Non-Executive Directors during the period under review.	✓
A.5.1 Majority of Non-Executive Directors	The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors), satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The roles of the Chairman and the Managing Director are also segregated	✓
A.5.2 If only 3 NEDs, they should be independent	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.	✓
A.5.3 Independence of Directors	Non-Executive Directors' profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgement. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates Board discussion and decision-making.	✓
A.5.4 Annual declaration by Directors	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	✓
A.5.5 Annual determination of independence	<p>The Board has determined that the independence of Mr. A.M. Senarathna, Dr. S.A.K. Abayawardena and Mr. S. Rajapakse is not comprised by their being on the Board over 9 year and that they are capable of acting impartially and independently in all matters.</p> <p>Brief résumé of all the Directors is available on pages 24 to 27</p>	✓
A.5.6 Alternate Directors	Ms. Y.Bhaskaran act as an alternate Director to Mr. Dhammika Perera in line with the Articles of Association of the Company.	✓
A.5.7 & A.5.8 Senior Independent Directors	This is not applicable as the Chairman and the Managing Director are not the same person.	Not Applicable
A.5.9 Annual In camera meeting with NED	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	✓

Code Ref.	Compliance and Implementation	Compliance
A.5.10 Recording of dissent in minutes	<p>Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes</p> <ul style="list-style-type: none"> » and correct the same at the next Board meeting. » recorded in the Board minutes and Directors have the opportunity to review minutes » and correct the same at the next Board meeting. 	<input checked="" type="checkbox"/>
A.6. Supply of Information	<p>The Chairman ensures that all Directors are briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the quarterly Board meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. They also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:</p> <ul style="list-style-type: none"> » Formally documented minutes of discussions. » By clarifying matters from the Board Secretary. » Separate discussions at start of meeting regarding matters arising for the previous meeting. » Minutes and Board papers are accessible electronically at the convenience of the Directors. 	<input checked="" type="checkbox"/>
A.7. Appointments to the Board & reelection	<p>Hayleys PLC, the parent company's Nominations Committee functions as the Nominations Committee of the Company and makes recommendations to the Board on all new Board appointments.</p> <p>The Nomination Committee comprises following members.</p> <p>Mr. A.M. Pandithage - Chairman</p> <p>Mr. Dhammika Perera - Co-Chairman</p> <p>Dr. H. Cabral, PC - Senior Independent Director</p> <p>The Board annually assessed the composition of the Board to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.</p> <p>On appointment, a brief resumé of the director including his current and previous appointments and whether he is independent, non-executive or executive is sent to the CSE and the Group's website.</p> <p>Also Refer Nomination & Selection in Corporate Governance Report on page 34.</p>	<input checked="" type="checkbox"/>
A.8 Directors to submit themselves for re-election	<p>One third of the directors retires at each AGM with those who have served the longest period after their last appointment/re-appointment retiring. Retiring directors may offer themselves for re-election. The Managing Director does not retire by rotation. Directors appointed during the year to fill casual vacancies cease to hold office at the next AGM and may offer themselves for re-election by shareholders.</p>	<input checked="" type="checkbox"/>
A.9 Appraisal of Board & Committee Performance	<p>The performance of the Board and its committees are evaluated annually on a self-assessment basis.</p>	<input checked="" type="checkbox"/>

Code Ref.	Compliance and Implementation	Compliance
D. Accountability & Audit		
D.1 Accountability & audit	<p>The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with Sri Lanka Accounting Standards. The Annual Report also conforms to the GRI Standards on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.</p> <p>Haycarb PLC has also complied with the reporting requirements prescribed by the Colombo Stock Exchange.</p> <p>The following specialised information requirements are also included in this Annual Report:</p> <ul style="list-style-type: none"> » The Business model – on pages 66 to 67 » Operating environment – on pages 78 to 81. » Opportunities & Threats – on pages 84 to 88. » Risk Management – on pages 85 to 88. » Stakeholder relationships on pages 68 to 71. » The Capital Reports on pages 90 to 139. » The Annual Report of the Board of Directors on the Affairs of the Company given on pages 56 to 59 cover all areas of this section. » The “Statement of Directors’ Responsibilities” is given on page 60. » The Directors’ Statement on Internal Controls is given on page 60. » The “Independent Auditors’ Report “on pages 156 to 157 For the Auditor’s responsibility. » The Financial Capital Review, the Value Creation Report on pages 98 to 101 and 15. <p>There has been no serious loss of capital to convene an EGM in terms of the Companies Act.</p>	<input checked="" type="checkbox"/>
D.2. Risk Management & Internal Control	Refer Control Environment on page 84.	<input checked="" type="checkbox"/>
D.3. Audit Committee	Refer Audit Committee on page 62.	<input checked="" type="checkbox"/>
D.4 Related Party Transactions Review Committee	Refer Related Party Transaction on page 214.	<input checked="" type="checkbox"/>
D.5. Code of Ethics	Refer the Hayleys Way on page 35.	<input checked="" type="checkbox"/>
D.5 Corporate Governance Disclosures	The Corporate Governance Report from page 32 to 55 and this report: Compliance with the Code of Best Practice on Corporate Governance complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D5.	<input checked="" type="checkbox"/>
E & D. Institutional Investors and Other Investors	Please refer Investor Relations on page 69	<input checked="" type="checkbox"/>
E.1 & F Encourage voting at AGM	Shareholders are encouraged to participate at the AGM and vote on matters set before them.	<input checked="" type="checkbox"/>
E.2 Evaluation of Governance Disclosures	All shareholders are provided sufficient information to facilitate and encourage effective shareholder participation including governance matters.	<input checked="" type="checkbox"/>

Code Ref.	Compliance and Implementation	Compliance
G. Internet of Things & Cybersecurity		
G.1 Identify connectivity and related cyber risks	This function was complied with by the Group Head of IT of the parent company for the year under review. The Board was also updated on the findings.	✓
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	A Group Information Security Deputy General Manager was recruited for the Hayleys PLC Group on 1st April 2021 to comply with these provisions. The role covers the entire Group including Haycarb PLC.	✓
G.3 Include cyber security in Board agenda	It is a regular agenda item for the Board meetings.	✓
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	A firm of external consultants were engaged to review the effectiveness of the Group's cybersecurity risk management during the year.	✓
G.5 Disclosures in Annual Report	Please refer Internet of Things & Cybersecurity on page 43.	✓
H. Environment, Society & Governance		
H Sustainability Reporting	<p>Sustainability principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows:</p> <p>Principle 1 - Reporting of Economic Sustainability on page 98 of the Financial Capital report</p> <p>Principle 2 - Reporting on the Environment on page 132 of the Natural Capital report</p> <p>Principle 3 - Reporting on Labour Practices on page 120 of the Human Capital report</p> <p>Principle 4 - Reporting on Society on page 102 of the Social and Relationship Capital report</p> <p>Principle 5 - Reporting on Product Responsibility on page 102 of the Social and Relationship Capital report</p> <p>Principle 6 - Reporting on Stakeholder identification, engagement and effective communication on page 69.</p> <p>Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)</p>	✓

CORPORATE GOVERNANCE

Compliance with the Continuing Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Subject	Requirement	Complied	Comment	Reference within Report
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	7 directors are non-executive	Board Composition Page 34.
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Yes	5 Directors are independent	Board Composition Page 34.
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	All directors submit an annual declaration which is used to determine their independence	Determining Independence Page 34.
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR)	Yes	All directors submit an annual declaration which is used to determine their independence Names of all directors are disclosed in the annual report together with a brief resume	Determining Independence Page 34. Board Profiles on pages 24 to 27.
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Yes	Not applicable as the criteria for independence is met	Determining Independence Page 34.
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Board Profiles are given in the annual report	Board Profiles on pages 24 to 27.
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	Disclose the appointments of new Directors to the Colombo Stock Exchange. There were no new appointments during the year	
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Criteria for determining independence of directors complies with CSE Listing rules	Determining Independence Page 34.
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	Yes	The Remuneration Committee of the Parent Company, Hayleys PLC serves as the Remuneration Committee for Haycarb PLC as permitted by the CSE Listing Rules	Remuneration Committee Report on page 64.

Rule No.	Subject	Requirement	Complied	Comment	Reference within Report
7.10.5(a)	Composition of Remuneration Committee	RC shall comprise of NEDs, a majority of whom will be independent One NED shall be appointed as Chairman of the committee by the Board of Directors	Yes	The Remuneration Committee of the parent company comprises wholly of Non-Executive Directors of whom 3 are independent	Remuneration Committee Report on page 64.
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	The Remuneration Committee recommends the remuneration of Executive Directors to the Board	Remuneration Committee Report on Page 64
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors Should be included in the Annual Report	Yes	The Remuneration Committee Report provides the required information	Remuneration Committee Report on Page 64 Please refer note 9.1 to the Financial Statements
7.10.6	Audit Committee (AC)	The Company shall have an AC	Yes	Haycarb has its own Audit Committee	Audit Committee Report on page 62.
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Yes Yes Yes	The Audit Committee comprises wholly of Independent non-executive directors. The CEO and CFO attend meetings on invitation. The Chairman of the Audit Committee is a member of a professional accounting body.	Audit Committee Report on page 62.

CORPORATE GOVERNANCE

Rule No.	Subject	Requirement	Complied	Comment	Reference within Report
7.10.6(b)	Audit Committee Functions	Should be as outlined in the Section 7.10 of the Listing Rules	Yes	Functions of the Audit Committee are summarised in the Audit Committee Report	Audit Committee Report on page 62.
7.10.6(c)	Disclosure in Annual Report relating to Audit Committ	a) Names of the Directors comprising the Audit Committee	Yes	These requirements are set out in the report of the Audit Committee	Audit Committee Report on page 62.
		b).The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Yes		
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Yes		
7.14.1	Minimum public holding	As a listed company in the Main Board, the Company maintained the minimum public holding under specified criteria.	Yes	The Company complied with the minimum public holding.	Investor Information on page 233.

Level of Compliance with Section 09 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 61. The Committee of the parent company functions as the Committee of the Company.
9.2.2	Composition	Two Independent Non-Executive Directors and one Executive Director	Compliant	As above
9.2.4	Related Party Transactions Review Committee meetings	Shall meet once a quarter	Compliant	Refer Committee report on page 61.
9.3.2 (a)	Related Party Transactions Review Committee disclosure in the Annual Report	Non-recurrent related party transactions – If aggregate value exceeds 10% of the equity or 5% total assets whichever is lower.	Compliant	None
9.3.2 (b)		Recurrent related party transactions – If aggregate value exceeds 10% gross revenue/ income as per the latest audited accounts	Compliant	None
9.3.2 (c)	Related Party Transactions Review Committee disclosures	Names of the Directors	Compliant	Refer Committee report on page 61.
		A statement to the effect that the Committee has reviewed the transactions	Compliant	
		The policies and procedures adopted by the Committee	Compliant	
		The number of times the Committee has met during the year	Compliant	
		Report by the Related Party Transactions Review Committee	Compliant	
9.3.2 (d)		A declaration by the Board of Directors as an affirmative statement of the compliance with the rules pertaining to related party transactions	Compliant	Please refer page 57.

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

The Board of Directors of Haycarb PLC is pleased to present its Annual Report together with the Audited Financial Statements of the Company and of the Group for the year ended 31st March 2022.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 ('the Companies Act'), and the Colombo Stock Exchange ('CSE') 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 236 to 239 respectively of this Report. The Joint Statement from the Chairman and the Managing Director describe the Group's affairs and mention important events of the year. The results for the year are set out in the Consolidated Statement of Profit or Loss on page 158.

The Directors to the best of their knowledge and belief confirm that the Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 158 to 230.

AUDITOR'S REPORT

Auditors' Report on the Financial Statements is given on page 156.

ACCOUNTING POLICIES

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 166 to 184. There were no changes in the accounting policies adopted.

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.

INTERESTS REGISTER

The Company, in compliance with the Companies Act, maintains an Interests Register. Particulars of entries in the Interests Register are detailed below.

Directors' shareholding

Name of the Director	No. of Shares	
	31 March 2022	31 March 2021
Mr. A.M. Pandithage (Chairman)	23,790	23,790
Mr. H.S.R. Kariyawasan* (Managing Director)	1,465,000	1,465,000
Mr. Dhammika Perera	-	-
Mr. A.M. Senaratna	-	-
Mr. S.C. Ganegoda	48,150	18,150
Ms. M.J.A.S. Abeyratne	-	-
Dr. S.A.K. Abayawardana	-	-
Mr. S. Rajapakse	-	-
Mr. M.S.P. Udaya Kumara	4,620	4,620
Mr. B. Balaratnarajah	10,040	10,040
Mr. A.A.M. Caderbhoy	-	-
Mr. J.D. Naylor	-	-
Mr. M.H. Jamaldeen	-	-
Ms. H.M.N.S. Gunawardana	-	-
Ms. Y. Bhaskaran (Alternate to Mr. Dhammika Perera)	-	-
Ms. S.S. Ragunathan (Resigned w.e.f. 30th April 2022)	-	-

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

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

Mr. Dhammika Perera holds 51.01% of the total issued shares of Hayleys PLC which has 201,251,030 shares in Haycarb PLC.

30,000 shares were purchased by Mr. S.C. Ganegoda, Non- Executive Director of Haycarb PLC during the year.

DIRECTORS' SHAREHOLDINGS

Details relating to shareholdings of Directors are given below,

DIRECTORS' REMUNERATION

Executive Directors' Remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2022 is Rs 273,342,000/- (2020/2021 - Rs. 204,706,000/-), 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 2022 is Rs. 5,469,000/- (2020/2021 - Rs. 5,469,000/-), 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.

DIRECTORS' INDEMNITY AND INSURANCE

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

SUBSIDIARIES

The Shareholders of the following Subsidiaries, being private companies registered under Companies Act, have unanimously agreed to dispense with the requirement to maintain an Interests Register.

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

DONATIONS

The Donation of Rs. 6,001,706/- was made during the year ended 31st March 2022 (2020/2021 Rs.6,574,215/-) The donations made by the Company and the Group are disclosed in Note 9.1 on page 187.

No donations were made for political purpose.

DIRECTORATE

The names of the Directors who served during the year are given below and their brief profiles appear on pages 24 and 27 of this report.

Mr. A. M. Pandithage (Chairman)

Mr. H. S. R. Kariyawasan (Managing Director)

Mr. Dhammika Perera*

Mr. A. M. Senaratna**

Mr. S. C. Ganegoda*

Ms. M. J. A. S. Abeyratne

Dr. S. A. K. Abayawardana**

Mr. S. Rajapakse**

Mr. Prasanna Udaya Kumara

Mr. B. Balaratnarajah

Mr. A.A.M. Caderbhoy

Mr. J. D. Naylor

Mr. M.H. Jamaldeen**

Ms. H.M.N.S. Gunawardana**

Ms. Y. Bhaskaran *(Alternate to Mr. Dhammika Perera)

Ms. S.S. Ragunathan – Resigned with effect from 30th April 2022

**Non-Executive Directors*

***Independent Non-Executive Directors*

In terms of Article No. 29(1) of the Articles of Association of the Company, Mr. S. Rajapakse, Mr. A. A. M. Caderbhoy, Mr. J. D. Naylor and Mr. M. S. P. Udaya Kumara retire by rotation and being eligible offer themselves for re-election.

Notice has been given of the intention to propose ordinary resolutions in terms of Section 211 of the Companies Act for the re-appointment of Mr. A. M. Pandithage, Dr. S.A.K. Abayawardana and Mr. A.M. Senaratne who are over 70 years of age, resolving that the age limit of 70 years stipulated in Section 210 of the Companies Act shall not apply to the aforesaid directors.

The Directors of the Subsidiaries are given on pages 234 and 239.

RELATED PARTY TRANSACTION

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 Transaction Review Committee of Hayleys PLC and are in compliance with the section 09 of CSE Listing Rules.

ATTENDANCE

Committee met – 04 times in the Financial Year 2021/22.

Meetings were held on 17th May 2021, 10th August 2021, 09th November 2021 and 11th February 2022.

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

**Non-Executive Directors*

***Independent Non-Executive Directors*

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.2,137,791/- (2020/21 – Rs1,830,600/-) and Rs. 3,497,771/- (2020/21 – Rs3,231,000/-) as audit fees by the Company and the group respectively. In addition, they were paid Rs.872,000/- (2020/21 – Rs1,723,803/-) and Rs.7,212,000/- (2020/21 – Rs 6,310,975/-) by the Company and the Group, for non-audit related work, which consisted mainly of tax advisory services.

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

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

also do not have any interests in the Company or any of its Group companies.

Messrs Ernst & Young, have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors and to authorise the directors to determine their remuneration is being proposed at the Annual General Meeting.

GROUP REVENUE

The revenue of the Group was Rs.33,160,474/- (2020/21 – Rs. 25,484,559,000/-) 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. 31,313,167,965/- (2020/21– Rs. 23,377,468,611/-). Trade between Group companies are conducted at fair market prices.

PROFITS

The Group's profit before tax amounted to Rs.4,655,988,000/- (2020/21 – Rs.4,490,262,000/-). After a deducting Rs. 934,848,000/- (2020/21 – Rs.923,755,000/-) for taxation, the profit was Rs.3,721,140,000/- (2020/21– Rs.3,566,507,000/-). When non-controlling interest of Rs. 433,586,000/- (2020/21 – Rs.519,673,000/-) was deducted, the profit attributable to the equity holders of the Company was Rs. 3,287,554,000/- (2020/21 – Rs.3,046,834,000/-).

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.

Total Group reserves as at 31st March 2022 amount to Rs.17,840,169,000/- comprising Capital Reserves of Rs. 994,758,000/- and

Revenue Reserves of Rs.16,845,411,000/- The Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

DIVIDEND

The first interim dividend of Rs. 0/80 per share was paid to the shareholders on 21st October 2021. The second interim dividend of Rs. 0/75 per share was paid to the shareholders on 26th January 2022. The third interim dividend of Rs. 0/75 per share was paid to the shareholders on 6th May 2022.

The Board of Directors has recommended the payment of final dividend of Rs. 0/40 per share for 2021/22 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 interim dividends paid and final dividend proposed. Solvency certificates were obtained from the Auditors in respect of the Interim dividends paid and one has been sought in respect of the final dividend proposed.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 60.

CAPITAL EXPENDITURE

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs.1,677,730,000 (2020/21– Rs1,052,374,000/-) and Rs. 858,646,000/- (2020/21– Rs732,847,000/-) 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 2022.

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 192 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 37 to the Financial Statements.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

Details relating to material issues pertaining to employees and industrial relations are given in Human Capital on page 120.

EXPOSURE TO RISK

The group has a structured risk management process in place to support its operations. The audit committee plays a major role in this process. The risk management section referred on pages 85 to 88 elaborates these practices and the risk factors.

GOING CONCERN

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

SHAREHOLDERS

The Company has made all endeavors to ensure the equitable treatment of shareholders. The board has established a comprehensive mechanisms such as Related Party Transactions Review Committee, 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 page 234 and 235.

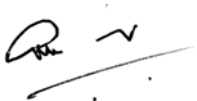
MAJOR SHAREHOLDINGS

The twenty major shareholders as at 31st March 2022 are given on page 232 in this Report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held via an online meeting platform, live streamed from the conference hall of Hayleys PLC at 400, Deans Road, Colombo 10, Sri Lanka at Tuesday on 28th June 2022. The Notice of the Annual General Meeting appears on page 242.

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 2022

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, ('the Companies Act') 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, of the Companies Act to ensure that proper accounting records are kept to enable, determination of the financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

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 Accounting Standards, the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken proper and sufficient measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control and accounting records to prevent

and detect frauds and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

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 interim dividends paid and final dividend proposed and the Solvency Certificate has been sought from the Auditors in this respect.

The External Auditors, Messrs Ernst & Young, Chartered Accountants who were reappointed in terms of Section 158 of the Companies Act 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 154 to 157 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 Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board,



Hayleys Group Services (Pvt) Ltd.
Secretaries

18th May 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee of Hayleys PLC, the Parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

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

The Committee comprises the following members:

Dr. H. Cabral, PC** – Chairman

Mr. M.Y.A. Perera**

Mr. S. C. Ganegoda *

** *Independent Non-Executive*

* *Executive*

ATTENDANCE

Committee met four times during in the Financial Year 2021/22.

Meetings held on 17th May 2021, 11th August 2021, 9th November 2021 and 11th February 2022.

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

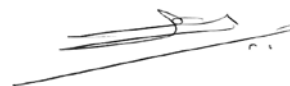
THE DUTIES OF THE COMMITTEE

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

TASK OF THE COMMITTEE

- » The Committee 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 2022

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 2022 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 24 and 27 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 158 to 230. The Committee continued to focus on the internal controls and risks related mainly to the information systems that are used in the preparation of Financial Statements. The Audit Committee obtained Statements of Compliance from the Business Unit Heads where appropriate. Having reviewed the financial reporting system, the Committee is satisfied that the system complies in all material respects with the regulatory and statutory requirements.

The Committee reviewed the adequacy of disclosure and the presentation formats of the draft Annual and Interim Financial Statements before recommending their publication to the Board and adequacy of the content and quality of routine management information forwarded to its members.

The Committee engaged in discussion with the Company's External Auditors on the results of the External Auditors' examinations and their judgement on the acceptability of the accounting principles adopted by the Company.

Internal Control Systems

The Committee reviewed the business processes in order to evaluate the effectiveness of the internal controls. The internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material misstatement or loss.

The Annual Internal Audit Plan is approved by the Audit Committee and reviewed on a quarterly basis in order to reflect the changing business needs and to ensure new and emerging risks are considered. During the year under review the services of the Hayleys PLC Management Audit

and System Review Team was used to review processes covering production, procurement and sales among others. The key business processes involving Haycarb Group is reported to the Audit Committee for review and formulation of action plans for the ensuing year.

The Committee also reviewed the adequacy of provisions made for possible impairments, liabilities and compliance with relevant statutory and regulatory requirements.

Risk Management

The Committee reviewed the risk management process adopted by the Group and discussed the high level risks faced by the business. The risk management framework which includes identified risks and mitigating plans is presented and reviewed at Audit Committee meetings.

External Audit

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

The Committee reviews annually the appointment of the External Auditor and makes recommendations to the Board accordingly. The Committee is satisfied that the independence of the External Auditors had not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of Audit and non-audit fees received by the Auditors, in order to ensure that it did not compromise their independence.

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

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

CONCLUSION

The Audit Committee is provided with sufficient resources and has received the support of the Management to discharge its responsibilities effectively.

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



S. Rajapakse

*Chairman
Audit Committee*

13th May 2022

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 twice 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.

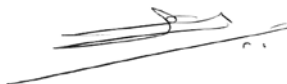
- » Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- » Approving annual salary increments and bonuses.

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 2021/22

- » 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

19th May 2022



VITALITY RUNNING IN OUR VEINS

PERFORMANCE AGAINST STRATEGY

OUR BUSINESS MODEL

Haycarb's business model is graphically depicted below and demonstrates how key capital inputs (as defined by the Integrated Reporting Framework) are transformed through our business activities to generate outputs and outcomes for our key stakeholders alongside our socio-environmental impacts.

OUR CAPITALS

INTELLECTUAL CAPITAL

- » Research and development capabilities
- » Systems, processes, and tacit knowledge
- » Proprietary technology

FINANCIAL CAPITAL

- » Shareholders' funds **RS. 20.8BN**
- » Debt Capital **RS. 12.7BN**

SOCIAL & RELATIONSHIP CAPITAL

- » Long-standing relationships with key stakeholders such as customers, suppliers and business partners.
- » Caring for our communities through Puritas Sath Diyawara, book distribution and hospital support programs

MANUFACTURED CAPITAL

- » PPE **RS. 8.9BN**
- » Manufacturing footprint of **7 PLANTS IN 3 COUNTRIES**

HUMAN CAPITAL

- » No. of employees **1,768**
- » Retention rate (Over 5 years)
- » Investment / hours of training and development

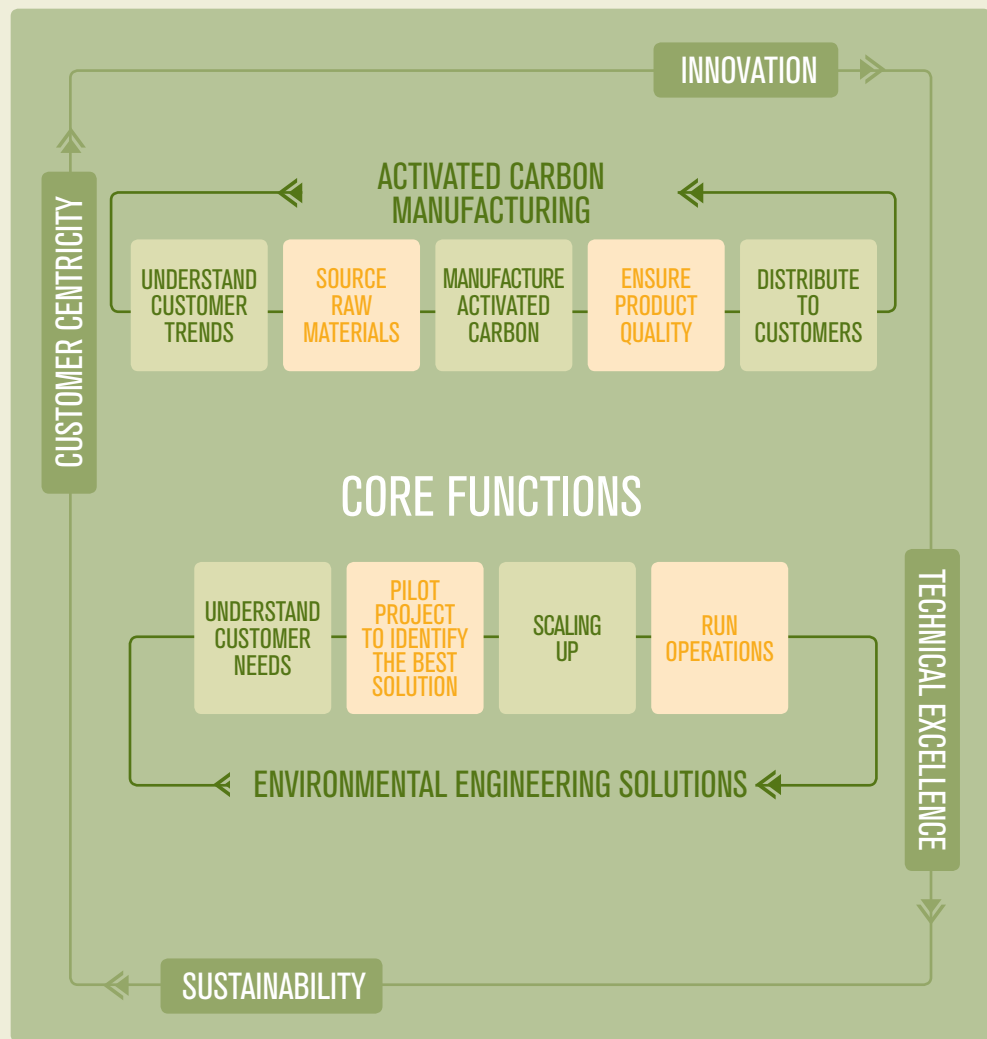
NATURAL CAPITAL

- » Total energy used **262,368 GJ**
- » Water consumption **573,753 m³**
- » Raw material consumption **RS 13.7BN**

VALUE TRANSFORMATION PROCESS

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



CORPORATE GOVERNANCE

RISK MANAGEMENT

OUR CAPITALS

GLOBAL
ECONOMIC
CONTEXT

DOMESTIC
ECONOMIC
CONTEXT

COMPETITION

CLIMATE
CHANGE
IMPLICATIONS

TECHNOLOGY

OUTPUTS



A RANGE OF ACTIVATED CARBONS



A RANGE OF WATER PURIFICATION SOLUTIONS



A RANGE OF ACTIVATED CARBON PRODUCTS



IMPACTS

By products and waste
Solid waste
Effluents
Carbon footprint

OUTCOMES

VALUE DELIVERED FOR A BETTER TOMORROW

Safeguarding the health and safety of people

Applications in industries such as pharmaceutical, food and beverages, drinking water treatment and air purification

More efficient and eco-friendly energy storage mechanisms

Product range supplied to the energy storage applications

Protecting the environment

Applications in waste gas and water treatment facilitating the removal of toxic gases and chemicals prior to its release into the environment

Resource depletion minimisation

Products that facilitate efficient recovery of rare metals such as gold.
Water recycling in purification solutions

VALUE DELIVERED TO STAKEHOLDERS

SHAREHOLDERS

Consistently delivered superior returns to shareholders.

CUSTOMERS

Enhanced customer satisfaction through a range of valued-added products and tailor-made solutions that can be utilised in a wide range of applications.

EMPLOYEES

A productive and skilled workforce motivated to create value for the organisation.

SUPPLIERS

Broad network of suppliers that produce high quality raw materials.

COMMUNITIES

Improved livelihoods of local communities through indirect employment and CSR initiatives.

GOVERNMENT

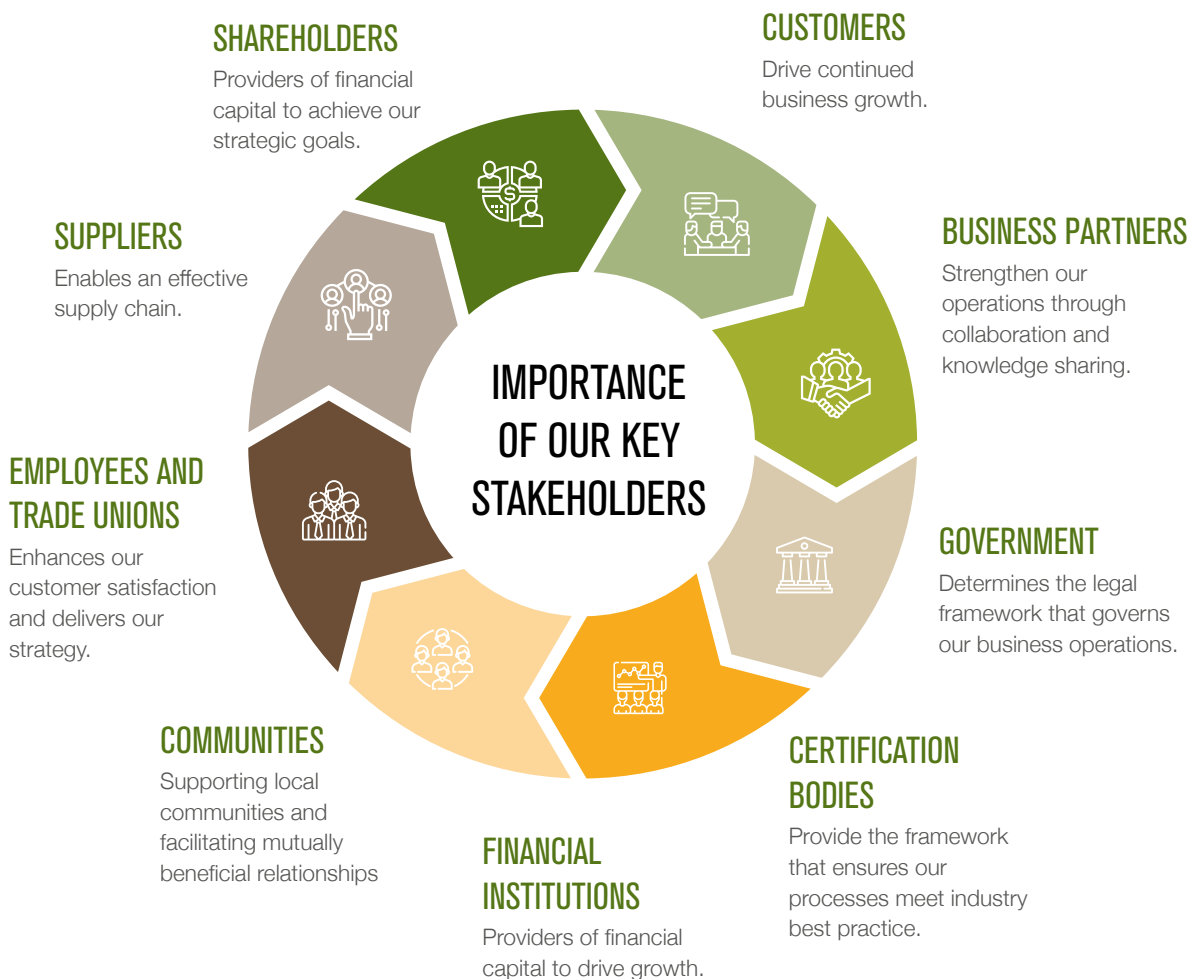
Fulfilled our responsibility to the government through timely payment of taxes and actively contributing in developing the export industry.



RESPONDING TO OUR STAKEHOLDERS




GRI 2-29



Haycarb recognises that a robust relationship with stakeholders is vital to long-term value creation and has implemented many processes and strategies to facilitate engagement. While our operations involve collaboration with many stakeholders, the following have been identified as key to our business success.



Stakeholder	Issues raised	How we engaged	How we responded
 SHAREHOLDERS	<ul style="list-style-type: none"> » Implications of the pandemic and operating environment on financial performance and position. » Opportunities for sustainable growth » Risk management and corporate governance practices » Corporate reputation 	<ul style="list-style-type: none"> » Timely and transparent communication through the Annual General Meeting » Updates on quarterly performance and the Annual Report. <div> Level of engagement Keep informed and interactive </div> <div> Frequency of engagement Quarterly/Annually </div>	<ul style="list-style-type: none"> » Revised the business strategy to effectively address the challenges posed by the pandemic and operating environment. » Pursued new markets and avenues to support growth. » Strengthened the risk management function to proactively identify and respond to new developments and risks.
 EMPLOYEES AND TRADE UNIONS	<ul style="list-style-type: none"> » A safe work environment » Job security and fair remuneration » Opportunities for career progression » Opportunities for training and skill development 	<ul style="list-style-type: none"> » Monthly virtual town hall meetings » Open dialogue with trade unions » Open door policy with management » Increased engagement through digital platforms. <div> Level of engagement Involved and interactive </div> <div> Frequency of engagement Frequent </div>	<ul style="list-style-type: none"> » Ensured the safety of our employees through a comprehensive COVID-19 management protocol with senior management oversight. » Provided training through digital platforms » Rewarded exceptional performance » Increments and bonus payments in line with the Performance Evaluation System and Company performance
 CUSTOMERS	<ul style="list-style-type: none"> » Maintaining consistent quality and volumes, and timeliness of production. » Ability to customise the product to meet specific customer requirements. » Sustainable and ethical business practices 	<ul style="list-style-type: none"> » Virtual plant tours » In-person visits to customers » Regular engagement through digital platforms » Innovation <div> Level of engagement Interactive </div> <div> Frequency of engagement Frequent </div>	<ul style="list-style-type: none"> » Implementation of quality management processes throughout the manufacturing process to ensure the end-product is fit for purpose. » Continuous investment in research and development.
 SUPPLIERS	<ul style="list-style-type: none"> » Stable procurement of raw materials at a fair price. » Technical support for process improvements » Foster long-term relationships. 	<ul style="list-style-type: none"> » Continuous engagement through in-person, on-site meetings and, mobile and digital platforms. » Supplier screening processes. <div> Level of engagement Involved and interactive </div> <div> Frequency of engagement Frequent </div>	<ul style="list-style-type: none"> » Full purchase of supply at a guaranteed minimum price and payment on delivery. » Extension of technical support through supplier skill development programmes » Expansion of the Haritha Angara programme and providing technical expertise for sustainable charcoaling.

RESPONDING TO OUR STAKEHOLDERS

Stakeholder	Issues raised	How we engaged	How we responded
 BUSINESS PARTNERS	<ul style="list-style-type: none"> » Sustained business success of collaborative business partnerships. » Professionalism and accountability 	<p>Continuous engagement through in-person meetings and, mobile and digital platforms.</p> <p>Level of engagement Involved and interactive</p> <p>Frequency of engagement Frequent</p>	<p>Sharing technical knowledge and support.</p> <p>Transparent business practices</p>
 COMMUNITY	<ul style="list-style-type: none"> » Community engagement and upliftment. » Environmental concerns » Employment opportunities 	<ul style="list-style-type: none"> » CSR initiatives and community development projects » Grievance handling mechanisms <p>Level of engagement Interactive</p> <p>Frequency of engagement As and when required</p>	<ul style="list-style-type: none"> » Compliance with all regulatory requirements such as environmental regulations, COVID-19 health protocols » Uplifting facilities of government hospitals during COVID-19 period. » Puritas Sath Diyawara, Going Beyond, Sea Turtle Conservation and tree planting » Distribution of school supplies to families living in the vicinity of our factories. » Employment opportunities through the expansion of the Haritha Angara programme
 GOVERNMENT, INDUSTRY, REGULATORY BODIES AND MEDIA	<ul style="list-style-type: none"> » Compliance with all laws and regulations of the country. » Transparency in work practices » Knowledge sharing 	<ul style="list-style-type: none"> » One-to-one engagement » Engagement through digital platforms such as the company website. » Engagement through audits, industry forums and associations. <p>Level of engagement Keep informed</p> <p>Frequency of engagement Regular and as and when required</p>	<ul style="list-style-type: none"> » Compliance with all regulatory requirements » Timely and accurate disclosures

Stakeholder	Issues raised	How we engaged	How we responded
 CERTIFICATION BODIES	<ul style="list-style-type: none"> » Compliance with the requirements of the certification body. » Transparency, accuracy and timeliness of disclosures 	<ul style="list-style-type: none"> » Audits » Training sessions » Collaborative meetings with the relevant members of the Haycarb team Level of engagement Keep informed Frequency of engagement Regular and as and when required	<ul style="list-style-type: none"> » Complied with all requirements of the certification body. » Disclosed all required information completely and in a timely manner.
 FINANCIAL INSTITUTIONS	<p>Meet debt obligations in a timely manner and adhere to covenants</p> <p>Accurate disclosure of financial information</p> <p>Responsible corporate management</p>	<p>Open dialogue through mobile and digital platforms</p> <p>Face-to-face engagement</p> Level of engagement Keep informed Frequency of engagement Frequent	<p>Timely repayment of capital and interest payments.</p> <p>Disclosed all required information accurately and in a timely manner.</p> <p>Prudent financial management</p>

STRATEGY AND RESOURCE ALLOCATION

GRI 2-22

“ Our strategy aims to deliver triple bottom line value through long-term business growth and enhancement of shareholder value while enriching the communities we operate in and minimising our impact on the environment. ”



VISION AND KEY DRIVERS OF OUR BUSINESS



Our social and environmental strategic aims are guided by the Hayleys Lifecode, our parent entity's ESG framework which clearly defines group-wide environmental and social targets to be achieved by 2030.

Hayleys PLC's vision for achieving sustainable economic growth while fostering social development and environmental sustainability is depicted below.

HAYLEYS LIFECODE

Vision and Purpose

Our Purpose

Thriving businesses that shape better futures



ENVIRONMENTAL

Minimise our footprint while seizing opportunities to shape a greener future



SOCIAL

Striving and thriving together for a better tomorrow



GOVERNANCE

Responsible and Responsive Corporate Citizenry

OUR STRATEGY

GROW OUR BUSINESS

- » Foster innovation through investments in R&D.
- » Expand the value-added activated carbon product range
- » Expand into new geographical markets
- » Expand customer base of existing markets
- » Expand the geographical reach of our manufacturing footprint
- » Regional expansion of the Environmental Engineering Solutions business.

LINK TO OUR CAPITALS:



SUSTAINABILITY MINDSET

- » Aligned with The Hayleys Life Code – the ESG Framework of our parent entity
- » Community engagement through Puritas Sath Diyawara and Going Beyond.
- » Sea Turtle Conservation in Kumana National Park
- » Supporting government hospitals during Covid-19 period.
- » Supporting surrounding communities through school books distribution programmes

LINK TO OUR CAPITALS:



STRENGTHEN SUPPLY CHAINS

- » Expand our global supply chain network
- » Drive sustainability across the supply chain through the Haritha Angara Programme and Vertical Kiln Charcoaling Programme.

LINK TO OUR CAPITALS:



MOTIVATED AND COMMITTED TEAM

- » Well-being of our employees
- » Creating a great place to work
- » A learning organisation
- » Inculcating a culture of productivity improvement.

LINK TO OUR CAPITALS:





PROCESS EFFICIENCY

- » Drive production efficiencies and minimise waste through the implementation of process improvement tools.
- » Enhance the customer experience through digital tools including the Haycarb Virtual Platform/Haycarb Virtual Factory tour
- » Integrate COVID-19 safety management systems with the safety and quality management systems.

LINK TO OUR CAPITALS:



MEASURING PROGRESS

Progress made during the year	Resources allocated during the year							
<div></div> <div><h2>GROW OUR BUSINESS</h2><ul style="list-style-type: none">» Ongoing investments in R&D to expand our value-added product range including pelleted carbon, EDLC and Impregnated Carbons for industrial air purification and respirator masks.» Expand customer base in overseas markets<table><tr><td>West Africa</td><td>USA</td></tr><tr><td>China</td><td>South America</td></tr><tr><td>South East Asia</td><td>Russia and CIS Nations</td></tr></table>» Expanded sales to the gold mining industry leveraging on our technical expertise in the sector.» Extended our operations in the water purification industry in the USA through the introduction of chloramine removal carbons.» Broadened our end-user customer base» Ongoing evaluations to expand our manufacturing footprint overseas.» Capacity enhancements at our existing manufacturing plants» New rural infrastructure and large scale B2B projects undertaken by the Environmental Engineering Solutions business</div>	West Africa	USA	China	South America	South East Asia	Russia and CIS Nations	<div><h2>RESOURCES ALLOCATED</h2><ul style="list-style-type: none">» Investment in research and development: Rs. 124 Mn» Research & Development and Engineering teams comprise a highly skilled and capable team of over 50 engineers and chemists.» Marketing and Sales expenditure: Rs. 260 Mn» Capital expenditure in property, plant and equipment: Rs. 1,678 Mn» A strong marketing and business development team operating from Sri Lanka, Thailand, Indonesia, United Kingdom, Australia, United States of America and Germany.» Long-standing network of distributors with robust relationships spanning many years</div>	
West Africa	USA							
China	South America							
South East Asia	Russia and CIS Nations							
<div></div> <div><h2>STRENGTHEN SUPPLY CHAINS</h2><ul style="list-style-type: none">» Increased collections of domestic use coconut shells in Sri Lanka» Expanded the local supplier base in Sri Lanka through the Haritha Angara programme» Introduced the Haritha Angara pilot programme in Indonesia» Expansion of the supplier base overseas.» Increase inventories of essential raw materials to overcome delays in import shipments.» Parent company supply chain synergies due to centrally coordinated team that manages group logistics» Improve efficiencies of vertical charcoaling kilns project in Thailand</div>	<div><h2>RESOURCES ALLOCATED</h2><ul style="list-style-type: none">» Payments to raw material suppliers: Rs. 13,789 Mn» Investment in supplier development: Rs. 73 Mn» Long-standing network of suppliers with robust relationships in our manufacturing locations Sri Lanka, Thailand and Indonesia as well as other coconut producing countries such as India and Philippines» Strong senior leadership to manage supply networks in Sri Lanka, Thailand and Indonesia</div>							

Key Performance Indicators		Plans for 2022/23
<div>KEY PERFORMANCE INDICATORS</div> <div><div>» Total sales volume: 46,422 MT</div><div>» No. of new products launched during the year: 14</div><div>» Products in the pipeline: 10</div><div>» New customer acquisitions: 53</div><div>» Customer satisfaction score: Above 80%</div><div>» Capacity expansion: 1,800 MT</div></div> <div><div>Total Sales Volume (MT)</div><div><div>MT.</div><div><div><div><div></div><div></div><div></div></div><div><div>47,000</div><div>46,500</div><div>46,000</div><div>45,500</div><div>45,000</div><div>44,500</div><div>44,000</div><div>43,500</div><div>43,000</div><div>42,500</div></div><div><div>2019/20</div><div>2020/21</div><div>2021/22</div></div></div></div><div><div>Customer Base</div><div><div>No.</div><div><div><div></div><div></div><div></div></div><div><div>600</div><div>500</div><div>400</div><div>300</div><div>200</div><div>100</div><div>0</div></div><div><div>2019/20</div><div>2020/21</div><div>2021/22</div></div></div></div></div></div></div>		<div><div>» Expand the geographical reach of our manufacturing footprint</div><div>» Expansion of facilities to manufacture high value-added products portfolio</div><div>» Capacity and process enhancements at our existing facilities.</div><div>» Product development collaborations with activated carbon service providers</div><div>» Regional expansion of environmental engineering services including modular and containerised waste water treatment systems</div></div>
<div>KEY PERFORMANCE INDICATORS</div> <div><div>» New suppliers added during the year: 68</div><div>» No. of new suppliers added to the Haritha Angara Programme: 46</div><div>» Yield improvement of the vertical kiln programme in Thailand by 27%</div></div> <div><div>No. of Suppliers</div><div><div>(0000)</div><div><div><div></div><div></div><div></div></div><div><div>420</div><div>400</div><div>380</div><div>360</div><div>340</div><div>320</div><div>300</div></div><div><div>2019/20</div><div>2020/21</div><div>2021/22</div></div></div></div></div>		<div><div>» Establishing long-term collaborative partnerships for manufacturing and procurement</div><div>» Supply of alternative raw materials for activated carbon production</div><div>» Freight and logistics solutions for movement of raw materials to manufacturing locations</div><div>» Increased involvement in supplier development programmes</div><div>» Enhanced networking through dedicated teams on the field and building larger supply capability in all three geographies</div><div>» Continuous surveillance of coconut yields and weather patterns and rationalised decision on pricing and volume supply</div><div>» Digitisation of the supply/ QC of the intake points and facilitating faster turnaround time of the supply</div></div>

MEASURING PROGRESS

Progress made during the year	Resources allocated during the year	
 <p>MOTIVATED AND COMMITTED TEAM</p> <ul style="list-style-type: none"> » Well-being of our employees » Creating a great place to work » A learning organization » Inculcating a culture for productivity improvement. 	<p>RESOURCES ALLOCATED</p> <ul style="list-style-type: none"> » Payments to employees: Rs. 3,487 Mn » Training hours - 5,511 » Systemization of Covid-19 management and preventive practices 	
 <p>PROCESS EFFICIENCY</p> <ul style="list-style-type: none"> » Ongoing investments in increasing process efficiency through the implementation of process improvement tools such as Lean Management, Six Sigma and Kaizen. 	<p>RESOURCES ALLOCATED</p> <ul style="list-style-type: none"> » Dedicated staff and teams allocated at each factory location to overlook the implementation and identification of new opportunities relating to process efficiencies » Formal lean initiatives platform with targets for efficiencies and inclusive teams in all locations 	
 <p>SUSTAINABILITY MINDSET</p> <ul style="list-style-type: none"> » Working towards net zero carbon footprint in our manufacturing value chain » Increased footprint of Haritha Angara and vertical kiln charcoaling project » Ongoing investments in Puritas Sath Diyawara and Going Beyond with 19 existing projects carried out during the year. » Supporting the society through the provision of medical equipment and supplies to hospitals during the Covid-19 pandemic and providing books and essentials to neighbouring communities » Promoting environmental conservation through initiatives such as tree planting in Thailand and Sea Turtle Conservation Project in Kumana, Sri Lanka 	<p>RESOURCES ALLOCATED</p> <ul style="list-style-type: none"> » Management of the 19 Puritas Sath Diyawara projects to date funded by both Haycarb and other Hayleys group companies with an investment of Rs. 82 Mn » Management of the Going Beyond book distribution program of Hayleys Group of Rs 29 Mn » Investment in financial assistance to the Haritha Angara initiative- LKR 73 Mn 	



Key Performance Indicators		Plans for 2022/23
<div>KEY PERFORMANCE INDICATORS</div> <div><div><div>» Maintained attrition rate at <5%</div><div>» Minimum 10 hours of training per employee/ annum</div><div>» Zero fatal accidents</div><div>» Training hours</div></div><div><div>Training hours by gender</div><div><div><div></div><div></div></div><div><div>346</div><div>5,165</div></div></div></div></div>	<div>KEY PERFORMANCE INDICATORS</div> <div><div><div>» Cost savings achieved: Rs. 174 Mn through lean initiatives</div><div>» Number of processes improved: 10</div><div>» New certifications: 2</div></div><div><div>No of Processes Improved</div><div>(No)</div><div><div></div><div></div><div></div></div><div><div>2019/20</div><div>2020/21</div><div>2021/22</div></div></div></div>	<div><div>» Support the wellbeing and income security of employees during periods of economic uncertainty</div><div>» Increase training and development opportunities to support professional progression</div><div>» Recruit the right people at the right time with the required skills, education, knowledge and aptitude to meet current and future HR needs</div><div>» Maintain a higher motivation, happier and empowered workforce to reduce the attrition rate</div><div>» Uplift the living standards, skill levels and capacity of employees with the organizational growth and success</div><div>» Identify successors for critical jobs / functions and arrange Personal Development plans</div></div> <div><div>» Carry out lean initiatives contributing to Rs.200 Mn in group cost savings</div><div>» Map out existing processes to Identify the value-added activities and bottle necks to redefine/ re-design ideal processes</div></div>
<div>KEY PERFORMANCE INDICATORS</div> <div><div><div>» Energy consumption 262,368 GJ</div><div>» % of raw material suppliers from green charcoaling sources (85% from Haritha Angara in Sri Lanka and 30% from Vertical Kiln Charcoaling in Thailand)</div><div>» Litres of water supplied daily for CKD affected areas -190,000 litres per day</div><div>» Sea turtle conservation-Kumana National Park - Over 7,400 eggs conserved since December 2020</div></div><div><div><div>Number of beneficiaries (Puritas Sath Diyawara and Going Beyond)</div><div>(No)</div><div><div></div><div></div><div></div></div><div><div>2019/20</div><div>2020/21</div><div>2021/22</div></div></div><div><div><div>Environmental impact</div><div><div>Mj. Mn</div><div>MT CO₂ eq</div></div><div><div></div><div></div><div></div></div><div><div>2019/20</div><div>2020/21</div><div>2021/22</div></div></div><div><div>■ Energy consumption (mj)</div><div>— Total emissions (Kg CO₂ eq)</div></div></div></div></div>	<div><div>» Providing online education access to approximately 100 schools</div><div>» Promotion of renewable energy usage (solar power generation) in manufacturing operations</div><div>» Reduce use of plastic bottles to pipe borne water with point-of-use filtration through customized Hydrocove water purification solutions</div><div>» Facilitating remote work platforms and virtual meetings reducing transport/ fuel use</div><div>» Further promote Haritha Angara initiative in Sri Lanka and Indonesia</div><div>» Enhance resource optimization through fully-fledged monitoring solutions to reduce client's operational burden</div><div>» Introduce and promote Zero Liquid Discharge (ZLD) to Sri Lankan market</div><div>» Work towards the goal of increasing total beneficiaries of Puritas Sath Diyawara to 100,000 people by 2025</div><div>» Continue to facilitate village school children through 'Going Beyond' programme together with Hayleys Group Companies.</div></div>	

OPERATING ENVIRONMENT

As a Group competing in global markets with significant dependence on the natural environment, our ability to create value is impacted by a range of factors in the

operating environment. Consequently, developments in our operating environment are consistently monitored to ensure risks are identified and mitigated while

opportunities are seized. An overview of our operating environment is given below.

Factor	
GLOBAL ECONOMY <p>The global economy rebounded in 2021, expanding 5.5% compared to the pandemic-led contraction of the previous year. Advanced economies and emerging and developing economies grew 5% and 6.3% respectively, driven by pent-up consumer spending and some investments as economic activity recovered following successful vaccination drives, adaption to post-pandemic realities and accommodative fiscal and monetary policies. However, the growth momentum has since slowed as the economic recovery triggered major supply chain disruptions towards the latter part of 2021 while governments eased pandemic driven fiscal and monetary stimuli. The imposition of limited mobility restrictions following the emergence of the Omicron COVID-19 variant during the first quarter of 2022 and Russia's invasion of Ukraine is expected to further hamper global economic growth in 2022. Consequently, the IMF expects global economic growth to slow to 3.6% in 2022.</p>	
IMPLICATIONS ON THE GROUP <ul style="list-style-type: none"> » New opportunities for growth. 	HOW WE ARE RESPONDING <ul style="list-style-type: none"> » Consistently monitoring market trends to identifying new opportunities. <p>Strategic pillar </p>
RUSSIA'S INVASION OF UKRAINE <p>In response to its invasion of Ukraine during the first quarter of 2022, unprecedented sanctions were announced on Russia which included restricting its access to the global financial system. The exclusion of several of its banks from SWIFT has disrupted the country's ability to engage in cross-border financial transactions thereby impacting trade. Further, lower energy and metal exports from Russia and reduced exports of wheat and corn from both Russia and Ukraine have resulted in a sharp increase in commodity prices fuelling global inflation.</p>	
IMPLICATIONS ON THE GROUP <ul style="list-style-type: none"> » Potential loss of revenue from the high-margin gold mining industry in Russia and CIS. » Disruptions in supply to foreign multinationals operating within Ukraine and Russia. 	HOW WE ARE RESPONDING <ul style="list-style-type: none"> » Emphasis on expanding business in other markets such as USA, China, South East Asia and West Africa. <p>Strategic pillar </p>

Factor

DOMESTIC ECONOMY

Despite a GDP expansion of 3.7% in 2021, the country's external position came under significant pressure with foreign currency reserves falling sharply to USD 3.1 billion as at end-December 2021 following large debt repayments, a 17.9% and 22.7% decline in tourism earnings and worker remittances respectively and a 28.5% increase in import expenditure. Although earnings from the tourism sector trended upward during the first quarter of 2022, the country's reserve position deteriorated further to USD 1.9 billion by end-March 2022, alongside a 23.1% increase in imports, 61.6% decline in worker remittances and additional repayments of debt.

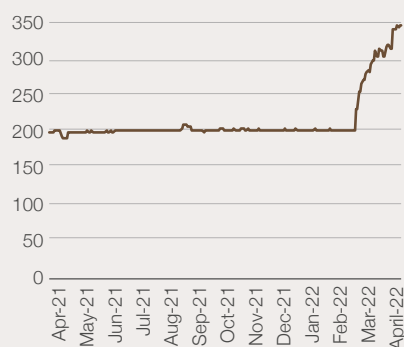
Accordingly, the Sri Lankan Rupee experienced significant volatility during the financial year. With market forces allowed to determine the rate from mid-March 2022, the Rupee fell sharply, ending the year at LKR 293.88/USD (47% y-o-y)

Inflation soared during the second half of the financial year, on the back of elevated global prices, supply side disruptions, relaxation of price controls, gradual build-up of demand pressures and depreciating currency.

Meanwhile, policy rates were increased several times from mid-August 2021 as the CBSL adopted monetary tightening measures to curb inflation and encourage savings. Resultantly, market interest rates trended upwards towards the latter part of the year.

Exchange Rate : USD

LKR/USD



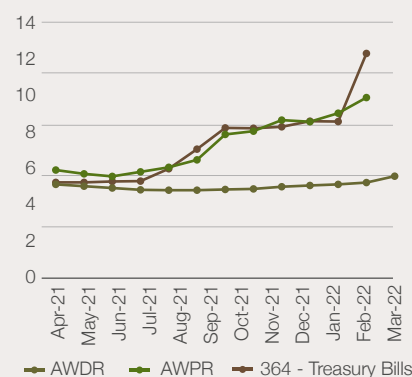
Inflation

%



Interest Rates

%



IMPLICATIONS ON THE GROUP







- » Favourable impact on export earnings.
- » Increase in cost of imported raw materials.
- » Potential pressure for wage increases.
- » Increased cost of borrowing.

HOW WE ARE RESPONDING

- » Expand our operations overseas
- » Backup generators and adequate fuel storage for continuous and uninterrupted operations as dollar liquidity issues created shortages in the market.
- » Develop the local supply chain in Sri Lanka and create adequate raw material inventories.
- » Performance based rewards to staff through our focus on business continuity.
- » Plans to install solar power electricity generation in our plants
- » Acceleration of lean initiatives.
- » Engagement with our suppliers and service providers to ensure a holistic and efficient management of manufacturing and export shipping

Strategic pillar



Factor	
GOVERNMENT POLICY <p>Given the weak external position, the Government of Sri Lanka implemented a range of policy measures to preserve and build foreign currency reserves. This included the introduction of new regulations pertaining to foreign currency conversions and restrictions on the importation of many goods. Meanwhile, the Central Environment Authority has imposed regulations that involve the gradual phasing out of open pit charcoaling due to the emission of harmful gases.</p>	
IMPLICATIONS ON THE GROUP <ul style="list-style-type: none"> » Challenges in sourcing raw material locally. » Stringent regulations and increased compliance requirements for importation of raw materials, other inputs and capital equipment 	HOW WE ARE RESPONDING <ul style="list-style-type: none"> » Adhering to government regulations » Expansion of the Haritha Angara programme – a environmentally friendly closed-pit charcoaling process. <div>    </div> <p>Strategic pillar</p>
COMPETITION <p>According to The Insight Partners, the global activated carbon industry is expected to grow at a CAGR of 9.6% over the next 6 years driven by the increasing applications of activated carbons in water treatment, air and gas purification and the automotive industry. While competition in the low-cost, standard-grade activated carbon market has been increasing over the years, new opportunities for value added activated carbon manufacturers have emerged given development of sophisticated applications.</p>	
IMPLICATIONS ON THE GROUP <ul style="list-style-type: none"> » Potential for growth. » New opportunities in the value-added activated carbon market. » Competitive pressure in the standard activated carbon market. 	HOW WE ARE RESPONDING <ul style="list-style-type: none"> » Strategic focus on expanding our value-added activated carbon product range – impregnated, pelleted and superfine grades for specialised applications » Strategic focus on expanding our end-user customer base » Ongoing investments in research and development. » Maintain competitive pricing through process innovations that increase efficiency. » Enhanced customer focus through customisation of products, superior after sales service, knowledge sharing, timely delivery. <div>    </div> <p>Strategic pillar</p>

Factor

CLIMATE CHANGE IMPLICATIONS

Extreme weather patterns and natural disasters are becoming increasingly frequent across the world with severe impacts on value chains, agricultural outputs, communities, and businesses. The World Economic Forum's Global Risk Report for 2022 identified extreme weather and climate action failure as two of the key risks facing the world in terms of severity in the short as well as long term. As global concerns about the implications of climate change grow, more countries have introduced legislation regulating effluent discharge and emissions from industrial activity while setting goals to reduce vehicle emissions by strengthening the hybrid and electric vehicle industries.

IMPLICATIONS ON THE GROUP

- » Emerging opportunities in the water and air purification and super capacitor industries.
- » Given the reliance on agriculture based raw materials, extreme weather events could impact volume and price.

HOW WE ARE RESPONDING

- » Introduction of new products specifically for the water and air purification and super capacitor industries.
- » Minimise our impact on the environment through introduction of environmentally friendly charcoaling methods.
- » Expand our supply chain and manufacturing footprint.

Strategic pillar



TECHNOLOGY

Ongoing research into the unique physical, chemical and electronic properties of activated carbon have given rise to the emergence of new high-tech applications offering new opportunities for value-added activated carbon manufacturers.

IMPLICATIONS ON THE GROUP

- » New opportunities for growth in the value-added carbon market.

HOW WE ARE RESPONDING

- » Monitoring new developments through our front end partners and market researches.
- » Focus on research and development to drive new product development to meet emerging trends
- » Strategic focus on expanding our value-added product range.

Strategic pillar



DETERMINING MATERIAL ISSUES

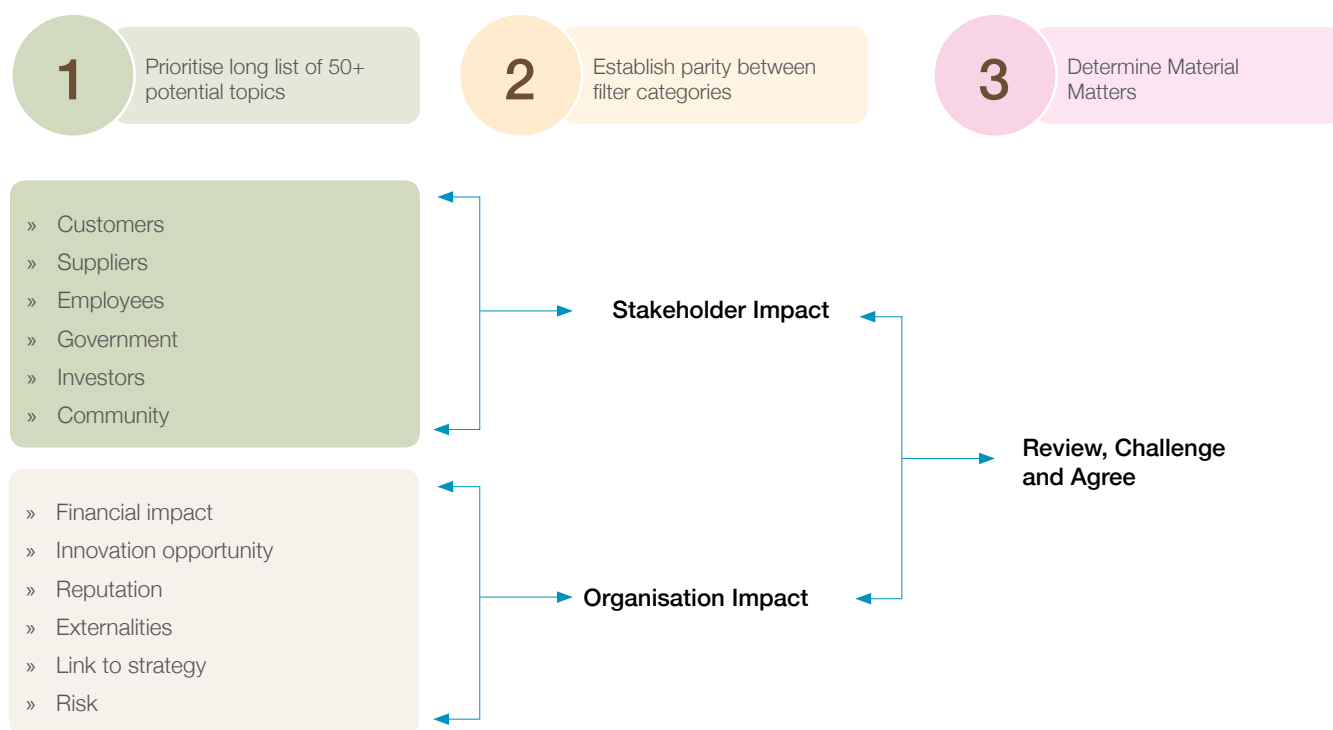
GRI 3-1,2,3

Our ability to create value is dependent on the dynamic interactions of multiple factors which can be summarised as stakeholder concerns, the operating environment and our responses. Material matters are those specific factors that impact our ability to create value over the short, medium and long term. These are determined through a formal materiality determination process and underpins the embedding of integrated thinking in to our decision-making processes.

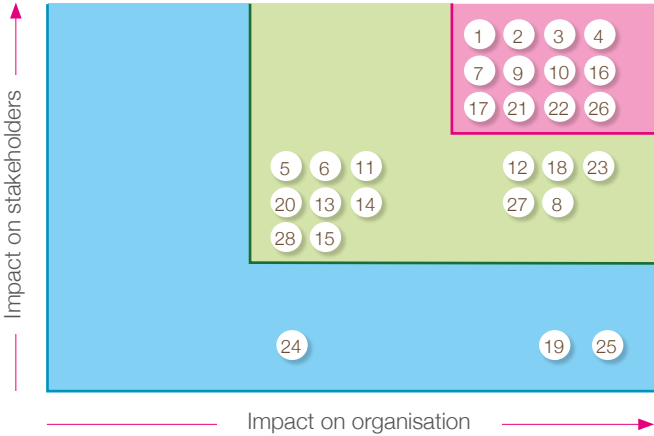
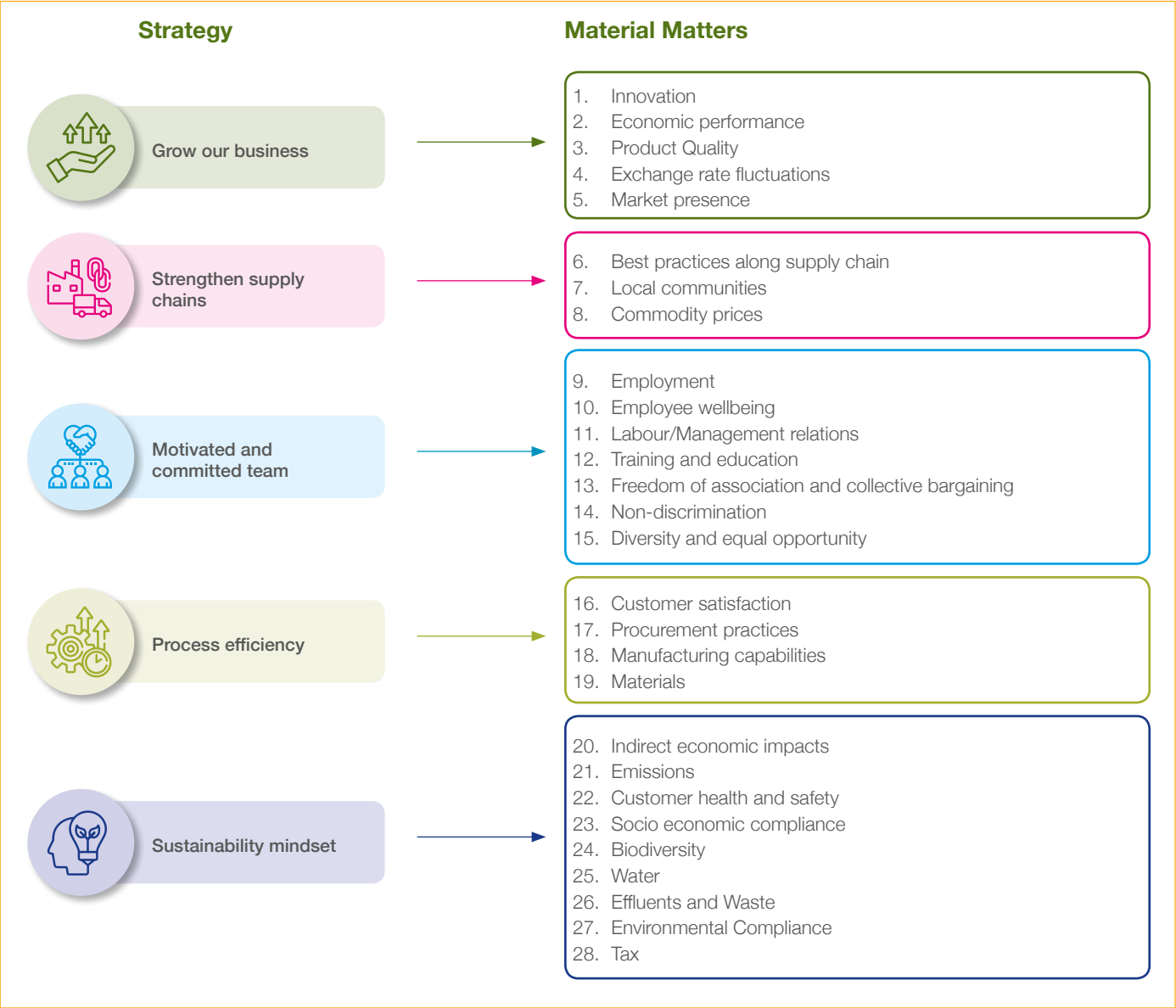
Our materiality process is both retrospective and forward looking, facilitating assessment of the value added to the business in the year under review and what we need to do add value in the year ahead.

A FORMAL PROCESS

A long list has been developed for materiality containing 50+ potential material topics with reference to business priorities, legal requirements, reporting frameworks and certification requirements. This list is narrowed using the following filters:



Material matters determined through this process are set out below.



RISKS & OPPORTUNITIES

GRI 201-2

Risk and opportunity are two sides of the coin and organisations need effective structures to identify and manage the same. Haycarb Group has set in place an effective risk management structure to facilitate identification, measurement, monitoring and management of risk to ensure its stays on track to realise its strategic goals.

The Board bears ultimate responsibility for management of overall risk and they are assisted by the Audit Committee who has oversight and responsibility for conducting a detailed review. Haycarb also recognizes that risk management is a shared responsibility of all employees within the Group and is integrated into business and decision-making processes including strategy formulation, business planning, business development, investment decisions, capital allocation, internal control and day-to-day functions.

RISK MANAGEMENT STRUCTURE



THE BOARD & AUDIT COMMITTEE

Role of Audit Committee

- » Responsible for establishing and effective risk management framework
- » Standing agenda item on Audit Committee meetings
- » Audit Committee Chair briefs Board

Role of the Board

- » Approves policy
- » Reviews risk registeres
- » Provides guidance to management
- » Resource allocation for managing risk



OPERATIONAL LEVEL

- » Review of operating environment and competitor activity to identify potential risks
- » Identification, measurement, monitoring, management and reporting of risk
- » Effective implementation of risk management strategies



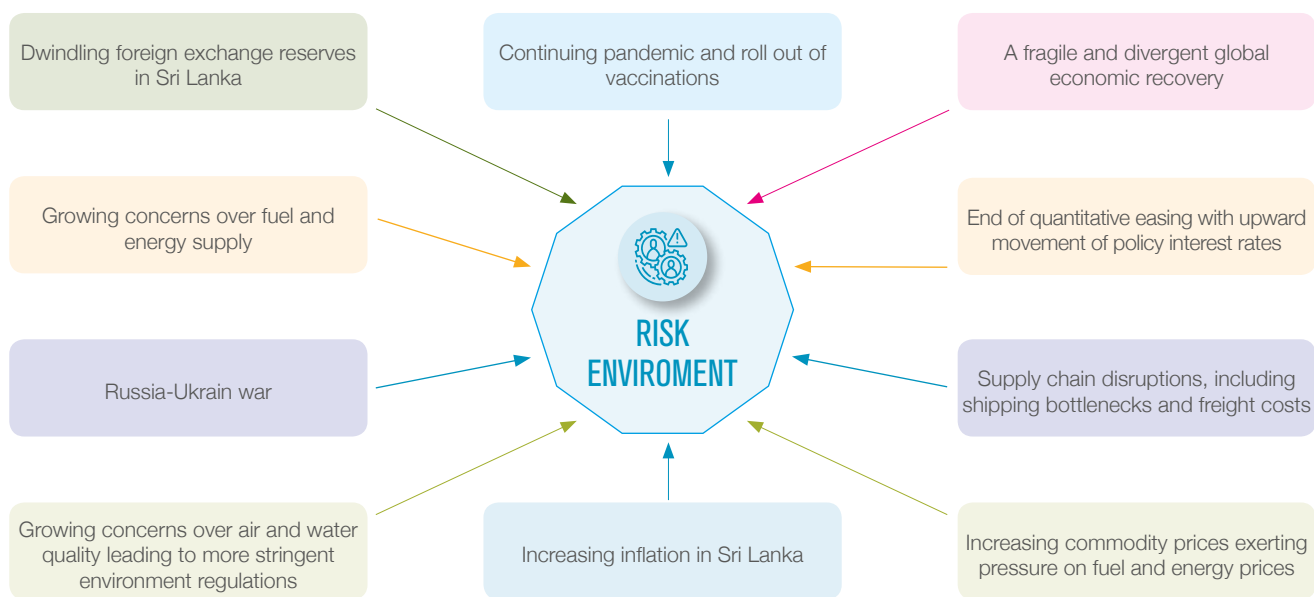
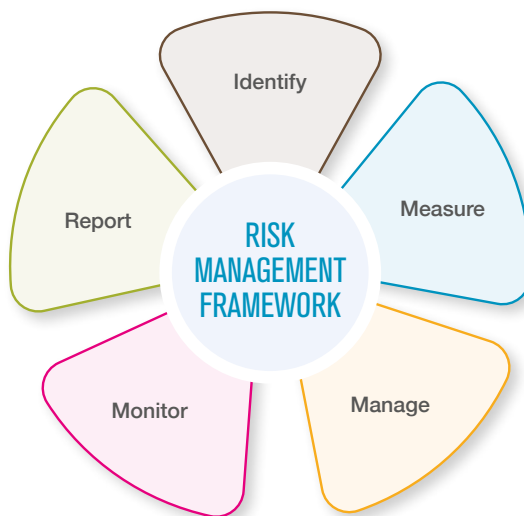
MANAGEMENT SYSTEM AUDIT & REVIEW DEPARTMENT

- » Internal control systems play an important role in managing and minimizing risk.
- » The team reviewed processes covering production, procurement and sales among others
- » Make recommendations to Management, Audit Committee and Board on further actions required

The structure at Haycarb is reinforced by the Risk Management processes of its parent company, Hayleys PLC. The bi-weekly Group Management Council comprising the Chief Executive Officers of all sectors review Hayleys Group risk and shares insights which serves to identify early warning signs. The Council also serves as a place for collaboration within the Group to resolve issues using the skills, expertise and other resources of the Hayleys Group.

A PROCESS FOR MANAGING RISK

Haycarb has implemented a process for identifying, measuring and managing risks as set out diagrammatically alongside. The risk register is reviewed by the senior management and also reviewed by Haycarb's Audit Committee and Board. The feedback from the Board and Audit Committee serve as regular inputs to keep refining our risk management processes.







Sri Lanka's foreign currency liquidity became a pivotal issue as the lack of dollars to import essential items including food, fuel and medicines gave rise to social unrest and political instability and power outages. The newly-appointed government has commenced negotiations with the IMF for relief and is pursuing bilateral assistance to tide over until discussions are finalised. Sri Lanka has remained resilient throughout multiple crises in the past and we are confident that it will be on the path to recovery within the next 6 months.

RISKS & OPPORTUNITIES



KEY RISKS FOR HAYCARB GROUP

The key risks for the Haycarb Group are tabulated below.

Risk Category	Risk Description	Assessment		Mitigation Strategies
 Supply Chain	Disruptions to supply of coconut shell charcoal due to adverse weather or other conditions/factors	Impact	High *	» Expand manufacturing footprint to new geographies. » Increase Haritha Angara in Sri Lanka, yield improvement Vertical charcoal kiln in Thailand » Expand the charcoal and shell collection network » Increase production of high-end value-added carbons. » Plans to increase charcoal sourcing in Indonesia with a focus on ecofriendly charcoaling » Rationalization of current kiln capacity
		Likelihood	Moderate *	
		Assessment	High *	
	Dependence on single raw material inhibits growth	Impact	Moderate *	Broad-base product portfolio to other base materials
		Likelihood	High *	
		Assessment	Moderate *	
	Difficulties in obtaining space for shipments and escalation of freight costs	Impact	High *	» Working with Hayleys Group Task Force on Freight Management to secure required space and negotiate favourable prices » Communicate with customers to rationalize and share costs
		Likelihood	Moderate *	
		Assessment	High *	
	Fuel and energy supply disruptions	Impact	High *	» Use back-up generators already installed to ensure continuous operations. » Request government policy direction to supply fuel and energy to export manufacturers and work with fuel suppliers to secure necessary supplies » Invest in solar power
		Likelihood	Moderate *	
		Assessment	Moderately High *	
 People	Attraction and retention of employees	Impact	High *	» Align rewards and recognition in line with business needs and market » Succession planning » Strengthen HR function » Assess skills and responsibilities » Identify training and development needs
		Likelihood	Moderate *	
		Assessment	Moderate *	
	Inflation-driven wage pressures	Impact	Moderate *	» Proactive engagement with trade unions to manage demands » Adjustments to cost of living allowances and lower salary structures with a view to providing necessary relief » Regular communication with employees to motivate them and reinforce needs to remain productive » Timely payment of remuneration
		Likelihood	Moderate *	
		Assessment	Moderate *	

Risk Category	Risk Description	Assessment		Mitigation Strategies
 Sales & Marketing	Exposure to gold mining industry which is subject to commodity price volatility	Impact	Moderate *	» Develop and market other value-added carbons » Expand manufacture in cheaper locations » Developing new markets for non-gold applications
		Likelihood	Moderate *	
		Assessment	Moderate *	
	Environmental Engineering - Ability to absorb/pass on cost escalations and suspension of government funding for projects in Sri Lanka	Impact	Moderate *	» Engage clients on frameworks to manage cost escalations » Rationalise workflows and cost structures » Seek lucrative opportunities in other markets in the region, particularly those where we already have an established presence
		Likelihood	Moderate *	
		Assessment	Moderate *	
	Alignment of demand/marketing mix to manufacturing capabilities to optimise profits	Impact	Moderate *	» Geographical expansion of markets » Increase market share in markets that we operate » Drive up the value chain to optimize profit from manufacturing capital
		Likelihood	Low *	
		Assessment	Low *	
Financial Risk 	Funding risk	Impact	High *	» Funding plan » Liquidity management » Working capital management
		Likelihood	Low *	
		Assessment	Low *	
	Credit risk increase due to longer credit period demanded by customers as well as more favourable conditions	Impact	Moderate *	» Strengthen credit evaluation, monitoring and recovery processes » Exposures are well diversified » Credit insurance in place for a significant portion of sales portfolio
		Likelihood	Low *	
		Assessment	Low *	
	Foreign exchange liquidity	Impact	Moderate *	» Natural hedge as an exporter » Strategies in place to manage foreign exchange liquidity.
		Likelihood	High *	
		Assessment	Moderate *	

RISKS & OPPORTUNITIES

Risk Category	Risk Description	Assessment		Mitigation Strategies
 Climate Change & Environment	Natural disasters	Impact	Moderate *	» Business continuity and Disaster recovery plans in place » Assessed adequacy of insurance
		Likelihood	Low *	
		Assessment	Low *	
	Pollution from open pit charcoaling	Impact	Low *	» Focus on environmental friendly charcoaling technologies that can be rolled out to small and medium scale suppliers and provide technical and financial assistance to convert the coconut shells to charcoal in an environment friendly manner
		Likelihood	Moderate *	
		Assessment	Low *	
 Information Technology	Dependence on IT systems	Impact	Moderate *	» Robust IT policy and compliance with IT policy » Backup and contingency plans including DR centres » Audits to ensure compliance and corrective actions carried out where needed
		Likelihood	Low *	
		Assessment	Low *	
	Cybersecurity	Impact	High *	» Cyberthreat surveillance » Increase awareness among staff » Periodic IT reviews » Monitoring online activity
		Likelihood	Low *	
		Assessment	Low *	

FUTURE OUTLOOK

Activated carbon is a carbonaceous, adsorptive medium - the intrinsic pore network in the lattice structure of activated carbons allows the removal of impurities from gaseous and liquid media.

Activated carbons are manufactured from coconut shell, peat, wood, coal and various carbonaceous specialty materials using chemical or high temperature steam activation.

Haycarb is a leader in the manufacture and marketing of coconut shell based activated carbon used in multiple applications across industries ranging from water and air purification, gold extraction, energy storage, food & beverages and specialty carbons.

INDUSTRY OUTLOOK

- » The global activated carbon industry is expected to grow, gathering momentum with the increasingly stringent environmental regulations for water and air, waste and effluent treatment as well as the growing demand for potable water, applications in modern medicine and energy storage solutions.
- » US, China, Japan, Canada and Germany are key value added markets - growth markets driven by stringent environment regulations and health and hygiene standard.
- » Fast developing markets in South East Asia and the region are key growth markets for water and air treatment applications as urbanisation and higher quality of life is demanded, with the increase in per capita income.

COUNTRY OUTLOOK

- » Sri Lanka is a resilient country that has weathered multiple challenges and yet remains undaunted by them. We expect the negotiations with IMF to move forward positively and to be reinforced/bridged with bilateral funding sources which will put Sri Lanka on track to recovery. While it is likely that things will be tougher before it gets better, we expect the key issues to be resolved within a space of six months.
- » The outlook for Thailand although its GDP outlook has been cut from 4% to 3.5% over the impact of the Russia-Ukraine war.
- » Indonesia's outlook also remains favourable with a forecast GDP growth rate of 5% for 2022.

HAYCARB PLANS

- » Customer-centric innovation partnering with customers for new product development
- » Focus on value-added products such as improved EDLC product for higher capacitance, hard carbons for Li-ion and Sodium-ion batteries, and impregnated carbons.
- » Focus on developing new markets and increase market share in existing markets to drive growth
- » Focus on further strengthening supply chain through promoting environment friendly charcoaling methods. All three countries with manufacturing facilities and our major supply sources are expected to have a good crop of coconut, facilitating a steady supply of raw material.
- » Drive process efficiencies - lean initiatives and 5S with engagement of employees at all levels and waste minimisation, while ensuring QA, QMS and health and safety.
- » Robust risk management framework and mitigation platforms to ensure continuous operations in period of economic instability and other challenges from the macro environment.
- » Expansion of manufacturing footprint of activated carbon to another country
- » Strengthen ESG integration
- » Increase regional presence for water, waste water and effluent treatment projects of environmental engineering solutions

INTELLECTUAL CAPITAL

OUR COMMITMENT TO INNOVATION HAS ENABLED US TO DEVELOP A PORTFOLIO OF PRODUCTS AND SERVICES THAT BENEFIT PEOPLE AND HELP PRESERVE THE ENVIRONMENT. THE GROUP'S INTELLECTUAL CAPITAL WHICH COMPRISES ITS CAPABILITIES IN RESEARCH AND DEVELOPMENT, ORGANISATIONAL TACIT KNOWLEDGE, AND SYSTEMS AND PROCESSES HAVE ENSURED THE DELIVERY OF HIGH-QUALITY VALUE-ADDED PRODUCTS AND SERVICES THAT MEET THE EMERGING NEEDS OF CUSTOMERS.

KEY STRATEGIES IN 2021



PRODUCT INNOVATIONS IN ACTIVATED CARBONS AND ENVIRONMENTAL ENGINEERING SOLUTIONS WITH SPECIAL EMPHASIS ON ENERGY STORAGE CARBONS (EDLC), CHLORAMINE REMOVAL CARBONS, AND RESPIRATOR CARBONS.



PROCESS INNOVATIONS TO DRIVE EFFICIENCY AND PRODUCTIVITY ACROSS OUR VALUE CHAIN.

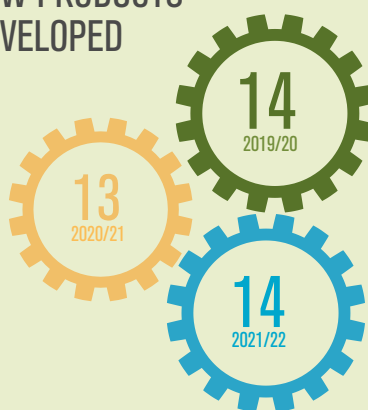


INVESTING AND ENHANCING OUR BRAND WITHIN THE COCONUT SHELL ACTIVATED CARBON INDUSTRY.

PLANS FOR 2022

- Development of Hard carbon for use in Lithium-ion and Sodium-ion Batteries
- Introduction of Nitrogen Gas Fix system from air (Nitrogen Generator) in to the system to further move forward environmentally friendly manufacturing concept
- Increase market share in the supercapacitor carbon market through capacity expansions
- Reduction in Water usage in manufacturing process by Reduce, Re-use, Recycle concept
- Gain overseas market access for environmental engineering through modular and containerised wastewater treatment systems

NEW PRODUCTS DEVELOPED



ENVIRONMENTAL
ENGINEERING
SOLUTIONS
+100
PRODUCTS

ACTIVATED
CARBON
+1000
PRODUCTS



BROAD PRODUCT
RANGE THAT CATERS
TO NEARLY EVERY
**ACTIVATED
CARBON**
APPLICATION



R&D CAPABILITIES AND TACIT KNOWLEDGE

A highly skilled and capable multidisciplinary team that drives product and process innovation



BRAND VALUE

Globally renowned for customer value creation.



PROCESS EXCELLENCE

Our processes are benchmarked to best practices in our industry.

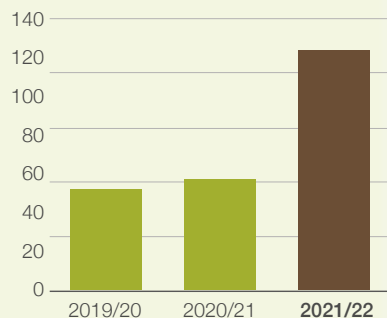
» VALUE CREATED «

INVESTMENT IN RESEARCH & DEVELOPMENT RS.124 MN



Investment in R&D

Rs.Mn

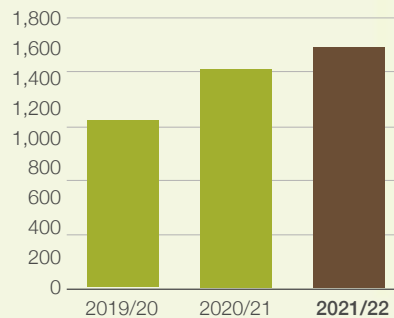


REVENUE GROWTH AND DIFFERENTIATION IN THE GLOBAL MARKET



Revenue from New Products

Rs.Mn



PATENTS AND PROPRIETARY PROCESSES

- Patents for Recogen (eco-friendly coconut charcoaling methodology)



- Oxypura facemask technology



OUR CONTRIBUTION TO THE SDGS





Our innovation strategy focuses on every stage of our value chain and has facilitated new product development and process improvement, thereby enhancing customer value while preserving the environment. ”

PRODUCT INNOVATION

Innovation is a vital activity in Haycarb's value creation process and has driven the development of a broad product and service portfolio with a wide range of applications. Our innovation strategy focuses on every stage of our value chain and has facilitated new product development and process improvement, thereby enhancing customer value while preserving the environment. Expansion of the value-added product range and the provision of tailor-made solutions to customers has differentiated Haycarb in the global market despite increased competition from producers of standard grades of activated carbon.

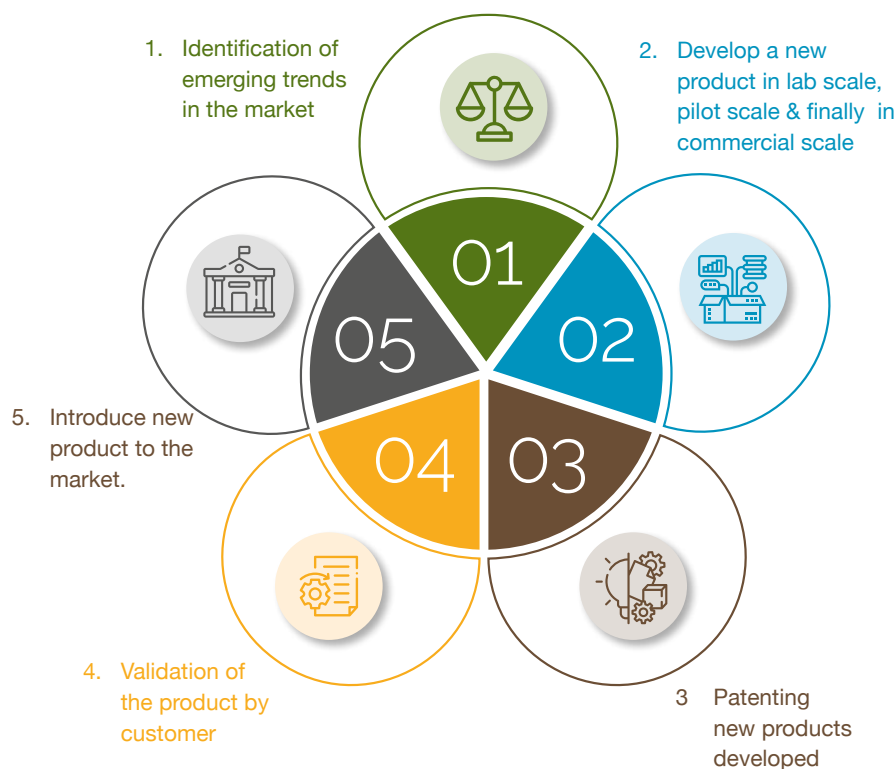
New product development is undertaken by our research and development team after close monitoring and analysis of emerging trends in the activated carbon market. Our superior product development capabilities stem from the deep insights gained from producing coconut shell activated carbon for almost 5 decades. Our team is able to customize the particle size distributions, adsorption and breakthrough characteristics, modify the carbon lattice and surface for superior purity and hardness to deliver increasingly sophisticated products.

RESEARCH & DEVELOPMENT AND ENGINEERING

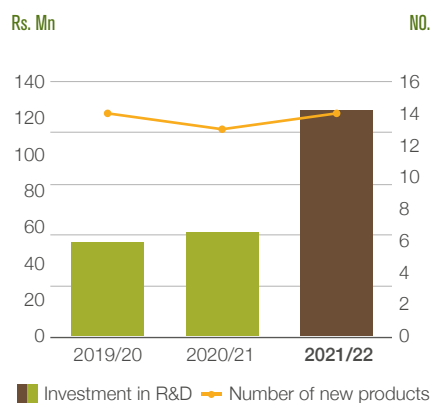
Our Research & Development and Engineering teams comprise of a highly skilled and capable team of over 50 engineers and chemists. The Group invested over Rs. 200 million in research and development over the last 3 years resulting in the introduction of 41 new products in many applications. The Group also holds patents for Recogen (eco-friendly coconut charcoaling methodology) and Oxytura face mask technology.

During the year, the Group invested Rs. 124 million in research and development and the key investment areas are described in the table below.

NEW PRODUCT DEVELOPMENT PROCESS

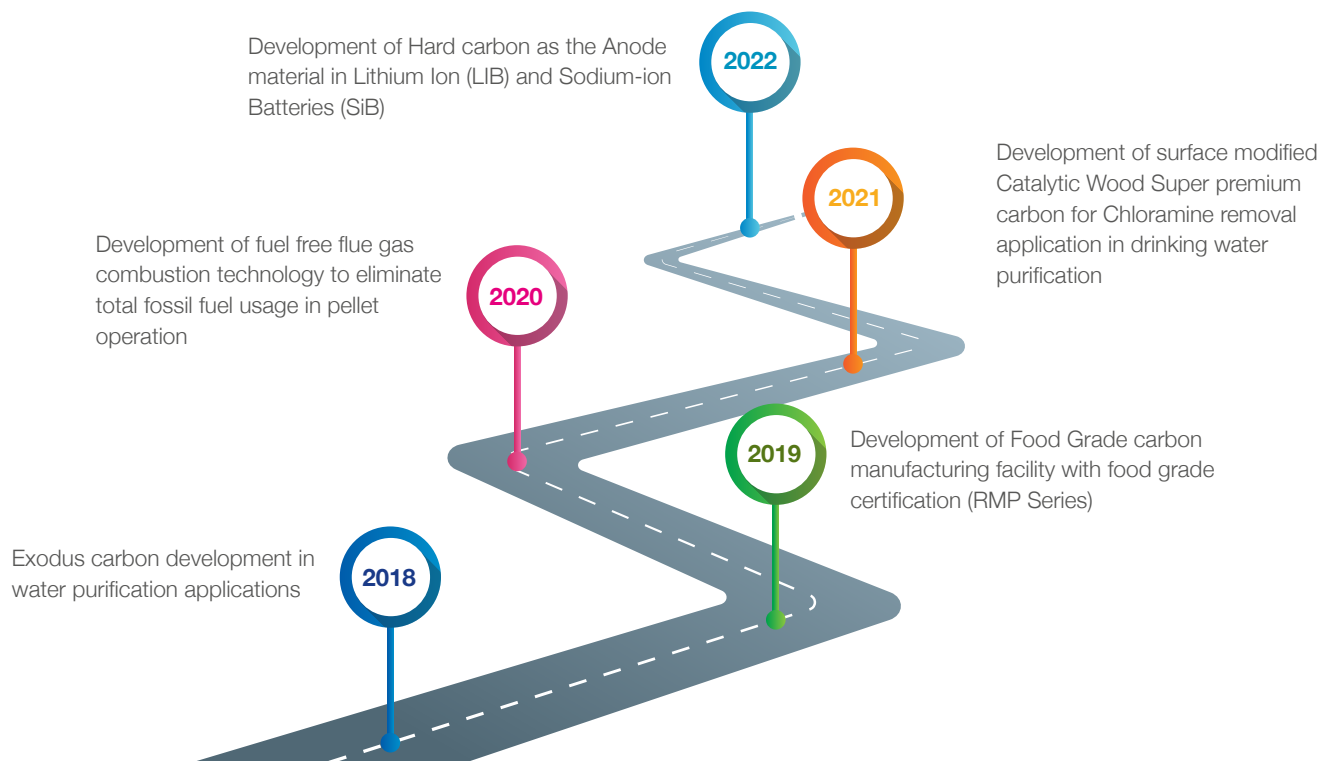


Investment in R&D and New Products



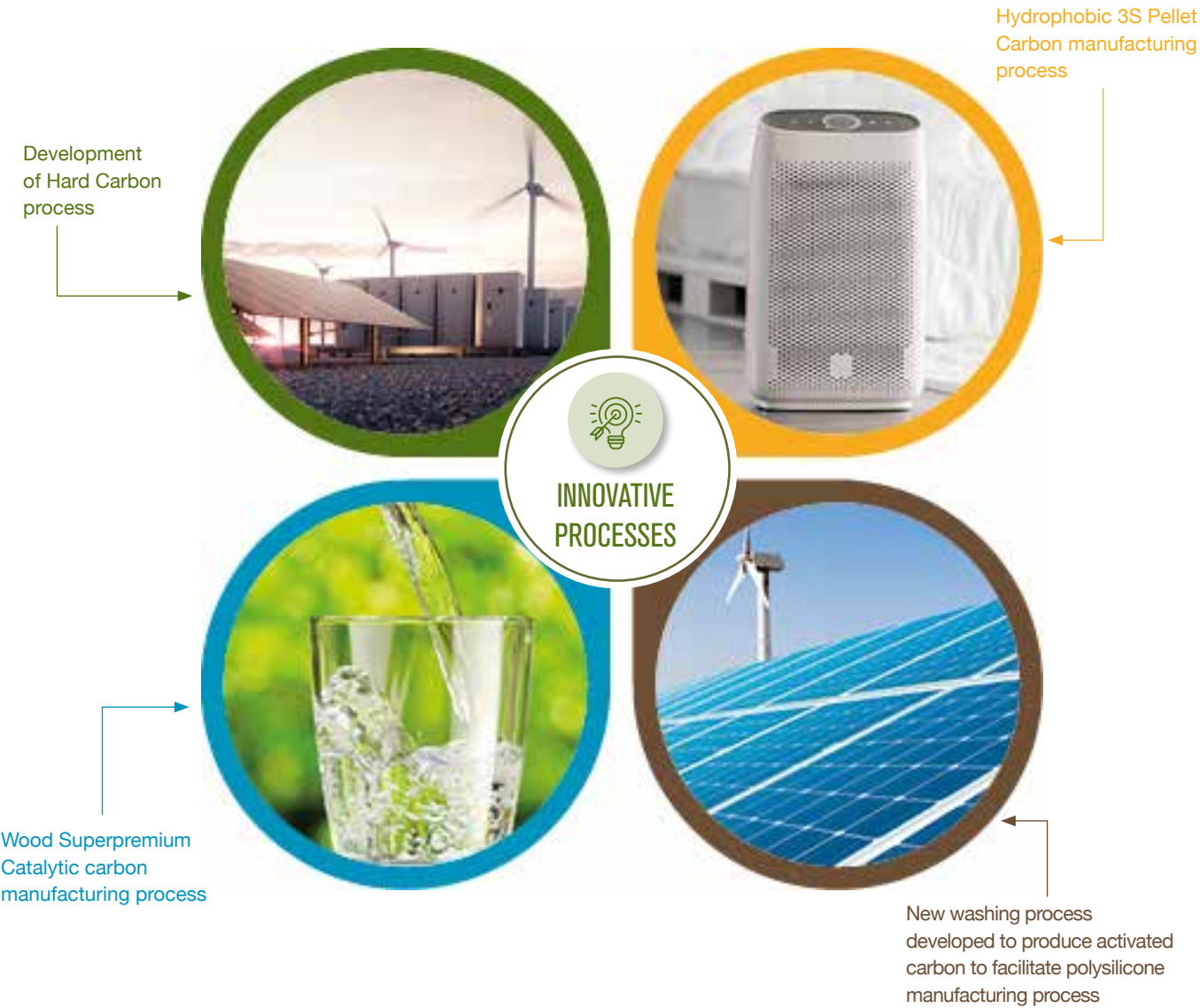
Business Segment	R&D Initiatives	Description
Activated Carbon	Development of Hard carbon as the Anode material in Lithium-ion (LIB) and Sodium-ion Batteries (SiB)	Hard carbon used in rechargeable Lithium ion batteries and Sodium-ion batteries has been widely used as a power source for portable electronic devices such as mobile phones, laptop computers, digital cameras and many other energy storage applications.
	Energy storage carbons (Electrochemical Double-Layer Capacitor carbon – EDLC)	Applications in the supercapacitor industry. Load leveling for pulsed current change in power generators using renewable energy. These carbons are used in products ranging from high-speed servers and data backup devices to hybrid and electric vehicles.
	Development of Superior Wood carbon for Chloramine removal	Applications in the water purification industry. This superior carbon can remove Chloramine more than 2.5 times better than Coconut shell based activated carbon to remove Chloramine, a key chemical compound used to purify potable water.
	Impregnated carbons for respirators	Applications in air purification and personal protection equipment. These carbons are used in industrial, military and consumer applications to purify the air and prevent human inhalation of toxic fumes and harmful gases.
Environmental Engineering and Activated Carbon Products	Hydrocove	An environmentally friendly mobile potable water solution for offices, restaurants, and other indoor spaces. This product comprises a plug and play water purifier with an advanced filtration system that draws water directly from the tap and can provide drinking water in different modes – hot, room temperature and cold.
	Odour removal products	Activated carbon product range designed to adsorb unpleasant odours and purify the air in enclosed spaces.

INNOVATION TIMELINE (LAST 5 YEARS)



INNOVATIVE PROCESSES

We focus on continuously improving our processes to drive efficiency in raw materials, energy and water consumption and productivity of people and plant and machinery. Key process innovations carried out during the year are listed below.



PROCESS EXCELLENCE CERTIFICATIONS GRI 416-1

The Group complies with a range of local and international certifications ensuring business operations are benchmarked to international best practice. Customer health and safety is a key priority for the organisation and the certifications and affiliations obtained ensure that this is adhered to. The key certifications and affiliations are listed below.

Certifications			
Haycarb Group	Quality Management	Food Safety Management	Environmental Management
Haycarb Sri Lanka	<ul style="list-style-type: none"> » ISO 9001:2015 Recertification by SLSI – Sri Lanka » Certificate of Conformity, Covid-19 Management System SLS 1672: 2020 from SLSI – Sri Lanka 	<ul style="list-style-type: none"> » 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 » KOSHER Certification Orthodox Union – USA » NSF Product Certification by NSF International USA 	<ul style="list-style-type: none"> » ISO 14001:2015 Recertification by SGS – Sri Lanka » WQA Sustainability Certification WQA – USA
PT Mapalus Makawanua Industry – Indonesia	<ul style="list-style-type: none"> » ISO9001: 2015 Recertification by SLSI – Sri Lanka 	<ul style="list-style-type: none"> » Halal Certification from the Halal Accreditation Council » KOSHER Certification Orthodox Union – USA » NSF Product Certification by NSF International USA 	
Haycarb Palu Mitra – Indonesia	<ul style="list-style-type: none"> » ISO 9001: 2015 Recertification by SLSI – Sri Lanka 	<ul style="list-style-type: none"> » Halal Certification from the Halal Accreditation Council » NSF Product Certification by NSF International USA 	
Carbokarn – Thailand	<ul style="list-style-type: none"> » ISO 9001: 2015 Recertification by SGS – Thailand 	<ul style="list-style-type: none"> » NSF Product Certification by NSF International USA 	<ul style="list-style-type: none"> » ISO 14001: 2015 Recertification by SLSI – Sri Lanka
CK Regen Systems – Thailand	<ul style="list-style-type: none"> » ISO 9001:2015 Recertification by SGS – Thailand 		<ul style="list-style-type: none"> » ISO 14001:2015 Recertification by SLSI – Sri Lanka
Shizuka – Thailand	<ul style="list-style-type: none"> » ISO9001: 2015 Recertification by SGS – Thailand 		
Eurocarb Products – UK	<ul style="list-style-type: none"> » ISO 9001: 2015 Certification » REACH registration 		
Puritas Sri Lanka	<ul style="list-style-type: none"> » 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 		



INTELLECTUAL CAPITAL

BRAND VALUE

Haycarb is a world-renowned brand in coconut shell activated carbons with a global reputation for quality and technical excellence. Superior manufacturing

capabilities, consistent quality and the delivery of tailor-made solutions to customers for almost 5 decades have enabled us to build a strong brand in the industry. In addition, marketing initiatives undertaken by our marketing subsidiaries

located in key markets and participation in global tradeshows to showcase new products and applications have positioned Haycarb as a leading manufacturer of coconut shell activated carbon. Our brand value is enhanced by the following awards.

Awards		
'Best Exporter of the Year in the Coconut Shell Products Sector' at the Presidential Export Awards 2020/21 organised by the Export Development Board (EDB) Sri Lanka	'Top Ten Winner in Best Management Practices' at the Best Management Practices Company Awards 2022 organised by the Institute of Chartered Professional Managers of Sri Lanka	'National Level Manufacturing Sector - Extra-Large - Merit Award' At the CNCI Achiever Awards 2021 for Industrial Excellence
'Sri Lanka Best Employer Brand Awards - Managing Health at Work Award' at the Best Employer Brand Award 2022 organised by the Employer Branding Institute- India	PT. Mapalus Makawanua Charcoal Industry (MMCI) - Indonesia	
	National award for Systems, Procedures and Actions for the Prevention of COVID -19	National Award for Zero Accidents for Year 2020



Presidential Export Awards 2020/21 - Sri Lanka



National award for Systems, Procedures and Actions for the Prevention of COVID -19 - Indonesia



National Award for Zero Accidents for Year 2020 - Indonesia



Top Ten Winner in 'Best Management Practices' at the Best Management Practices Company Awards 2022 - Sri Lanka



CNCI Achievers Awards 2021 For Industrial Excellence - Sri Lanka

DIGITAL INFRASTRUCTURE – HAYCARB VIRTUAL EXPERIENCE PLATFORM

Launched during the pandemic to overcome the challenges imposed by travel restrictions, the Haycarb Virtual Experience platform is an innovative digital solution that enables us to engage with key stakeholders and showcase our technical capabilities to customers. Key features of this software are described below.

- » Facilitates virtual tours of our production facilities for potential customers alongside key members of our sales and technical teams.
- » Enables virtual communication of our capabilities to customers at exhibitions and overseas meetings.
- » Enables resolution of technical issues raised by our customers
- » Facilitates plant audits for certifications.



FINANCIAL CAPITAL

HAYCARB RECORDED ITS HIGHEST REVENUE AND PRE- AND POST-TAX PROFIT IN ITS 49-YEAR OPERATING HISTORY DURING THE YEAR, RAISING THE BAR SET THE PREVIOUS YEAR. DESPITE THE CHALLENGING OPERATING ENVIRONMENT, STRATEGIC EMPHASIS ON EXPANDING OUR VALUE-ADDED PRODUCT RANGE AND DEEPER PENETRATION OF NEW AND EXISTING MARKETS, ALONGSIDE PROACTIVE MEASURES TO MANAGE COSTS AND SUPPLY DISRUPTIONS PLAYED A CRUCIAL ROLE IN DRIVING GROWTH AND PROFITABILITY DURING THE YEAR.

KEY HIGHLIGHTS IN 2021/22



HIGHEST REVENUE
30% ↑



HIGHEST PBT
4% ↑

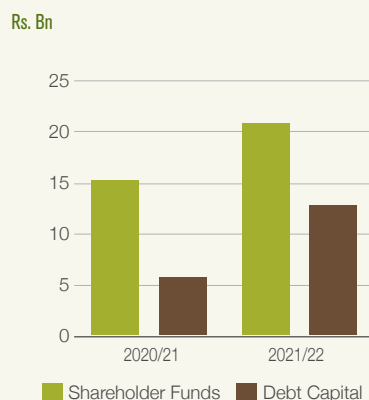


TOTAL ASSETS
58% ↑

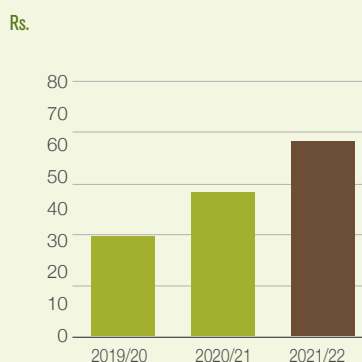
“

**Strong
performance
based on a robust
foundation”**

Total Funding Position

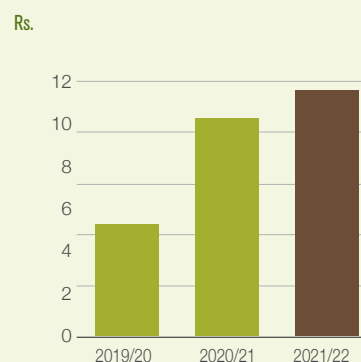


Net Assets per share



HIGHEST NAVPS
110% ↑ OVER 3 YEARS

Earnings per share



HIGHEST EPS
95% ↑ OVER 3 YEARS



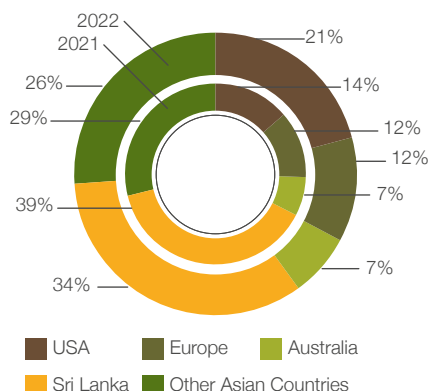
REVENUE

The Group recorded the highest revenue in its operating history with consolidated revenue expanding 30% to Rs.33.2 billion which translated to a 17% growth in USD terms to US\$ 157 million. Revenue growth was driven by the Activated Carbon segment, with revenue rising 33% to Rs. 30.9 billion supported by the segment's emphasis on expanding its value-added product range and deeper penetration of new markets. Strategic focus on developing new value-added activated carbon products which include superior wood carbons and hydrophobic 3S pellet carbons has augured well for the segment, enabling it to capitalise on new opportunities that emerge across the globe. The segment recorded positive top line growth across all regions with a notable increase of 100% from sales to the USA (80% growth of revenue in USD terms) reflective of the deeper market penetration and the potential of value added carbons discussed above. Resultantly, the proportion of revenue from this region increased to 21% in 2021/22 (2020/21: 14%). Revenue from Sri Lanka and other Asian countries continued to dominate the revenue mix at 34% and 26% respectively. Overall, the Activated Carbon segment accounted for 93% of the Group's total revenue increasing from 90% the previous year.

Meanwhile, revenue growth of the Environmental Engineering Solutions segment was impacted by the economic

downturn owing to the pandemic. Resultantly revenue dipped 2% to Rs. 2.3 billion during the year.

Revenue by Geographic Region

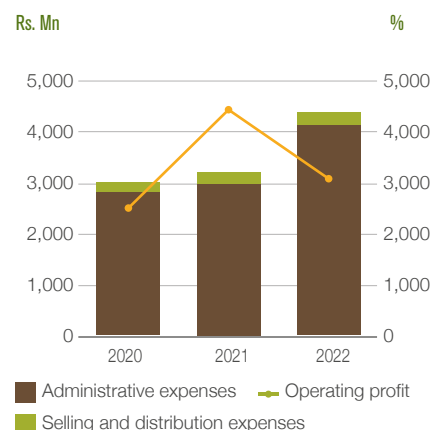


GROSS PROFIT

Rising costs of raw materials and other inputs including fuel and electricity and escalation in freight expenses in the Activated Carbon segment, weighed down overall margins resulting in a 4% decline in consolidated gross profit to Rs. 7.2 billion during the year. Further, the Environmental Engineering Solutions segment's increasing reliance on rural infrastructure projects with lower margin contribution also impacted consolidated gross profits. Consequently, the Group's consolidated GP margin narrowed to 22% in 2021/22 from 30% the previous year.

Meanwhile, ongoing investments to drive improvements in process efficiency through the implementation of Lean Management tools contributed a cost saving of Rs. 173 million during the year by minimising waste and improving efficiency.

Operating Profit



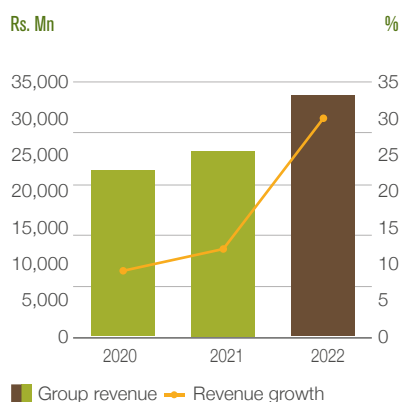
OVERHEAD EXPENSES

Consolidated operating expenses increased 37% to Rs. 4.39 billion with administrative and selling and distribution expenses increasing 39% and 18% respectively. In addition to increased operational activity across the Group, COVID related expenses and a 34% increase in employee remuneration, administrative expenses were also impacted by the depreciation of the rupee as overhead expenses incurred overseas rose in rupee terms.

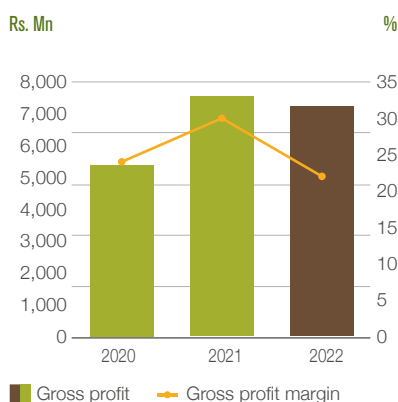
NET FINANCE INCOME

The Group's net finance income increased to Rs. 1.6 billion during the year from Rs. 48.8 million the previous year reflecting a sharp increase in finance income given the steep devaluation of the rupee in March 2022. Resultantly finance income increased to Rs. 2.32 billion in the current year from Rs. 372 million the previous year. Meanwhile, finance costs rose 123% to Rs. 722.7 million during the year, reflective of the Group's increased reliance on borrowings to finance capital expenditure and working capital investments and the prevailing rising interest rate environment.

Revenue



Gross Profit



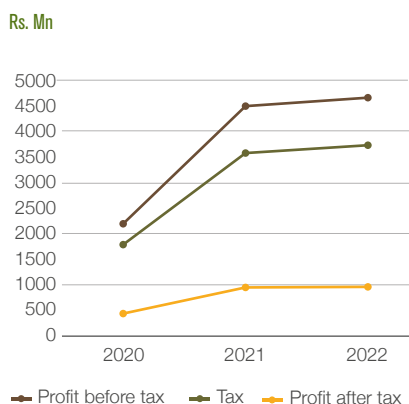
TAXATION

The Group's total tax contribution to the Government increased 46% to LKR 1.52 billion during the year including income tax and other taxes. The Group's tax payments are made in compliance with all legal requirements of each country of operations. The Group's tax strategy is directed by the Board of Directors and Audit Committee and implemented by the CFO and the finance team. Tax compliance of the Group is consistently monitored by the Internal Audit team and the external auditors. The CFO is responsible for liaising with the tax authorities regularly and filing all tax returns with the respective departments of inland revenue in a timely manner. The Group was fully compliant with all tax related regulations during the year.

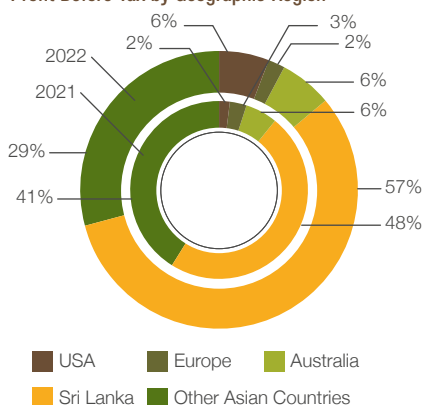
PROFITABILITY

Despite the challenges posed by the pandemic and the developments in the broader operating environment, the Group recorded its highest profit in its operating history. Consolidated pre-tax profits increased 3.6% to Rs. 4.6 billion during the year with the Activated Carbon segment contributing 98%. The segment's operations in Sri Lanka and the other Asian countries were the largest contributors at 57% and 29% respectively. The Group's profit after tax increased 4.3% to Rs. 3.7 billion, the highest profit the Group has recorded in its operating history.

Profitability



Profit Before Tax by Geographic Region



CASHFLOW

While the Group's operating cashflows strengthened significantly during the year, a steep increase in investments in working capital given the prevailing conditions led to a deterioration in net cashflow from operating activities. Net operating cashflows declined to negative Rs. 2.8 billion from Rs 2.1 billion as the Group consciously sought to secure inventories given supply chain disruptions and restrictions on imports. Net cash outflow from investing activities increased 66% to Rs. 1.5 billion as the Group expanded its value-added production capacity in Sri Lanka and at its overseas locations. Meanwhile net operating cashflows from financing activities reduced to negative Rs 816 million from negative Rs. 1.2 billion.

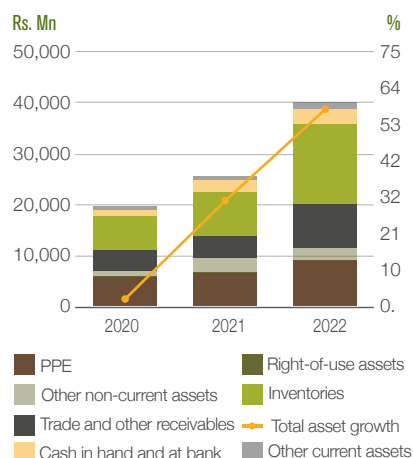
ASSET STRENGTH

The Group's consolidated assets comprise primarily the assets of the Activated Carbon segment accounting for approximately 93% of Group assets as at the year end. Resultantly consolidated asset growth of 58% to Rs. 40.0 billion as at the year end was driven by a 62% expansion in the Activated Carbon segment's asset base given investments in capacity expansion and working capital and the revaluation of its foreign assets in line with the depreciation of the Sri Lankan rupee. The Activated Carbon

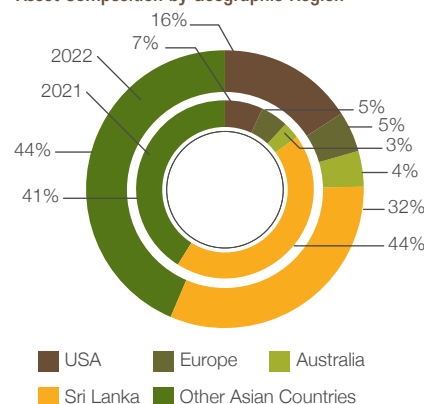
segment's asset base stood at Rs. 37 billion as at the year end with assets in Sri Lanka and other Asian Countries accounting for 32% and 43% respectively.

Group capital expenditure rose 59% during the year, as the Activated Carbon segment expanded its value-added production capability in Sri Lanka while driving further capacity enhancements at its overseas locations. Meanwhile investments in working capital expanded 90% to Rs. 19.9 billion as at the year-end as the Group consciously sought to secure inventories given supply disruptions and restrictions on imports. The increase in working capital investments was also impacted by the revaluation of inventories at overseas locations and trade receivables from overseas following the depreciation of the rupee.

Asset Composition and Growth



Asset Composition by Geographic Region



Reflecting the increased investments in working capital, the Group's asset composition tilted toward working capital investments as at end March 2022 with its proportion increasing to 50% as at end March 2022 from 41% as at end March 2021. Property, plant and equipment accounted for 22% of the asset base as the year end.

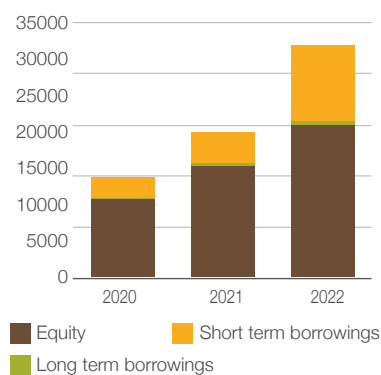
Group declared three interim dividends of Rs 0.75, Rs. 0.75 and Rs. 0.80 per share and has recommended a final dividend of Rs. 0.40 per share.

FUNDING PROFILE

The Group's funding profile remained healthy despite increased reliance on borrowings to fund investments in working capital and capital expenditure. While The Group's gearing ratio increased to 38% as at end March 2022 (2020/21: 27%), it remained healthy underpinned by a 37% expansion in equity to Rs. 20.8 billion. Total borrowings increased from Rs. 5.7 billion to Rs. 12.7 billion and stemmed primarily from the Activated Carbon segment reflective of its increased financing requirements for working capital and capex. Short-term borrowings accounted for 93% of total borrowings as at the year-end.

Funding Profile

Rs. Mn



SHAREHOLDER RETURNS

Value to shareholders was impacted given the challenging operating environment. Haycarb's market capitalization declined 46% to Rs. 14.9 billion in line with the broad market decline despite an 8% increase in earnings per share to Rs. 11.06/-. The

SOCIAL & RELATIONSHIP CAPITAL

OUR SOCIAL AND RELATIONSHIP CAPITAL COMPRISES THE LONG-STANDING RELATIONSHIPS WE HAVE NURTURED WITH OUR CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND COMMUNITIES.

KEY STRATEGIES IN 2021



NEW CUSTOMER ACQUISITIONS IN EMERGING MARKETS WHILE SERVING OUR EXISTING CUSTOMER BASE.



STRENGTHEN THE SUPPLY CHAIN BY EXPANDING THE HARITHA ANGARA PROGRAMME AND COLLECTION OF DOMESTIC USE COCONUT SHELLS.



COLLABORATE WITH BUSINESS PARTNERS TO ENHANCE VALUE CREATION.



DEVELOP CSR ACTIVITIES THROUGHOUT OUR MANUFACTURING LOCATIONS.

PLANS FOR 2022

- New customer acquisition in energy storage and chloramine removal applications
- Enhanced engagement in large scale B2B projects and foreign funded infrastructure scale water/wastewater treatment projects
- Continue to strengthen local supply chain by expanding the Haritha Angara programme in Sri Lanka and Indonesia.
- Collaborate with business partners to enhance value creation.
- Support the development of new Puritas Sath Diyawara projects and maintain existing projects
- Facilitate online education for 100 schools in Sri Lanka.

GLOBAL VALUE CHAIN

NEW SUPPLIERS
OVER 65

INVESTMENT IN SUPPLIER DEVELOPMENT
RS.73 MN

ACTIVATED CARBON SEGMENT CUSTOMER RETENTION RATE
99%



CUSTOMER SATISFACTION SCORES

ACTIVATED CARBON
> 80%

ENVIRONMENTAL ENGINEERING SOLUTIONS
>85%

KEY ELEMENTS OF OUR SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS
Over 500
customers in over
50 countries



SUPPLIERS
Over 400 suppliers
across several
countries



COMMUNITIES
Supporting local
communities



BUSINESS PARTNERS
Long-standing
relationships with
business partners.



» **VALUE CREATED** «

COMMUNITIES

PURITAS SATH DIYAWARA AND GOING BEYOND BOOK DISTRIBUTION PROJECT CUMULATIVE INVESTMENT

in collaboration with Hayleys group
companies

RS. 111 MN

NO. OF BENEFICIARIES

Puritas Sath Diyawara
and Going Beyond

59,918



CUMULATIVE INVESTMENT
IN UPLIFTING FACILITIES OF
GOVERNMENT HOSPITALS
DURING COVID-19

RS. 21MN

SUPPORTING THE WELL-BEING OF OUR LOCAL COMMUNITIES THROUGH THE PROVISION OF
POTABLE WATER AND COMMUNITY UPLIFTMENT.

OUR CONTRIBUTION TO
THE SDGS



SOCIAL &
RELATIONSHIP CAPITAL

MANAGING OUR RELATIONSHIPS

Haycarb's approach to managing its social and relationship capital is guided by the Hayleys Lifecode, and ESG framework which clearly set out the Group's commitment to environmental, social and governance targets along with a clear action plan for achieving these targets by 2030. Hayleys' commitment to customers, suppliers and the community is as follows.

CUSTOMER
RELATIONSHIPS

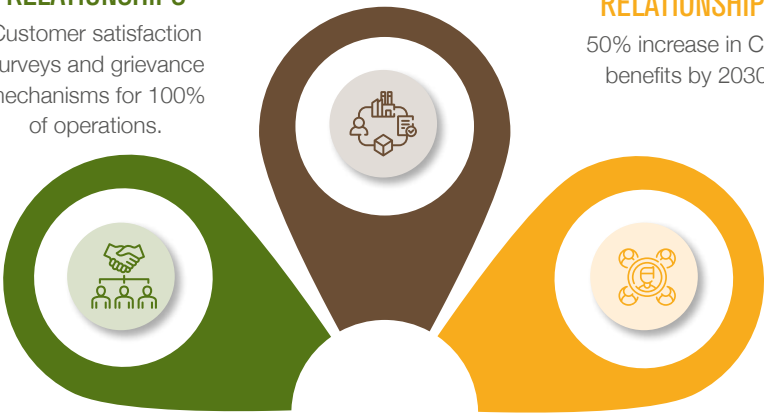
Customer satisfaction surveys and grievance mechanisms for 100% of operations.

SUPPLIER RELATIONSHIPS

40% of suppliers to be screened on social and environmental criteria

COMMUNITY
RELATIONSHIPS

50% increase in CSR benefits by 2030.



Going Beyond book distribution at Anandodaya Primary College, Meegassegama



Micro-entrepreneur supplier partnerships



2022 Filtech exhibition - Germany



2022 WQA Convention and Exposition - Florida USA



"Going Beyond" book distribution project

SOCIAL & RELATIONSHIP CAPITAL

CUSTOMER RELATIONSHIPS

GRI 408-1, 416-2, 417-1-3



CUSTOMER PROFILE

ACTIVATED CARBON SEGMENT

Customers of the activated carbon segment comprise global distributors and end-customers in over 50 countries across the world.

ENVIRONMENTAL ENGINEERING SOLUTIONS SEGMENT

Environmental Engineering Segment has a diverse customer base ranging from municipalities and institutions through water treatment solutions to consumers through the activated carbon product range.

The activated carbon segment's global customer base comprises over 300 customers and is graphically depicted below.



ACHIEVEMENTS IN 2021/22

During the year, the Activated Carbon segment onboarded 30 new customers from 16 regions in multiple categories while continuing to service its existing customer base.

The Environmental Engineering Solutions segment carried out 50 projects in Sri Lanka and 6 projects in the Maldives.



CUSTOMER VALUE PROPOSITION



CUSTOMER ENGAGEMENT

Pro-active engagement with customers to understand and anticipate their needs through

- » Customer visits
- » Social media
- » Haycarb virtual experience – a platform that facilitates a virtual tour of factories along with key sales and technical teams.

PRODUCT RANGE

A complete range of products and services from activated carbon products, regeneration of spent carbon to designing and implementation of environmental engineering systems.

ACTIVATED CARBON PRODUCT RANGE



Activated Carbons

- » Granules and Fines
- » Powders
- » Pellets
- » Washed carbons
- » High purity products
- » Impregnated carbons

CUSTOMER VALUE PROPOSITION

Creating value for customers forms the core of our business strategy. We strive to foster long term relationships with our customers through a holistic value proposition that encompasses design, production, and delivery of high-quality activated carbons as well as regeneration of spent activated carbon. Multiple production locations combined with our unique business model of managing the entire value chain from raw material selection to manufacture and delivery of the end-product, have enabled the timely delivery of superior products to our customers. The value we create for our customers is presented below.

INNOVATION

Introduction of new products that meet emerging needs of customers at competitive prices through product and process innovation (Refer Intellectual Capital for more details)

PRODUCT QUALITY

Production of high-quality products and services are ensured through the management of the entire supply chain, a stringent quality assurance process and compliance with a range of international and local certifications.

RESPONSIBLE PRACTICES AND MARKETING

GRI 416-1,2 - 417-1-3

The Group's production practices comply with all laws and regulations of the country in which it operates in. During the year, there were no incidents of non-compliance with regards to laws, regulations or standards relating to customer health and safety and marketing communications. There were no incidents of non-compliance concerning health and safety impacts of products and services reported during the year. We also adhere to a strict no child labour policy across the value chain.

Marketing and labeling of products are done based on customer requirements and there are no significant incidents of non-compliance concerning product and service information and labeling reported.

ENVIRONMENTAL ENGINEERING SOLUTIONS PRODUCT RANGE



**Environmental
Engineering
Solutions**

- » Water treatment for industries and municipalities
- » Sewage water treatment
- » Industrial effluent water treatment
- » Containerised treatment systems
- » Activated carbon products – Oxypura product range.



CUSTOMER SATISFACTION

CUSTOMER SATISFACTION

GRI 418-1

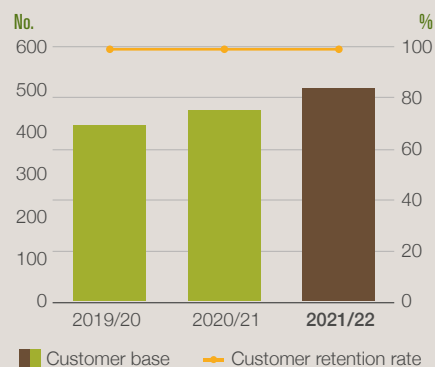
Customer satisfaction is monitored through feedback forms that track multiple indicators relating to engagement, quality, packaging, delivery, complaint resolution among others. Our customer satisfaction scores, customer retention rate and long-standing relationships with our customers are testament to our commitment to creating value for our customers. There were no substantiated complaints concerning breaches of customer privacy and losses of customer data reported.

CUSTOMER SATISFACTION SCORES

>80% Activated Carbon | **>85%** Environmental Engineering

CUSTOMER BASE AND RETENTION RATE

Customer Retention Rate



LONG-STANDING CUSTOMER RELATIONSHIPS

- » > 35-year relationship with one of the largest distributors for the gold mining industry
- » > 25-year relationship 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 relationships with several multi-national end users who buy products ranging from high-end respirator carbons to cigarette filters.

SOCIAL & RELATIONSHIP CAPITAL

SUPPLIER RELATIONSHIPS

GRI 203-2, 204-1, 308-1, 414-1

Supplier profile

The Group's Activated Carbon segment's supply chain partners include suppliers of raw materials, chemicals, packaging materials and service providers. Our supplier base consists of over 400 suppliers of whom approximately 350 are microentrepreneurs who supply coconut shell charcoal. The Group has invested significant resources to develop a supplier network for each of its manufacturing locations while also establishing partnerships with suppliers in India and Philippines. Proportion of raw materials sourced locally by each manufacturing location during the year is given in the table below.

Location	Proportion of Raw Materials Sourced from Local Suppliers
Sri Lanka	77%
Indonesia	100%
Thailand	100%

57.5% of the total supply cost composition amounting to Rs. 15.1Bn payments were made to local suppliers during the year. Further 6% of new suppliers were screened using environmental and social criteria in the local market.

The Environmental Engineering Solutions segment's supply chain partners comprise primarily of suppliers of chemicals and equipment. The segment works with



approximately 20 suppliers located in multiple countries including China, Taiwan, Thailand, Japan, Singapore, and Europe.

SUPPLIER VALUE PROPOSITION

Our approach to procurement is designed to create shared and sustainable value for our suppliers that extends beyond transaction-based purchasing. Our supplier value proposition is described in the diagram above.

Considerable investments have been made to develop a strong supplier network of coconut shell charcoal in Sri Lanka, Indonesia and Thailand through a holistic value proposition that includes technical and financial assistance and ethical procurement practices. This has ensured an uninterrupted supply of high-quality coconut charcoal and long-term relationships with our suppliers.

Average Length of Sri Lankan Supplier Partnerships

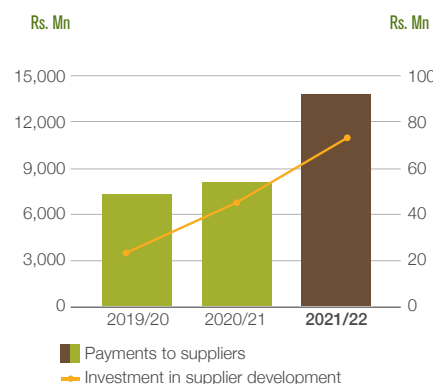
Duration	%
>1 year	44%
1-5 years	17%
5-10 years	12%
10-20 years	18%
>20 years	9%

SUPPLIER ASSESSMENT

GRI 308-1, 408-1, 414-1

Supplier assessments are carried out taking into consideration a range of social and environmental criteria. Some of the criteria considered are listed alongside.

Investment in our suppliers



SUPPLIER ASSESSMENT

- » Quantity provided
- » Quality - moisture content and presence of foreign matter
- » Timeliness of delivery
- » Zero use of child labour
- » Environmental assessment

HAYCARB “HARITHA ANGARA” PROGRAMME

GRI 203-1-2, 414-2

Launched in 2014, Haycarb’s “Haritha Angara” programme is a unique, award-winning initiative that encourages the adoption of environmentally friendly charcoaling practices by our suppliers in Sri Lanka. Our proprietary closed-pit charcoaling methodology ensures pollution-free production of high-quality coconut shell charcoal while contributing towards the socio-economic progress of our suppliers.

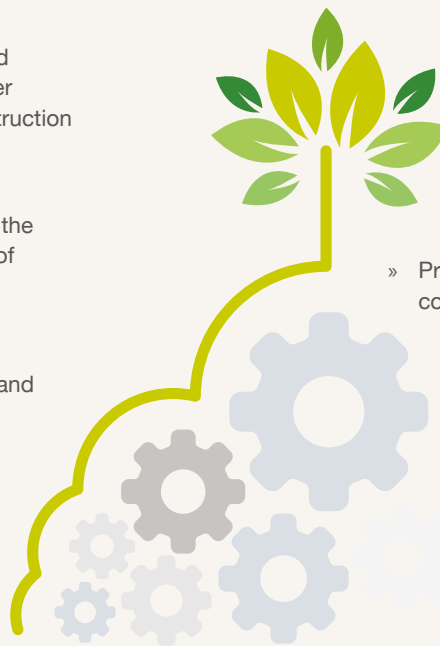
The “Haritha Angara” programme has facilitated the construction of almost 400 pits with a capacity to yield approximately 5,000 MT of charcoal per month. The programme has also benefited over 40,000 families over the years.

During the period under review, 50 pits were constructed, and over 30 suppliers were assisted to mechanize their production facilities for efficient and safe production at an investment of Rs. 73 million.



“Haritha Angara” eco-friendly charcoaling technology

- » Provision of engineering design and regular supervision to ensure proper standards are met during the construction stage.
- » Training programmes on operating the charcoaling pits and maintenance of the system.
- » Financial assistance to set up pits and chambers for charcoaling.



- » Pricing and procurement in line with marketing conditions and upfront payments for deliveries

Province	No. of new “Haritha Angara” suppliers added during the year	Total number of “Haritha Angara” suppliers
Western	1	20
Central	1	1
Northern	1	3
North Central	5	21
North Western	21	161
Uva	0	2
Southern	1	15
Sabaragamuwa	0	11
Eastern	0	2
Total	30	236

Meanwhile, in Thailand, we invested resources through our environmental friendly vertical kiln charcoaling project to improve the shell to charcoal conversion yield by 27% through process improvements and lean initiatives.

We also commenced a pilot programme on “Haritha Angara” in Indonesia in 2021.

COMMUNITY RELATIONSHIPS

GRI 413-1, 2



PURITAS SATH DIYAWARA

Aligned with the UN CEO's Water Mandate, our flagship CSR initiative, "Puritas Sath Diyawara" leverages on our Environmental Engineering Segment's expertise in water treatment to provide purified potable water to people in areas affected by Chronic Kidney Disease (CKD). This initiative was launched in 2014 and is now in its 8th year of operation. This project involves the setting up of a reverse osmosis water treatment plant and distribution system (through docking stations) to provide clean drinking water to the communities it serves.



CUMULATIVE BENEFIT

Rs. 82 Mn
CUMULATIVE INVESTMENT

19
TOTAL PROJECTS

190,000 litres
WATER PURIFIED PER DAY

43,808
PEOPLE BENEFITED

275
DIRECT JOB OPPORTUNITIES





PURITAS SATH DIYAWARA – GOING BEYOND

“Going Beyond” is an extension of the “Puritas Sath Diyawara” programme and strives to address the broader socio-economic needs of the people living in the CKD affected areas. Key initiatives implemented through this programme include the provision of infrastructure and facilities for school children, empowering youth and women and uplifting domestic entrepreneurship. Highlights of the programme are given below.

2021/22



14
Schools



3,547
Children



Rs. 4.4 Mn
Investment

CUMULATIVE BENEFIT



14
Schools



16,110
Children



Rs. 28.8 Mn
Investment

OTHER COMMUNITY ENGAGEMENT INITIATIVES UNDERTAKEN DURING THE YEAR



- » Supporting the society through the provision of medical equipment and supplies to hospitals during the Covid-19 pandemic
- » Providing books and essentials to neighboring communities
- » Tree Planting - Thailand
- » Sea turtle conservation - Kumana National Park, Sri Lanka

We have positive impact on local communities with our conversion to eco-friendly charcoaling systems. We continue to monitor our impact on local communities to identify potential negative impacts.

Donations to Hospitals	Amounts (Rs. '000)
Medical Equipment & Accessories to National Institute of Infectious Diseases. (IDH)	1,764
Donation to Base Hospital Kandy	363
26,000 bottles of Activated Carbon to Government Hospitals	927
Haycarb's contribution to the collaborative effort to equip Covid High Dependency Unit at Horana Hospital with other sectors of Hayleys Group	5,577
Total Donation to Hospitals	8,632



Sea turtle conservation - Kumana National Park, Sri Lanka



Token of appreciation presented by the IDH hospital

RELATIONSHIPS WITH BUSINESS PARTNERS GRI 2-28

JOINT VENTURE PARTNERS IN THAILAND AND INDONESIA

Haycarb's joint venture partnerships have added value to operations in Thailand and Indonesia over the years, and is a core strength to leverage for future growth

- » Managing the local raw material procurement network
- » Marketing and management of activated carbon sales in Thailand and Indonesia
- » Managing industrial relations
- » Community engagement



INDUSTRY INITIATIVES AND ASSOCIATIONS

Haycarb collaborates with external institutions on several industry initiatives that contribute towards the advancement of the industry. Some of these are described below.



Institute	Nature of the programme
Coconut Research Institute of Sri Lanka	Haycarb's Research and Development Division supports research related to the various properties of coconut shells.
Institute of Engineers Sri Lanka	Three mentors from our Project Engineering Division support a mentoring and apprenticeship programme where Engineering graduates and undergraduates are trained to develop the practice of systematic design.





VEOLIA (SRI LANKA)

Environmental Engineering Solutions' relationship with Veolia, a French transnational and the world's largest water service provider, specialising in water management, wastewater management and energy services has enabled,

- » The introduction of the latest European technology and expertise to Sri Lanka
- » The development of large-scale water and wastewater treatment systems for communities in Sri Lanka.



SUBCONTRACTORS (SRI LANKA)

Environmental Engineering Solutions works with over 48 subcontractors to deliver its water and wastewater treatment solutions in Sri Lanka, Maldives and other overseas markets in the region.



MEMBERSHIPS IN INDUSTRY ASSOCIATIONS

GRI 2-28

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

FRONT-END PARTNERS

We collaborate with a range of front-end partners with respect to technical, product and market development activities.

MANUFACTURED CAPITAL

THE GROUP'S MANUFACTURED CAPITAL IS A VITAL COMPONENT OF THE VALUE CREATION PROCESS, ENABLING THE MANUFACTURE OF ACTIVATED CARBONS OF SUPERIOR QUALITY THAT CONSISTENTLY MEET THE STRINGENT REQUIREMENTS OF CUSTOMERS.

KEY STRATEGIES IN 2021



EXPAND WASHED CARBON CAPACITY IN THAILAND.



INTRODUCE PROCESS CAPABILITIES FOR PROCESSING ALTERNATE RAW MATERIALS AND PRODUCTS IN INDONESIA.



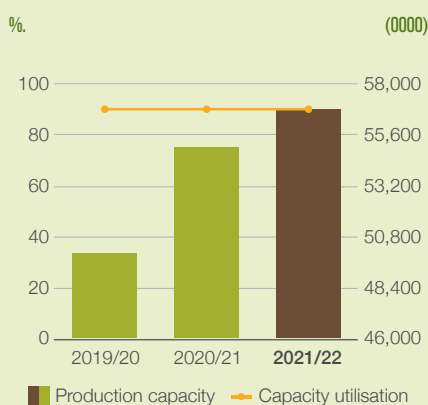
ENHANCE OVERALL CAPACITY IN SRI LANKA.
INTRODUCTION OF WOOD SUPER PREMIUM CATALYST CARBON PROCESS.

PLANS FOR 2022

- Expand the geographical distribution of the manufacturing footprint
- Capacity and process enhancements at existing facilities.
- Expand our high value-added product manufacturing capabilities



Production Capacity and Utilisation



PPE
25%
OF TOTAL ASSETS

RETURN ON
MANUFACTURED CAPITAL
25%

PRODUCTION CAPACITY
**56,800 MT
PER ANNUM**

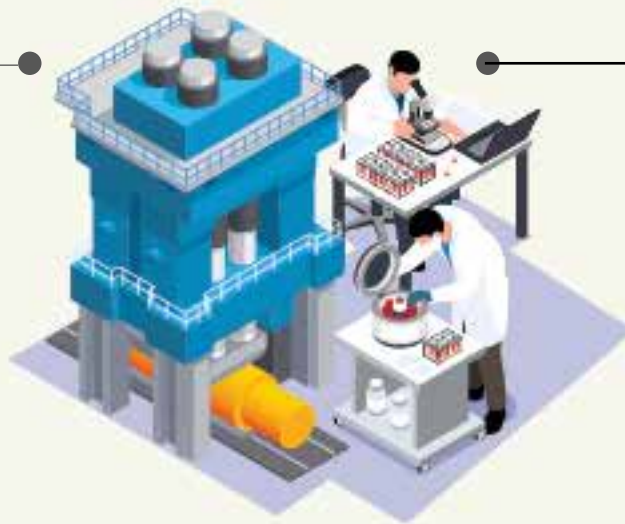
CAPACITY UTILISATION
90%

KEY ELEMENTS OF OUR MANUFACTURED CAPITAL



MANUFACTURING FACILITIES

Seven factories located in three countries with a total production capacity of 56,800 MT of activated carbon per annum .



LABORATORY FACILITIES

State-of-the-art laboratory facilities that support our dedication to innovation, technical excellence, and quality assurance

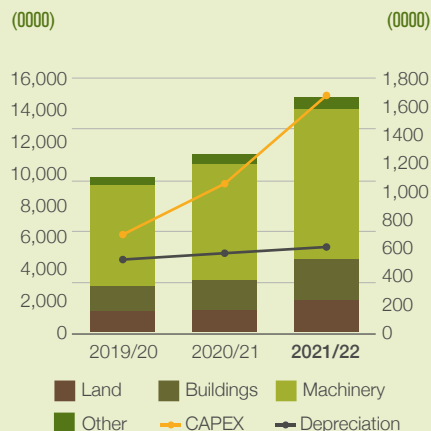
» VALUE CREATED «



CAPEX EXPENDITURE DURING 2021/22

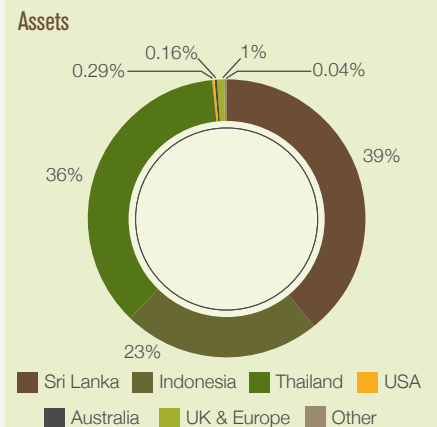
RS. 1,678MN

Manufactured Capital



ASSETS IN SRI LANKA AND OTHER ASIAN COUNTRIES

99% OF TOTAL ASSETS



OUR CONTRIBUTION TO THE SDGS



MANUFACTURED CAPITAL

“

The Group's PPE of Rs. 8.9 billion comprises primarily of state-of-the-art manufacturing facilities that can produce a range of standard and value-added carbon products that are used in a wide array of applications. Our manufacturing locations are strategically located in regions with convenient access to our primary raw material, coconut shell charcoal. ”

PERFORMANCE ENHANCEMENT

In congruence with the Group's strategic focus towards driving production efficiencies and minimising waste, Lean Six Sigma methodology, 5S and Kaizen have been implemented across all its production facilities. These initiatives have nurtured a culture of 'zero product defects' which has enhanced the quality of our products while minimising costs associated with waste. Accordingly, we have maintained a zero-defect standard in the production of the EDLC carbon range since its inception. During the year under review, 33 lean initiatives were carried out across all facilities and generated a cost saving of Rs. 174 million.

MAINTENANCE

Preventive and Total Productive Maintenance (TPM) is carried out on our plant and

machinery to increase efficiency and minimise the risk of production interruptions.

LABORATORY FACILITIES

Fully-equipped quality control laboratories located at all our manufacturing facilities and the state-of-the-art high-end analytical laboratory at head office facilitate technical excellence and Quality Management Systems across our production process. Our laboratories are equipped with state-of-the-art equipment to carry out standard and specific testing of carbon ensuring our products consistently meet the specific technical requirements of our customers. Laboratory technology also supports the Group's continuous research and development initiatives enabling the introduction of new products for emerging applications. Key capabilities of our laboratories are listed below.

ACTIVATED CARBON PRODUCTION CAPACITY

56,800 TPA

VALUE ADDED CARBON PRODUCTION CAPACITY

18,500 TPA

COST SAVING THROUGH LEAN INITIATIVES

RS. 173 Mn



Conducting Acetone Activity Test on activated carbon



Determination of Iodine number of activated carbon



Conducting Particle Size Distribution test by Laser unit

Equipment	Capability
Inductively coupled plasma mass spectrometric (ICP-MS) analyser	Capable of measuring metal constituents in activated carbon even at very low levels (ppt level)
Atomic absorption spectroscopy (AAS)	Capable of measuring metal constituents in activated carbon
ONH Element analyser	Measures surface function groups in surface modified/ treated activated carbon
Surface area analyser	Measures pore geometry of activated carbon (internal pore area, pore diameter, pore size distribution, pore volumes of micropores and meso pores)

In addition, laser particle size analysers are available at most of our manufacturing locations (2 factories in SL and 2 factories in Thailand).

The Environmental Engineering Services Segment is equipped with modern laboratory facilities to carry-out advanced analysis related to environmental engineering solutions for rare and special effluent, new product

development, process improvements and capacity augmentation. Our laboratory facility is registered under Central Environment Authority as a laboratory for environmental monitoring and evaluation.



Moving bed dryer



Rotary dryer



Deionised water plant



Quality assurance: Charcoal procurement



Pulverising plant



Powder classification process

MANUFACTURED CAPITAL

WAREHOUSING

Haycarb has an extensive warehouse network to store raw materials, semi-finished and finished products. Warehousing facilities

are available at each production location as well as within proximity to seaports to facilitate the shipping of our finished goods. In addition, we also have access to

warehousing facilities at key geographical locations around the world minimising delivery lead times. .

SRI LANKA

THAILAND

INDONESIA

AUSTRALIA

UNITED KINGDOM

USA

GERMANY

POLAND



MANUFACTURING FACILITIES

Sri Lanka

Haycarb's activated carbon segment manages four manufacturing facilities in Sri Lanka of which details are given below.

Manufacturing Locations and Key Capabilities

SRI LANKA



Manufacturing Location	Key Capability
Haycarb Madampe	Specialised in standard and value added carbons including washed carbon and impregnated carbon manufacturing facilities
Haycarb Badalgama	Specialised in standard and value added carbons including washing, and pellet carbon manufacturing facilities
Ultracarb	High tech manufacturing facility for applications in energy storage
Recogen	Sustainable manufacturing of Charcoal through a mechanized process with integrated power generation

The Group invested Rs. 952.5 million during the year to strengthen its manufacturing capabilities in Sri Lanka. Key initiatives undertaken during the year are listed below .



INCREASED ACTIVATION, POST ACTIVATION, WASHING AND PELLET CAPACITY



INCREASE IN MATERIAL AND FUEL STORAGE CAPACITIES



INFLUENT AND EFFLUENT TREATMENT FACILITIES ENHANCEMENT



ENHANCEMENT OF BACK-UP POWER EQUIPMENT



INNOVATIVE HEALTH AND SAFETY MEASURES



Total Production Capacity

31,800 TPA

INDONESIA

Haycarb's activated carbon segment manages two manufacturing facilities in Indonesia of which details are as follows.

Manufacturing Locations and Key Capabilities

Manufacturing Location	Key Capability
Mapalus Makawanua-Bitung	Specialised in standard and value added carbons including washed carbon facilities
Haycarb Palu Mitra-Palu	Standard carbon manufacturing

The Group invested Rs. 59.1 million during the year to strengthen its manufacturing capabilities in Indonesia.

INDONESIA



TOTAL PRODUCTION CAPACITY

13,000 TPA

THAILAND

Haycarb's activated carbon segment manages two manufacturing facilities and one regeneration facility in Thailand of which details are as follows.

Manufacturing Locations and Key Capabilities

Manufacturing Location	Key Capability
Carbokarn-Chonburi	Specialised in standard and value added carbons including washed carbon facilities
Shizuka-Ratchaburi	Standard carbon manufacturing
CK Regen Systems-Chonburi	Regeneration of spent carbon

The Group invested Rs. 653.9 million during the year to strengthen its manufacturing capabilities in Thailand. Key initiatives undertaken during the year are listed below.



ENHANCED THE WASHED CARBON CAPACITY BY 70%



INCREASED POST ACTIVATION CAPACITY



INFRASTRUCTURE DEVELOPMENT



INFLUENT AND EFFLUENT WATER TREATMENT FACILITIES ENHANCEMENT



INTRODUCTION OF PROCESS CAPABILITIES TO FACILITATE PRODUCTION OF IMPREGNATED CARBONS RANGE

THAILAND



TOTAL PRODUCTION CAPACITY

12,000 TPA



TOTAL REGENERATION CAPACITY

2,000 TPA

HUMAN CAPITAL

OUR TECHNICALLY COMPETENT AND DIVERSE TEAM REPRESENT A KEY STRATEGIC ADVANTAGE OF THE GROUP. DESPITE THE CHALLENGES POSED BY THE PANDEMIC, OUR TEAM WAS MOTIVATED AND RALLIED TOGETHER TO ENSURE BUSINESS CONTINUITY ENABLING SHARED VALUE CREATION.

KEY STRATEGIES IN 2021



CREATING A HEALTHY AND SAFER WORKPLACE



CREATING A GREAT PLACE TO WORK



CREATING A LEARNING ORGANIZATION



CREATING A CULTURE FOR PRODUCTIVITY IMPROVEMENT

PLANS FOR 2022

- Support wellbeing and income security of our employees.
- Increase training and development opportunities to support professional progression
- Recruit the right people at the right time with the required skills, education, knowledge and aptitude to meet the current and future HR needs
- Motivate and empower our workforce and minimise attrition.
- Shared value creation
- Identify successors for critical jobs / functions and arrange Personal Development Plans

STRINGENT COVID-19 PREVENTION MEASURES WHICH COMPLY WITH THE CERTIFICATE OF CONFORMITY

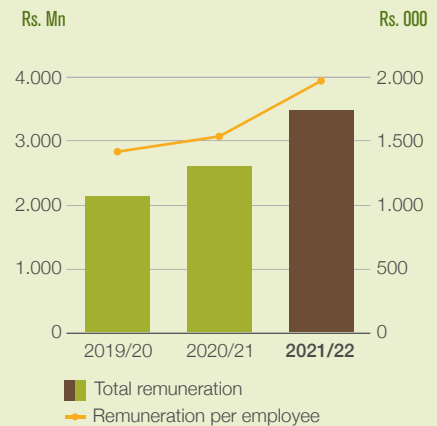
COVID-19 MANAGEMENT SYSTEM SLS 1672: 2020

AWARDED BY SLSI - SRI LANKA.

EMPLOYEE RETENTION RATE
95.1%

ZERO
FATAL WORKPLACE ACCIDENTS

Employee Remuneration



FULL REMUNERATION, BONUSES AND INCREMENTS WERE PAID TO ALL EMPLOYEES DESPITE THE CHALLENGING OPERATING ENVIRONMENT



KEY ELEMENTS OF OUR HUMAN CAPITAL



1,768 EMPLOYEES
ACROSS 7 COUNTRIES



ACTIVATED CARBON SEGMENT
1,655 EMPLOYEES IN
6 COUNTRIES



ENVIRONMENTAL ENGINEERING
SEGMENT
113 EMPLOYEES IN
2 COUNTRIES

» VALUE CREATED «



INVESTMENT IN CREATING A
HEALTHY AND SAFER WORK
ENVIRONMENT
RS. 40 MN



PERMANENT EMPLOYEES
RECEIVING REGULAR
PERFORMANCE REVIEWS
100%

FEMALE REPRESENTATION AT
BOARD MEMBER LEVEL
20%

OUR CONTRIBUTION TO
THE SDGS



HUMAN CAPITAL

HR departments have been established at all production locations and are headed by the HR manager. HR departments at overseas locations are headed by nationals of the respective country, facilitating cultural sensitivity, and ensuring adherence to country-specific regulatory requirements.

The overarching HR policies of the Group are uniformly applied across its operations in Sri Lanka and overseas and adhere to all

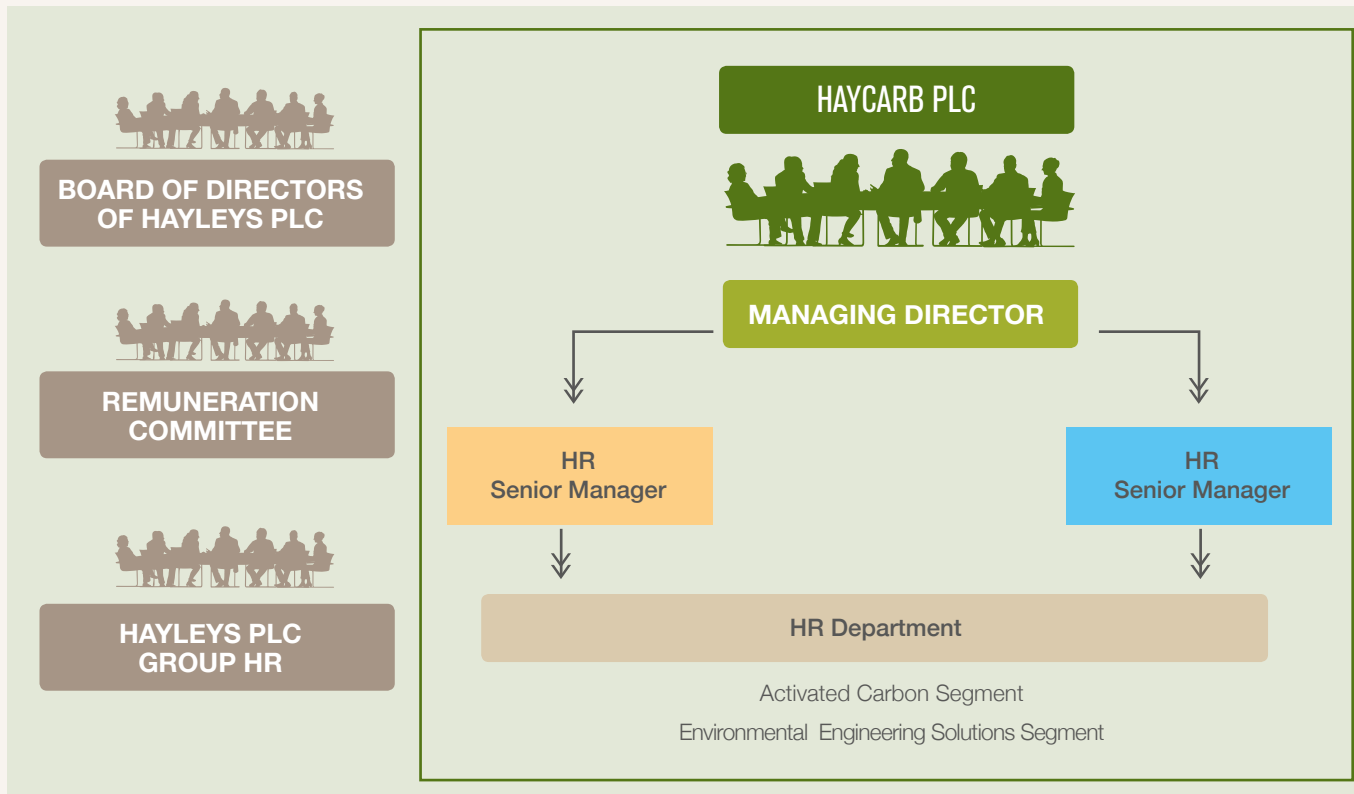
country-specific regulatory requirements. HR policies are formulated at the Group Head Office in Sri Lanka and communicated by the HR senior managers to the Heads of HR at each overseas location via the Country Head. These include policies on recruitment, equal opportunity, anti-sexual harassment as well as a dedicated grievance handling mechanism for harassment related grievances.

OUR HR STRATEGY

Our HR Strategy is broadly aligned with the Hayley's Group ESG framework – the Hayley's Lifecode – and is designed to motivate and inspire our workforce while driving commitment to business continuity despite challenges posed by the environment to facilitate shared value creation.

HR GOVERNANCE

Haycarb's HR governance structure and policy framework is aligned with that of its parent entity, Hayleys Group and adheres to all regulatory requirements and industry best practices. The HR governance structure at the Head Office is given below.



ENGAGED TEAM

100% coverage of anti-discriminating training by 2030 to build an inclusive workforce.

HAYLEYS LIFECODE



HEALTH, SAFETY AND WELL-BEING

Zero workplace injuries/deaths by 2030.

HR POLICIES

- » Industrial Relations
- » Grievance Handling
- » Recruitment
- » Learning and Development
- » Talent Management and Succession Planning
- » Performance Management
- » Anti-Sexual Harassment
- » Whistleblower
- » Human Rights
- » Health and Safety
- » Recruitment and Selection
- » No Forced Labour
- » Minimum Age Policy
- » No Discrimination Policy
- » Disciplinary Policy

HAYCARB'S HR STRATEGY



TEAM PROFILE GRI 2-7,8, 408-1,409-1

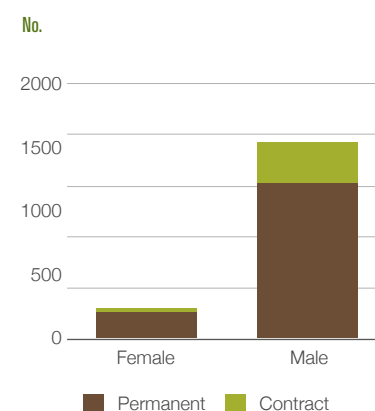
THE HAYCARB TEAM

The Haycarb team comprises 1,768 employee, with 80% of the total staff cadre employed on permanent contracts. The Group does not employ staff on a part-time basis. Child labour, forced or compulsory labour is not endorsed in the company and no incidents have been reported.



Factory team meetings

Employees by Contract and Gender

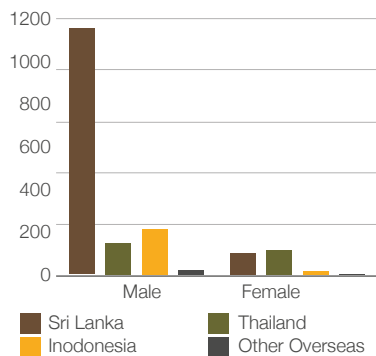


Outsourced employees account for approximately 5-10% of the workforce and handle loading and unloading at production locations, janitorial services and security.

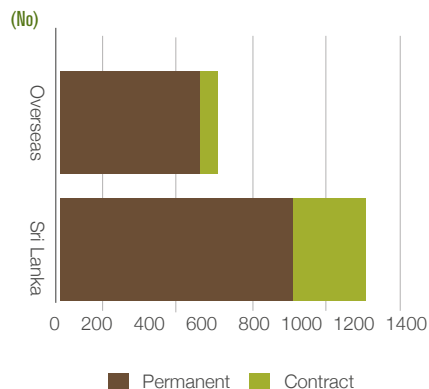
REGIONAL DISTRIBUTION

Of its 1,768 employees, 1,167 are based in Sri Lanka. The regional distribution of the Group's staff cadre is given below.

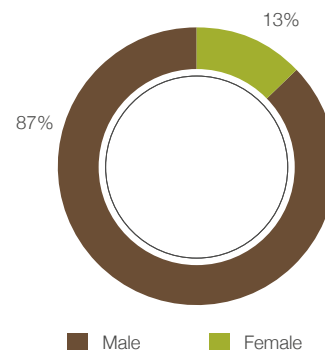
Regional Distribution
(No)



Employees by Contract and Region



Gender Diversity



TRADE UNION REPRESENTATION

53.8%

of Haycarb's staff cadre at the Sri Lankan factory are members of trade unions.

DIVERSITY AND INCLUSION PROFILE

GRI 406-1

Haycarb is committed to building a diverse talent pool facilitated through its policy framework which includes equal opportunity, anti-sexual harassment and a dedicated grievance handling mechanism for harassment related grievances.

Nevertheless, women comprised 13% of the total workforce reflecting the larger trend in the industry. Female representation at the Board level stood at 20%. The company adopts a no discrimination mindset on recruitments, promotions and performance management and there were no incidents of discrimination reported during the year.

By category	Male	Female
Senior Manager and above	29	2
Assistant Managers and above	60	6
Executives	215	45
Non-Executives	1,231	180



HayVAP factory



Haycarb Badalgama factory

RECRUITMENT AND RETENTION

GRI 401-1

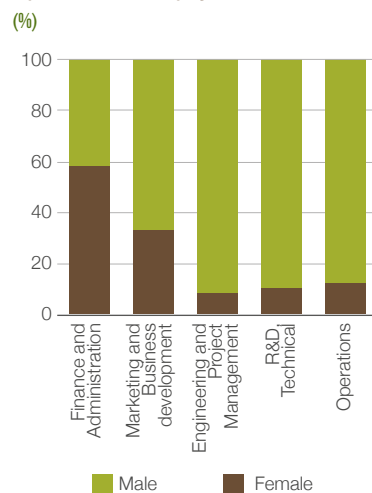
Haycarb has healthy levels of employee retention reflecting employee loyalty and the efficacy of its employee value proposition. Approximately 55.6% and 38.6 % of employees at the executive level and above completed over 5 and 10 years of service respectively during the year and were recognised for their service to the Group. The ability to retain and develop our team has played a vital role in reinforcing our competitive edge as it has ensured the retention of tacit knowledge and allowed knowledge sharing across our operational locations.

The company recruited 314 employees and maintains a retention rate of 95% for the year.

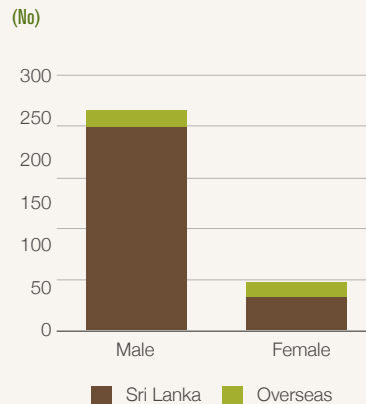
Recruitments are carried out according to formal, transparent procedures as specified in our recruitment policy. We strive to attract the best talent in the market through a holistic employee value proposition which includes competitive remuneration and opportunities for development and career progression.

Exit interviews are conducted at the time of resignation: 10% of the resignations represented the female employees in tandem with the female representation in the total workforce.

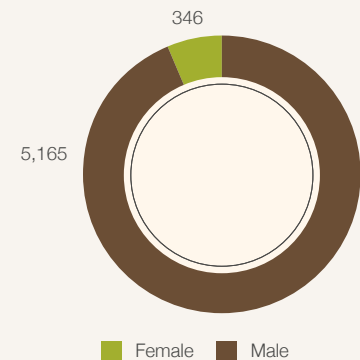
Department-wise Employees Breakdown



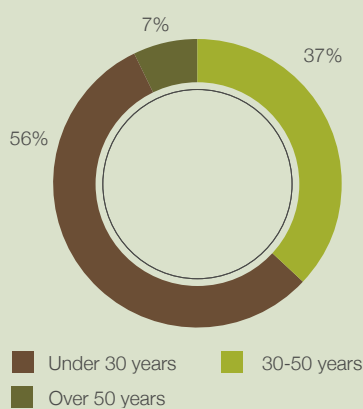
Recruitment by Gender and Region



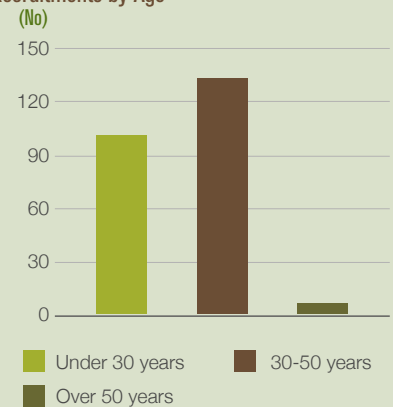
Training hours by gender



% of Employees by Age



Recruitments by Age



Employee turnover

	Below 30		30-50		50 or more	
	M	F	M	F	M	F
Local	85	5	83	3	4	2
Overseas	11	-	32	15	-	-



Sports Day at Carbokarn

HEALTH AND SAFETY

GRI 403-1-10

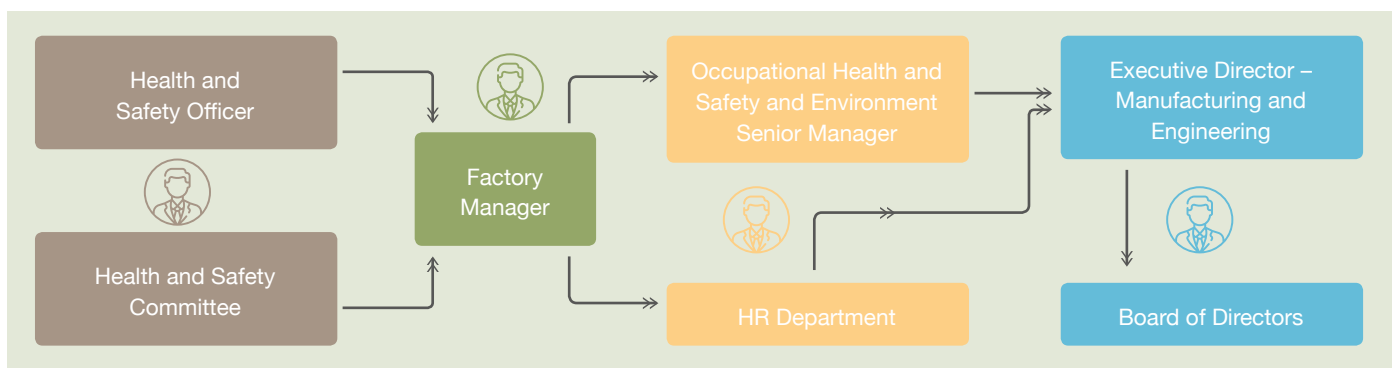
Given the nature of the Group's operations safeguarding employee health and safety is a strategic imperative. Accordingly, a comprehensive health and safety management system in adherence with all country-specific regulatory requirements have been implemented across all the manufacturing facilities and offices to ensure a safe and injury-free environment for all employees. Further the Group is in the process of obtaining ISO 45001:2018 Occupational Health and Safety Certification.

The Group has a multifaceted approach to managing health and safety at the workplace. Health and Safety Officers present at all production locations are responsible for carrying out risk assessments and promoting compliance with existing safety measures. Health and Safety Committees, comprising the Director - Manufacturing and Engineering and factory management, workers and the Health and Safety Officer meet on a quarterly basis to monitor, evaluate and continually improve the existing occupational



health and safety systems. Additionally, health and safety audits are carried out at all sites on a quarterly basis and progress on implementation process of corrective actions are reported to the Executive Director - Manufacturing and Engineering on a monthly basis.

Risks identified by the Health and Safety Officer and the Health and Safety Committees are reported to the Occupational Health and Safety and Environment Senior Manager as well as the HR Department and mitigating actions are taken. Health and Safety related issues are also reported to the Executive Director - Manufacturing and Engineering, who briefs the Board of Directors on health and safety matters on a quarterly basis. The Group's health and safety reporting framework is graphically depicted below.



The Group has implemented a range of health and safety procedures across the manufacturing facilities to minimise accidents and injury. Some of these include,

- » Hazards identification and risk assessment with worker participation
- » Mock drill on chemical safety
- » Permit to work system
- » Toolbox talk with worker participation

- » Fire safety systems with fire drills conducted on a periodic basis.
- » First aid boxes and medical rooms with qualified personnel
- » Provision of personal protective equipment depending on functions and tasks. This includes safety shoes, goggles, earmuffs, helmets, aprons, gloves.

Health and safety related training is carried out systematically and includes,

- » Chemical usage
- » Fire hazard related training
- » Accident prevention
- » First aid
- » Personal protective equipment usage
- » Works at height
- » Hazards identification and risk assessment,
- » Machine operator training

Health and safety related benefits provided to employees by the Group include

- » A first aid centre at each production location with qualified personnel.
- » Visits from a consultant doctor on a weekly basis
- » Medical insurance for executives
- » A medical expenses fund for factory workers

COVID-19 related prevention measures

As the pandemic protracted into 2021, the Group continued to maintain stringent COVID-19 prevention protocols which facilitated business continuity while safeguarding the wellbeing of our employees. Our COVID-19 prevention policies comply with the Certificate of Conformity Covid-19 Management System SLS 1672: 2020 awarded by SLSI – Sri Lanka. Some of the key measures undertaken in this regard are listed below.

TRAINING AND DEVELOPMENT

GRI 404-1,2

In consonance with creating a learning culture, the Group invested Rs. 908,875 despite the pandemic challenge. on training and development during the year. Annual training and development plans for employees are developed based on skill gaps identified during the performance appraisal. In adherence with health guidelines, training was limited to virtual programmes delivered by external and internal resource personnel. Additional training was organised to educate employees on health practices related to the COVID-19 pandemic. Key training programmes conducted during the year are given below.



Checking temperature of employees prior to entering company premises

COVID-19 prevention measures

- » Provided safe working environment
- » Conducted awareness programmes
- » Provision of personal protective equipment such as masks, handwashing facilities, sanitisers, footbaths and gloves.
- » Shift operations at factories
- » Remote working for office employees.
- » Carried out random PCR testing for employees
- » Provided vitamins and herbal drinks to boost immunity of employees.
- » Provided transport to employees.
- » Provided quarantine facilities and medical care for those who were infected.
- » Provision of dry ration packs to employees who were infected.

The Group's health and safety record for the year under the review is given below. No ill health was reported.

- » Occupational injuries - 28
- » Total no. of lost man days due to occupational injuries - 117
- » Health and safety training hours - 231

Training Hours
Male Hours

5,165

Female Hours

346

TRAINING RECORD IN 2021/22

Average training hours by category

Staff category	Total head count	Total training hours	Total training hours per head
Executive	357	2,143	6
Non executive	1,411	3,368	2.3

Average training hours per male employee is 3.36 hours and per female employee is 1.48 hours

TRAINING PROGRAMMES WERE CONDUCTED ON DIVERSE AREAS ACROSS THE TEAMS BASED ON IDENTIFIED TRAINING NEEDS

Chemical Safety and Risk Management
ISO 450001:2018 Occupational Health & Safety
Motivation Training
Essential of Human Resource Management for Engineers
Learning Programme - Basic Negotiation Skills
The Subtleties of Leadership Almost Always Overlooked
Documentation on Imports & Exports
Training Programme on Noise Measurement and Control
Work Place Safety for Engineers
Managing Manufacturing Performance
Operation and Maintenance Management for Engineers
Webinar on issues , concerns and solutions on digital signatures for paperless process at the customs
Effective Handling of Dangerous Goods & Mitigating Risks
Labour Law For Engineers
Writing Skills
Health & Safety at Workplace
Latest Developments on Income Tax
MS Excel for Data Analysis& Logical Problem Solving
Leading in the Middle
Problem Solving & Decision Making
Supply Chain Resilience
Awareness Programme on Cybersecurity
Noise Pollution Control
Lighting System Management
Care and Maintenance of Power Boilers in Compliance of ASTM Code
Speechcrafters Training
Unleashing your Potential
Strategic Customer Service Management
Driving Innovation, Creativity and Change
Stress Management
First Aid Training
Introduction to Certificate of Origin ICC ATA Carnet and Incoterms
ISO 22000:2018 - Food Safety Management System
Must Know Parts of Imports/export Administrative and technical procedures
Surcharge Tax Bill and Recent Developments on Deduction of Marketing Expenses
Finance for Non Finance Managers
Sri Lanka Customs' Authorised Economic Operator (AEO)
Advanced Excel and Excel Pivot Tables & Charts
ICC Arbitration in Sri Lanka





Weekly meetings at Head office



Packing station at factory premises



Activation section



On-the-Job training

EMPLOYEE ENGAGEMENT

A high level of engagement was maintained during the year which helped motivate and provide assurance to our employees given the uncertain operating environment. Townhall meetings for the executive grade and work improvement meetings at factory level were conducted quarterly with representation across the organization facilitating open discussion on employee concerns. Further, HR Day was held monthly so employees could raise HR related matters.

INDUSTRIAL RELATIONS

GRI 2-30, 402-1, 407-1

Approximately 53.8% of our employees are represented by trade unions as we recognise employees' right to freedom of association and collective bargaining. Management maintains open dialogue with trade unions through an open-door policy. A reasonable notice period is provided prior to making any major operational changes. Trade union relations were cordial during the year and there were no disputes. Operations do not affect the right to freedom of association of suppliers. Operations do not affect the right to freedom of association and collective bargaining.

PERFORMANCE MANAGEMENT

GRI 404-3

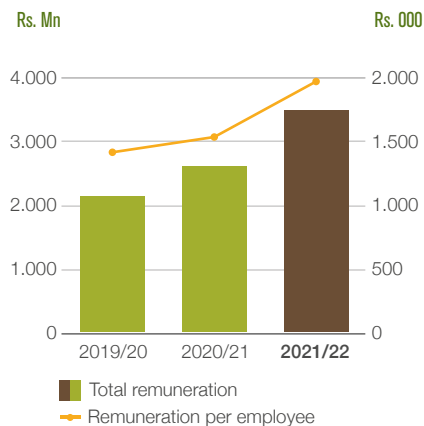
Haycarb's performance management system is designed to facilitate a performance driven culture. At the beginning of each year, employees are set measurable objectives which cascades down from the Group's goals and performance is reviewed bi-annually. Performance appraisals were carried out for the entire executive cadre during the year.

REMUNERATION AND BENEFITS

GRI 2-19, 401-2

The Group's remuneration policy ensures an equitable remuneration for all its employees. Executive rewards are linked to annual performance appraisals while remuneration for unionised employees is determined through collective agreements negotiated every two years. All employees were paid full remuneration, increments and bonuses during the year despite the challenging operating environment, reiterating our commitment to shared value creation. Other benefits provided by the Group to employees included:

Employee Remuneration



Factory employees – Subsidised meals during work, accommodation, uniforms



All employees – All employees – Medical and hospitalisation benefits, recreation facilities (sports and exercising facilities), festival advance, travelling allowances and, reimbursement of professional institutions' subscriptions.

GENDER PARITY REPORTING

	Disclosure Requirement	Our Response	Page Reference
Enablers	Strategies and goals for gender parity	The Group's strategy embraces diversity and inclusiveness.	123
	Diversity and inclusion policies	The Group has no discrimination, no harassment and abuse, and anti-sexual harassment policies in place.	123
	Gender pay equity policy	Our Recruitment policy ensures fair and equitable pay for all employees.	123
	Grievance handling mechanism for sexual harassment	Dedicated grievance handling mechanism for harassment related grievances.	123
	Work place practices to promote gender parity	Gender parity is practiced in the company in a balanced manner	123
Composition	Governing body	Female representation is 13% of total employees and 20% in the board of directors of the parent company	124
	Senior leadership		
	Middle management		
	Other major employment categories		
	Recruitments	12% of the new recruits consisted of females	123
	Promotions	Females represented 5% of the total promotions during the year	124
	Key Departments	Department wise breakdown is disclosed showing the gender distribution across various disciplines	125
Gender Gap Indicators	Major geographic location	Highest female representation in the work force was evident in Thailand presenting 44%	124
	Exit	10% of the resignations were female employees in line with gender representation in the company	125
Responsible Brand	Proportion of women at work 12 months after maternity leave	90% of the female employees were at work	125
	Proportion of women in IT, Engineering and Production related activities	14% of the employees engaged in IT, Engineering and Production were women	125

NATURAL CAPITAL

PROGRESSIVE GROWTH OF OUR BUSINESS LEADS TO AN INCREASING IMPACT ON THE ENVIRONMENT THROUGH THE CONSUMPTION OF NATURAL RESOURCES AND THE DISCHARGE OF EFFLUENTS, EMISSIONS, AND WASTE. WE ARE COGNISANT OF THESE ADVERSE IMPACTS AND REMAIN DEDICATED TO REDUCING OUR ENVIRONMENTAL FOOTPRINT THROUGH INNOVATIVE PROCESSES.

KEY STRATEGIES IN 2021



ENCOURAGE USE OF RENEWABLE ENERGY SOURCES FOR POWER GENERATION
INCREASE REFORESTATION THROUGH TREE PLANTING PROGRAMMES



IMPROVE WASTE MANAGEMENT PROCESSES THOROUGH RECYCLING MECHANISMS



INCREASE USAGE OF SUSTAINABLE WATER SOURCES

PLANS FOR 2022

- Introduce and promote Zero Liquid Discharge (ZLD) to Sri Lanka.
- Reduce the use of plastic water bottles through customised Hydrocove solutions.
- Implement roof top solar systems for Haycarb Sri Lanka factories
- Increase reforestation through tree planting programs
- Increase usage of sustainable water sources
- Facilitating remote work platforms and virtual meetings reducing transport/ fuel use
- Increase use of vertical kilns for charcoal production in Thailand and reduction of greenhouse gas emissions.
- Enhance resource optimization through fully-fledged monitoring solutions to reduce client's operational burden



KEY ELEMENTS OF OUR NATURAL CAPITAL



» VALUE CREATED «

OVER
**120 MN
LITRES**
OF WATER TREATED
PER DAY



20%
REDUCTION IN
ENERGY INTENSITY

51%
OF RAW MATERIALS SOURCED
THROUGH GREEN CHARCOALING
METHODS



22%
REDUCTION IN EMISSION
INTENSITY

95%
WASTE REUSED/
RECYCLED



OUR CONTRIBUTION TO
THE SDGS



STRONG BY NATURE

133

GOVERNANCE

Haycarb's Environment Management Framework is aligned with the Hayleys Lifecode which sets out Group-wide environment targets and includes policies for the management of energy, emissions, water, material and waste, chemicals and biodiversity conservation. The Group's environment strategy is also guided

by environmental certifications which include ISO 14000:2015 Environmental Management Systems and WQA Sustainability Certification.

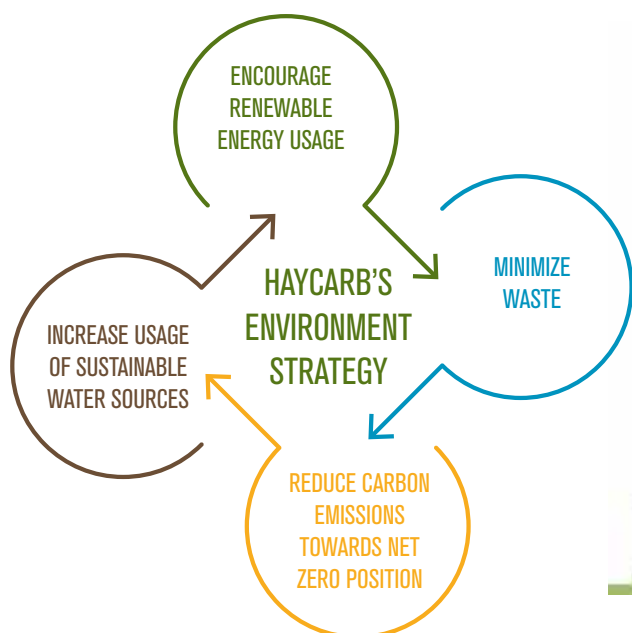
Environment related matters are monitored by the sustainability champions at each operating location who reports to the Senior Manager – Quality Assurance and his

team who in turn reports to the Managing Director. Environment related audits are carried out on a quarterly basis and action taken to resolve issues raised. The Group's Environment Management Framework is subjected to a surveillance/re-certification audit on an annual basis by the relevant certification body.

HAYLEYS GROUP ENVIRONMENT AGENDA AS STATED IN THE HAYLEYS LIFECODE



HAYCARB'S ENVIRONMENT STRATEGY



RAW MATERIALS

GRI 301-1,2

Our production process primarily consumes coconut charcoal produced from coconut shells, a process that results in the emission of greenhouse gases. In cognisance of this, we have driven initiatives that have resulted in the establishment of an environmentally friendly supply of our primary raw material. Other raw materials consumed include chemicals and packing materials. Our consumption of raw materials increased during the year in line with the increase in production and we have sought to broad base our supplier base while being conscious of our impact on the environment.

Recycling material such as spent (used) carbon and producing regenerated carbon, is carried out in our production processes with the objective of reducing waste and carbon emissions. During the year 2021-22 we have increased spent carbon regeneration by 56% to 2000MT per annum.

TOTAL EMISSIONS REDUCED BY
12%

	2020/21 (In MT)	2021/2022 (In MT)
Renewable materials		
Coconut Shells	29,321	45,623
Coconut Shell Charcoal	89,626	112,207

CARBON FOOTPRINT

GRI 305-1-7

Haycarb is vulnerable to the implications of climate change as availability of its primary raw material is dependent on the yields of the coconut crop. Therefore, emission management is of strategic importance to the Group and is managed in accordance with the guidelines set out under ISO14001:2015 Environment Management Systems. Harmful gases produced during the production process are combusted at high temperatures while dust extractor systems have been installed to retain

particulate matter preventing its release into the environment. Resultantly no ozone depleting substances, NOx or SOx gases are released into the environment.

While our greenhouse gas emissions are presently measured following the Hayleys Group measurement protocol, the Group intends to introduce its own measurement system in the future, in collaboration with the National Cleaner Production Center. Our carbon footprint is presented below and the computation is based on the GHG Protocol published by the World Resource Institute.

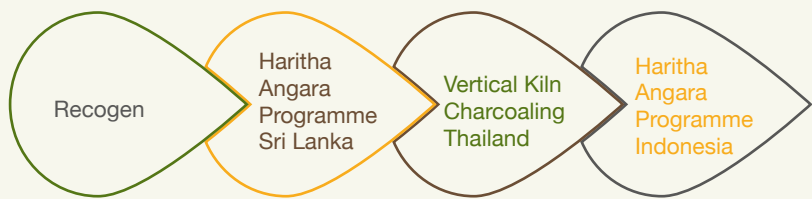
MT CO ₂ eq	2020/21	2021/22
Scope 1 emissions	11,792	11,142
Scope 2 emissions	22,014	18,596
Scope 3 emissions	604	474
Total emissions	34,409	30,212
GHG emissions intensity (MT CO ₂ eq / Mt)	0.72	0.56

GREENING OUR SUPPLY CHAINS

GRI 414-2, 308-2

GREENING OUR SUPPLY CHAIN

Minimising environmental impacts is a key imperative at Haycarb and extends beyond our own operations to the supply chain. The traditional open pit technique of producing coconut shell charcoal leads to the release of greenhouse gases such as methane, carbon monoxide and heavy chain hydrocarbons. Through proprietary and patented technology we have taken action to produce coconut charcoal to minimise negative environmental and social impacts in the supply chain.



HARITHA ANGARA PROGRAMME – SRI LANKA

This programme converted the traditional open pit charcoaling process into a closed pit charcoaling unit. The greenhouse gases emitted during the process are combusted during the production of charcoal and therefore, not released into the environment. Further, energy is consumed only at initiation and thereafter operates on the exothermic energy released during the process, thereby minimising energy consumption. Approximately 75% of our raw material requirement in Sri Lanka is sourced through this programme.

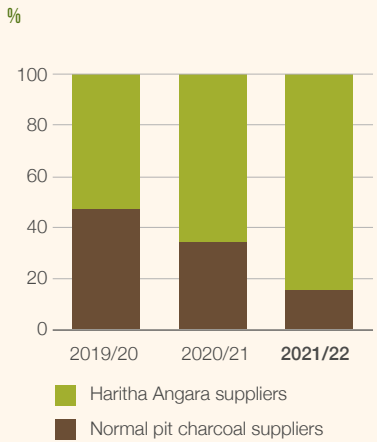


Coconut shells storage



Haritha Angara eco-friendly closed charcoal pit

Composition of Charcoal Suppliers in Sri Lanka



RECOGEN – SRI LANKA

Utilising an environmentally friendly charcoaling process patented by Haycarb, Recogen produces coconut charcoal from coconut shells while simultaneously combusting the harmful gases released during the production process. The heat generated through combustion is used to operate a boiler/steam turbine to generate electricity which is supplied to the National Grid. Recogen is registered under the International Environmental Treaty of the UNFCCC (United Nations Framework Convention on Climate Change and therefore eligible for carbon credit trading. During the year, the Group sourced 15% (Over 6500 MT) of its raw material requirement in Sri Lanka through Recogen while generating Over 1.5Mn kWh of power.

VERTICAL KILN CHARCOALING – THAILAND

Implemented in Thailand, this programme converts the traditional open pit charcoaling process into a closed pit charcoaling unit. The greenhouse gases emitted during the process are combusted during the production of charcoal and therefore, not released into the environment. Approximately 30% of our raw material requirement in Thailand is sourced through this programme. The Group expects to expand this programme further in the coming year.

HARITHA ANGARA PROGRAMME – INDONESIA

The Group introduced the Haritha Angara programme to Indonesia in 2021. While uptake in Indonesia has been slow with a modest 5-7% of its present raw material requirement sourced through this programme, Haycarb plans to expand this to 50% by 2024.



HARITHA ANGARA PROGRAMME – SRI LANKA

70%

of our raw material requirement in Sri Lanka

RECOGEN – SRI LANKA

15%

of raw material requirement in Sri Lanka

OVER 1.5MN KWH power generated

VERTICAL KILN CHARCOALING – THAILAND

30%

of raw material requirement in Thailand

HARITHA ANGARA PROGRAMME – INDONESIA

5-7%

of raw material requirement in Indonesia

ENERGY

GRI 302-1,3,4

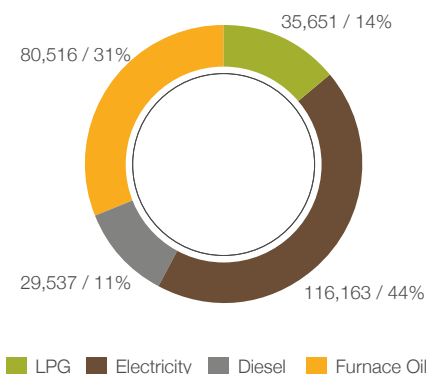
Although the manufacture of activated carbon is energy intensive, Haycarb has minimised its consumption of energy from external sources through process innovation. The Group has adapted its processes to harness the exothermic energy released during the production process to meet its energy requirement. Therefore, while an external energy source is required for initiation, the subsequent energy requirement is met through the energy released from the manufacturing process itself, thereby minimising its reliance on external sources.

In the coming year, the Group plans to install solar panels with a capacity of 4.3MW at its production plants and is expected to generate approximately 30% of its electricity requirement. The Group's energy consumption reduced by 7% for the year under review and the key elements of the energy consumption mix is as follows.

ENERGY INTENSITY

4,853 MJ 22% ↓

Key elements of the energy mix (in GJ)



WATER

GRI 303-1

Water is primarily used in our production process to generate steam for activation and washing in manufacture of washed carbons. The Group has identified minimising water usage as a strategic priority and are exploring new methods of reducing its water consumption under the 'Reduce, Re-use and Recycle' concept. While process innovation has enabled reductions in water by optimising the number of cycles of washing when producing washed carbons, the Group is presently exploring the possibility of recycling water using Reverse Osmosis technology.

WATER USAGE



Production process – activation and washing of activated carbon



General consumption by our employees



General upkeep of our premises

WATER SOURCES



Deepwells and tubewells



Water reservoirs owned and leased



Water supply from third parties

Litres	2020/21	2021/22
Total consumption (Litres)	498,406	573,753
Water intensity (m ³ /MT)	10.42	10.61
Water discharge (m ³)	276,589	206,580
Water Withdrawal (m ³)	498,406	573,753

EFFLUENTS AND WASTE

GRI 303-2-4

Effluents generated from operations are treated at treatment plants at our manufacturing locations. Effluents are treated for pH, hardness, the presence of Sulphur and Nitrogen, and particulate matter prior to responsible discharge. Water quality is monitored continuously and has consistently been within the parameters specified by the environmental authorities in Sri Lanka, Indonesia and Thailand.

%	2020/21	2021/22
Total waste reused and recycled	84%	95%

BIODIVERSITY

GRI 304-3

The Group has also promoted biodiversity and environmental conservation efforts.

- » Haycarb continues to maintain the sea turtle conservation project in the Kirigalbe Turtle Conservation Centre in Kumana National Park which has conserved over 7,400 eggs since December 2020. Sea turtles have been listed as an endangered species by the IUCN.
- » Tree planting initiative in Thailand



ENVIRONMENTALLY RELEVANT PRODUCT RANGE

ENVIRONMENTALLY RELEVANT PRODUCT RANGE

With wide ranging applications in air purification, water purification, resource depletion minimisation among others, our product range has become increasingly vital in preserving the health and well-being of our planet. Activated carbon's unique property to remove contaminants from liquids and gases has helped lessen the quantum of pollutants released into the earth's air and waterways while

contributing positively to reducing the consumption of natural resources.

The Environmental Engineering Solutions segment has contributed to conserving and preserving natural ecosystems through the provision of wastewater treatment solutions. Using a range of chemical, aerobic, anaerobic or a hybrid version, the Environmental Engineering Solutions Segment has efficiently removed colours

and odours while reducing chemical oxygen demand (COD), biochemical oxygen demand (BOD) and total suspended solids (TSS) from industrial wastewater. Consequently, the water released into the natural environment preserves the wellbeing of the animals and plants in their natural habitats while facilitating the re-cycling, thereby lessening the removal of water from natural water bodies.

OUR ACHIEVEMENTS - ENVIRONMENTAL ENGINEERING PURIFICATION SOLUTIONS

WATER PURIFICATION

86.17

million litres per day

INDUSTRIAL WASTEWATER PURIFICATION

11.30

million litres per day

DOMESTIC WASTEWATER PURIFICATION

20.41

million litres per day

TREATED WASTEWATER PURIFICATION

2.65

million litres per day

HYDROCOVE

Further, through the introduction of Hydrocove solutions, a point-of-use filtration mechanism for drinking water, the Environmental Engineering Solutions Segment hopes to reduce the use of plastic bottled water.



Containerized wastewater treatment system



Hydrocove water purifier

INDEPENDENT ASSURANCE REPORT FOR THE GRI STANDARD



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYCARB PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT- 2021/22

Scope

We have been engaged by the management of Haycarb PLC ("the Company") to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the sustainability reporting criteria presented in the Integrated Annual Report for the year ended 31 March 2022 (the "Report").

- » Reasonable assurance on the information on financial performance as specified on page 15 of the Report.
- » Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards.

Criteria applied by Haycarb PLC

The sustainability reporting criteria presented in the Report has been prepared in accordance with The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.

This Report has been prepared in accordance with the GRI Standards.

Haycarb PLC's responsibilities

Haycarb PLC's management is responsible for selecting the criteria, and for presenting the Report in accordance with the said

criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to support the sustainability reporting process of the Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Report in accordance with the GRI Standards based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with Haycarb PLC in the engagement letter dated 26 May 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We performed our procedures to provide an independent assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal

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

Principals: G B Goudian ACA, Ms. P S Paranavitane ACA LLB (Colombo), T P M Ruberu FCMA FCCA

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control relevant to the preparation and presentation of the reasonable assurance Indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- » Perform a comparison of the content of the Report against the Global Reporting Initiative (GRI) - GRI Standards guideline.

- » Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- » Review and validation of the information contained in the Report.
- » Check the calculations performed by the organization on a sample basis through recalculation.
- » Advice, make recommendations and suggestions on the Sustainability Reporting indicators to improve the presentation standard.
- » Independently review the content of the Report and request changes if required.
- » Express an independent assurance conclusion on the performance indicators presented in the Sustainability Reporting criteria.

Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

Restricted use

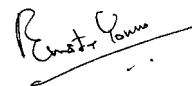
This report is intended solely for the information and use of Haycarb PLC and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- » The information on financial performance as specified on page 15 of the Report is properly derived from the audited financial statements of the Company for the year ended 31 March 2022.

- » Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from the GRI Standards.



Chartered Accountant
Colombo

18th May 2022

INDEPENDENT ASSURANCE REPORT FOR THE INTEGRATED ANNUAL REPORT



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYCARB PLC IN THE INTEGRATED ANNUAL REPORT - 2021/22

Scope

We have been engaged by the management of Haycarb PLC ("the Company") to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the following elements of its Integrated Annual Report for the year ended 31 March 2022 (the "Integrated Report").

- » Reasonable assurance engagement on the information on financial capital management as specified on pages 98 to 101 of the Integrated Report.
- » Limited assurance engagement on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment and outlook presented in the Integrated Report.

Criteria applied by Haycarb PLC

The Integrated Report is prepared based on the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) (the "criteria") publicly available at IIRC's website at "www.integratedreporting.org"

Haycarb PLC's responsibilities

Haycarb PLC's management is responsible for selecting the criteria, and for presenting the Integrated Report in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Integrated Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Integrated Report in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with Haycarb PLC in the engagement letter dated 26 May 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made

to the Integrated Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Principals: G B Goudian ACA, Ms. P S Paranavitane ACA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Description of procedures performed

We performed our procedures to provide reasonable and limited assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Integrated Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Integrated Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- » Perform a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).
- » Perusing the Integrated Annual Report – Financial Capital element information to understand whether the information contained are properly derived from the audited financial statements.
- » Interviewing the selected key management personnel and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report.
- » Obtaining an understanding of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the stakeholders, how the Company creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- » Obtaining an understanding of the description of the Company's strategy and how the Company creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- » Perusing the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- » Perusing the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- » Perusing the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Report.

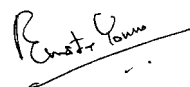
Restricted use

This report is intended solely for the information and use of Haycarb PLC and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- » The information on financial capital management as specified on pages 98 - 101 of the Integrated Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2022.
- » Nothing has come to our attention that causes us to believe that other information presented in the Integrated Report are not fairly presented, in all material respects, in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).



Chartered Accountant
Colombo

18th May 2022

Statement of use	Haycarb PLC has reported in accordance with the GRI Standards for the period for period 01st April 2021 to 31st March 2022
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	About us and Corporate Information 6 & 247				
	2-2 Entities included in the organization's sustainability reporting	About Us 6				
	2-3 Reporting period, frequency and contact point	About this report 4				
	2-4 Restatements of information	About this report 4				
	2-5 External assurance	About this report 4				
	2-6 Activities, value chain and other business relationships	Our Products 10-13				
	2-7 Employees	Team profile 125-126				
	2-8 Workers who are not employees	Team profile 125				
	2-9 Governance structure and composition	Corporate Governance 32-33				
	2-10 Nomination and selection of the highest governance body	Corporate Governance 32				
	2-11 Chair of the highest governance body	Corporate Governance 32				
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance 32				
	2-13 Delegation of responsibility for managing impacts	Corporate Governance 32				
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance 32				
	2-15 Conflicts of interest	Corporate Governance 41				
	2-16 Communication of critical concerns	Corporate Governance 32				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021 Contd.	2-17 Collective knowledge of the highest governance body	Corporate Governance 32				
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance 32				
	2-19 Remuneration policies	Corporate Governance 42 and 64 Remuneration and Benefits 130				
	2-20 Process to determine remuneration	Corporate Governance 42 and 64 Remuneration and Benefits 130				
	2-21 Annual total compensation ratio	Corporate Governance 32				
	2-22 Statement on sustainable development strategy	Corporate Governance 32				
	2-23 Policy commitments	Corporate Governance 32				
	2-24 Embedding policy commitments	Corporate Governance 32				
	2-25 Processes to remediate negative impacts	Corporate Governance 32				
	2-26 Mechanisms for seeking advice and raising concerns	Corporate Governance 32				
	2-27 Compliance with laws and regulations	Corporate Governance 43				
	2-28 Membership associations	Membership in Industry Associations 113				
	2-29 Approach to stakeholder engagement	Responding to Our Stakeholders 68-71				
	2-30 Collective bargaining agreements	Industrial Relations 130				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Determining Material Issues 82-83				
	3-2 List of material topics	Determining Material Issues 82-83				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 98-101				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Our Socioeconomic Impact 15				
	201-2 Financial implications and other risks and opportunities due to climate change	Risk and opportunities 84				
	201-3 Defined benefit plan obligations and other retirement plans	Financial notes 9.1.1 & 27, 187 & 207				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Supplier relationships 109				
	203-2 Significant indirect economic impacts	Our Socioeconomic Impact and Supplier relationships 14, 109-110 Supplier Relationships 108				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supplier Relationships 108				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 32-55				
GRI 205: Anti- corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Corporate Governance 43				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Anti-competitive behavior						
GRI 3: Material Topics 2021	Management of material topics	84-88, 32-55				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Corporate Governance 43				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 98-101				
GRI 207: Tax 2019	207-1 Approach to tax	Financial Note 10 188-189				
	207-2 Tax governance, control, and risk management	Financial Note 10 188-189				
	207-3 Stakeholder engagement and management of concerns related to tax	Financial Note 10 188-189				
	207-4 Country-by-country reporting	Financial Note 10 188-189				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 132-139				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Raw materials 135				
	301-2 Recycled input materials used	Raw materials 135				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 132-139				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy 137				
	302-3 Energy intensity	Energy 137				
	302-4 Reduction of energy consumption	Energy 137				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 132-139				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water 138				
	303-2 Management of water discharge-related impacts	Effluents and Waste 138				
	303-3 Water withdrawal	Water 138				
	303-4 Water discharge	Effluents and Waste 138				
	303-5 Water consumption	Water 138				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 132-139				
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	Biodiversity 138				
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 132-139				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Carbon footprint 135				
	305-2 Energy indirect (Scope 2) GHG emissions	Carbon footprint 135				

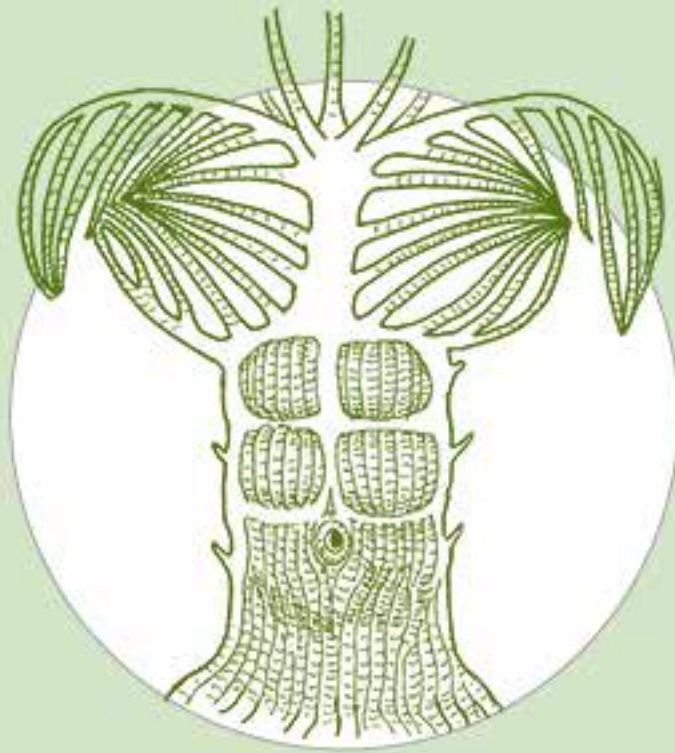
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 305: Emissions 2016 Contd.	305-3 Other indirect (Scope 3) GHG emissions	Carbon footprint 135				
	305-4 GHG emissions intensity	Carbon footprint 135				
	305-5 Reduction of GHG emissions	Carbon footprint 135				
	305-6 Emissions of ozone- depleting substances (ODS)	Carbon footprint 135				
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Carbon footprint 135				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supplier Relationships 108				
	308-2 Negative environmental impacts in the supply chain and actions taken	Greening our supply chains 136				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Recruitment and Retention 125				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part- time employees	Remuneration and Benefits 130				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Industrial Relations 130				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and Safety 126				
	403-2 Hazard identification, risk assessment, and incident investigation	Health and Safety 126				
	403-3 Occupational health services	Health and Safety 126				
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and Safety 126				
	403-5 Worker training on occupational health and safety	Health and Safety 126-127				
	403-6 Promotion of worker health	Health and Safety 126-127				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety 127				
	403-8 Workers covered by an occupational health and safety management system	Health and Safety 126				
	403-9 Work-related injuries	Health and Safety 127				
	403-10 Work-related ill health	Health and Safety 127				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Training and Development 127				
	404-2 Programs for upgrading employee skills and transition assistance programs	Training and Development 128				
	404-3 Percentage of employees receiving regular performance and career development reviews	Training and Development 130				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Corporate governance and team profile 34 & 125				
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Diversity and inclusion profile 124				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Industrial Relations 130				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Team Profile 125				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 120-131				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Team Profile 125				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community Relationships 110-111				
	413-2 Operations with significant actual and potential negative impacts on local communities	Community Relationships 111				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supplier Relationships 108				
	414-2 Negative social impacts in the supply chain and actions taken	Supplier Relationships 108				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Process Excellence Certifications 95				
	416-2 Incidents of non- compliance concerning the health and safety impacts of products and services	Customer Relationships 107				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Customer Relationships 107				
	417-2 Incidents of non-compliance concerning product and service information and labeling	Customer Relationships 107				
	417-3 Incidents of non-compliance concerning marketing communications	Customer Relationships 107				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	84-88, 102-113				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Relationships 107				



ROOTED IN OUR VALUES

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

01st Quarter Report	12th August 2021
02nd Quarter Report	11th November 2021
03rd Quarter Report	10th February 2022
04th Quarter Report	19th May 2022
Annual Report 2021/22	03rd June 2022
48th Annual General Meeting	28th June 2022
1st Interim Dividend declared	28th September 2021
1st Interim Dividend paid	21st October 2021
2nd Interim Dividend declared	29th December 2021
2nd Interim Dividend paid	26th January 2022
3rd Interim Dividend declared	30th March 2022
3rd Interim Dividend paid	6th May 2022
Final Dividend declared	18th May 2022
Final Dividend payable	12th July 2022

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INDEPENDENT AUDITOR'S REPORT



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Chartered Accountants
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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 31 March 2022, 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 31 March 2022, 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 judgment, 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 matter	How our audit addressed the key audit matter
<p>Measurement of inventories</p> <p>As at 31 March 2022, the carrying value of inventory which includes raw material, semi-finished goods and finished goods amounted to Rs. 15.8 Bn after considering a provision of Rs. 241.3 Mn for slow moving and obsolete inventory determined by management in accordance with its accounting policies, as disclosed in Note 3.10 and 5.8 to the financial statements.</p> <p>Measurement of inventories was a key audit matter due to:</p> <ul style="list-style-type: none"> Materiality of the reported amount, which represents 40% of the Group's total assets. Inventories being 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, which include judgements related to non – expiry and continued use of activated carbon and charcoal and moisture level adjustments as disclosed in Note 5.8. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Evaluating the key financial controls implemented by the management over identifying slow-moving or obsolete inventories and measuring the level of required provisions. Assessing the reasonableness of moisture level adjustments made to raw materials and finished goods by observing moisture checks; and 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 realizable value. Our procedures were based on the latest information available up to date of our report. <p>We also assessed the adequacy of disclosures made in relation to the valuation of inventories in Note 5.8 to the financial statements.</p>

Other Information included in the 2022 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 judgment 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.



18 May 2022
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Consolidated		Company	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	6	33,160,474	25,484,559	14,957,058	10,139,930
Cost of sales		(25,942,668)	(17,947,691)	(12,396,053)	(7,648,028)
Gross profit		7,217,806	7,536,868	2,561,005	2,491,902
Other operating income	7	249,988	94,287	907,522	797,236
Selling and distribution expenses		(260,576)	(219,930)	(44,570)	(24,426)
Administrative expenses		(4,128,162)	(2,975,521)	(1,943,024)	(1,247,116)
Results from operating activities		3,079,056	4,435,704	1,480,933	2,017,596
Finance income	8.1	2,321,003	372,789	1,878,764	280,950
Finance costs	8.2	(722,727)	(324,030)	(435,204)	(134,460)
Net Finance income		1,598,276	48,759	1,443,560	146,490
Share of profit of equity accounted investees (net of tax)		(21,344)	5,799	-	-
Profit before tax	9	4,655,988	4,490,262	2,924,493	2,164,086
Tax expense	10.2	(934,848)	(923,755)	(336,182)	(270,264)
Profit for the year		3,721,140	3,566,507	2,588,311	1,893,822
Attributable to:					
Equity holders of the parent		3,287,554	3,046,834	2,588,311	1,893,822
Non-controlling interest		433,586	519,673	-	-
Profit for the year		3,721,140	3,566,507	2,588,311	1,893,822
Earnings per share					
Basic/Diluted earnings per share (Rs.)	11.1	11.06	10.25	8.71	6.37
Dividend per share (Rs.)	12	2.80	3.70	2.80	3.70

The notes to the Financial Statements on pages 166 to 230 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March		Consolidated		Company	
		2022	2021	2022	2021
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year		3,721,140	3,566,507	2,588,311	1,893,822
Other comprehensive income that will be reclassified to statement of profit or loss in subsequent periods					
Net Exchange differences on translation of foreign operation		3,428,340	664,522	-	-
Net gain/(loss) on equity investment designated of fair value through OCI	21	(565,556)	1,655,980	(565,556)	1,655,980
Other comprehensive income that will not be reclassified to statement of profit or loss in subsequent periods					
Actuarial losses on defined benefit obligations	27	(82,188)	(99,345)	(73,303)	(90,219)
Revaluation of land	13	383,456	-	124,638	-
Tax effect on other comprehensive income	10.2	(17,464)	24,960	(7,186)	12,631
Other comprehensive income /(loss) for the year (net of tax)		3,146,588	2,246,117	(521,407)	1,578,392
Total comprehensive income for the year (net of tax)		6,867,728	5,812,624	2,066,904	3,472,214
Attributable to:					
Equity holders of the parent		5,602,753	5,179,280	2,066,904	3,472,214
Non-controlling interest		1,264,975	633,344	-	-
		6,867,728	5,812,624	2,066,904	3,472,214

The notes to the Financial Statements on pages 166 to 230 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

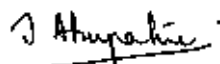
STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated		Company	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	13	8,895,684	6,424,329	3,546,621	2,755,155
Right-of-use assets	14	105,870	163,849	69,126	103,687
Intangible assets	15	258,465	233,141	53,992	24,351
Investments in subsidiaries	16.1	-	-	1,494,769	1,494,769
Investments in equity accounted investees	17	590,336	615,302	92,903	92,903
Other non-current financial assets	21	1,378,880	1,932,662	1,322,832	1,888,388
Deferred tax assets	28.1	132,820	62,403	-	-
Total non-current assets		11,362,055	9,431,686	6,580,243	6,359,253
Current assets					
Inventories	19	15,807,144	8,621,022	5,062,409	2,561,370
Trade and other receivables	20	8,473,480	4,316,402	5,423,774	2,408,600
Amounts due from subsidiaries	18.3	-	-	782,477	693,362
Amounts due from other related parties	18.4	177,244	15,242	100,916	-
Amounts due from equity accounted investees	18.5	63,611	38,090	3,802	165
Other current assets	22	1,010,819	634,841	425,250	220,748
Cash in hand and at bank	23	3,117,724	2,335,633	831,017	677,133
Total current assets		28,650,022	15,961,230	12,629,645	6,561,378
Total assets		40,012,077	25,392,916	19,209,888	12,920,631
Equity and liabilities					
Equity					
Stated capital	24	331,774	331,774	331,774	331,774
Capital reserves	25.1	994,758	686,284	549,647	442,458
Revenue reserves	25.2	16,845,411	12,383,079	7,919,373	6,791,605
Total equity attributable to equity holders of the Company		18,171,943	13,401,137	8,800,794	7,565,837
Non-controlling interest		2,648,637	1,751,304	-	-
Total equity		20,820,580	15,152,441	8,800,794	7,565,837

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated		Company	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-current liabilities					
Interest bearing loans and borrowings	26.1	677,152	467,591	670,906	462,197
Non current lease liability	14.2	54,051	112,674	41,615	78,914
Defined benefit obligations	27	1,143,285	858,505	831,502	672,672
Deferred tax liabilities	28.2	368,658	139,477	294,955	77,865
Total non-current liabilities		2,243,146	1,578,247	1,838,978	1,291,648
Current liabilities					
Trade and other payables	29	3,398,755	1,886,784	1,721,652	828,699
Interest bearing loans and borrowings	26.2	10,328,363	4,316,882	6,361,400	2,750,655
Current lease liability	14.2	59,361	63,206	37,299	33,430
Other current liabilities	30	547,047	538,498	72,349	17,855
Amounts due to subsidiaries	18.1	-	-	84,827	214,177
Amounts due to other related parties	18.2	2,186,028	1,256,334	292,589	60,608
Income tax payable		428,797	600,524	-	157,722
Total current liabilities		16,948,351	8,662,228	8,570,116	4,063,146
Total liabilities		19,191,497	10,240,475	10,409,094	5,354,794
Total equity and liabilities		40,012,077	25,392,916	19,209,888	12,920,631

I certify that the Financial Statements set out on pages 158 to 230 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 166 to 230 form an integral part of these Financial Statements.

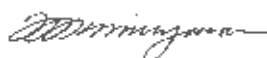
The Board of Directors are responsible for these Financial Statements.

Signed for and on behalf of the Board by,



Mohan Pandithage
Chairman

18th May 2022



Rajitha Kariyawasan
Managing Director

18th May 2022

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	Attributable to equity holders of the parent								
	Stated capital	Capital reserves	Revenue Reserves				Total	Non controlling interest	Total equity
			Fair Value reserve of Financial Assets at FVTOCI	Foriegn currency translation reserve	General reserve	Retained earnings			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 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 difference on translation of foreign operations	-	-	-	548,029	-	-	548,029	116,493	664,522
Actuarial loss on defined benefit obligation	-	-	-	-	-	(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 fairvalue through OCI	-	-	1,655,980	-	-	-	1,655,980	-	1,655,980
Other comprehensive income for the year	-	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
Profit for the year	-	-	-	-	-	3,287,554	3,287,554	433,586	3,721,140
Revaluation surplus of freehold land	-	337,895	-	-	-	-	337,895	45,561	383,456
Net exchange difference on Translation of foreign operations	-	-	-	2,639,026	-	-	2,639,026	789,314	3,428,340
Actuarial loss on defined benefit obligation	-	-	-	-	-	(77,885)	(77,885)	(4,303)	(82,188)
Tax on other comprehensive income	-	(29,421)	-	-	-	11,140	(18,281)	817	(17,464)
Net loss on equity instruments designated at fairvalue through OCI	-	-	(565,556)	-	-	-	(565,556)	-	(565,556)
Other comprehensive income for the year	-	308,474	(565,556)	2,639,026	-	(66,745)	2,315,199	831,389	3,146,588
Dividends	-	-	-	-	-	(831,947)	(831,947)	(367,642)	(1,199,589)
Balance as at 31st March 2022	331,774	994,758	1,282,171	4,013,781	519,353	11,030,106	18,171,943	2,648,637	20,820,580

STATEMENT OF CHANGES IN EQUITY

COMPANY	Stated capital	Capital reserves	Revenue Reserves			Total equity
			General reserve	Fair Value reserve of Financial Assets at FVTOCI	Retained earnings	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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 defined benefit obligations	-	-	-	-	(90,219)	(90,219)
Tax on other comprehensive income	-	-	-	-	12,631	12,631
Net gain on equity instruments designated at fairvalue through OCI	-	-	-	1,655,980	-	1,655,980
Other comprehensive income for the year	-	-	-	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
Profit for the year	-	-	-	-	2,588,311	2,588,311
Revaluation surplus of freehold land	-	124,638	-	-	-	124,638
Actuarial loss on defined benefit obligations	-	-	-	-	(73,303)	(73,303)
Tax on other comprehensive income	-	(17,449)	-	-	10,263	(7,186)
Net loss on equity instruments designated at fairvalue through OCI	-	-	-	(565,556)	-	(565,556)
Other comprehensive income for the year	-	107,189	-	(565,556)	(63,040)	(521,407)
Dividends	-	-	-	-	(831,947)	(831,947)
Balance as at 31st March 2022	331,774	549,647	519,353	1,282,171	6,117,849	8,800,794

The notes to the Financial Statements on pages 166 to 230 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	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating activities					
Profit before tax from continuing operations		4,655,988	4,490,262	2,924,493	2,164,086
Adjustments for:					
Depreciation and impairment of property, plant equipment and right of use assets	13	668,757	610,938	226,379	194,593
Amortisation of intangible assets	15	13,719	13,265	8,437	4,304
(Gain) / loss on disposal of property, plant and equipment	7	(91)	(19,726)	-	(19,726)
(Gain) / loss on translation of foreign currencies		2,032,766	170,425	1,624,761	93,708
Exchange difference on translation of foreign operations		2,407,675	341,528	-	-
Finance income	8.1	(2,321,003)	(372,789)	(1,878,764)	(280,950)
Finance costs	8.2	722,727	324,030	435,204	134,460
Dividend income - subsidiaries	7	-	-	(601,617)	(616,298)
Share of profit of equity accounted investees	17.1	21,344	(5,799)	-	-
Provision for slow moving inventories	19	141,600	1,953	30,399	3,515
Provision for unrealized profit on inventories	19	268,034	206,087	-	-
Provision for expected credit losses	20	65,345	58,077	-	-
Provision for defined benefit obligations	27	145,057	115,623	115,656	88,562
Cash generated from operations before working capital changes		8,821,918	5,933,874	2,884,948	1,766,254
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		(4,553,465)	(316,505)	(3,219,677)	(1,040,617)
(Increase)/decrease in amounts due from related parties		(187,523)	(22,564)	(193,668)	21,481
(Increase)/decrease in inventories		(7,595,756)	(2,154,382)	(2,531,438)	(385,967)
Increase/(decrease) in trade and other payables		1,443,279	(139,806)	870,207	202,661
Increase/(decrease) in amounts due to related parties		778,756	(429,376)	(48,307)	(24,859)
		(1,292,791)	2,871,241	(2,237,935)	538,953
Interest paid		(476,917)	(226,852)	(239,124)	(75,915)
Income tax paid		(1,010,211)	(555,285)	(284,000)	(153,349)
Employee benefit paid	27	(34,551)	(23,286)	(30,129)	(20,109)
Net cash flows from/(used in) operating activities		(2,814,470)	2,065,818	(2,791,188)	289,580

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Consolidated		Company	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investing activities					
Proceeds from sale of property, plant and equipment		1,848	19,792	-	19,726
Acquisition of property, plant and equipment	13	(1,677,730)	(1,052,374)	(858,646)	(732,847)
Proceeds from long term loans and receivables	21	5,413	1,193	-	-
Acquisition of intangible assets	15	(38,078)	(18,825)	(38,078)	(18,544)
Interest received	8.1	98,271	51,095	34,696	55,245
Dividends received from equity accounted investees	17.1	3,623	-	3,623	-
Other dividends received	8.1	101,873	95,176	699,860	711,472
Net cash flows from / (used) in investing activities		(1,504,780)	(903,943)	(158,545)	35,052
Net cash inflow/(outflow) before financing activities		(4,319,250)	1,161,875	(2,949,733)	324,632
Financing activities					
Loans obtained during the year	26	507,783	566,920	500,000	541,920
Repayment of borrowings	26	(272,274)	(152,372)	(257,850)	(130,621)
Capital payment on lease liabilities	14.2	(80,357)	(66,805)	(44,136)	(35,066)
Dividends paid to equity holders of the parent	29.1	(603,769)	(1,374,954)	(603,769)	(1,374,954)
Dividends paid to non-controlling interest		(367,642)	(217,484)	-	-
Net cash flows from/(used in) financing activities		(816,259)	(1,244,695)	(405,755)	(998,721)
Net increase/(decrease) in cash and cash equivalents		(5,135,509)	(82,820)	(3,355,488)	(674,089)
Cash and cash equivalents at the beginning of the year	23	(1,769,699)	(1,686,879)	(1,878,772)	(1,204,683)
Cash and cash equivalents at the end of the year	23	(6,905,208)	(1,769,699)	(5,234,260)	(1,878,772)
Analysis of cash and cash equivalents as at 31st March					
Cash in hand and at Bank	23	1,933,512	1,061,766	194,669	60,439
Short term deposits	23	1,184,212	1,273,867	636,348	616,694
		3,117,724	2,335,633	831,017	677,133
Bank overdrafts and short term loans		(10,022,932)	(4,105,332)	(6,065,277)	(2,555,905)
Cash and cash equivalents		(6,905,208)	(1,769,699)	(5,234,260)	(1,878,772)

The notes to the Financial Statements on pages 166 to 230 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Haycarb PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at No. 400, Deans Road, Colombo 10.

All companies in the Group are limited liability companies and of the seventeen companies, seven [viz., Haycarb PLC, Puritas (Pvt) Ltd., Recogen (Pvt) Ltd., Ultracarb (Pvt) Ltd., Lakdiyatha (Pvt) Ltd., Haycarb Value Added Products (Pvt) Ltd., and Carbotels (Pvt) Ltd.] are incorporated and domiciled in Sri Lanka. The information on incorporation and principal activities of these companies are given on pages 236 to 239 of the Annual Report.

1.2 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 197 and 198 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.

1.3 Parent Entity

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 2022 were authorised for issue by the Directors on 18th May 2022.

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 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.

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 statement of 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 40 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 statement of profit or loss 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 equity accounted investee is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. Share of losses are recognised only to the extent that the investment becomes zero.

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 statement of profit or loss.

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 statement of profit or loss.

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 combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss recognised in the statement of profit or loss.

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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

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 statement of profit or loss. 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 statement of profit or loss).

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

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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 year.

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 statement of profit or loss 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 statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation, and translated at the spot rate of exchange at the reporting date.

3.4 Current versus Non-current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or

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

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

3.5 Fair Value Measurement

The Group measures financial instruments such as Fair Value through Other Comprehensive Income, 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 35
- Property (land) under revaluation model – Note 35
- Financial instruments (including those carried at amortised cost) – Note 35

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:

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- 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.

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 35
- Property (land) under revaluation model - Note 35
- Financial instruments (including those carried at amortised cost) - Note 35

3.6 Property, Plant and Equipment

The Group applies the requirements of LKAS 16 on "Property, Plant and Equipment" in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

3.6.1 Basis of Recognition

Property, plant and equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.6.2 Basis of Measurement

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

3.6.3 Owned Assets

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly

attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

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

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

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in statement of profit or loss, the increase is recognised in statement of profit or loss. A revaluation deficit is recognised in statement of profit or loss, 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 statement of profit or loss 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 statement of profit or loss. Gain are not classified as revenue.

3.6.6 Depreciation

Depreciation is recognised in statement of profit or loss 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.

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The estimated useful lives for the current and comparative periods are as follows:

Description	Useful lives
Buildings	20-50 years
Plant and machinery	10-40 years
Stores equipment	05-10 years
Motor vehicles	05 years
Furniture, fittings and office equipment	02-10 years
Data processing equipment	04 years
Laboratory equipment	05 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised. The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

3.6.7 Leases

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

3.6.7.1 Group as a Lessee

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

3.6.7.1.1 Right-of-use Assets

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

Description	Useful lives
Buildings	5-10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 3.8.1.4 Impairment of Assets.

3.6.7.1.2 Lease Liabilities

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

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

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 statement of profit or loss 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.

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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 statement of profit or loss 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 statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.7.4 Derecognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of profit or loss when the asset is derecognised.

3.7.5 Research and Development Cost

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 administrative expenses. 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 statement of profit or loss as incurred.

3.7.8 Amortisation

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

Description	Useful Lives
Softwares	- 5-10 years
Product development	- 5 years

3.8 Financial Instruments

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

3.8.1 Financial Assets

3.8.1.1 Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing

them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are “solely payments of principal and interest (SPPI)” on the principal amount outstanding.

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 statement of profit or loss when the asset is derecognised, modified, or impaired.

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

Financial Assets Designated at Fair Value through OCI (Equity Instruments)

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

Gain and loss on these financial assets are never re-classified to statement of profit or loss. Dividends are recognised as other income in statement of profit or loss 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.

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 35
- Debt instruments at fair value through OCI Note 35
- Trade receivables, including contract assets Note 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;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- 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 forecast 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.

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 statement of profit or loss 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 statement of profit or loss.

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 the statement of profit or loss.

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).

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.

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 35 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 statement of profit or loss 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 statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

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

3.12 Cash and Cash Equivalents

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

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 the statement of profit or loss net of any reimbursement.

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

3.15 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the Note 34 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.

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

Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers

whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) **Variable Consideration**

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

(ii) **Significant Financing Component**

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

Interest income and cost are recognised in statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss as it accrues.

Dividend

Dividend income is recognised in statement of 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 On Disposal of Property Plant and Equipment

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

Other Income

Other income is recognised on an accrual basis.

3.19 Expenses

Expenses are recognised in the statement of profit or loss 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 statement of profit or loss, the function of expense method is adopted.

Repairs and renewals are charged to statement of profit or loss 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, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the statement of profit or loss. Interest income is recognised as it accrues in the statement of profit or loss.

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the statement of profit or loss.

3.20 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of profit or loss 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 statement of profit or loss. 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; and
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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: and
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside the statement of profit or loss 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 statement of profit or loss.

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated statement of profit or loss 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.

Surcharge Tax As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 April 2022, each company of a group of companies, of which the aggregate of the taxable income of all subsidiaries and the holding company in that Group of companies that have earned a taxable income in excess of LK Rs. 2,000 million for the year of assessment 2020/2021 is liable for a surcharge tax at the rate of 25% on the taxable income of each entity within that group. The surcharge tax was enacted after the end of the reporting period and therefore the financial statements do not reflect any surcharge tax liability for the year ended 31 March 2022. This is recommended by the statement of Alternative Treatments (SoAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 a 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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

4.5.1.1 Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. 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 the 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.

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.

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

4.6.1 SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. 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. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

4.6.2 Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (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 1 January 2022. Earlier application is permitted.

4.6.3 Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued 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 recognizes 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 1 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 the amendment.

4.6.4 Amendments to SLFRS 3 Business Combinations : Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

4.6.5 SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group do not have subsidiaries which are adopting IFRSs for the first time and hence, this amendment is not applicable to the Group.

4.6.6 SLFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

4.6.7 LKAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to LKAS 41 Agriculture (LKAS 41). The amendment removes the requirement in paragraph 22 of LKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of LKAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

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.

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 recognized 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 2022 for the freehold lands. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 13 and 35 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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.

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 CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

Timing of revenue recognition

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sale of goods and services				
Goods transferred at a point in time	43,444,045	32,263,899	14,957,058	10,139,930
Services transferred over time	1,835,474	1,722,363	-	-
	45,279,519	33,986,262	14,957,058	10,139,930
Intra-group revenue	(12,119,045)	(8,501,703)	-	-
Total revenue from contracts with customers	33,160,474	25,484,559	14,957,058	10,139,930

6.1 Contract Balances

Contract assets of the Group relating to projects in progress amount to Rs. 399,297,000/- (2021 – Rs. 499,024,000/-) and is reflected within Inventories in Note 19. Contract liabilities of the Group relate to payments received in advance as reflected in Note 30 and amounting to Rs. 547,047,000/- (2021 – Rs. 538,498,000/-)

7 OTHER OPERATING INCOME

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Export incentive income	4,880	23,177	-	-
Net gain on disposal of property, plant and equipment	91	19,726	-	19,726
Fees for marketing services	-	-	82,820	72,456
Sundry income	102,109	51,384	16,149	19,254
Facilitation fees	142,908	-	135,282	-
Rental income	-	-	9,020	9,020
Income from technical consultations	-	-	62,634	60,482
Dividend income -subsidiaries	-	-	601,617	616,298
	249,988	94,287	907,522	797,236

8 FINANCE INCOME AND FINANCE COSTS

8.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dividend income - quoted	101,719	94,145	101,719	94,145
- unquoted	154	1,031	147	1,029
Interest income on loans and receivables	98,271	51,095	34,696	55,245
Foreign exchange gain	2,120,859	226,518	1,742,202	130,531
Total finance income	2,321,003	372,789	1,878,764	280,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE INCOME AND FINANCE COSTS CONTD.

8.2 Finance Costs

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest cost - Short-term borrowings	429,718	204,635	192,344	55,905
- Long-term borrowings	47,199	22,217	46,780	20,010
Interest on lease liabilities	15,743	16,375	10,706	11,873
Foreign exchange loss	230,067	80,803	185,374	46,672
Total finance costs	722,727	324,030	435,204	134,460
Net finance income	1,598,276	48,759	1,443,560	146,490

9. PROFIT BEFORE TAX

For the year ended 31st March	Consolidated	
	2022	2021
	Rs. '000	Rs. '000
Haycarb PLC	2,924,493	2,164,086
Subsidiaries	2,692,759	3,125,772
Equity accounted investees	(21,344)	5,799
	5,595,908	5,295,657
Unrealised profit on intra-group sales	(268,034)	(206,087)
Intra-group adjustments	(671,886)	(599,308)
	4,655,988	4,490,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation on property, plant & equipment	604,623	560,099	191,817	167,994
Amortisation of intangible asset	13,719	13,265	8,437	4,304
Directors' emoluments including Non-Executive Directors' consultation fees	278,811	210,175	225,033	153,450
Auditor's remuneration (fees and expenses)				
Ernst & Young	3,498	3,231	2,137	1,830
Others	17,844	15,885	-	-
Fees paid to Auditors for non-audit work				
Ernst & Young	7,212	6,311	872	1,724
Others	8,575	3,020	-	-
Donations	10,199	10,726	6,002	6,574
Provision for slow moving inventories	141,600	1,953	30,399	3,515
Provision of unrealised profits in inventories	268,034	206,087	-	-
Provision for expected credit losses	65,345	58,076	-	-
Staff training and development cost	909	287	909	268
Legal/litigation fees	26,458	9,778	773	897
Staff costs (Note 9.1.1)	3,487,351	2,600,515	1,666,383	1,060,979

9.1.1 Staff Costs

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Defined contribution plan cost	202,300	178,121	128,144	112,737
Defined benefit plan cost	145,057	115,624	115,656	88,562
Other staff cost	3,139,994	2,306,770	1,422,583	859,680
	3,487,351	2,600,515	1,666,383	1,060,979
Number of employees at year end	1,768	1,694	1,012	994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TAX EXPENSE

10.1 The corporate rate of tax applicable to Haycarb PLC and other local companies within the Group, excluding those which enjoy a concessionary rate of tax as referred to below is 24% for the year ended 31st March 2022.
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 2020/21 -14%)

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 and 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 exempted for tax.

10.2 Tax Expense

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka taxes				
Haycarb PLC	138,966	266,621	138,966	266,621
Subsidiaries	71,463	105,997	-	-
	210,429	372,618	138,966	266,621
Overseas taxes				
Subsidiaries	520,321	521,344	-	-
	730,750	893,962	138,966	266,621
Under/(over) provision in respect of previous years				
Haycarb PLC	(12,688)	7,341	(12,688)	7,341
Subsidiaries	2,625	(5,448)	-	-
	(10,063)	1,893	(12,688)	7,341
Deferred taxation				
Haycarb PLC	209,904	(3,698)	209,904	(3,698)
Subsidiaries	(53,368)	1,165	-	-
	156,536	(2,533)	209,904	(3,698)
Tax on dividend income	57,625	30,433	-	-
Tax expense reported in the statement of profit or loss	934,848	923,755	336,182	270,264
Deferred tax related to items charged or credited directly to other comprehensive income				
Actuarial gain/(loss) on defined benefit plans	11,957	14,420	10,263	12,631
Tax impact on revaluation surplus	(29,421)	10,540	(17,449)	-
Tax charged directly to other comprehensive income	(17,464)	24,960	(7,186)	12,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10.3 Tax Reconciliation Statement

For the year ended 31 March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax	4,655,988	4,490,262	2,924,493	2,164,086
Share of profit of equity accounted investees	21,344	(5,799)	-	-
Consolidation adjustments	1,072,166	370,011	-	-
	5,749,498	4,854,474	2,924,493	2,164,086
Tax exempt income	(982,823)	(897,740)	(785,880)	(438,597)
Aggregated disallowable expenses	1,642,143	1,002,149	777,769	530,876
Aggregated allowable expenses	(2,815,074)	(840,170)	(2,123,354)	(442,954)
Tax losses brought forward	(86,311)	(182,539)	-	-
Other taxable income	86,386	65,646	72,919	40,019
Tax losses carried forward	81,657	86,311	-	-
Taxable income	3,675,471	4,088,131	865,947	1,853,430
Tax @ 14%	149,355	319,312	94,823	243,794
Tax @ 20%	180,634	180,730	-	-
Tax @ 22%	146,358	218,466	-	-
Tax @ 24%	57,495	21,881	40,750	10,585
Tax at other rates	196,908	153,542	3,393	12,242
	730,750	893,961	138,966	266,621
Under/(over) provision in respect of previous year	(10,063)	1,893	(12,688)	7,341
Deferred tax charge/(reversal)	156,536	(2,533)	209,904	(3,698)
Tax on dividend income	57,625	30,434	-	-
Tax expense for the year	934,848	923,755	336,182	270,264
Effective tax rate	20%	21%	11%	12%

11 EARNINGS / NET ASSET PER SHARE

11.1 Earnings per Share

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

For the year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
Profit attributable to ordinary shareholders of the parent (Rs.'000)	3,287,554	3,046,834	2,588,311	1,893,822
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.)	11.06	10.25	8.71	6.37

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS / NET ASSET PER SHARE CONTD.

11.2 Net Assets per Share

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
Net assets attributable to equity holders (Rs.'000)	18,171,943	13,401,137	8,800,794	7,565,837
Number of ordinary shares	297,123,750	297,123,750	297,123,750	297,123,750
Net assets per share (Rs.)	61.16	45.10	29.62	25.46

12 DIVIDENDS

For the year ended 31st March	2022	2021
	Rs. '000	Rs. '000
Final dividend 2020/21 - Rs. 0.50/- per share	148,562	-
1st Interim dividend - Rs. 0.80/- per share (2020/21 - Rs. 4.00/-* per share)	237,699	118,850
2nd Interim dividend - Rs. 0.75/- (2020/21 - Rs. 5.00/-* per share)	222,843	148,562
3rd Interim dividend - Rs. 0.75/- (2020/21 - Rs. 1.40/- per share)	222,843	415,973
2020/21 4th Interim dividend - Rs. 1.40/- per share	-	415,973
	831,946	1,099,358
Dividend per ordinary share - Rs.	2.80	3.70
Dividend payout ratio	25%	36%

*Prior to the sub-division of shares.

At the Board meeting held on 18th May 2022, the Directors have recommended a final dividend of Rs. 0.40 (Cents 40) per share subject to the approval by the shareholders at the Annual General Meeting to be held on 28th June 2022 and to be paid to the shareholders on 12th July 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

13.1 Consolidated

	Freehold land	Freehold buildings	Machinery & equipment	Vehicles	Furniture fittings and office equipment	Data processing equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation							
As at 31st March 2020	1,304,888	1,626,763	6,317,703	230,416	214,040	82,204	9,776,014
Additions during the year	18,657	177,930	519,751	60,956	14,331	10,246	801,871
Disposals during the year	-	-	(8,148)	(18,490)	(673)	-	(27,311)
Effect of movement in exchange rate	55,849	121,792	444,486	15,496	17,659	-	655,282
As at 31st March 2021	1,379,394	1,926,485	7,273,792	288,378	245,357	92,450	11,205,855
Additions during the year	58,314	184,541	435,586	7,469	22,736	14,808	723,454
Disposals during the year	-	(1,308)	(2,518)	(5,337)	(1,150)	-	(10,313)
Revaluation of land	383,456	-	-	-	-	-	383,456
Effect of movement in exchange rate	155,127	495,313	1,716,133	58,183	77,113	-	2,501,869
As at 31st March 2022	1,976,291	2,605,031	9,422,993	348,693	344,056	107,258	14,804,322
Accumulated Depreciation							
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 during the year	-	-	(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
Depreciation charge for the year	-	71,999	473,590	31,640	19,708	7,686	604,623
Disposals during the year	-	(1,226)	(2,518)	(3,662)	(1,150)	-	(8,556)
Effect of movement in exchange rate	-	207,039	1,180,909	38,336	59,038	-	1,485,322
As at 31st March 2022	-	890,396	6,100,888	218,526	256,051	84,869	7,550,730
Capital work-in-progress							
As at 31st March 2022							1,667,635
As at 31st March 2021							713,359
Provision for Impairment							
As at 31st March 2022			(25,543)				(25,543)
As at 31st March 2021			(25,543)				(25,543)
Net book value							
As at 31st March 2022	1,976,291	1,714,635	3,296,562	130,167	88,005	22,389	8,895,684
As at 31st March 2021	1,379,394	1,313,901	2,799,342	136,165	66,902	15,267	6,424,329

- a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31 March 2022 amounted to Rs. 3,609,374,803/- (2021 - Rs. 2,247,252,553/-).
- b) Capital work-in-progress represents the amount of expenditure recognised under property plant & equipment during the period of the construction of a capital asset.
- c) On reassessment of fair value of the Groups assets, it has been identified that there is no impairment of property, plant & equipment other than disclosed above which requires provision in the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT CONTD.

13.1 Consolidated Contd.

(d) Freehold Land carried at re-valued amount:

	Location	Last revaluation date	Land extent	Number of buildings	Unobservable input per perch Avg.	Carrying value as at 31st March 2022 freehold land Rs.	Cost as at 31st March 2022 Rs. '000
Haycarb PLC	Madampe Factory - Madampe	31.03.2022	33 A - 2R - 22.4 P	18	58	232,944	96,307
	Badalgama Factory - Badalgama	31.03.2022	24 A - 1R - 17.6 P	22	51	269,310	123,374
	Wewalduwa Stores - Wewalduwa	31.03.2022	2 A - 1R - 36.04 P	6	840	333,234	4,309
						835,488	223,990
Recogen (Pvt) Ltd	Badalgama Factory - Badalgama	31.03.2022	10 A - 3R - 15 P	4	60	111,199	17,399
Carbokarn Co. Ltd	Ratchburi Province - Thailand	31.03.2022	15 A - 2R - 22P	22	136	341,420	189,106
Shizuka Co. Ltd.	Chonburi Province - Thailand	31.03.2022	24 A - 2R - 19P	12	48	190,698	152,134
PT Mapalus Makawanua Charcoal Industry	Bitung City - Indonesia	31.03.2022	8A - 3R - 28P	8	228	325,408	74,444
PT Haycarb Palu Mitra	Palu City - Indonesia	31.03.2022	6A - 3R - 37.5P	18	154	172,078	106,506
						1,976,291	763,580

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

(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	74,444
	Building	Panin BNI	307,023
PT Haycarb Palu Mitra	Land	HSBC (Indonesia)	106,506
	Building	HSBC (Indonesia)	343,443
	Machinery and tools	HSBC (Indonesia)	732,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13.2 Company

	Freehold land	Freehold buildings	Machinery and equipment	Vehicles	Furniture fittings and office equipment	Data processing equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation							
As at 31st March 2020	651,545	501,460	1,775,871	100,091	62,555	70,290	3,161,812
Additions during the year	9,439	117,519	337,704	48,476	6,145	9,676	528,959
Disposals during the year	-	-	(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
Additions during the year	49,865	111,460	329,705	-	7,031	10,114	508,175
Revaluation of land	124,637	-	-	-	-	-	124,637
As at 31st March 2022	835,486	730,439	2,440,225	130,077	75,731	90,080	4,302,038
Accumulated Depreciation							
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 during the year	-	-	(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
Depreciation charge for the year	-	12,926	152,417	15,358	4,595	6,521	191,817
As at 31st March 2022	-	135,889	1,245,200	87,276	51,141	73,085	1,592,591
Capital work-in-progress							
As at 31st March 2022							862,717
As at 31st March 2021							512,246
Provision for Impairment							
As at 31st March 2022	-	-	(25,543)	-	-	-	(25,543)
As at 31st March 2021	-	-	(25,543)	-	-	-	(25,543)
Net book value							
As at 31st March 2022	835,486	594,550	1,169,482	42,801	24,590	16,995	3,546,621
As at 31st March 2021	660,984	496,016	992,194	58,159	22,154	13,402	2,755,155

(a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31 March 2022 amounted to Rs. 560,926,690/- (2021- Rs. 540,843,962/-).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT OF USE ASSET AND LEASE LIABILITIES

14.1. Rights of Use Asset

Right of use assets	Consolidated Lease hold Buildings		Company Lease hold Buildings	
	2022	2021	2022	2021
Cost	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	231,514	174,287	152,904	113,086
Additions	-	82,536	-	39,818
Adjustments to recognised assets	-	(28,177)	-	-
Effects of movements in foreign exchange	15,456	2,868	-	-
At the end of the year	246,970	231,514	152,904	152,904
Depreciation				
At the beginning of the year	67,665	43,673	49,217	22,617
Charge for the year	64,134	50,839	34,561	26,600
Adjustments to recognised assets	-	(28,178)	-	-
Effects of movements in foreign exchange	9,301	1,331	-	-
At the end of the year	141,100	67,665	83,778	49,217
Net book value at the end of the year	105,870	163,849	69,126	103,687

14.2. Lease Liability

Lease liability	Consolidated Lease Liabilities		Company Lease Liabilities	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	175,880	141,228	112,344	95,719
Additions	-	82,536	-	39,818
Accretion of interest	15,743	16,375	10,706	11,873
Payments to lease creditors	(80,357)	(66,805)	(44,136)	(35,066)
Effect of movement in exchange rate	2,146	2,546	-	-
At the end of the period	113,412	175,880	78,914	112,344
Current portion of lease liability	59,361	63,206	37,299	33,430
Non-current portion of lease liability	54,051	112,674	41,615	78,914
At the end of the year	113,412	175,880	78,914	112,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14.3 Amounts recognised in the statement of profit or loss for the year ended 31 March

Right of use assets	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation of right-of-use assets	64,134	50,839	34,561	26,600
Accretion of interest	15,743	16,375	10,706	11,873
Total amount recognised in the statement of profit or loss	79,877	67,214	45,267	38,473

15 INTANGIBLE ASSETS

COMPANY	Consolidated				Company		
	Software	Goodwill	Product	Group	Software	Product	Company
	Rs. '000	on acquisition Rs. '000	development Rs. '000	total Rs. '000	Rs. '000	development Rs. '000	total Rs. '000
Cost							
As at 31st March 2020	116,251	257,206	128,259	501,716	82,743	42,392	125,135
Additions during the year	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
Additions during the year	10,764	-	27,314	38,078	10,764	27,314	38,078
Effect of movement in exchange rate	11,710	-	31,199	42,909	-	-	-
As at 31st March 2022	141,150	257,206	211,964	610,320	93,969	87,788	181,757
Amortisation and impairment							
As at 31st March 2020	102,700	55,164	116,979	274,843	81,110	33,914	115,024
Amortisation change for the year	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
Amortisation change for the year	7,534	-	6,185	13,719	2,252	6,185	8,437
Effect of movement in exchange rate	10,745	-	31,199	41,944	-	-	-
As at 31st March 2022	128,632	55,164	168,059	351,855	83,884	43,881	127,765
Net book value							
As at 31st March 2022	12,518	202,042	43,905	258,465	10,085	43,907	53,992
As at 31st March 2021	8,323	202,042	22,776	233,141	1,573	22,778	24,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS CONTD.

Goodwill

There have been no permanent impairment of intangible assets that require a provision during the year. The method used in estimating the recoverable amount of intangible assets of Haycarb USA Inc 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, 9% for Haymark Inc. and 15% for Shizuka Co. Ltd.
- Margin - based on current margin and business plan.

Software

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

Production Development

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

Research expenses on product development have been charged to the statement of profit or loss.

16 INVESTMENTS IN SUBSIDIARIES

16.1 Company Investments in Subsidiaries

	Company Holding		No.of Shares		Value	
	2022	2021	2022	2021	2022	2021
	%	%			Rs.'000	Rs.'000
Unquoted investments						
Carbokarn Co. Ltd	50	50	250,000	250,000	64,771	64,771
Eurocarb Products Ltd.	100	100	100,000	100,000	4,064	4,064
Haycarb Activated Carbon (Pvt) Ltd.	100	100	336,797	336,797	7,874	7,874
Haycarb Holdings Australia (Pty) Ltd.	100	100	150,000	150,000	951	951
Haycarb Holdings Bitung Ltd.	100	100	1,400,000	1,400,000	141,736	141,736
Haycarb USA Inc.	100	100	1,285,000	1,285,000	168,080	168,080
Haycarb Value Added Products (Pvt) Ltd.	100	100	40,000,000	40,000,000	400,000	400,000
PT Mapalus Makawanua Charcoal Industry *	2	2	707	707	1,025	1,025
PT.Haycarb Palu Mitra	60	60	1,290,000	1,290,000	168,268	168,268
Puritas (Pvt) Ltd.	100	100	700,000	700,000	18,000	18,000
Recogen (Pvt) Ltd.	100	100	37,000,000	37,000,000	370,000	370,000
Ultracarb (Pvt) Ltd.	100	100	25,000,000	25,000,000	250,000	250,000
Company investment in subsidiaries (at cost)					1,594,769	1,594,769
Provision for fall in value in investment 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 CONSOLIDATED FINANCIAL STATEMENTS

16.2 Indirect Investments in Subsidiaries

Investee As at 31st March	Effective Holding		No. of Shares		Value	
	2022	2021	2022	2021	2022	2021
	%	%			Rs.'000	Rs.'000
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 (Pvt) Ltd.	100	100	50,000	50,000	6,638	6,638

The countries of incorporation and the principal activities of the above companies are given on pages 236 to 239

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

As at 31st March	Holding %	Consolidated		Company	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Carbotels (Pvt) Ltd. (Note 17.1)	25.2	565,413	550,954	92,903	92,903
Lakdiyatha (Pvt) Ltd. (Note 17.1)	49.0	24,923	64,348	-	-
		590,336	615,302	92,903	92,903

17.1 Movement in Equity Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
	2022	2021	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	64,348	78,535	550,955	530,968	615,303	609,503
Share of profit of equity accounted investees (Note 17.2)	(39,425)	(14,187)	18,081	19,986	(21,344)	5,799
Dividends	-	-	(3,623)	-	(3,623)	-
Balance at the end of the year	24,923	64,348	565,413	550,954	590,336	615,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES CONTD.

17.2 Summarised Financials of Equity Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Statement of financial position						
Non current asset	167,711	141,714	2,111,819	2,060,179	2,279,530	2,201,893
Current asset	46,135	104,610	140,845	127,198	186,980	231,808
Total assets	213,846	246,324	2,252,664	2,187,377	2,466,510	2,433,701
Non current liabilities	(55,871)	(40,041)	(6,387)	-	(62,258)	(40,041)
Current liabilities	(107,112)	(74,960)	(2,574)	(1,049)	(109,686)	(76,009)
Total liabilities	(162,983)	(115,001)	(8,961)	(1,049)	(171,944)	(116,050)
Net Assets	50,863	131,323	2,243,703	2,186,328	2,294,566	2,317,650
Group carrying amount of the investment	24,923	64,348	565,413	550,954	590,336	615,302
Revenue	19,594	21,171	-	-	19,594	21,171
Profit/ (loss) from continuing operation	(100,484)	(28,719)	76,554	84,359	(23,930)	55,640
Profit after tax	(80,459)	(28,953)	71,751	79,313	(8,708)	50,360
Total comprehensive income	(80,459)	(28,953)	71,751	79,313	(8,708)	50,360
Group share of profit for the year	(39,425)	(14,187)	18,081	19,986	(21,344)	5,799

18 RELATED PARTY DISCLOSURES

18.1 Amounts due to Subsidiaries

As at 31st March	Company	
	2022 Rs. '000	2021 Rs. '000
Haycarb USA Inc.	21,640	29,346
Haycarb Value Added Products (Pvt) Ltd.	21,922	75,418
PT Mapalus Makawanua Charcoal Industry	827	-
Puritas (Pvt) Ltd.	-	10,515
Recogen (Pvt) Ltd.	22,932	44,363
Ultracarb (Pvt) Ltd.	17,506	54,535
	84,827	214,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18.2 Amounts due to Other Related Parties

As at 31st March	Relationship	Consolidated		Company	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Hayleys PLC	Parent	279,657	45,501	269,890	44,444
Advantis Freight (pvt) Ltd.	Affiliate	3,961	1,610	3,871	1,597
Advantis Projects & Engineering (Pvt)Ltd	Affiliate	3,972	3,921	3,972	3,892
Chas P. Hayley & Company (Pvt) Ltd.	Affiliate	1,083	231,753	1,083	899
Energynet (Pvt) Ltd.	Affiliate	353	-	353	-
Fentons Limited	Affiliate	1,650	-	19	-
Hayleys Aventura (Pvt) Ltd.	Affiliate	4,572	7,038	2,844	4,585
Hayleys Business Solutions (Pvt) Ltd.	Affiliate	1,170	707	795	437
Hayleys Fibre PLC	Affiliate	215,853	47,335	-	-
Hayleys Lifesciences (Pvt) Ltd.	Affiliate	607	-	484	-
Hayleys Travels (Pvt) Ltd.	Affiliate	5,694	789	5,694	789
Key Management Personnel - Carbokarn Co. Ltd. *	Affiliate	1,663,826	913,115	-	-
Logiwiz (Pvt) Ltd	Affiliate	577	1,334	577	1,334
Mountain Hawk (Pvt) Ltd	Affiliate	1,102	-	1,101	-
Mountain Hawk Express (Pvt) Ltd.	Affiliate	1,489	1,492	1,476	1,483
Singer (Sri Lanka) PLC	Affiliate	-	563	-	-
The Kingsbury PLC	Affiliate	352	-	352	-
Other Hayleys companies	Affiliate	110	1,176	78	1,148
		2,186,028	1,256,334	292,589	60,608

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

18.3 Amounts due from Subsidiaries

As at 31st March	Company	
	2022	2021
	Rs. '000	Rs. '000
Carbokarn Co. Ltd.	410,388	275,553
Haycarb Holdings Australia (Pty) Ltd.	-	13,681
Haycarb Holdings Bitung Ltd.	517	-
PT Haycarb Palu Mitra	124,323	25,006
PT Mapalus Makawanua Charcoal Industry	57,646	240,346
Puricarb Pte Ltd	4	-
Puritas (Pvt) Ltd.	183,426	138,776
Recogen (Pvt) Ltd	6,173	-
	782,477	693,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RELATED PARTY DISCLOSURES CONTD.

18.4 Amounts due from Other Related Parties

As at 31st March	Relationship	Consolidated		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Hayleys PLC	Parent	300	-	-	-
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	112	-	-	-
Air Global (Pvt) Ltd.	Affiliate	7,860	-	7,860	-
Alco Industries (Pvt) Ltd.	Affiliate	194	-	-	-
Alumex PLC	Affiliate	9,975	1,649	8,420	-
Chas P Hayley & Company (Pvt) Ltd.	Affiliate	58,777	-	-	-
Creative Polymats (Pvt) Ltd.	Affiliate	303	-	-	-
D P L Universal Gloves Limited	Affiliate	1,292	-	-	-
Dipped Products PLC	Affiliate	21,912	1,518	20,344	-
Fentons Limited	Affiliate	2,321	-	2,321	-
Hanwella Rubber Products Ltd.	Affiliate	4,275	-	-	-
Hayleys Agriculture Holding Ltd.	Affiliate	384	702	-	-
Hayleys Agro Fertilizers (Pvt) Ltd.	Affiliate	513	-	513	-
Hayleys Aventura (Pvt) Ltd.	Affiliate	9,944	-	9,930	-
Hayleys Fibre PLC	Affiliate	89	2,734	-	-
Hayleys Industrial Solutions Ltd.	Affiliate	-	2,048	-	-
Hayleys Lifesciences (Pvt) Ltd.	Affiliate	1,500	-	1,500	-
Haymat (Pvt) Ltd.	Affiliate	173	-	-	-
Logiwiz (Pvt) Ltd.	Affiliate	2,620	352	-	-
North South Lines (Pvt) Ltd.	Affiliate	1,294	-	1,294	-
Ravi Industries Ltd	Affiliate	102	826	-	-
Rileys (Pvt) Ltd.	Affiliate	1,983	-	-	-
Singer (Sri Lanka) PLC	Affiliate	50,374	1,804	48,734	-
Thalawakelle Tea Estates PLC	Affiliate	38	-	-	-
The Kingsbury PLC	Affiliate	291	396	-	-
Toyo Cushion Lanka (Pvt) Ltd.	Affiliate	403	-	-	-
Hayleys Group Other Companies	Affiliate	215	3,212	-	-
		177,244	15,242	100,916	-

18.5 Amounts due from Equity Accounted Investees

As at 31st March	Relationship	Consolidated		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Lakdiyatha (Pvt) Ltd.	Associate	59,988	38,090	179	165
Carbotels (Pvt) Ltd.	Associate	3,623	-	3,623	-
		63,611	38,090	3,802	165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVENTORIES

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Raw materials and consumables	6,694,984	2,971,708	2,437,212	1,192,140
Finished/semi finished goods	9,760,859	5,788,652	2,727,034	1,440,668
Projects in progress	399,297	499,024	-	-
Provision for unrealised profits	(806,617)	(538,583)	-	-
	16,048,523	8,720,801	5,164,246	2,632,808
Provision for write down of inventories	(241,379)	(99,779)	(101,837)	(71,438)
Total inventories at the lower of cost and net realisable value	15,807,144	8,621,022	5,062,409	2,561,370

20 TRADE AND OTHER RECEIVABLES

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables - External customers	8,612,344	4,396,079	1,503,761	1,107,745
- Inter company	-	-	3,902,320	1,289,320
Less: Provision for expected credit losses	(156,557)	(91,212)	-	-
	8,455,787	4,304,867	5,406,081	2,397,065
Loans to employees	17,693	11,535	17,693	11,535
	8,473,480	4,316,402	5,423,774	2,408,600

The age analysis of trade receivables is as follows:

Consolidated

	Total	Neither past due nor impaired	0-60 Days	61-120 Days	Above 120 Days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 31st March 2022	8,612,344	4,968,638	2,940,210	360,112	343,348
Balance as at 31st March 2021	4,396,079	3,651,322	378,503	65,275	300,979

Company

	Total	Neither past due nor impaired	0-60 Days	61-120 Days	Above 120 Days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 31st March 2022	1,503,761	949,346	553,571	844	-
Balance as at 31st March 2021	1,107,745	830,324	256,295	19,775	1,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES CONTD.

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

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	2,445	3,036	2,445	3,036
Granted during the year	1,318	850	1,318	850
	3,763	3,886	3,763	3,886
Repayment made during the year	(1,480)	(1,441)	(1,480)	(1,441)
At the end of the year	2,283	2,445	2,283	2,445
Number of loans over Rs. 20,000/-	29	27	29	27

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

21 OTHER NON - CURRENT FINANCIAL ASSETS

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets designated at FVTOCI				
Unquoted equity shares				
Quality Seed Co. Ltd.	490	490	490	490
Barrack Gold Corporation	193	193	-	-
Exchange differences	148	42	-	-
	831	725	490	490
Quoted equity shares - Dipped Products PLC				
Fair value of quoted equity shares of the beginning of the year	1,887,898	231,918	1,887,898	231,918
Fair value gain/(loss) recognised in OCI	(565,556)	1,655,980	(565,556)	1,655,980
Fair value of quoted equity shares at the end of the year	1,322,342	1,887,898	1,322,342	1,887,898
	1,323,173	1,888,623	1,322,832	1,888,388
Financial assets at amortised cost				
Receivable from suppliers				
At the beginning of the year	44,040	41,235	-	-
Settlements during the year	(5,413)	(1,193)	-	-
Effect of movement in exchange rates	17,080	3,997	-	-
At the end of the year	55,707	44,039	-	-
Total other non-current financial assets	1,378,880	1,932,662	1,322,832	1,888,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OTHER CURRENT ASSETS

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits and payments in advance	605,299	335,505	330,420	157,143
Other recoverable	354,315	293,067	71,351	63,605
Tax recoverable	51,205	6,269	23,479	-
	1,010,819	634,841	425,250	220,748

23 CASH IN HAND AND AT BANK

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash in hand	11,712	9,913	8,889	6,011
Bank balances	1,921,800	1,051,853	185,780	54,428
Short-term deposits	1,184,212	1,273,867	636,348	616,694
	3,117,724	2,335,633	831,017	677,133

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

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash in hand and at bank	1,933,512	1,061,766	194,669	60,439
Short-term deposits	1,184,212	1,273,867	636,348	616,694
Bank overdrafts & short term borrowings	(10,022,932)	(4,105,332)	(6,065,277)	(2,555,905)
Cash and cash equivalents for the purpose of statement of cash flow	(6,905,208)	(1,769,699)	(5,234,260)	(1,878,772)

24 STATED CAPITAL Issued and fully-paid - ordinary shares

As at 31st March	Company	
	2022	2021
	Rs. '000	Rs. '000
At the beginning of the year - 297,123,750 (1st April 2020 -29,712,375*)	331,774	331,774
At the end of the year - 297,123,750 (31 March 2021 - 297,123,750)	331,774	331,774

*Prior to the sub-division of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RESERVES

As at 31st March	Group		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capital Reserve (25.1)	994,758	686,284	549,647	442,458
Revenue Reserves (25.2)	16,845,411	12,383,079	7,919,373	6,791,605

25.1 Capital Reserves

	Revaluation surplus	Reserve on amalgamation	Legal reserve	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Consolidated				
Balance as at 1st April 2020	643,318	25,885	6,541	675,744
Tax effect on revalued asset	10,540	-	-	10,540
Balance as at 31st March 2021	653,858	25,885	6,541	686,284
Revaluation surplus during the year	337,895	-	-	337,895
Tax effect on revalued asset	(29,421)	-	-	(29,421)
Balance as at 31st March 2022	962,332	25,885	6,541	994,758
Company				
Balance as at 1st April 2020	418,700	23,758	-	442,458
Balance as at 31st March 2021	418,700	23,758	-	442,458
Revaluation surplus during the year	124,638	-	-	124,638
Tax effect on revalued asset	(17,449)	-	-	(17,449)
Balance as at 31st March 2022	525,889	23,758	-	549,647

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25.2 Revenue Reserves

As at 31st March	Group		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fair Value Reserve of Financial Assets at FVTOCI	1,282,171	1,847,727	1,282,171	1,847,727
Foreign Currency translation reserve	4,013,781	1,374,755	-	-
General reserve	519,353	519,353	519,353	519,353
Retained Earnings				
Haycarb PLC	6,117,849	4,424,525	6,117,849	4,424,525
Subsidiaries	4,439,324	3,718,820	-	-
Associates	472,933	497,899	-	-
	11,030,106	8,641,244	6,117,849	4,424,525
	16,845,411	12,383,079	7,919,373	6,791,605

General Reserve

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

Fair Value Reserve of Financial Assets at FVTOCI

Fair Value Reserve comprises the cumulative net change in fair value of financial assets designated as fair value through Other Comprehensive Income.

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 portion of interest bearing loans and borrowings

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	679,141	254,756	656,946	235,799
Loans obtained during the year	507,783	566,920	500,000	541,920
Effect of movements in exchange rate	67,933	9,837	67,933	9,849
	1,254,857	831,513	1,224,879	787,568
Repayments during the year	(272,274)	(152,372)	(257,850)	(130,621)
At the end of the year	982,583	679,141	967,029	656,947
Repayable within one year	(305,431)	(211,550)	(296,123)	(194,750)
Repayable after one year	677,152	467,591	670,906	462,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 INTEREST-BEARING LOANS AND BORROWINGS CONTD.

26.2 Current portion of interest bearing loans and borrowings

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short-term interest bearing borrowings				
Short-term loans	8,918,521	3,337,954	4,969,770	1,864,538
Bank overdrafts	1,104,411	767,378	1,095,507	691,367
Short-term borrowings and bank overdraft	10,022,932	4,105,332	6,065,277	2,555,905
Current portion of long term interest bearing borrowings	305,431	211,550	296,123	194,750
Total current interest-bearing loans and borrowings	10,328,363	4,316,882	6,361,400	2,750,655

26.3 Analysis of secured term loans by year of repayment

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31st March				
Repayable between 1-2 years from the year end	397,217	187,656	390,971	182,262
Repayable between 2-5 years from the year end	279,935	279,935	279,935	279,935
Total non-current borrowings	677,152	467,591	670,906	462,197

26.4 Secured term loans repayable after one year

Company	Lender	Rate of interest	31st March 2022 Rs.'000	Repayment terms
Haycarb PLC	Standard Chartered Bank	1 month - LIBOR + 4.9%	102,858	60 equal monthly installments commencing from November 2019
	Hatton National Bank PLC	AWPLR	210,000	60 equal monthly installments commencing from October 2020
	Hatton National Bank PLC	AWPLR + 0.25%	358,050	60 equal monthly instalments commencing from October 2021
Haycarb Holding Australia Pte Ltd.	Power Torque Finance	2.9%	6,244	48 equal monthly instalments commencing from March 2022
Total secured term loans repayable after one year			677,152	

Fair value of the interest-bearing loans and borrowings of the Group Rs. 11,005,515,000/- (31 st March 2021-Rs. 4,784,473,000/-) Company Rs. 7,032,306,000/- (31st March 2021- Rs. 3,212,852,000/-).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DEFINED BENEFIT OBLIGATIONS

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Expenses recognised in the statement of profit or loss				
Current service cost	83,066	57,856	63,047	38,168
Interest cost on benefit obligation	61,991	57,768	52,609	50,394
The total expense is recognised in administrative expenses in the statement of profit or loss	145,057	115,624	115,656	88,562
(ii) Actuarial gains and losses recognised directly in OCI				
Actuarial (gains)/losses recognised in OCI	82,188	99,345	73,303	90,219
	82,188	99,345	73,303	90,219
(iii) Present value of unfunded gratuity				
Present value of unfunded gratuity	1,143,285	858,505	831,502	672,672
Total gratuity provision	1,143,285	858,505	831,502	672,672
(iv) Provision for defined benefit obligations				
At the beginning of the year	858,505	648,202	672,672	514,000
Interest cost	61,991	57,768	52,609	50,394
Current service cost	83,066	57,856	63,047	38,168
Benefits paid	(34,551)	(23,286)	(30,129)	(20,109)
Actuarial losses/(gains) on defined benefit obligation	82,188	99,345	73,303	90,219
Effect of movement in exchange rate	92,086	18,620	-	-
At the end of the year	1,143,285	858,505	831,502	672,672
Legal Liability	948,875	680,852	646,358	510,797

	Consolidated		Company	
	2022	2021	2022	2021
Sri Lanka				
Discount rate:	15.00	8.00	15.00	8.00
Salary escalation rate	13.50	7.00	13.50	7.00
Indonesia				
Discount rate:	7.55	7.73		
Salary escalation rate	8.00	8.50		
Thailand				
Discount rate:	3.26	3.26		
Salary escalation rate	3	3		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DEFINED BENEFIT OBLIGATIONS CONTD.

Distribution of the Defined Benefit Obligations over Future Working Lifetime

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Less than or equal to 1 Year	176,558	103,702	112,664	60,360
Over 1 year and less than or equal to 5 year	296,728	321,806	231,524	290,889
Over 5 year and less than or equal to 10 year	318,874	166,764	226,419	127,479
Over 10 years	351,125	266,233	260,895	193,944
	1,143,285	858,505	831,502	672,672

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 was carried out by a professionally qualified Actuaries, Actuarial and Management consultant (Pvt) Ltd. for Srilanka, Thailand entities and Kantor Konsultan Aktuaria Yusi Dan Rekan for Indonesia entities as at 31st March 2022

Sensitivity analysis	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
One Percentage point increase (+ 1%) in Discount Rate	1,078,425	801,189	774,613	630,547
One Percentage point Decrease (- 1%) in Discount Rate	1,262,999	923,700	895,588	719,953
One Percentage point increase (+ 1%) Salary Escalation Rate	1,267,513	927,906	899,739	723,207
One Percentage point Decrease (- 1%) Salary Escalation Rate	1,073,275	796,555	770,094	626,954

28 DEFERRED TAX ASSETS / LIABILITIES

28.1 Deffered Tax Assets

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	62,403	49,229	-	-
Origination and reversal of temporary differences	70,417	13,174	-	-
At the end of the year	132,820	62,403	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets are attributable to the followings:

As at 31st March	Consolidated	
	2022	2021
	Rs. '000	Rs. '000
Consolidated		
Property, plant & equipment	(2,242)	(1,511)
Inventory provision	26,043	3,429
Debtor provision	30,579	13,710
Tax loss carry -forward	19,176	9,641
Defined benefit obligations	64,672	36,611
Unrealised exchange gains	(6,159)	-
Other items	751	523
Net deferred tax asset	132,820	62,403

Movement of Deferred Tax Assets are Attributable to the followings:

Consolidated	Balance as at 31.03.2021	Recognized in the statement of Profit or loss	Recognised in Other Comprehensive Income	Effect of Movement in Exchange Rate	Balance as at 31.03.2022
Property, plant & equipment	(1,511)	(200)	-	(531)	(2,242)
Inventory provision	3,430	22,613	-	-	26,043
Debtor provision	13,710	16,869	-	-	30,579
Tax loss carry -forward	9,641	3,681	-	5,854	19,176
Defined benefit obligations	36,611	16,440	1,707	9,914	64,672
Unrealised exchange gains	-	(6,159)	-	-	(6,159)
Other items	522	229	-	-	751
Net deferred tax asset	62,403	53,473	1,707	15,237	132,820

Consolidated	Balance as at 31.03.2020	Recognized in the statement of Profit or loss	Recognised in Other Comprehensive Income	Effect of Movement in Exchange Rate	Balance as at 31.03.2021
Property, plant & equipment	(1,630)	228	-	(109)	(1,511)
Inventory provision	6,553	(3,123)	-	-	3,430
Debtor provision	9,207	4,503	-	-	13,710
Tax loss carry -forward	6,660	907	-	2,074	9,641
Defined 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED TAX ASSETS / LIABILITIES CONTD. 28.2 Deferred tax Liabilities

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	139,477	157,979	77,865	94,193
Origination and reversal of temporary differences	229,181	(18,502)	217,090	(16,328)
At the end of the year	368,658	139,477	294,955	77,865

Deferred tax liabilities are attributable to the followings:

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant & equipment	(294,388)	(258,208)	(210,685)	(183,252)
Inventory provision	15,258	10,376	14,257	10,001
Tax loss carry -forward	19,598	12,083	-	-
Defined benefit obligations	117,318	94,563	116,410	94,174
Debtor provision	-	400	-	-
Unrealised exchange gains	(227,966)	-	(216,308)	-
Other items	1,522	1,309	1,371	1,212
Net deferred tax liabilities	(368,658)	(139,477)	(294,955)	(77,865)

Movement of deferred tax liabilities are attributable to the following:

Consolidated	Balance as at 31st March 2021	Recognised in the statement of profit or loss	Recognised in Other Comprehensive Income	Balance as at 31st March 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant & equipment	(258,208)	(6,758)	(29,422)	(294,388)
Inventory Provisions	10,376	4,882	-	15,258
Tax loss carry -forward	12,083	7,515	-	19,598
Defined benefit obligations	94,563	22,754	10,251	117,318
Debtor Provisions	400	(400)	-	-
Unrealised exchange gain/loss	-	(227,966)	-	(227,966)
Other items	1,309	213	-	1,522
Net deferred tax liabilities	(139,477)	(199,760)	(19,171)	(368,658)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated	Balance as at 31.03.2020	Recognized in the statement of Profit or loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2021
Property, plant & equipment	(275,466)	6,718	10,540	(258,208)
Inventory provision	9,509	867	-	10,376
Debtor provision	1,658	(1,258)	-	400
Tax loss carry -forward	33,535	(21,452)	-	12,083
Defined benefit obligations	71,960	9,906	12,697	94,563
Other items	825	484	-	1,309
Net deferred tax liabilities	(157,979)	(4,735)	23,237	(139,477)

Company	Balance as at 31st March 2021 Rs. '000	Recognised in the statement of profit or loss Rs. '000	Recognised in Other Comprehensive Income Rs. '000	Balance as at 31.03.2022 Rs. '000
Company				
Property, plant and equipment	(183,252)	(9,985)	(17,448)	(210,685)
Inventory Provisions	10,001	4,256	-	14,257
Defined benefit obligations	94,174	11,974	10,262	116,410
Unrealised exchange gain/loss	-	(216,308)	-	(216,308)
Other items	1,212	159	-	1,371
Net deferred tax liabilities	(77,865)	(209,904)	(7,186)	(294,955)

Company	Balance as at 31.03.2020	Recognized in the statement of Profit or loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2021
Property, plant & equipment	(176,257)	(6,995)	-	(183,252)
Inventory provision	9,509	492	-	10,001
Defined 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 TRADE AND OTHER PAYABLES

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade payables	1,133,713	713,622	468,548	291,213
Freight Payables	597,617	289,994	494,864	179,863
Salaries and wages	94,364	70,299	73,535	32,349
Dividend payable (Note 29.1)	92,240	15,000	92,240	15,000
Accrued expenses and other payables	1,480,821	797,869	592,465	310,274
	3,398,755	1,886,784	1,721,652	828,699

29.1 Dividend Payable

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year				
- Recognised under dividend payable	15,000	101,018	15,000	101,018
- Recognised under related party	-	189,578	-	189,578
Declared during the year	831,947	1,099,358	831,947	1,099,358
Dividends paid to equity holders of the parent	(603,769)	(1,374,954)	(603,769)	(1,374,954)
At 31st March recognised under related party	(150,938)	-	(150,938)	-
At 31st March recognised under dividend payable	92,240	15,000	92,240	15,000

30 OTHER CURRENT LIABILITY

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Payments received in advance	547,047	538,498	72,349	17,855
	547,047	538,498	72,349	17,855

NOTES TO THE CONSOLIDATED 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 subsidiaries with material - non controlling interest

As at 31st March	Carbokarn Co. Ltd (group)		PT.Haycarb Palu Mitra	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	6,663,726	5,976,133	1,825,160	1,416,049
Profit before tax	874,487	1,016,854	256,032	309,105
Cash flows from operating activities	1,068,103	1,814,077	(27,260)	74,648
Cash flows from investing activities	(452,944)	(175,109)	(3,244)	(9,233)
Cash flows from financing activities	(443,402)	(1,094,530)	(33,794)	(75,437)
Non-current assets	2,937,401	1,877,544	792,540	563,690
Current assets	5,926,195	3,100,760	1,403,789	791,755
Total assets	8,863,596	4,978,304	2,196,329	1,355,445
Non-current liabilities	125,578	366,522	28,410	19,592
Current liabilities	4,296,972	1,588,668	1,097,632	736,485
Total liabilities	4,422,550	1,955,190	1,126,042	756,077
Equity attributable to the owners of the company	2,220,523	1,511,557	642,172	359,621
Non-controlling interest	2,220,523	1,511,557	428,114	239,747
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 in page 236 to 239 Business segment classification is also given under Group companies.

- i) Companies within the Group engage in trading transactions under normal commercial terms and conditions. Outstanding current account balances at the year end are unsecured and charged with weighted average cost of debt rate. Settlements occur in cash.
- ii) Companies of Haycarb group have paid charges on office space and other services such as export shipping, secretarial, data processing, personnel administration and other functions obtained from Hayleys PLC.
- iii) Haycarb PLC provides factory space to its subsidiaries and charges rent. In addition, the Company incurs common expenses such as administration and personnel. Such costs are allocated to subsidiaries
- iv) Transactions with Advantis Projects & Engineering (Pvt) Ltd, Air Global (Pvt) Ltd., Alco Industries (Pvt) Ltd., Alumex PLC, Hayleys Leisure PLC, Chas P. Hayley Company (Pvt) Ltd., Civaro Lanka (Pvt) Ltd., Creative Polymats (Pvt) Ltd., D P L Universal Gloves Limited, Dipped Products PLC, Fentons Limited, Hanwella Rubber Products Ltd., Haylex (Japan) Ltd., Hayleys Agriculture Holdings Ltd., Hayleys Agro Fertilizers (Pvt) Ltd., Hayleys Aventura (Pvt) Ltd., Hayleys Consumer Products (Pvt) Ltd., Hayleys Fabrics PLC, Hayleys Fibre PLC, Hayleys Industrial Solutions Ltd., Hayleys Lifesciences (Pvt) Ltd., Haymat (Pvt) Ltd., Horana Plantations PLC, Kelani Valley Plantations PLC, Logiwiz (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., MIT Cargo (Pvt) Ltd., Mountain Hawk Electronics Ltd., North South Lines (Pvt) Ltd., Pan Asia Bank PLC, Quait Seeds Co.Ltd., Ravi Industries (Pvt) Ltd., Rileys (Pvt) Ltd., Royal Ceramics PLC, Sampath Bank PLC, Singer (Sri Lanka) PLC, Singer Finance PLC, Thalawakelle Tea Estates PLC, The Kingsbury PLC and Toyo Cushion Lanka (Pvt) Ltd. are given below under details of related party transactions with affiliates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Related party disclosures

Year ended 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs '000	Rs. '000	Rs '000
Transactions with related parties				
Fully-owned subsidiaries				
Sales of Activated Carbon	-	-	5,937,527	3,365,383
Purchase of raw material	-	-	26,867	45,059
Reimbursement of salaries/bonus	-	-	294,964	233,633
Dividend Income	-	-	255,977	383,985
Current account interest received	-	-	13,177	31,756
Rental Income	-	-	9,020	9,020
Purchase of services	-	-	154,197	107,590
Income from guarantees and short term funds	-	-	1,446	1,238
Income on Services rendered	-	-	52,552	38,723
Partly-owned subsidiaries				
Sales of goods and services	-	-	3,431	6,634
Sale of raw material & consumables	-	-	-	124,165
Income from services provided	-	-	88,815	92,315
Dividend Income	-	-	342,017	232,313
Purchase of services	-	-	-	4,831
Cost of guarantees and short term funds	-	-	1,321	6,625
	-	-	-	-
Equity accounted investee				
Dividend Received	3,623	-	3,623	-
Services related expenses paid	-	809	-	-
Parent - Hayleys PLC				
Services related expenses paid	372,502	288,628	343,985	265,713
Dividend paid	563,503	764,754	563,503	764,754
Affiliates				
Sales of goods and services	576,160	300,073	551,938	263,942
Purchase of goods and services	692,378	554,880	-	-
Dividend Income	101,866	-	101,866	95,174
Interest Income	-	-	-	10
Loans obtained from/(repaid to) Directors Carbokarn Co. Ltd.	750,711	(613,944)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SEGMENT ANALYSIS

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

Business Segments

Year ended 31st March	External Rs. '000	Intra-group Rs '000	Consolidated	
			2022 Rs. '000	2021 Rs '000
Activated carbon	30,872,136	12,142,702	43,014,838	31,679,779
Environmental engineering	2,288,338	(23,657)	2,264,681	2,306,483
	33,160,474	12,119,045	45,279,519	33,986,262
Intra-group sales			(12,119,045)	(8,501,703)
			33,160,474	25,484,559

Profit before tax

Year ended 31st March	Consolidated	
	2022 Rs. '000	2021 Rs '000
Activated carbon	4,562,114	4,263,279
Environmental engineering	115,218	221,184
Purification -associate	(39,425)	(14,187)
Leisure-associate	18,081	19,986
	4,655,988	4,490,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Total Assets		Provision for Liabilities and Charges		Trade and Other Payables	
	2022	2021	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Activated carbon	37,033,821	22,805,636	1,511,943	997,982	3,303,106	1,805,416
Environmental engineering	2,387,920	1,971,978	-	-	642,696	619,866
	39,421,741	24,777,614	1,511,943	997,982	3,945,802	2,425,282
Investment in associates and others	590,336	615,302				
	40,012,077	25,392,916				

As at 31st March	Capital Expenditure		Depreciation	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Activated carbon	1,668,676	1,050,393	666,484	608,750
Environmental engineering	9,054	1,981	2,273	2,188
	1,677,730	1,052,374	668,757	610,938

As at 31st March Cash Flows from	2022		2021	
	Activated carbon	Environmental engineering	Activated carbon	Environmental engineering
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating activities	(2,955,672)	141,202	2,298,340	(232,522)
Investing activities	(1,481,088)	(23,692)	(892,241)	(11,702)
Financing activities	(801,945)	(14,314)	(1,204,795)	(39,900)
	(5,238,705)	103,196	201,304	(284,124)

Geographical Segments Turnover- Net

Year ended 31st March	Consolidated			
	External	Intra-group	2022	2021
	Rs. '000	Rs '000	Rs. '000	Rs '000
USA	6,960,881	-	6,960,881	3,468,223
Europe	4,050,639	-	4,050,639	3,033,700
Australia	2,274,745	-	2,274,745	1,691,336
Sri Lanka	11,312,275	6,286,810	17,599,085	13,543,406
Other Asian Countries	8,561,934	5,832,235	14,394,169	12,249,597
	33,160,474	12,119,045	45,279,519	33,986,262
Intra-group sales			(12,119,045)	(8,501,703)
			33,160,474	25,484,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SEGMENT ANALYSIS CONTD.

Profit before tax

Year ended 31st March	Consolidated	
	2022 Rs. '000	2021 Rs '000
USA	275,607	107,252
Europe	82,229	137,726
Australia	319,126	283,927
Sri Lanka	2,855,773	2,259,017
Other Asian Countries	1,461,456	1,902,422
	4,994,191	4,690,344
Consolidation adjustments	(338,203)	(200,082)
	4,655,988	4,490,262

Assets and Liabilities

As at 31st March	Total Assets		Non-Interest Bearing Liabilities			
			Provision for Liabilities and Charges		Trade and Other Payables	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
USA	6,203,559	1,816,448	-	-	245,170	207,915
Europe	1,781,884	1,256,877	-	-	109,958	76,142
Australia	1,666,484	737,322	-	-	136,927	56,468
Sri Lanka	12,611,960	10,916,411	1,244,656	807,875	2,291,176	1,539,826
Other Asian Countries	17,157,854	10,050,556	267,287	190,107	1,162,571	544,931
	39,421,741	24,777,614	1,511,943	997,982	3,945,802	2,425,282
Investments in associates and other	590,336	615,302				
	40,012,077	25,392,916				

Year ended 31st March	Capital Expenditure		Depreciation	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
USA	548	376	1,731	1,626
Europe	4,020	482	11,915	11,156
Australia	7,554	-	1,700	1,490
Sri Lanka	946,665	832,955	285,563	252,822
Other Asian Countries	718,943	218,561	367,848	336,678
	1,677,730	1,052,374	668,757	603,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

The approximate amount of capital expenditure approved by the Board of Directors and contracted for as at 31st March 2021, for, which no provision has been made in the Financial Statements amounts to Rs. 307,927,990/- (2020/21 – Rs. 210,674,245/-) for the Group and Rs.177,934,074/- (Rs. 2020/21 – Rs. 203,608,247/- for the Company. Capital expenditure approved by the Board of Directors but not contracted for was Rs. 416,413,946/- (2020/21 – Rs. 441,461,433/-) for the Group and Rs. 272,741,206/- (2020/21 – Rs. 371,790,330/-) for the Company.

Contingent Liabilities

The contingent liability as at 31st March 2022 on guarantees given by the Group to third parties amounted to Rs. 7,850,421,491/- (2020/21 – Rs. 4,759,155,102/-). Of this sum, Rs. 6,406,259,890/- (2020/21 – Rs. 4,158,627,778/-) relates to facilities obtained by subsidiaries

35 FAIR VALUE MEASUREMENT

The 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 of the measurement date.

Set out below is a comparison by class of the carrying amount and fair value of the Group's financial instruments and certain non-financial asset that are carried in the Financial Statements.

Consolidated	Carrying Amount		Fair Value	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Financial Assets				
Equity instruments designated at fair value through OCI				
- Quoted equity shares	1,322,342	1,887,898	1,322,342	1,887,898
- Unquoted equity shares	831	725	831	725
Financial assets at amortised cost				
- Trade and other receivables	8,473,480	4,316,402	8,473,480	4,316,402
- Amounts due from other related parties	177,244	15,242	177,244	15,242
- Amounts due from equity accounted investees	63,611	38,090	63,611	38,090
- Cash and short term deposits	3,117,724	2,335,633	3,117,724	2,335,633
Total	11,832,059	6,705,367	11,832,059	6,705,367
Non-Financial Assets				
Freehold land	1,976,291	1,379,394	1,976,291	1,379,394
Total	1,976,291	1,379,394	1,976,291	1,379,394
Financial Liabilities				
Interest-bearing loans and borrowings				
- Lease liabilities	113,412	175,880	113,412	175,880
- Long term loans	982,583	679,141	982,583	679,141
- Short term loans and bank overdraft	10,022,932	4,105,332	10,022,932	4,105,332
Trade and other payables	3,398,755	1,886,784	3,398,755	1,886,784
Amounts due to other related parties	2,186,028	1,256,334	2,186,028	1,256,334
Total	16,703,710	8,103,471	16,703,710	8,103,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 FAIR VALUE MEASUREMENT CONTD.

Company	Carrying Amount		Fair Value	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Equity instruments designated at fair value through OCI				
- Quoted equity shares	1,322,342	1,887,898	1,322,342	1,887,898
- Unquoted equity shares	490	490	490	490
Financial assets at amortised cost				
- Trade and other receivables	5,423,774	2,408,600	5,423,774	2,408,600
- Amounts due from subsidiaries	782,477	693,362	782,477	693,362
- Amounts due from other related parties	100,916	-	100,916	-
- Amounts due from equity accounted investees	3,802	165	3,802	165
- Cash and short term deposits	831,017	677,133	831,017	677,133
Total	7,141,986	3,779,260	7,141,986	3,779,260
Non-Financial Assets				
Freehold land	835,486	660,984	835,486	660,984
Total	835,486	660,984	835,486	660,984
Financial Liabilities				
Interest-bearing loans and borrowings				
- Lease liabilities	78,914	112,344	78,914	112,344
- Long term loans	967,029	656,946	967,029	656,946
- Short term loans and bank overdraft	6,065,277	2,555,905	6,065,277	2,555,905
Trade and other payables	1,721,652	828,699	1,721,652	828,699
Amounts due to subsidiaries	84,827	214,177	84,827	214,177
Amounts due to other related parties	292,589	60,608	292,589	60,608
Total	9,210,288	4,428,679	9,210,288	4,428,679

The following methods and assumptions were used to estimate the fair values;

Cash and short term deposits, trade and other receivables, amounts due to/from related parties and trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.

Long term loans and lease liabilities approximate their carrying amount as majority of the loan portfolio consist loan obtained at variable interest rates.

Fair Value Hierarchy

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

Level 1 : Quoted (Unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : Other techniques for which all inputs that have a significant effect on the recorded fair value that are not based on observable market data

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31st March 2022 the Group/Company held the following financial assets carried at fair value in the Statement of Financial Position.

As at 31st March 2022	Consolidated				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets Measured at Fair Value								
Financial assets at fair value through OCI								
Equity shares	1,322,342	-	831	1,323,173	1,322,342	-	490	1,322,832
Freehold land	-	-	1,976,291	1,976,291	-	-	835,486	835,486

During the reporting period ended 31st March 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 31st March 2021 the Group/Company held the following financial assets carried at fair value in the Statement of Financial Position.

As at 31st March 2021	Consolidated				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets Measured at Fair Value								
Financial assets at fair value through OCI								
Equity shares	1,887,898	-	725	1,888,623	1,887,898	-	490	1,888,388
Freehold land	-	-	1,379,394	1,379,394	-	-	660,984	660,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:

- 1 Credit risk
- 2 Liquidity risk
- 3 Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group's financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of financial risk management policies and procedures, the results of which are reported to the Group Audit Committee.

Credit risk

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

The maximum risk position of above mentioned assets which are generally subject to credit risk are equal to their carrying amount (without consideration of collateral, if available). Following table shows the maximum credit risk positions.

For the year ended 31 March 2022	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total
Rs. '000						
Consolidated						
Deposits with banks	-	-	-	1,184,212	-	1,184,212
Loans to employees	-	-	17,693	-	-	17,693
Equity shares - Unquoted	831	-	-	-	-	831
- Quoted	1,322,342	-	-	-	-	1,322,342
Trade and other receivables	-	-	8,455,787	-	-	8,455,787
Receivable from suppliers	55,707	-	-	-	-	55,707
Amounts due from related parties	-	-	-	-	177,244	177,244
Amounts due from Equity Accounted Investees	-	-	-	-	63,611	63,611
Cash in hand and at bank	-	1,933,512	-	-	-	1,933,512
Total credit risk exposure	1,378,880	1,933,512	8,473,480	1,184,212	240,855	13,210,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total
Rs. '000						
Consolidated						
Deposits with banks	-	-	-	1,273,867	-	1,273,867
Loans to employees	-	-	11,535	-	-	11,535
Equity shares - Unquoted	725	-	-	-	-	725
- Quoted	1,887,898	-	-	-	-	1,887,898
Trade and other receivables	-	-	4,304,867	-	-	4,304,867
Receivable from suppliers	44,039	-	-	-	-	44,039
Amounts due from related parties	-	-	-	-	15,242	15,242
Amounts due from Equity Accounted Investees	-	-	-	-	38,090	38,090
Cash in hand and at bank	-	1,061,766	-	-	-	1,061,766
Total credit risk exposure	1,932,662	1,061,766	4,316,402	1,273,867	53,332	8,638,029

For the year ended 31 March 2022	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total
Rs. '000						
Company						
Deposits with banks	-	-	-	636,348	-	636,348
Loans to employees	-	-	17,693	-	-	17,693
Equity shares - Unquoted	490	-	-	-	-	490
- Quoted	1,322,832	-	-	-	-	1,322,832
Trade and other receivables	-	-	5,406,081	-	-	5,406,081
Amounts due from subsidiaries	-	-	-	-	782,477	782,477
Amounts due from related parties	-	-	-	-	100,916	100,916
Amounts due from Equity Accounted Investees	-	-	-	-	3,802	3,802
Cash in hand and at bank	-	194,669	-	-	-	194,669
Total credit risk exposure	1,323,322	194,669	5,423,774	636,348	887,195	8,465,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT CONTD.

For the year ended 31 March 2021	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total
Rs. '000						
Company						
Deposits with banks	-	-	-	616,694	-	616,694
Loans to employees	-	-	11,535	-	-	11,535
Equity shares - Unquoted	490	-	-	-	-	490
- Quoted	1,888,388	-	-	-	-	1,888,388
Trade and other receivables	-	-	2,397,065	-	-	2,397,065
Amounts due from subsidiaries	-	-	-	-	693,362	693,362
Amounts due from Equity Accounted Investees	-	-	-	-	165	165
Cash in hand and at bank	-	60,439	-	-	-	60,439
Total credit risk exposure	1,888,878	60,439	2,408,600	616,694	693,527	5,668,138

Trade and other receivables

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

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

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

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

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Rupees	262,558	346,172	2,878	1,701
Australian Dollar	434,753	210,562	-	-
Sterling Pound	477,733	54,490	218,964	129,751
Euro	465,793	134,852	181,390	107,651
United States Dollar	5,178,159	2,302,596	5,002,848	2,157,962
Thai Baht	781,157	491,382	-	-
Maldivian Rupiah	58,595	154,771	-	-
Indonesian Rupiah	797,039	610,042	-	-
	8,455,787	4,304,867	5,406,081	2,397,065

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 3,106,012,000/- at 31st March 2022 (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.

As at 31st March 2022	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
Consolidated						
Interest bearing loans and borrowings	1,104,411	8,798,321	425,631	677,152	-	11,005,515
Lease liability	-	19,768	39,593	54,051	-	113,412
Trade and other payables	583,356	2,628,599	186,800	-	-	3,398,755
	1,687,767	11,446,688	652,024	731,203	-	14,517,682
As at 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
Consolidated						
Interest bearing loans and borrowings	767,378	3,397,441	152,062	467,592	-	4,784,473
Lease liability	-	14,831	48,375	112,674	-	175,880
Trade and other payables	388,904	1,399,140	98,740	-	-	1,886,784
	1,156,282	4,811,412	299,177	580,266	-	6,847,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT CONTD.

As at 31st March 2022	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
Company						
Interest bearing loans and borrowings	1,098,527	4,842,440	420,431	670,908	-	7,032,306
Lease liability	-	8,945	28,353	41,616	-	78,914
Trade and other payables	134,900	1,482,184	104,568	-	-	1,721,652
	1,233,427	6,333,569	553,352	712,524	-	8,832,872

As at 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
Company						
Interest bearing loans and borrowings	691,367	1,913,226	146,062	462,197	-	3,212,852
Lease liability	-	8,018	25,413	78,913	-	112,344
Trade and other payables	47,349	668,944	112,405	-	-	828,698
	738,716	2,590,188	283,880	541,110	-	4,153,894

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 and financial asset designated as fair value through OCI. 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 2022.

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 defined benefit 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 equity instruments designated as fair value through OCI.
- 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 2022.

NOTES TO THE CONSOLIDATED 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 Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

As at 31st March	Effect on Profit before Tax			
	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Increase in borrowing rates by 50 basis points	(55,027)	(18,537)	(35,162)	(10,789)
Decrease in borrowing rates by 50 basis points	55,027	18,537	35,162	10,789

Foreign currency risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT CONTD.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant of the Group's and Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and Company's exposure to foreign currency changes for all other currencies is not material.

Foreign Currency	Increase/(Decrease) %	Effect on Profit before Tax			
		Consolidated		Company	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
US Dollar	0.50%	10,632	327	(10,437)	104
	-0.50%	(10,632)	(327)	10,437	(104)
Thai Baht	0.50%	7,055	4,326	-	-
	-0.50%	(7,055)	(4,326)	-	-
Indonesian Rupiah	0.50%	(9,661)	(2,740)	-	-
	-0.50%	9,661	2,740	-	-
GBP	0.50%	2,350	23	(972)	655
	-0.50%	(2,350)	(23)	972	(655)
Australilian Dollar	0.50%	1,518	1,219	-	-
	-0.50%	(1,518)	(1,219)	-	-
Euro	0.50%	2,909	1,090	-	-
	-0.50%	(2,909)	(1,090)	-	-
Maldivian Rupiah	0.50%	882	319	-	-
	-0.50%	(882)	(319)	-	-

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 2022 other than those disclosed in Note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The gearing ratio at the reporting date was as follows:

As at 31st March	Consolidated		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest bearing borrowings -external	11,005,515	4,784,473	7,032,306	3,212,851
Interest bearing borrowings -related party	1,663,826	913,115	-	-
Total equity	20,820,580	15,152,441	8,800,794	7,565,837
Total equity and debt	33,489,921	20,850,029	15,833,100	10,778,688
Gearing ratio percentage (%)	38%	27%	44%	30%

37 EVENTS OCCURRING AFTER THE REPORTING DATE

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

At the Board Meeting held on 18th May 2022, the Directors have recommended the Final Dividend of Rs. 0.40 (Cents 40) per share subject to the approval by the shareholders at the Annual General Meeting to be held on 28th June 2022 to be paid to the shareholders.

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 April 2022, each company of a group of companies, of which the aggregate of the taxable income of all subsidiaries and the holding company in that Group of companies that have earned a taxable income in excess of LK Rs. 2,000 million for the year of assessment 2020/2021 is liable for a surcharge tax at the rate of 25% on the taxable income of each entity within that group. Accordingly, the Group and the Company is liable for the surcharge tax of Rs. 525,956,908/- and Rs. 366,217,313/- respectively. However, the surcharge tax was enacted after the end of the reporting period and therefore the financial statements do not reflect any surcharge tax liability for the year ended 31 March 2022. This is recommended by the statement of Alternative Treatments (SoAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

In accordance with Sri Lanka Accounting Standard (LKAS -10) - Events after reporting date, the final dividend and Surcharge Tax have not been recognised as a liability in the Financial Statements as at 31st March 2022.

38 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

Consolidated	Average		Year End	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
US Dollar	210.814	188.785	293.875	199.830
Australian Dollar	155.629	137.161	220.327	152.103
Pound Sterling	287.060	248.721	385.561	274.064
Thai Baht	6.438	6.098	8.813	6.350
Indonesian Rupiah	0.0147	0.0131	0.0205	0.0137
Euro	244.392	221.375	328.185	233.638
Indian rupee	2.833	2.539	3.880	2.610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 FUNCTIONAL CURRENCY

The Group's functional currency is Sri Lankan Rupee, except for the following subsidiaries:

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

40 COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The Financial Statements of Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., Shizuka Co. Ltd., Thailand, Haycarb Holdings Australia (Pty) Ltd., Australia, Haycarb USA Inc., USA and PT Mapalus Makawanua Charcoal Industry, PT Haycarb Palu Mitra, Indonesia which has financial year end as 31st December.

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

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The Interim Financial Statements for the fourth quarter ended 31st March 2022, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. SHAREHOLDERS

Haycarb PLC - Ordinary Shareholders as at 31st March 2022

No. of shares held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	4,510	1,501,921	0.51	12	4,659	0.00	4,522	1,506,580	0.51
1,001 - 10,000	2,947	11,271,082	3.79	24	123,110	0.04	2,971	11,394,192	3.83
10,001 - 100,000	849	24,341,021	8.19	14	364,670	0.12	863	24,705,691	8.31
100,001 - 1,000,000	118	28,673,529	9.65	7	1,931,910	0.65	125	30,605,439	10.30
OVER 1,000,000	6	220,983,963	74.38	4	7,927,885	2.67	10	228,911,848	77.05
	8,430	286,771,516	96.52	61	10,352,234	3.48	8,491	297,123,750	100.00

No. of shares held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Category									
Individuals	7,964	56,480,910	19.01	55	8,205,354	2.76	8,019	64,686,264	21.77
Institutions	466	230,290,606	77.51	6	2,146,880	0.72	472	232,437,486	78.23
	8,430	286,771,516	96.52	61	10,352,234	3.48	8,491	297,123,750	100.00

As at 31st March 2022, there were 8,491 (31st March 2021 - 6,750) registered shareholders.

3. MARKET VALUE

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

	2021/22		2020/21	
	Rs.	Date	Rs.	Date
Highest Price	119.75	15 April, 2021	1,700.00*	08 February 2021
Lowest Price	49.00	31 March, 2022	82.00**	5 March 2021
Closing Price	50.20	31 March, 2022	93.00**	31 March 2021
No. of Transactions	100,525		62,785	
No. of shares traded	70,052,220		30,412,453	
Value of shares traded (Rs.)	6,293,368,957		9,044,442,417	

*Prior to the sub-division of shares

**Subsequent to the sub-division of shares

INVESTOR INFORMATION

4. QUARTERLY FINANCIAL DATA

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	7,396,534	5,595,523	14,849,536	11,879,232	23,287,196	18,827,040	33,160,474	25,484,559
Profit before tax	717,855	1,042,308	1,462,985	2,344,261	2,404,663	3,445,616	4,655,988	4,490,262
Profit after tax	533,757	826,876	1,145,569	1,964,792	1,921,326	2,825,921	3,721,140	3,566,507
Profit attributable to equity holders of the company	441,988	685,622	975,259	1,708,195	1,564,200	2,407,297	3,287,554	3,046,834
Profit attributable to non-controlling interest	91,769	141,254	170,310	256,597	357,126	418,624	433,586	519,673
Total comprehensive income for the period, net of tax	698,211	1,235,598	1,460,410	2,746,866	1,975,355	4,449,577	6,867,728	5,812,624
Non-current assets	9,890,059	7,208,613	10,305,928	7,726,821	10,285,059	8,454,339	11,362,055	9,431,686
Current assets	15,501,517	13,143,529	17,315,453	13,575,701	18,953,898	14,335,236	28,650,022	15,961,230
Total Equity	15,670,267	11,892,257	16,194,767	13,136,100	16,486,869	14,422,851	20,820,580	15,152,441
Non Current liabilities	1,524,292	1,085,155	1,486,810	1,238,947	1,864,060	1,435,537	2,243,146	1,578,247
Current liabilities	8,197,017	7,374,730	9,939,804	6,927,475	10,888,028	6,931,187	16,948,351	8,662,228

TOP 20 SHAREHOLDERS

Name of the Shareholder		No.of Shares as at 31/03/2022	%	No.of Shares as at 31/03/2021	%
1	Hayleys PLC No. 3 Share Investment Account	201,251,030	67.73	201,251,030	67.73
2	Employees Provident Fund	13,230,763	4.45	14,075,650	4.74
3	Mr. T. Ueda	3,624,685	1.22	3,574,685	1.20
4	Dr. D. Jayanntha	2,400,000	0.81	2,400,000	0.81
5	Mrs. J. K. P. Singh	2,000,000	0.67	2,000,000	0.67
6	Mr. H. S. R. Kariyawasan/Mrs. K.H.S. Kariyawasan	1,465,000	0.49	1,465,000	0.49
7	Mr. Z .G. Carimjee	1,350,000	0.45	1,350,000	0.45
8	Mrs. L. Sivagurunathan (deceased)	1,287,170	0.43	1,287,170	0.43
9	Mr. H. S. Gill	1,230,000	0.41	1,230,000	0.41
10	HSBC Bank PLC-Mckinley Capital Measa Fund Oeic Limited	1,073,200	0.36	1,073,200	0.36
11	Employees Trust Fund Board	994,632	0.33	-	-
12	Mrs. V. Saraswathi/Mr. S. Vasudevan	975,000	0.33	1,025,000	0.34
13	Harnam Holdings SDN BHD	785,000	0.26	800,000	0.27
14	Miss M. P. Radhakrishnan	726,100	0.24	756,100	0.25
15	Miss A. Radhakrishnan	725,000	0.24	755,000	0.25
16	Mr. A.A. Thakshanan	710,780	0.24	710,780	0.24
17	Mr. R. Maheswaran	670,010	0.23	670,010	0.23
18	Seylan Bank PLC/M. N. Deen	649,877	0.22	450,000	0.15
19	Dr. C.C. Miranda	550,000	0.19	550,000	0.19
20	Mr. W. K. G. N. Perera	550,000	0.19	-	-
SUBTOTAL		236,248,247	74.49		
OTHERS		60,875,503	25.51		
TOTAL		297,123,750	100.00		

INVESTOR INFORMATION

DIRECTORS' SHAREHOLDINGS

Name of the Director	As at 31/03/2022	As at 31/03/2021
Mr. A. M. Pandithage	23,790	23,790
Mr. S. C. Ganegoda	48,150	18,150
Mr. H. S. R. Kariyawasan*	1,465,000	1,465,000
Mr. M.S.P. Udaya Kumara	4,620	4,620
Mr. B. Balaratnarajah	10,040	10,040
	1,551,600	1,521,600

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

- Mr. Dhammika Perera holds 51.01% of the total issued shares of Hayleys PLC which has 201,251,030 shares in Haycarb PLC.

PUBLIC HOLDING

Name of the Director	As at 31/03/2022
Market Capitalization as at 31 March 2022 Rs.	14,915,612,250.00
Public holding percentage of the Company (%)	31.74
Float-adjusted market capitalization Rs.	4,734,920,224.00

The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2022, was 31.74% (2021 - 31.75%) held by 8485 ordinary shareholder (2021 - 6744).

The Company complies with option 4 of the Listing Rules 7.14.1 (i) (a) – which requires 10% minimum Public Holding.

TEN YEAR FINANCIAL REVIEW

Year ended 31st March	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trading Results				
Group Turnover	33,160,474	25,484,559	22,822,743	20,917,945
Profit before taxation	4,655,988	4,490,262	2,175,806	1,352,898
Group taxation	(934,848)	(923,755)	(409,762)	(271,196)
Profit after taxation (Continuing operations)	3,721,140	3,566,507	1,766,044	1,081,702
Minority Interest	(433,586)	(519,673)	(207,448)	(126,291)
Profit attributable to Haycarb Ltd	3,287,554	3,046,834	1,558,596	955,411
Financial Position				
Share capital	331,774	331,774	331,774	331,774
Capital reserves	994,758	686,284	675,744	675,744
Revenue reserves	16,845,411	12,383,079	8,313,697	7,242,868
Minority interest	2,648,637	1,751,304	1,335,444	1,102,415
	20,820,580	15,152,441	10,656,659	9,352,801
Property, plant & equipment, investments and non-current assets	11,103,590	9,198,545	6,672,299	6,412,662
Intangible assets	258,465	233,141	226,873	248,504
Current assets	28,650,022	15,961,230	12,546,480	12,313,966
Current liabilities	(16,948,351)	(8,662,229)	(7,733,503)	(8,802,222)
Provisions and creditors due after one year	(2,243,146)	(1,578,247)	(1,055,490)	(820,109)
	20,820,580	15,152,442	10,656,659	9,352,801
Ratios & Statistics				
Return on shareholders' equity (%)	18%	23%	17%	12%
Dividend (Rs. '000)	831,946	1,099,358	445,686	237,699
Dividend PER share	2.80	3.70	1.50	0.80
Annual sales growth index (Base - 2012)	390%	300%	268%	246%
Earnings per share at year end * (Rs.)	11.06	10.25	5.25	3.22
Net assets per share at year end * (Rs.)	60.80	45.10	31.37	27.77
Market price per share (Rs.)	50.20	93.00	160.00	127.00
Price earning ratio	4.45	9.07	3.05	3.95
Current ratio (Times)	1.69	1.84	1.62	1.40
Liquidity ratio (Times)	0.76	1.07	0.76	0.93

Figures in brackets indicate deductions.

* All previous year calculations are adjusted to the share sub division 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.

	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
	15,518,079	13,553,576	11,705,825	11,933,848	10,338,684	10,149,637
	926,423	1,189,535	1,119,078	1,070,336	1,044,083	1,227,707
	(152,799)	(249,735)	(220,910)	(196,404)	(152,106)	(192,708)
	773,624	939,800	898,168	873,932	891,977	1,034,999
	(101,260)	(135,436)	(216,950)	(178,947)	(104,197)	(89,691)
	672,364	804,364	681,218	694,985	787,780	945,308
	331,774	331,774	331,774	331,774	331,774	331,774
	648,703	717,597	570,848	570,848	373,907	373,907
	6,447,363	5,696,455	5,013,363	4,800,584	4,061,796	3,675,876
	909,771	776,762	710,435	590,724	468,418	344,247
	8,337,611	7,522,588	6,626,420	6,293,930	5,235,895	4,725,804
	6,105,545	5,953,584	5,161,474	5,059,453	4,275,533	3,724,931
	285,856	279,201	263,598	260,903	251,223	240,018
	8,891,056	8,002,701	7,204,985	5,696,413	4,986,749	4,466,440
	(6,041,736)	(5,808,013)	(5,244,079)	(3,923,488)	(3,357,492)	(2,907,846)
	(903,110)	(904,885)	(759,558)	(799,351)	(920,118)	(797,739)
	8,337,611	7,522,588	6,626,420	6,293,930	5,235,895	4,725,804
	9%	12%	12%	12%	17%	21%
	178,274	178,274	178,274	178,274	178,274	207,986
	0.60	0.60	0.60	0.60	0.60	0.70
	182%	159%	138%	140%	122%	119%
	2.26	2.71	2.29	2.34	2.65	3.18
	25.00	22.70	19.91	19.19	16.05	14.79
	120.00	151.00	160.00	183.00	181.00	176.00
	4.08	5.58	6.98	7.82	6.83	5.53
	1.47	1.38	1.37	1.45	1.47	1.54
	0.80	0.77	0.70	0.68	0.85	0.79

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)

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 (resigned on 30th April 2022)	J.D. Naylor M.H. Jamaldeen Ms. H.M.N. Sharmalie Gunawardana Ms. Yogadinusha Bhaskaran (Alternate Director to Dhammika Perera)
A.M. Pandithage (Chairman) J.D. Naylor (Managing Director)	H.S.R. Kariyawasan R. Bittel	Ms. K.A.D.B Perera (appointed w.e.f. 8th October 2021)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne M. Marques	B.P.R. Liyanage S.C. Ganegoda L.R.M.R.A.L Karunaratne (appointed w.e.f. 1st April 2022)
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 B. Balaratnarajah (appointed w.e.f. 13th December 2021) T. Karnchanabatr (appointed w.e.f. 13th December 2021)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Y.P.A.S. Pathirathna	A.M. Senaratne M S P Udaya Kumara (appointed w.e.f. 1st April 2022) B. Balaratnarajah (appointed w.e.f. 1st April 2022)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan (resigned on 30th April 2022)	I.A.S.L. Athukorala B. Balaratnarajah (appointed w.e.f. 1st May 2022) M.L. Wickramasinghe (appointed w.e.f. 1st May 2022)
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 M.S.P. Udaya Kumara A.A.M. Caderbhoy	E. Senduk(Deceased on 19th September 2021) R. Mapahena (appointed w.e.f. 11th February 2022) Ms. M.J.A.S Abeyratne (appointed w.e.f. 11th February 2022) L.R.M.R.A L. Karunaratne (appointed w.e.f 1st April 2022) G.M.G Gunawardena (appointed w.e.f. 1st April 2022)
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 (resigned on 30th April 2022) L. Teague	Ms. S.R Singh G.B.M.H. Dourdin (resigned on 17th September 2021) Ms. B. G. Brar (appointed w.e.f. 17th September 2021)

GROUP PROFILE

	Incorporation	Stated/Share Capital	Group Interest
Shizuka Co. Ltd. Manufacture and Sale of Activated Carbon	2012 in Thailand (Ratchaburi Province, Thailand)	THB 20,000,000	50% (Subsidiary)
Haycarb Value Added Products (Pvt) Ltd. Manufacture and Sale of Value Added Activated Carbon	2012 in Sri Lanka	Rs. 400,000,010	100% (Subsidiary)
PT Haycarb Palu Mitra Manufacture and Sale of Activated Carbon	2012 in Indonesia (Palu, Indonesia)	IDR 20,508,850,000	60% (Subsidiary)
Puricarb (Pte.) Ltd. Engineering Consultancy Services	2014 in Singapore	USD 50,001	100% (Subsidiary)
Haycarb Activated Carbon (Pvt) Ltd. Business Development	2017 in India	INR 3,367,970	100% (Subsidiary)

Directors

A.M. Pandithage (Chairman)	Y.P.A.S. Pathirathna	B. Karnchanabatr
P. Kanchanabatr (Managing Director)	Ms. M.J.A.S. Abeyratne	K. Karnchanabatr
H.S.R. Kariyawasan	Ms. C. Karnchanabatr	

A.M. Pandithage (Chairman)		
H.S.R. Kariyawasan		
Ms. M.J.A.S. Abeyratne		

J. Yaurai (President Commissioner)	A.M. Pandithage (President Director)	B. Balaratnarajah
Ms. M.J.A.S. Abeyratne (Commissioner)	H.S.R. Kariyawasan	Ronny
M.S.P. Udaya Kumara (Commissioner)	A.A.M. Caderbhoy	K.A. Karim

A.M. Pandithage (Chairman)	Ms. M.J.A.S. Abeyratne	Wong Yong Fei
H.S.R. Kariyawasan	Ms. S.S. Ragunathan (resigned from 30th April 2022)	

A.M. Pandithage (Chairman)	Ms. M.J.A.S. Abeyratne	Elindram Srinivasulu
H.S.R. Kariyawasan		
A.A.M. Caderbhoy		

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).

NOTES

[illegible]

NOTICE OF MEETING

HAYCARB PLC

Company Number PQ 59

NOTICE IS HEREBY GIVEN THAT THE Forty Ninth Annual General Meeting of Haycarb PLC will be held on Tuesday, 28th June 2022 at 12.15 p.m. via online meeting platform for the following purposes.

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.
2. To approve the final dividend of Rs. 0.40 per share as recommended by the Board of Directors.
3. To re-elect as a Director Mr. S. Rajapakse, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. A. A. M. Caderbhoy, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
5. To re-elect as a Director Mr. J. D. Naylor who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
6. To re-elect as a Director Mr. M. S. P. Udaya Kumara who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
7. To propose the following resolution as an ordinary resolution for the re-appointment 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 Five years.

Ordinary Resolution

'That, Dr. Sarath Ananda Kumara Abayawardana, who has attained the age of seventy five years be and is hereby re-appointed 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 re-appointment 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 two years.

Ordinary Resolution

'That, Mr. Arjun Michael Senaratna, who has attained the age of seventy two years be and is hereby re-appointed 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 re-appointment 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 one years.

Ordinary Resolution

'That, Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy one years be and is hereby re-appointed 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 authorise the Directors to determine donations and contributions to charities for the ensuing year.
11. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2022/23 and to authorise the Directors to determine their remuneration.
12. To consider any other business of which due notice has been given.

By Order of the Board,

HAYCARB PLC

HAYLEYS GROUP SERVICES (PVT) LTD

Secretaries

29th May 2022

NOTES:

1. The Annual Report of the Company for 2021/22 is available on the corporate website - <https://www.haycarb.com> and on the Colombo Stock Exchange website - <https://www.cse.lk>.
2. In the interest of protecting public health the Annual General Meeting of the Company will be held as a virtual meeting via an online meeting platform. Details are given in the circular to shareholders.
3. 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 at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to haycarbaggm@secretarial.hayleys.com not less than forty eight (48) hours before the time fixed for the Meeting.
4. In relation to the final dividend, Ex-dividend date will be 29th June 2022.

FORM OF PROXY

HAYCARB PLC Company Number PQ 59

I/We* full name of Shareholder**)

NIC No./Reg. No. of Shareholder (**) being Shareholder/Shareholders*.

of being Shareholder/Shareholders*.

of HAYCARB PLC hereby appoint:

1 full name of proxyholder**)

NIC No./Reg. No. of proxyholder (**) or, failing him/them.

of or, failing him/them.

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors the Company as my/our * proxy to attend and vote as indicated hereunder for me/us* and on my/our*behalf of at the Forty-Ninth Annual General Meeting of the Company to be held on Tuesday, 28th June 2022 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 2022, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the final dividend of Rs. 0.40 per share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr. S. Rajapakse, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Mr. A. A. M. Caderbhoy, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a Director Mr. J. D. Naylor who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect as a Director Mr. M. S. P. Udaya Kumara who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.	<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 five 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 two 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 one years.	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
11. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2022/23 and to authorise the Directors to determine their remuneration.	<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 of2022.

Witnesses :

Signature :

Name :

Address :

NIC No. :

Signature of Shareholder

Note :

- *Please delete the inappropriate words.
- A shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company.
** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
- A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- Instructions are noted on the reverse hereof.
- This Form of Proxy is in terms of the Articles of Association of the Company.
- Please refer the 'Circular to Shareholders' dated 29th May 2022 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

Designed & produced by

emagewise

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HAYCARB PLC

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