

# Thriving Together





# Thriving Together

Our commitment to sustainability is the bedrock of our journey, infusing every decision with a sense of responsibility and allowing us to build momentum that is both purposeful and impactful.

Ensuring that our actions align with our core values, this year, we reinforced our commitment to innovation and environmentally conscious practices that resonate strongly with our stakeholders, who trust and support our green mission.

Throughout the past year, our achievements - both financial and non-financial - have been underpinned by our concerted efforts to formalize the ESG practices within our company. This commitment to responsible business has enabled us to navigate challenges and strengthen our position as a leader in the activated carbon industry while shaping a better tomorrow.

Looking ahead, our focus remains on fostering a culture of collective growth, where every member plays a crucial role towards a brighter, more sustainable future.

**We're thriving together!**

## Story behind the cover

Ours is a story of sustainable innovation hard coded in our DNA from the beginning. The coconut shell derived from the coconut tree is our key raw material. It is then transformed through innovative processes to produce activated carbon, which is in turn used in a myriad of applications, leading to better quality of life, addressing multiple stakeholder needs and generating progress towards a promising future.



# CONTENTS

03

## INTRODUCTION

- 3** Our Approach to Reporting
- 8** Performance Highlights
- 10** Haycarb at a Glance
- 12** Our Socio-Economic Impact
- 15** Group Value Addition & Distribution
- 16** Chairman's & Managing Director's Joint Message
- 22** Milestones
- 24** Our Products
- 26** Our Contribution to the SDGs
- 29** Awards and Recognitions
- 30** Board of Directors
- 36** Management Team
- 39** Progress Towards Adopting SLFRS Sustainability Standards

41

## UNDERSTANDING VALUE CREATION AND IMPACTS

- 42** Operating Environment
- 46** Our Value Creation Model
- 48** Listening to Our Stakeholders
- 58** Beyond the SWOT- The TOWS Analysis
- 59** Strategy and Resource Allocation
- 66** Managing Risks & Opportunities
- 84** Determining Material Issues
- 88** Future Outlook

89

## OUR VALUE PROPOSITION ON ESG

- 90** Activate-ESG Roadmap 2030
- 96** Consolidated Statement on ESG Performance
- 99** Uplifting our Communities

101

## NURTURING OUR RESOURCES

- 102** Financial Capital
- 105** Investment Case
- 106** Natural Capital
- 130** Intellectual Capital
- 140** Human Capital
- 154** Social and Relationship Capital
- 170** Manufactured Capital

177

## MINDFUL GOVERNANCE

- 178** Corporate Governance
- 220** Annual Report of the Board of Directors on the Affairs of the Company
- 224** Statement of Directors' Responsibility
- 225** Related Party Transactions Review Committee Report
- 226** Audit Committee Report
- 229** Remuneration Committee Report
- 230** Nomination and Governance Committee Report
- 232** Statement by the Senior Independent Director
- 233** Independent Assurance Report for the GRI Standard
- 235** Independent Assurance Report for the Integrated Annual Report
- 237** GRI Index
- 246** SASB Disclosure & Index
- 248** Financial Calendar

249

## FINANCIAL STATEMENTS

- 250** Independent Auditor's Report
- 252** Statement of Profit or Loss
- 253** Statement of Comprehensive Income
- 254** Statement of Financial Position
- 256** Statement of Changes in Equity
- 258** Statement of Cash Flows
- 260** Notes to the Consolidated Financial Statements

331

## SUPPLEMENTARY

- 332** Ten Year Financial Review
- 334** Indicative US Dollar Financial Statements
- 337** Horizontal and Vertical Analysis
- 340** History of Dividends and Scrip Issues
- 341** Investor Information
- 344** Country Report
- 346** Group Profile
- 350** Glossary
- 351** Corporate Information
- 352** Notice of Annual General Meeting
- 353** Form of Proxy

# OUR APPROACH TO REPORTING GRI 2-2 to 4

This is the 4th Integrated Annual Report of Haycarb PLC and offers a balanced and concise view of how we delivered value to key stakeholders during the financial year ending 31st March 2024. This report presents relevant and material information about the Group's strategy and performance across financial, social, environmental and governance areas in the context of our operating environment enabling a holistic and concise presentation of our value creation story during the year under review and our plans for future value creation.

## ABOUT THIS REPORT

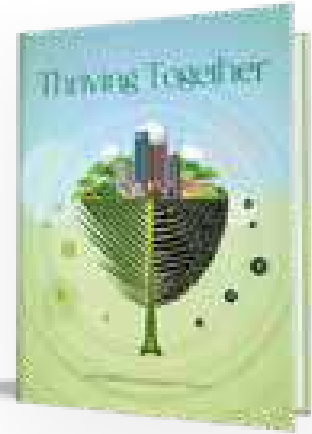
This Annual Report covers the operations of the parent entity, Haycarb PLC, its 16 subsidiaries and 2 associate companies collectively called "the Group". We adopt an annual cycle for reporting and this report builds on the previous report published for the financial year ending 31st March 2023.

## SCOPE AND BOUNDARY

The financial information in financial statements and the narrative provides a consolidated view unless otherwise stated. The non-financial statements also represent the Group and extends to include risks and opportunities emerging from the operating environment, and the outcomes attributable to our key stakeholders. While the Group's head office is based in Sri Lanka, its operations are distributed across 7 countries. Haycarb's Group structure is given in page 4.

## CHANGES TO REPORTING

The Group established subsidiaries, Haycarb Singapore Pte Ltd and Haycarb Philippines Corporation, during the year under review. Besides this, no significant changes took place in the Group's size, shareholding, structure or supply chain during the year under review. No major restatements were made to financial and non-financial information disclosed in the previous Annual Report.



PDF format



A concise Integrated Annual Report in print form



Digital version of annual report

This report is available in printed form and online at <https://www.haycarb.com/investors/>



## REPORT EVOLUTION

The following key improvements were made to our Annual Report during the year.



Alignment with SLFRS Sustainability Disclosure Standards S1 and S2.



Aligning the Corporate Governance Report to new developments



Improved digital presentation of the integrated report



Disclosed our long-term ESG goals with the launch of "Activate" - Haycarb's ESG Roadmap 2030 and performance against targets during the year



Strengthened climate related disclosures



Improved connectivity throughout the report

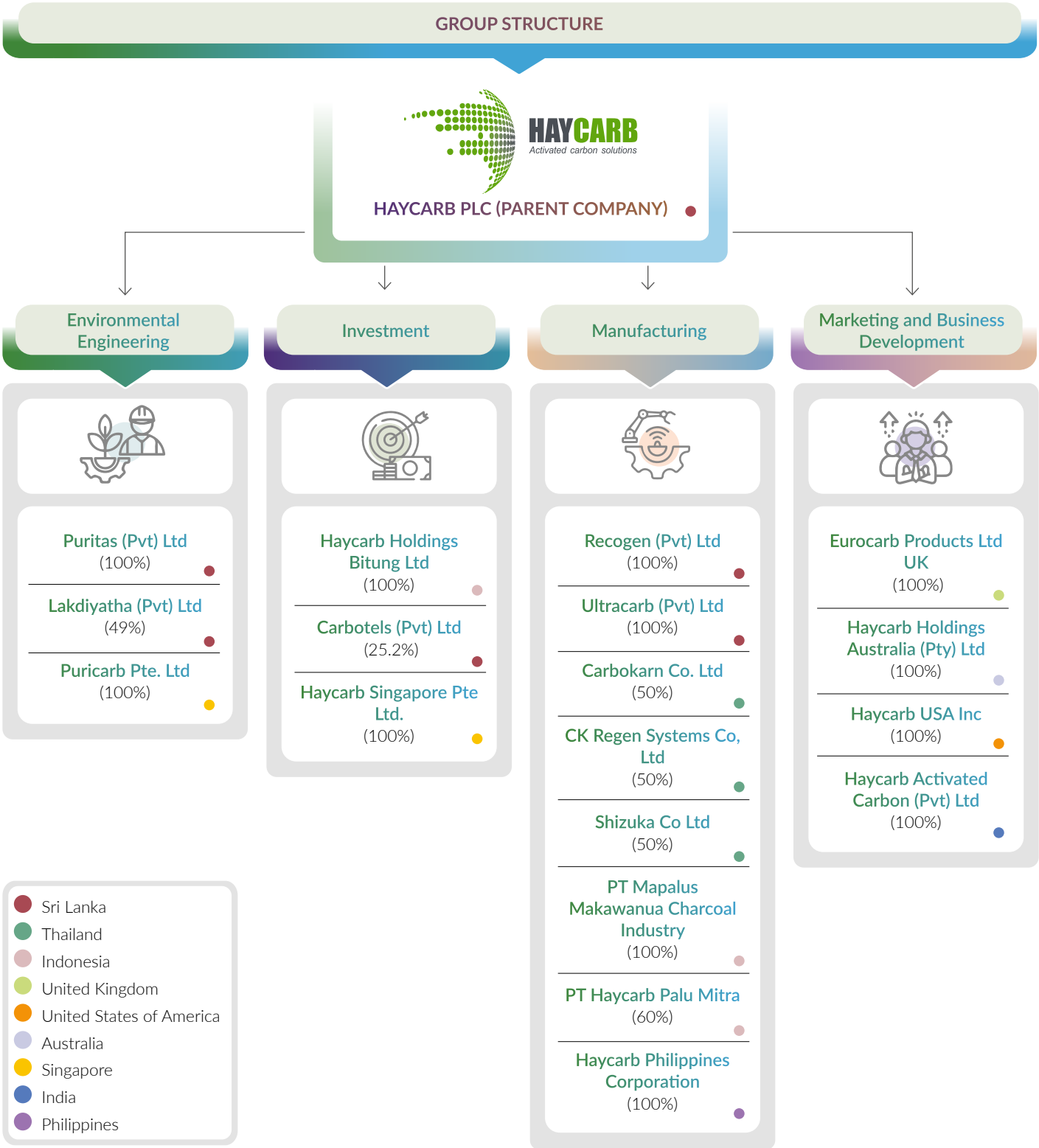


Introduction of the TOWS analysis (Beyond SWOT analysis)



Presentation of vertical and horizontal analysis of the financial statement

# OUR APPROACH TO REPORTING



## THE EVOLVING REPORTING LANDSCAPE

In 2023/24, the reporting landscape shifted significantly with the introduction of several new standards mandating new disclosure requirements. To enable compliance, we

carefully evaluated the requirements set out in these standards and carried out a gap analysis to identify areas that needed to be addressed. Senior and middle management also underwent training to gain a deeper understanding of the new requirements and

the necessary process adjustments to align with the new reporting requirements. A summary of the shifting reporting landscape during the year under review and how we responded is given below.

Standard / Regulation	Treatment in this report
<ul style="list-style-type: none"> <li>SLFRS Sustainability Reporting Standards S1 and S2</li> </ul>	We carefully reviewed the requirements of the two standards and implemented changes across the key areas of Governance, Strategy, Risk Management and Metrics and Targets to align with the new reporting requirements. A detailed account of the steps implemented by the Group during the year under review to enable compliance is given on page 39 to 40.
<ul style="list-style-type: none"> <li>CSE Listing Rule Section 9 on Corporate Governance</li> </ul>	Requirements have been integrated into the Corporate Governance Report with an index given on page 214 to 219 indicating status of compliance (fully compliant on indicators which require compliance to date. In identified instances, we have used the transition provisions included under the Rule. We hope to comply fully with all requirements by the dates set out in the Rule).
<ul style="list-style-type: none"> <li>Code of Best Practice on Corporate Governance issued in December 2023 by the Institute of Chartered Accountants of Sri Lanka</li> </ul>	Requirements have been fully integrated into the Corporate Governance Report and detailed information presented in page 195 to 211.
<ul style="list-style-type: none"> <li>European Sustainability Reporting Standards</li> </ul>	We are monitoring the developments on this standard to assess its future implications on our reporting practices, but these standards are not reflected in this year's report.

Our financial and non-financial reporting has been prepared in compliance with all mandatory regulatory requirements. In addition, we have also aligned our corporate

reporting with international best practice through the early adoption of SLFRS Sustainability Reporting Standards S1 and S2. The regulatory and voluntary reporting

requirements, standards and codes that guided the preparation of this Integrated Annual Report is given below.

Financial
Sri Lanka Financial Reporting Standards
Sri Lanka Accounting Standards
The Companies Act No. 7 of 2007
Listing requirements of the Colombo Stock Exchange
Corporate Governance
Listing requirement of the Colombo Stock Exchange Section 7
Code of Best Practice issued by The Institute of Chartered Accountants of Sri Lanka 2017 and 2023
CSE Listing Section 9 on Corporate Governance <b>(new)</b>
ESG and Sustainability Reporting
SLFRS S1 General requirements for disclosure of sustainability related financial information <b>(new)</b>
<IR> Framework
GRI Universal Standards
Sustainability Accounting Standards Board (SASB)
UN Sustainable developmental goals (SDG)
10 principles of the UN Global Compact
Gender parity reporting framework of The Institute of Chartered Accountants, Sri Lanka.
Non-financial reporting guidelines of The Institute of Chartered Accountants, Sri Lanka
Transparency in Corporate Reporting Assessment
Climate related reporting
SLFRS S2 Climate related disclosures (with the incorporation of the Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD)) <b>(new)</b>

# OUR APPROACH TO REPORTING

## MATERIALITY

This report has been prepared to address topics considered to be most material to the Group's value creation process and the concerns of its key stakeholders. We adopt a double materiality assessment process when determining material topics which is described in detail on page 84.

In alignment with our adoption of SLFRS S1 and S2 Sustainability Disclosure Standards, our report also discloses key sustainability and climate related risks and opportunities identified by the Group by applying the SASB Chemical standard, SLFRS S2 Climate related disclosures industry-based guidance and TCFD guidelines. We also report the strategies we have implemented to mitigate these risks while capitalising on the opportunities it presents.

## JOINT ASSURANCE GRI 2-5

We adopt a joint assurance approach, obtaining assurance from both internal and external perspectives to ensure the integrity of our report. Internally, assurance

is provided by the Board, Audit Committee, internal audit and our senior management, while external assurance is provided by Messrs. Ernst and Young on financial statements, sustainability and integrated reporting.

## FORWARD LOOKING STATEMENTS

This report contains forward looking statements based on our current understanding, interpretation, and expectations of internal and external information. These statements have been included given its importance in assessing our potential to create future value but are inherently uncertain as they relate to future events, outcomes and impacts beyond our control. Therefore, users are advised to use the latest information available at the time of assessment when evaluating forward looking statements as future conditions may differ materially from those expressed herein. All forward-looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the reasons given above.

## FEEDBACK GRI 2-3

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

Digital Feedback Form



## OUR DIGITAL TRANSFORMATION JOURNEY

In today's rapidly evolving business landscape, the integration of digital technology has become essential for enhancing stakeholders experience and driving efficiency & sustainable growth. As Haycarb reflects on the past year and looks forward to the future, we are excited to share the developments our company has achieved in embracing digital transformation in the reporting landscape.



### Video version

- Chairman's and Managing Director's joint message
- 2023/24 Annual Report summary
- Financial highlights
- Non-financial highlights



### Digital version

- Online HTML
- Flip Version
- PDF Version
- Inclusion of QR links



### Specialized web portal

- An exclusive digital platform tailored to provide stakeholders with comprehensive insights and interactive features
- Micro site inclusive with AI driven digital enabled analysis



### Digital feedback form

- Online feedback forms in lieu of conventional forms





## NAVIGATING OUR REPORT

### The Capitals



Financial Capital



Natural Capital



Intellectual Capital



Human Capital



Social & Relationship Capital



Manufactured Capital

### Our Stakeholders



Shareholders



Employees



Customers



Suppliers



Business Partners



Communities



Government & Regulators



Financial Institutions

### Strategy



Market growth



Innovation led growth



Strengthen global supply chains



Purpose-driven and committed teams



ESG mindset


# PERFORMANCE HIGHLIGHTS


Group Financial Highlights-  
Video version




## FINANCIAL HIGHLIGHTS


### Financial Performance

  
**Rs. 43.2 Bn**  
Revenue

  
**Rs. 40.2 Bn**  
Total asset base

  
**18.4 %**  
Gearing ratio

  
**12.6**  
Earnings per Share

  
**47.6 %**  
Dividend payout

Performance indicator	UOM	2023/24	2022/23
<b>Profitability highlights</b>			
Revenue	Rs. Mn	43,179	60,943
Gross Profit	Rs. Mn	13,269	14,879
Gross Profit margin	%	30.7%	24.4%
Operating profit	Rs. Mn	6,521	8,274
Profit before tax	Rs. Mn	6,113	8,258
Profit before tax margin	%	14.2%	13.6%
Profit after tax	Rs. Mn	4,306	6,505
Profit after tax margin	%	10.0%	10.7%
Return on equity (%)	%	16.8%	25.8%
Return on capital employed (%)	%	19.7%	28.4%
Return on Assets	%	10.7%	16.2%
Interest cover ratio	No. of times	33.9	6.9
Effective Tax Rate	%	29.6%	21.2%
<b>Efficiency ratios</b>			
Asset turnover ratio	No. of times	1.07	1.52
Inventory holding days	Days	156	118
Debtor days	Days	57	45
Creditor days	Days	14	8
Cash conversion cycle	Days	199	155
<b>Liquidity ratios</b>			
Current ratio	No. of times	2.22	2.06
Quick asset ratio	No. of times	1.25	1.01
<b>Solvency position</b>			
Total assets	Rs. Mn	40,214	40,191
Total liabilities	Rs. Mn	14,516	14,979
Shareholders' funds	Rs. Mn	22,905	22,142
Non Controlling Interest	Rs. Mn	2,793	3,071
Total debt	Rs. Mn	5,780	8,462
Equity/Assets	No. of times	0.64	0.63
Gearing ratio	%	18.4%	25.1%
Debt/Total assets (Adequacy ratio)	%	14.4%	21.1%
<b>Investor position</b>			
No. of shares outstanding	No.	297,123,750	297,123,750
Earnings per share	Rs.	12.60	19.60
Dividends per share	Rs.	6.00	5.65
Net asset value per share	Rs.	77.09	74.52
Market price per share	Rs.	76.50	56.30
Market capitalization	Rs. Mn	22,730	16,728
P/E ratio	No. of times	6.07	2.87
Dividend payout	%	47.6%	28.8%
Dividend cover	No. of times	2.10	3.47
Dividend yield	%	7.8%	10.0%



## NON-FINANCIAL HIGHLIGHTS



Intellectual  
Capital



Social & Relationship  
Capital



Manufactured  
Capital



Human  
Capital



Natural  
Capital

Performance indicator	UOM	2023/24	2022/23
<b>Intellectual Capital</b>			
New Products	No.	14	16
Products in pipeline	No.	7	4
Revenue generated from new products *	Rs. Mn	479	1069
New certifications	No.	2	1
Investment in research development	Rs. Mn	231	187
* Revenue from new products considered for the first 2 years			
<b>Social and relationship Capital</b>			
Customer base	No.	>590	>550
Customer satisfaction score	%	> 90	> 85
Charcoal supplier base	No.	>600	>500
CSR Beneficiaries	No.	>105,000	>100,000
<b>Manufactured Capital</b>			
Investments in capital expenditure	Rs. Bn	2.1	1.9
Number of processes improved	No.	5	8
Total property, plant and equipment	Rs. Mn	10,838	10,214
Global manufacturing capacity	Mt	56,800	56,800
Capacity utilization	%	84%	86%
<b>Human Capital</b>			
Permanent employees receiving regular performance reviews	%	100	100
Total Remuneration	Rs. Mn	5,475	4,736
Number of employees	No.	1,933	1,880
Remuneration per employee	Rs. Mn	2.8	2.5
Females who occupy Executive Board Member positions	%	27	21
<b>Natural Capital</b>			
Non-renewable energy consumption	MJ	247,352,000	265,137,000
Total emission	tCO <sub>2</sub> e	26,696	28,396
Raw material suppliers from green charcoaling sources	%	40%	42%
Power supplied to the national grid in Sri Lanka from Recogen (Pvt) Ltd	KWh	802,500	1,015,556

### Non-financial Performance



14

New Products



>105,000

CSR Beneficiaries (No.)



Rs. 2.1 Bn

Investments in capital  
expenditure



Rs. 2.8 Mn

Remuneration per employee



802,500 kWh

Power supplied to the national grid  
in Sri Lanka

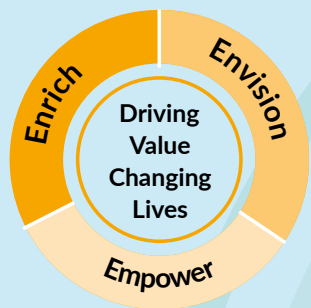
# HAYCARB AT A GLANCE

GRI 2-6

Haycarb PLC is a world leader in the coconut shell activated carbon industry, with customers in over 50 countries. Our product portfolio of over 1,500 products empowers a growing environmentally conscious world by providing solutions vital to de-carbonisation and building a sustainable future. Our culture of collaborative innovation fosters long-term partnerships with B2B customers, enabling the delivery of customised, value-added solutions for their evolving needs. Through our environmental engineering solutions arm, we provide advanced water purification solutions that contribute to the preservation and conservation of natural ecosystems and wildlife habitats, underscoring our commitment to environmental sustainability.



## Our Purpose



### Enrich

Lives by adding value to all our stakeholders, while upholding customer centricity, innovation, technical excellence and sustainability as a way of life

### Empower

Employees with knowledge, skills and autonomy to create value through world class technology and processes with efficiency and accountability

### Envision

Future centric outlook to be a catalyst for tomorrow's purification and energy storage solutions



## Our 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.

A highly skilled, innovation focused talent pool  
**1,933 employees across 7 countries**

### SNAPSHOT OF 2023/24

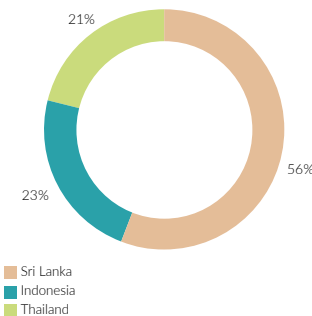
REVENUE  
**Rs. 43.2 Bn**  
US\$ 136.4 Mn

TOTAL ASSETS  
**Rs. 40.2 Bn**  
US\$ 134.1 Mn

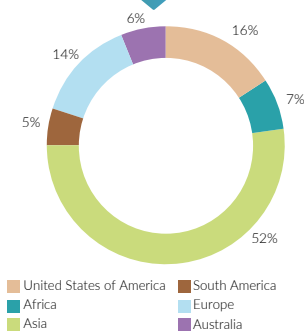
PROFIT AFTER TAX  
**Rs. 4.3 Bn**  
US\$ 13.6 Mn

GLOBAL MARKET SHARE  
**16%**

### MANUFACTURING CAPACITY 2023/24



### KEY MARKETS 2023/24



For more details please visit  
our website



## Our Global Presence



### OUR STRATEGIC LEVERS FOR SUSTAINABLE GROWTH

#### Market growth

Accelerate growth through market penetration and new market entry.

#### Innovation led growth

Building a future oriented product portfolio aligned with market trends.

#### Strengthen global supply chains

Forge long-term global partnerships for reliable raw material sourcing.

#### Purpose-driven and committed teams

Nurture a team of empowered and motivated employees.

#### ESG Mindset

Our commitment to a sustainable tomorrow underpins every strategic choice we make.

### What Differentiates Us

Innovation

Manufacturing excellence

Strong brand name

A highly skilled talent pool

Community engagement

ESG Mindset



# OUR SOCIO-ECONOMIC IMPACT



By engaging with local communities and stakeholders, we ensure that our efforts are aligned with their priorities and contribute to their well-being and development.

As an activated carbon manufacturer with 16% global market share, we positively impact the socio-economic environment of three developing and emerging market economies. The value we created during the year under review is summarised below.

## A PRODUCT RANGE THAT SUPPORTS A MORE SUSTAINABLE TOMORROW

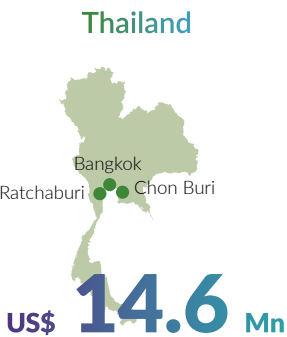
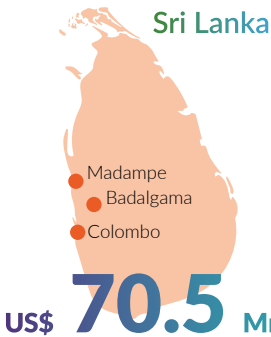
A next generation portfolio of products for energy storage, water purification, improving air quality, and environmental engineering solutions.



## STRENGTHENING 3 DEVELOPING AND EMERGING MARKET ECONOMIES



We generated foreign exchange for 3 developing and emerging market economies.



## VALUE CREATION FOR GOVERNMENTS

### Taxes paid in



Sri Lanka

Rs. **1.2** Bn



Overseas

Rs. **1.6** Bn



## PROVIDING EMPLOYMENT

### We provide employment in (No. of people)

**1,213**

Sri Lanka



**720**

Overseas  
(6 countries)

## SUPPORTING LIVELIHOODS

- We supported the livelihoods of over 600 suppliers through the procurement of coconut shells and coconut shell charcoal in Sri Lanka, Thailand, Indonesia, India and Philippines.
- We also provided technical and financial assistance to over 350 micro-entrepreneurs and small & medium scale suppliers to produce coconut shell charcoal using green technology through the Haritha Angara programme, in Sri Lanka.





# OUR SOCIO-ECONOMIC IMPACT

## POSITIVELY IMPACTED OUR COMMUNITIES



Investment in CSR initiatives

Rs. **40.8** Mn

No. of beneficiaries

**>105,000**

**Puritas Sath  
Diyawara**

Provided purified drinking water to communities in need.

**Puritas Sath  
Diyawara – Going  
Beyond**

Donated books and school supplies to school children in 14 schools

**Sisu Divi Pahana**

Providing nutritious Mid-day meal for school children in 13 schools

**Laptop Donation**

Donated 90 laptops to university students with economic hardships.

**Supported the  
healthcare system of  
Sri Lanka**

Upgraded medical infrastructure and donated medical equipments.



# GROUP VALUE ADDITION & DISTRIBUTION GRI 201-1

## Group Value Creation

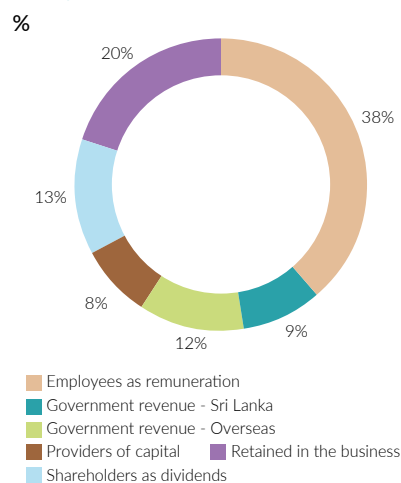
Value created	2024 Rs. '000	2023 Rs.'000
Revenue	43,179,205	60,943,256
Other operating income	178,045	200,630
	43,357,250	61,143,886
Cost of materials & services brought in	(29,252,194)	(43,279,972)
Value added	14,105,056	17,863,914

## Group Value Distribution

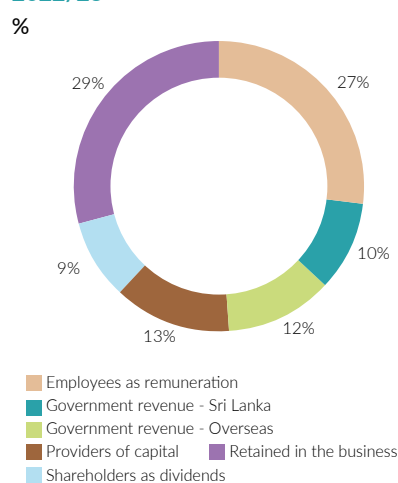
Value created	2024 Rs. '000	2023 Rs.'000
To employees as remuneration	5,475,303	4,736,270
To government revenue	2,833,799	3,954,040
- Sri Lanka	1,206,306	1,756,193
- Overseas	1,627,493	2,197,847
To providers of capital	1,132,693	2,277,595
- Interest bearing borrowings	570,993	1,595,267
- Minority interest	561,700	682,328
To shareholders as dividends	1,782,743	1,678,749
Retained in the business	2,880,518	5,217,260
- Depreciation	1,001,742	898,952
- Profit retained	1,878,776	4,318,308
	14,105,056	17,863,914

- Value distributed to governments in Sri Lanka and overseas were reported at 9% and 12% of total value created.
- Value distributed to providers of capital declined to 8% of total value created as the Group pared down short-term borrowings given reduced working capital requirements.
- Value distributed to shareholders as dividends as a proportion of value created, increased to 13% while the proportion retained in the business decreased to 20%.

### 2023/24



### 2022/23



# CHAIRMAN'S & MANAGING DIRECTOR'S JOINT MESSAGE

GRI 2-22

Dear Stakeholder,

Haycarb PLC delivered a resilient performance with pre-tax earnings of Rs.6.1 Bn and post-tax earnings of Rs.4.3 Bn, navigating a year of volatility and uncertainty across markets and operating environments. Haycarb maintained its position as a global leader in coconut-shell based activated carbon, with an estimated market share of 16%.

Sustainability is ingrained in our business DNA. The launch of our ESG Roadmap "Activate" resonated positively with our stakeholders, who partner with us in our quest for collective growth thriving together for a better tomorrow. We envision tomorrow's purification and energy storage needs, and empower our employees to provide solutions that enrich our stakeholders while upholding our values of customer centricity, technical excellence, and innovation within a sustainable mindset.

## SUSTAINABLE INNOVATION

Innovation has been fundamental to Haycarb's success. Our expertise and resources enable us to innovate, scale-up, and commercialize a future-ready product portfolio from water and air purification to energy storage applications. Our strong innovation pipeline increases value-added products, enhancing our relevance and profile in strategic alliances for developing future carbon technologies. We also strive to improve our manufacturing and supply chain processes, adopting greener technologies across the organisation.

Our R&D teams are deeply committed to embedding principles of sustainability to our innovation and have made significant strides in enhancing the performance and applications of our activated carbon products. We have developed new formulations that improve the efficiency of water and air purification systems, addressing the increasing demand for cleaner and safer environments. Moreover, our energy storage solutions, including high-performance carbon materials for super-capacitors and advanced batteries, position us at the forefront of the world's transition to a low-carbon economy.



Mohan Pandithage  
Chairman



**Sustainability is ingrained in our business DNA. The launch of our ESG Roadmap "Activate" resonated positively with our stakeholders, who partner with us in our quest for collective growth thriving together for a better tomorrow.**

Video version of  
Chairman's and Managing  
Director's Joint Message



#### Relevance of our products to sustainability issues

Haycarb's portfolio of diverse array of activated carbons and purification solutions addresses a number of sustainability related risks included in the SASB standard.

##### Environment

- Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management

##### Social

- Product Quality & Safety

##### Human Capital

- Employee Health & Safety

##### Business Model & Innovation

- Product design & Life-cycle Management

In addition to product innovation, we are embracing automation and digital transformation to enhance process efficiencies, reduce waste, and access accurate, real-time data which is essential for insightful decision making. By leveraging Industry 4.0 principles, we are creating smarter and agile manufacturing facilities that can adapt to changing market demands and regulatory requirements.

#### STRENGTHENING SUPPLY CHAINS

Our value chain begins with micro-entrepreneurs who collect coconut shells for manufacturing coconut shell charcoal. Over the years, Haycarb has promoted environmentally friendly charcoaling systems in Sri Lanka and overseas. Our "Green Charcoaling" (Haritha Angara) initiative provides proprietary technology, soft loans, and training to micro-entrepreneurs to convert



Rajitha Kariyawasan  
Managing Director



Innovation has been fundamental to Haycarb's success. Our expertise and resources enable us to innovate, scale-up, and commercialize a future-ready product portfolio.

# CHAIRMAN'S & MANAGING DIRECTOR'S JOINT MESSAGE

## VALUE DELIVERED 2023/24

### New Products

- Premium water purification carbon for Perfluorooctanoic Acid (PFOA) removal.
- Improved EDLC carbon with higher volumetric capacitance
- Hard Carbon Series for Sodium Ion Batteries
- New products for water filters and carbon blocks
- High active specialized carbons development for respirator and car cabin filter applications

### New Markets

- Middle East
- West Africa
- South America

### Value to Stakeholders

- Value delivered to employees Rs.5.4 Bn
- Value delivered to shell and charcoal suppliers Rs.12.8 Bn
- Value to Governments  
Sri Lanka Rs 1.2 Bn  
Others Rs. 1.6 Bn
- Value to investors  
ROE 16.8%  
Dividends per share – Rs.6  
Share price increase 35.9%

to low-emission charcoaling systems, whilst maximizing production yield. This programme aims to go beyond creating livelihoods to enriching lives and driving socio-economic empowerment. It is with immense satisfaction that we observe the socioeconomic progress of those who have partnered with Haycarb in this initiative.

Our centralized charcoaling plant Recogen uses patented technology to produce charcoal while generating electricity

in a carbon-neutral cycle. In Thailand, we introduced environmentally friendly vertical charcoaling suited to the operating conditions in the region. We leveraged our domain expertise in green charcoaling to promote the Haritha Angara technology in Indonesia, thereby propagating good environmental and social practices. These initiatives launched over the last decade and beyond ensure that sustainable sourcing is embedded to the raw material procurement system of Haycarb.

Plans to expand our footprint to the Philippines will further strengthen our raw material supply chain and manufacturing capabilities. Our value chain extends through our customers to various purification and energy storage applications and products, some of which find their way back to our homes and offices.

To further bolster our supply chain resilience, we are actively exploring partnerships with local communities and organizations to secure a steady supply of raw materials. These collaborations not only ensure the sustainability of our operations but also contribute to the economic development of the regions where we operate. By fostering long-term relationships with our suppliers, we aim to create a stable and reliable supply chain that can withstand market fluctuations and geopolitical challenges.

### ACTIVATE

Haycarb formalised its commitment to sustainable business, with the launch of its comprehensive ESG Roadmap "Activate" during the year, setting out 13 priorities classified into five strategies: Restore, Inspire, Excite, Uplift, and Innovate. These strategies are anchored to our "Conscious Core," emphasizing mindful governance, which forms the bedrock of our sustainability journey.

Sustainability related opportunities are part of the Innovate pillar, underscoring our unique business model. Our innovation efforts will be aligned with our strategic objectives, sustainability goals, and market trends, shaping our top line. The other four pillars seek to ensure that our own

processes are sustainable and minimize negative impacts.

As a participant in the United Nations Global Compact, Haycarb PLC is committed to its Ten Principles. Progress against the Group's environmental, social, and governance targets are detailed on pages 90 to 95 of this report.

### GOLDEN JUBILEE

Haycarb celebrated its 50th Anniversary during the year, marking a historic milestone in our legacy. The celebration focused on giving back to the communities in which we operate, appreciating our employees and valued partners, and celebrating our cultural heritage.

We take immense pride in our contributions to society, particularly in Sri Lanka, where Haycarb's pioneering efforts began in 1973 and where our headquarters and largest operations remain. In a period when the country was recovering from an economic downturn, our CSR activities concentrated on impactful programs of providing over 800 mid-day meals daily to school children of families below the poverty line, upgrading medical units and providing other support to selected government hospitals, donating much-needed laptops to state university students in need, continuing our flagship drinking water projects and school books donations (Sath Diyawara and Going Beyond), coconut tree planting program in the Northern and Eastern provinces, and the Turtle Hatchery program at the Kumana National Park.

Over 300 members of Haycarb's global executive team came together for a memorable night, to celebrate the golden jubilee, which will be cherished for a lifetime. Celebrations to mark this milestone were also held at all our manufacturing locations.

We are incredibly proud of this critical milestone for Haycarb, and we feel fortunate to celebrate it during our tenure. We recognize and appreciate the contributions of all past and present stakeholders who have made Haycarb what it is today.

## UNCERTAINTY

The activated carbon industry is expected to grow with estimates varying between 4% to 9% CAGR to 2030. However, slower economic growth in the USA and Europe negatively impacted us, while economic expansion in emerging markets remained strong at 4.3% in 2023. The unique adsorption capability of coconut shell activated carbon coupled with a much greener carbon footprint to its alternatives, continues to drive demand across industries and countries.

Raw material prices remained favourable but increased towards the year's end in Indonesia and Sri Lanka. Freight rates normalized and supply chain disruptions reduced gradually. We closely monitor geopolitical risks to ensure supply assurance to our customers and with our seven manufacturing locations in three coconut growing countries in Sri Lanka, Indonesia and Thailand and our raw material procurement structure further extending to India and Philippines, Haycarb has diversified its risks to the optimum levels.

Competition intensified from manufacturers in India and the Philippines, exerting pressure on carbon prices. With the efficient procurement and strategic inventory builds in all our operating locations, we were able to pass on price reductions to our loyal customers to safeguard our competitiveness in the markets we operate.

Interest rates in Sri Lanka continued its declining trend in 2023/24, while US interest rates remains high due to the contractionary monetary policy stance of the Fed. This combined with reduction in working capital requirements and improved liquidity in the banking system in Sri Lanka, eased pressure on finance cost. The Sri Lankan rupee appreciated by 8.0% against the US Dollar which negatively affected Sri Lanka operations engaged in the export of a local value-added product, as cost of inputs did not adjust in tandem with this currency movement. To navigate these uncertainties, we have implemented a robust risk management framework that enables us to

anticipate and mitigate potential challenges. This includes continuous monitoring of macroeconomic indicators, geopolitical developments, and industry trends. Our proactive approach to risk management ensures that we remain agile and responsive to changing market conditions, safeguarding our long-term sustainability and profitability.

## DELIVERING VALUE TO INVESTORS

Haycarb Group recorded revenue of Rs. 43.2 Bn, a decrease of 29% over the previous year mainly due to normalization of freight rates and the appreciation of the Sri Lankan rupee. Despite lower growth in the USA and Europe and intense competition, sales volumes were maintained through strategic business development initiatives. Gross profit declined by 11% to Rs. 13.2 Bn, although margins improved due to stable raw material prices, well managed cost base, lean initiatives, decreased freight rates for imports and reduction of low margin non-core business segments.

The fixed nature of general overhead expenses which increased 2%, and the decrease in gross profit resulted in an operating profit of Rs. 6.5 Bn, a decrease of 21% over the previous year. Net exchange impact was a negative 124% year on year, while interest costs declined significantly due to lower working capital needs, prudent loan portfolio management and the decline interest rates. Consequently, net finance costs increased while net interest cost decreased by 88%. The Group recorded a Profit Before Tax of Rs. 6.1 Bn, a decrease of 26% over 2022/23.

The effective tax rate increased from 21% to 30%. Consequently, profit after tax was Rs. 4.3 Bn, a decrease of 34% compared to 2022/23.

Taking into consideration the performance for the year and future prospects, the Company paid dividends of Rs. 6.00 per share during the year.

Our financial performance reflects our ability to adapt to challenging conditions while maintaining operational efficiency. We have focused on optimizing our cost

structure, enhancing productivity, and diversifying our revenue streams. These efforts have enabled us to deliver value to our investors, even in a difficult economic environment.

## POISED FOR GROWTH

Haycarb focused on managing cashflows and improving financial ratios, with net assets per share increasing from Rs. 74.52 to Rs. 77.07. Cash and cash equivalents were positive at Rs. 2.8 Bn, reflecting prudent financial management and headroom for growth. Investments of Rs. 2.1 Bn in manufactured capital strengthened our infrastructure.

The strength of Haycarb's balance sheet gives the Company the resilience and the strength to launch futuristic investments to expand our manufacturing capacity and enhance value-adding capabilities within our ESG Roadmap "Activate." A significant part of future growth will be driven by energy storage carbons, including EDLC carbon products and other energy storage carbons for battery applications. We are developing a hard carbon series for sodium-ion batteries and a superior water purification carbon series for PFOA removal whilst continually improving on our flagship Chloramine removal carbon range. At the same time, we continue to progress into advancement in technology and processes in air treatment carbons.

The Company also carefully manages the superior quality, consistency and supply chain reliability of its hallmark products that are used in water and air purification applications. Demand for sustainable business practices and increasingly stringent rules on health and safety in developing and emerging markets provide new opportunities and markets for these standard applications. Gold recovery continues to be a major business segment for Haycarb, where we tirelessly ensure our systems are aligned to manufacture and deliver the best-in-class gold recovery carbons.

# CHAIRMAN'S & MANAGING DIRECTOR'S JOINT MESSAGE



**Our strategic initiatives, strong financial position, and commitment to innovation and sustainability position us well to capitalize on emerging opportunities and navigate potential challenges**

Focus was intensified to ensure that we penetrate new markets such as the UAE, West Africa and South America, whilst increasing our reach in markets such as South Korea, China, Taiwan and other South Asian countries, and maintaining our traditional markets in USA, Europe, Japan, South Africa and Australasia.

Our environmental engineering arm Puritas (Pvt) Ltd. has returned to profitability in the current year, after navigating an extremely challenging external market environment in Sri Lanka during the economic crisis in 2022. The company has successfully re-launched its solutions in the region with focus on Maldives and B2B projects and World Bank funded Water Supply and Sanitation Improvement Projects for rural communities in Sri Lanka.

Looking ahead, we are committed to capitalizing on emerging opportunities in the global activated carbon market. The demand for high-quality, sustainable carbon solutions is expected to rise, driven

by stricter environmental regulations and increasing awareness of the need for clean water and air. Our expansion plans in strategic locations will enable us to meet this growing demand and solidify our position as a global leader.

## **BUILDING TALENT PIPELINES**

Haycarb's value proposition engages employees across locations, driving innovation and growth. We augmented our marketing and business development teams, established a Corporate Sustainability and ESG division, and strengthened our position in energy storage carbon development with new recruits for our R&D team. Our commitment to building strong talent pipelines is crucial for sustaining our competitive edge. We focus on collaboration and team dynamics to drive sustainable growth. Training and development budgets were increased, and training hours per employee rose by 39% during the period under review.

We have implemented comprehensive talent development programs that provide employees with the skills and knowledge needed to excel in their roles. These programs include leadership development, technical training, and continuous learning opportunities. One on one performance assessments and training needs analysis conducted for executives was extended to Production Assistants and Laboratory Assistants to provide much needed feedback in improving, motivating and up-skilling these important job levels of the Company.

We firmly believe in continual investment in our people to ensure having a capable and motivated workforce that can drive our innovation agenda and support our growth objectives in a sustainable business framework.

## **THE CONSCIOUS CORE**

### **Sustainability Governance**

In 2023/24, sustainability reporting saw significant developments with regulators stepping in to mandate it across countries,

presenting both risks and opportunities. The Company is complying with the requirements of SLFRS S1 and S2, with the transitional relief that has been granted. The Sustainability Steering Committee is chaired by the Managing Director. The Deputy Managing Director oversees the Corporate Sustainability and ESG division which maintains contact with sustainability champions at all our locations ensuring progress toward stated goals in our ESG Roadmap, "Activate".

Our governance framework is designed to ensure accountability, transparency, and ethical conduct across all levels of the organization. We have established robust policies and procedures to guide our sustainability efforts, including regular audits and assessments to monitor compliance and performance.

## **COMPLIANCE WITH REGULATORY REQUIREMENTS AND VOLUNTARY STANDARDS**

Our Board noted the issue of Listing Rule Section 9 on Corporate Governance by the CSE in August 2023 and has prepared an action plan to comply by due dates. As at the date of this report, Haycarb PLC is compliant with the provisions of Rule Section 9 requirements except for those provisions deferred beyond 1st April 2024 as set out in the Compliance Statement on pages 214 to 219. Haycarb also adopted the Hayleys Group's Bribery and Anti-Corruption Policy. We maintain zero tolerance for corruption and are committed to integrity and transparency.

The Board also noted the changes to the Code of Best Practice on Corporate Governance revised in 2023 and compliance with the revised Code is given in the Corporate Governance Report on pages 195 to 211.

We are also aligned with various voluntary standards and initiatives that promote sustainability and ethical business practices presented in page 246 to 247. By adhering to these frameworks, we demonstrate our



commitment to continuous improvement and accountability in all aspects of our operations.

## SOCIAL RESPONSIBILITY

Our CSR initiatives are designed to create lasting positive impacts. We prioritize projects that address critical needs such as healthcare, education, nutrition, and environmental conservation. By engaging with local communities and stakeholders, we ensure that our CSR efforts are aligned with their priorities and contribute to their well-being and development.

## STRONG PROSPECTS

Global economic growth is forecast to hold at a steady 3.2% for 2023, 2024 and 2025. World trade is expected to increase from 0.3% in 2023 to 3.0% in 2024. As in previous year, much of the growth will come from emerging markets with India and China having the most significant impacts. In Sri Lanka, interest rate and foreign exchange volatility are expected to stabilize, with economic recovery forecast at 3%. Downside risks remain to the local and global forecasts where geopolitics remains a critical factor. From a Sri Lanka context the success of foreign debt restructuring, political stability and gradual improvement of the macro-economic indicators will be crucial to sustaining export entities such as Haycarb.

The activated carbon industry is poised for growth, driven by environmental standards and innovations in battery technology. The establishment of our new manufacturing capacity in the Philippines will enhance capability to expand our market share and supply flexibility. Haycarb will drive efficiencies through lean platforms and digitalization projects, improving our operational performance and decision-making.

We are optimistic about the future and confident in our ability to achieve sustainable growth. Our strategic initiatives, strong financial position, and commitment to innovation and sustainability position us

well to capitalize on emerging opportunities and navigate potential challenges. We will continue to focus on delivering value to our stakeholders, driving operational excellence, and contributing to a cleaner, greener world.

## ACKNOWLEDGEMENTS

The recently published Section 9 of the Listing Rules of the Colombo Stock Exchange stipulates that a director ceases to be considered independent upon completion of 9 years from the date of first appointment. Consequently, Mr. Sujeewa Rajapakse and Dr. Sarath Abayawardana resigned from the Board during the year having served as Independent Non-Executive directors since 2013 and 2011 respectively. Mr. Rajapakse also served as the Chairman of the Audit Committee bringing his experience and financial acumen to bear on the deliberations therein. We take this opportunity to thank them for their contribution over the years and wish them success in all future endeavours.

We welcome Mrs. Anomi Wanigasekera, Mr. Nanda Fernando, and Mr. Yohan Perera as Independent Non-Executive directors.

We immensely appreciate and thank the Haycarb team for their commitment to sustainable growth, our loyal customers for the continued patronage of our products and services, and our other stakeholders for their continued support. We also appreciate the Board's diligence as we transform to compete more effectively, consolidating our position as a global leader in coconut shell based activated carbon.

Together, we will continue our journey towards realizing our corporate Purpose of Driving Value and Changing Lives by building a corporate culture that embraces

our core 3E principles: Envisioning, Empowering, and Enriching. These principles will guide us in creating a sustainable and prosperous future for Haycarb and its stakeholders. Thank you for being part of our journey, celebrating the proud legacy of 50 golden years, and its continuation to the centennial and beyond.

Yours sincerely,



**MOHAN PANDITHAGE**  
Chairman

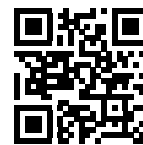


**RAJITHA KARIYAWASAN**  
Managing Director

16th May 2024

# MILESTONES

Our journey over five decades



Our Journey to become a global leader in coconut shell based activated carbon: future ready with a portfolio of value added carbons within a robust framework of environmental stewardship, social responsibility and good governance

**1973**

Incorporation of Haycarb and opening Madampe Factory with 700 MT capacity per annum

**1975**

Listed in the Colombo Stock Exchange

**1977**

First export to Nevada

**1984**

Origination of Haycarb USA, with the incorporation of Sorbtech, a partly owned marketing company in USA. This is the first overseas investment of the group as one of the first Sri Lankan companies to venture overseas. Subsequently converted to a fully owned entity and re-branded as Haycarb USA Inc in 2014.

**1986**

Incorporation of Haycarb Holdings Australia and Eurocarb Products establishing Haycarb's marketing presence in Australasia, UK and Europe.

**1993**

Invested in Carbokarn Co. Ltd., Thailand, the first manufacturing plant outside Sri Lanka.

**1990**

Haycarb marks a milestone in its journey to become a leading high-quality value-added activated carbon manufacturer through the introduction of new value-added products such as pelletized carbons, impregnated carbons, washed carbons and ultra-fine powdered carbons.

**1995**

Formation of Puritas Pvt. Ltd., and venturing into water and waste water treatment solutions

**1996**

Purchase of Badalgama factory, Sri Lanka.

**2002**

Forward integration to spent carbon Regeneration business in Thailand – CK Regen Systems Thailand

**2005**

- First manufacturing facility in Indonesia - PT Mapalus Makawanua Charcoal Industry
- Launch of activated carbon products - Introduced Oxytura face masks in Sri Lanka

**2003**

Technology to manufacture green charcoal was developed through Recogen (Pvt) Ltd., which was patented and successfully accredited for carbon credits under the UN Kyoto protocol in 2008 and 2011 respectively.

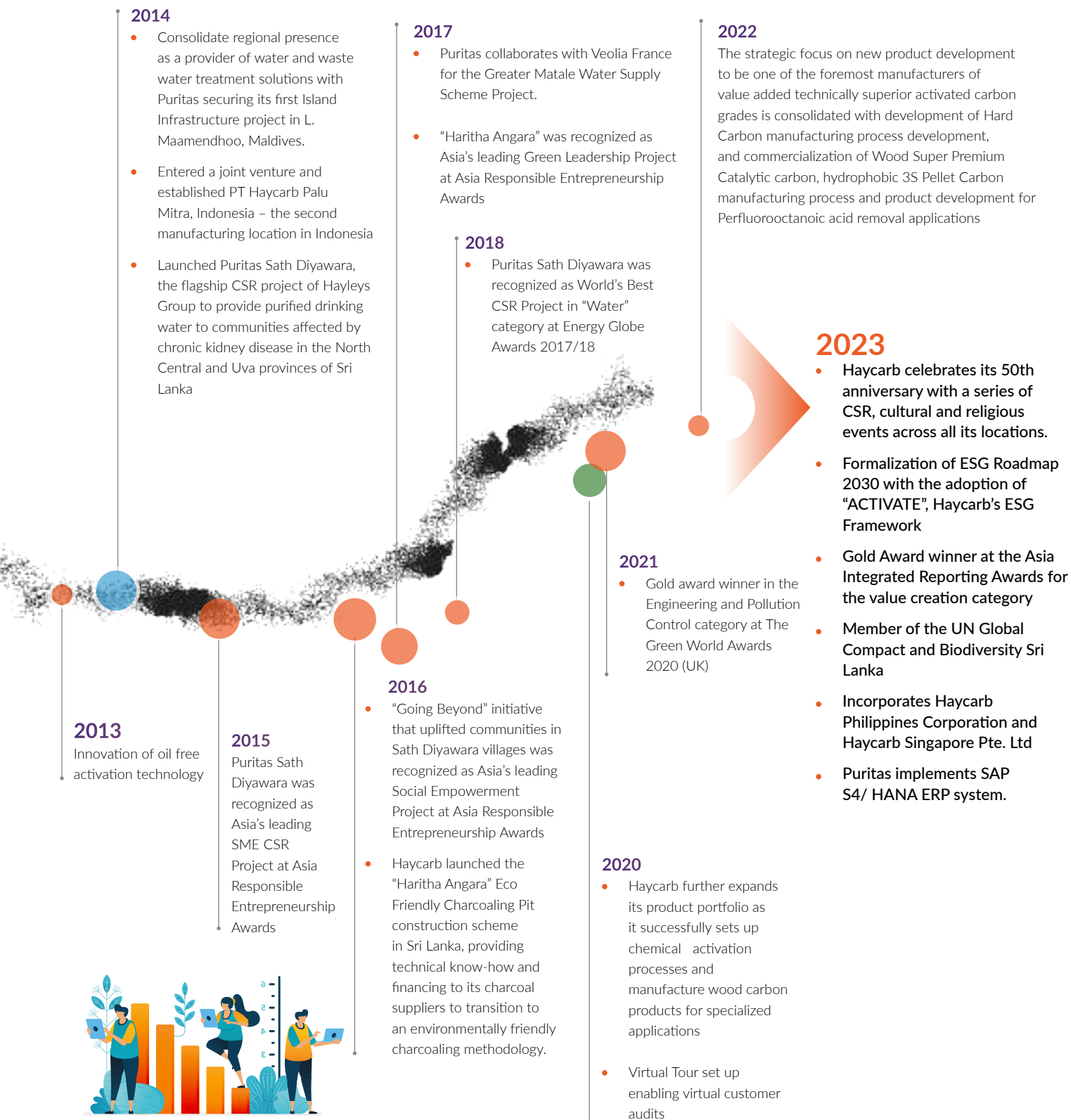
**2010**

- Entry into energy storage carbon manufacture, a high value-added market segment through innovation and commercialization of EDLC Carbon through Ultracarb (Pvt.) Ltd.
- Launch of Haycarb's new logo

**2012**

- Commissioned Sri Lanka's first-ever BOT project in wastewater sector together with Veolia India for treatment of waste water at the Pasikuddah Holiday Resort
- Expansion in Thailand – invested in Shizuka





# OUR PRODUCTS GRI 2-6

For more details about Haycarb  
Activated carbon products and  
services



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.



**16%**

Global Market  
Share

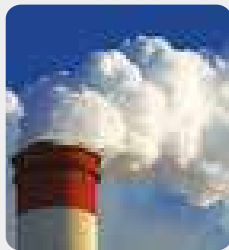
## ACTIVATED CARBON SEGMENT



Renewable & Potable Water



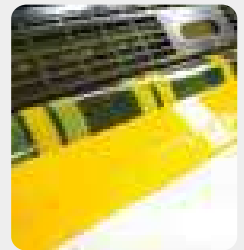
Industrial Water Treatment



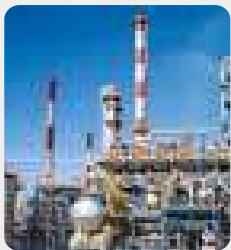
Industrial Air & Gas Treatment



Personal Protection



Solvent Recovery



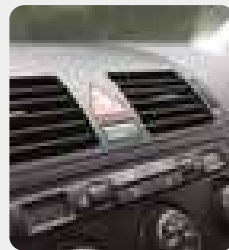
Petroleum & Gas



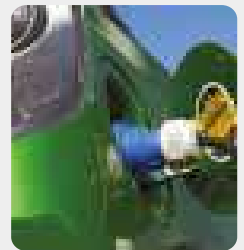
Precious Metal



Food & Beverage



Automotive



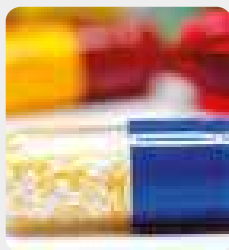
Energy Storage



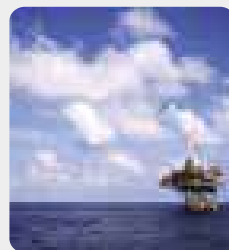
Nuclear Industry



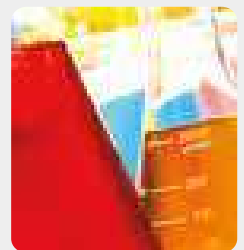
Cigarette Filters



Medical & Pharmaceutical



Catalyst Support



Chemical Industry

## ENVIRONMENTAL ENGINEERING SEGMENT



Water and Wastewater  
Purification



Operation and Maintenance  
Service



Hydrocove Water Purifiers










Value Added Activated  
Carbon Products



Dupont Filmtech RO, UF and  
NF Membranes




# OUR CONTRIBUTION TO THE SDGS

Haycarb recognises its responsibility to integrate sustainability into its value creation processes in a manner that addresses important global sustainability challenges and promotes a more equitable future. We actively aligned our efforts with the United Nation's Sustainable Development Goals and contributed to various aspects of sustainable development. The contribution we made during 2023/24 is summarised below.

SDGs	Relevant Targets	Haycarb's contribution
	1.1	<ul style="list-style-type: none"> <li>We supported over 200 micro-entrepreneurs through the Haritha Angara programme in Sri Lanka.</li> <li>&gt;4,500 students were empowered through the Puritas Sath Diyawara-Going Beyond and other school donations programmes</li> </ul>
	2.2	<ul style="list-style-type: none"> <li>We supported the provision of over 150,000 nutritious mid-day meals to over 800 students across 13 schools through our mid-day school meal programme.</li> <li>Donation of dry ration packs to the communities in need</li> </ul>
	3.8 3.9	<ul style="list-style-type: none"> <li>Our employee value proposition encompasses a strong emphasis on health and well-being.</li> <li>Our product range is used in numerous applications that remove pollutants from water and air.</li> <li>Donation of medical supplies and medicines.</li> </ul>
	4.3 4.5	<ul style="list-style-type: none"> <li>We offer equal opportunities to employees for skill and career development and support employees' life-long learning aspirations.</li> <li>Average training hours per employee – 12.1 hours</li> <li>We donated school supplies to &gt;4,500 school children through the Puritas Sath Diyawara Going Beyond initiative and other donation programs</li> <li>Donated 90 laptops to state university students facing economic challenges</li> </ul>
	5.1 5.2 5.5	<ul style="list-style-type: none"> <li>We are an equal opportunity provider with policies for anti-sexual harassment, non-discrimination, and grievance handling.</li> <li>14% female representation in the workforce.</li> <li>27% female representation at board level</li> </ul>
	6.1 6.3 6.4 6.6	<ul style="list-style-type: none"> <li>Through the Puritas Sath Diyawara programme, we provided &gt;190,000 litres of purified drinking water per day through 19 projects to communities living in areas affected by chronic kidney disease.</li> <li>We implemented lean initiatives to improve water intensity of our operations.</li> <li>The Environmental Engineering Solutions segment treated 1,970 m<sup>3</sup> of industrial and domestic wastewater per day through effluent treatment plants.</li> </ul>
	7.2 7.3	<ul style="list-style-type: none"> <li>We installed solar panels with a capacity to generate electricity over 9,900 GJ per year. This is expected to increase our renewable energy generation (electricity) capacity by 14%.</li> <li>78% of the Group's total energy requirement is fulfilled through self-generated energy.</li> <li>Over 800,000 KWh of renewable electricity was supplied to the national grid by Recogen, utilising waste heat from coconut charcoaling.</li> </ul>

SDGs	Relevant Targets	Haycarb's contribution
	8.2 8.5 8.7 8.8	<ul style="list-style-type: none"> <li>Ongoing emphasis on innovation and expanding our value added product range. 14 new products were launched during the year under review while we invested Rs. 231.4 million in research and development.</li> <li>A remuneration policy that offers equal pay to men and women for work of equal value.</li> <li>We adhere to a strict no child labour policy across the value chain through a minimum age policy.</li> <li>We recognize employees' right to freedom of association and collective bargaining. 45% of our employees are members of trade unions.</li> <li>We comply with all labour laws and offer a safe and secure working environment for all our employees.</li> <li>&gt; Rs.100 million spend on occupational health and safety</li> <li>No fatalities in 2023/24.</li> </ul>
	9.2 9.4	<ul style="list-style-type: none"> <li>We operate 7 manufacturing facilities in Sri Lanka, Thailand and Indonesia and 4 marketing offices and provide 1,933 employment opportunities in 7 countries.</li> <li>We promote sustainable coconut shell charcoaling along the supply chain through proprietary environmentally friendly charcoaling practices.</li> <li>The emphasis on reducing our carbon footprint led to a reduction in total emissions by 6% (scope 1 and 2) during the year under review.</li> </ul>
	10.1 10.2 10.3	<ul style="list-style-type: none"> <li>We have created employment opportunities for 1,933 in 7 countries through emphasis on recruiting locally.</li> <li>We have also supported livelihoods in communities in three countries through our focus on local procurement.</li> <li>Supported the livelihoods of over 200 micro-entrepreneurs including the provision of technical and financial assistance through the Haritha Angara programme, Sri Lanka.</li> <li>We are an equal opportunity employer with a no discrimination policy.</li> </ul>
	12.2 12.4 12.5 12.6 12.8	<ul style="list-style-type: none"> <li>We champion a circular economy by transforming by products in the form of coconut shells to products that are incorporated into many applications that support sustainable consumption and the shift towards renewable energy.</li> <li>Internal emphasis on enhancing the sustainability of our operations through "Activate", our action plan towards sustainable consumption and production by 2030 and voluntary reporting on a range of sustainability standards</li> <li>Adoption of lean initiatives to reduce waste and enhance yields from our inputs (Rs.148.6Mn savings during the year)</li> </ul>
	13.2	<ul style="list-style-type: none"> <li>Through Activate, we have established goals to reduce Scope 1 and Scope 2 emissions generated from our emission. We regularly monitor our performance against these goals and actively strive to achieve these goals.</li> </ul>

## OUR CONTRIBUTION TO THE SDGS

SDGs	Relevant Targets	Haycarb's contribution
	15.5	<ul style="list-style-type: none"> <li>We contribute towards the conservation of endangered sea turtles in Sri Lanka through a sea turtle conservation project at the Kumana National Park, in collaboration with the Department of Wild Life Sri Lanka</li> <li>We established a butterfly and medicinal plant garden at the Badalgama factory in Sri Lanka.</li> </ul>
	16.5 16.6 16.7 16B	<ul style="list-style-type: none"> <li>The Hayleys Group including Haycarb's commitment to ethical behaviour is guided by the Hayley's Way, the Group's code of conduct.</li> <li>The Group's bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption.</li> <li>We are transparent and honest in our engagement with stakeholders including external corporate reporting.</li> <li>Strategy formulation takes into consideration views and concerns of key stakeholder groups.</li> </ul>
	17.7 17.11 17.17	<ul style="list-style-type: none"> <li>We promote sustainable charcoaling practices in Thailand and Indonesia through the vertical kiln programme and the extension of the Haritha Angara programme (green charcoaling programme currently practiced in Sri Lanka) respectively.</li> <li>We export activated carbon products from Sri Lanka, Indonesia, and Thailand.</li> <li>Our sea turtle conservation and tree planting initiatives are carried out in partnership with the Department of Wildlife Conservation and the Central Environment Authority of Sri Lanka</li> <li>We collaborated with the Coconut Development Authority and Coconut Cultivation Board in the planting of 67,500 coconut seedlings, supporting the broader national goal of establishing a second coconut triangle in Sri Lanka.</li> <li>We work closely with government institutions such as the Coconut Research Institute of Sri Lanka, Coconut Development Authority, Central Environmental authority, customs, and tax authorities of all jurisdictions of Haycarb's operations.</li> </ul>

# AWARDS AND RECOGNITIONS



## Award name

## Awarded by

Presidential Export Award for Best Exporter Awards- Coconut Shell Products Sector 2021/22 & 2022/23	Export Development Board, Sri Lanka
Gold Award in the National Level Manufacturing Sector - Extra Large Category & Top Ten Companies award, 2023	Ceylon National Chamber of Industries, Sri Lanka
Gold award in the manufacturing sector, above the Rs. 10 billion category, at the CA Sri Lanka TAGS Awards, 2023	The Institute of Chartered Accountants of Sri Lanka
Best Integrated Report for the Manufacturing Sector, 2023	The Institute of Certified Management Accountants of Sri Lanka
Gold award in the value creation category-9th Asia Integrated Reporting Awards (AIRA)	Asia Sustainability Reporting Awards
Best Disclosure on Value Creation, 2023	The Institute of Certified Management Accountants of Sri Lanka
10 Best Integrated Reports, 2023	The Institute of Certified Management Accountants of Sri Lanka
Best Project Sustainability Awards 2023 – "Haritha Angara"	Ceylon Chamber of Commerce, Sri Lanka
Bronze Award in the 'Coconut and Coconut Products Sector – Extra Large Category', 2023	National Chamber of Exporters of Sri Lanka
Best CSR Project for OSH During Pandemic, 2022	The National Institution of Occupational Safety and Health, Sri Lanka
Top Ten Winner in Best Management Practices 2024	The Institute of Chartered Professional Managers of Sri Lanka
Certificate of Merit in Manufacturing Category, 2023	South Asian Federation of Accountants
Merit award in Manufacturing (Large scale), 2022	Sri Lanka Standards Institution

# BOARD OF DIRECTORS



1

2

3

4

5

6

7

1. **MOHAN PANDITHAGE**  
Chairman

2. **RAJITHA KARIYAWASAN**  
Managing Director

3. **BRAHMAN BALARATNARAJAH**  
Deputy Managing Director

4. **ARJUN SENARATNA**  
Non-Executive Director

5. **SARATH GANEGODA**  
Non-Executive Director

6. **MS. JEEVANI ABEYRATNE**  
Director - Finance & IT

7. **M.S.P. UDAYA KUMARA**  
Director - Research & Development  
and Technical





8

9

10

11

12

13

14

15

**8. ALI ASGAR MUNAVER  
CADERBHOY**  
Director - Business Development

**9. JAMES NAYLOR**  
Director - Head of Eurocarb  
Products Ltd. - UK

**10. MOHAMED HISHAM  
JAMALDEEN**  
Senior Independent Director

**11. MS. SHAMALIE GUNAWARDANA**  
Independent Non-Executive  
Director

**12. MS. BRINDHIINI PERERA**  
Non-Executive Director

**13. NANDA FERNANDO**  
Independent Non-Executive  
Director

**14. MS. ANOMI WANIGASEKERA**  
Independent Non-Executive  
Director

**15. YOHAN PERERA**  
Independent Non-Executive  
Director

# BOARD OF DIRECTORS

## 1. MOHAN PANDITHAGE

### Chairman

Appointed to the Board of Haycarb PLC in November 2007. Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgement of his invaluable services to Sri Lanka's logistics industry.

Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

As an Executive Chairman of multiple companies within the Hayleys Group, Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Dipped Products PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, Hayleys Fabric PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC and Hayleys Leisure PLC.

## 2. RAJITHA KARIYAWASAN

### Managing Director

Joined Haycarb as Managing Director and was appointed to the Board of Haycarb PLC in 2010. He is also a member of the Board of Directors of Hayleys PLC and is the Deputy Chairman of the Eco Solutions sector and Dipped Products PLC. He was appointed to the Board of Sri Lanka Institute of Nanotechnology (Private) Ltd., (SLINTEC) as a Nominee Director of Hayleys PLC in March 2019 and as a lead member of the Hayleys ESG Steering Committee in 2022.

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.

## 3. BRAHMAN BALARATNARAJAH

### Deputy Managing Director

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. Chairman of Industrial Association of Sri Lanka, Ceylon Chamber of Commerce for the year 2023/24.

Joined Haycarb in 1996 as a Maintenance Engineer, 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 all manufacturing operations, engineering projects, sustainability, HR and the Environmental Engineering Segment of Haycarb Group.

## 4. ARJUN SENARATNA

### Non-Executive Director

Appointed to the Haycarb PLC Board in November 2005. Served as a Non-Executive Board Director of Hayleys PLC from 2005 to 2011. He has broad based international senior management experience. Holds a Bachelor of Science from the University of Ceylon and is a Certified Public Accountant (CPA, CMA Canada). Serves as a Non-Executive Board Director of Hayleys Advantis Ltd. and Haycarb USA Inc.

## 5. SARATH GANEGODA

### Non-Executive Director

Appointed to the Board of Haycarb PLC in November 2009. Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Hayleys Board in September 2009. Fellow Member of Institute of Chartered Accountants of 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 Dipped Products PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC and Horana Plantations PLC.

## 6. MS. JEEVANI ABEYRATNE

### Director - Finance & IT

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.

## 7. M.S.P. UDAYA KUMARA

### Director - Research & Development and Technical

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.

## 8. ALI ASGAR MUNAVER CADERBHOY

### Director - Business Development

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. Caderbhoi currently heads the Business Development Division of Haycarb Group focusing on developing new market segments, sales and distribution channels, and expanding our global manufacturing footprint.

## 9. JAMES NAYLOR

### Director - Head of Eurocarb Products Ltd. - UK

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.

## 10. MOHAMED HISHAM JAMALDEEN

### Senior Independent Director

Appointed to the Board in March 2017. Mr. Jamaldeen is a finance professional with multi-industry experience in accounting, corporate finance, acquisitions and disposals, business planning and restructuring and strategic business development among others. His expertise has been enriched by both local and global exposure, which includes stints as Finance Director of Newbridge Capital Investments Limited in London, Freeman & Partners Accountancy Practice (UK) and Barclays Capital, a British multinational investment bank.

Mr. Jamaldeen is the Founding Managing Director of Steradian Capital Investments, a boutique real estate advisory and consultancy firm. Serving both local and foreign clientele, his responsibilities include acquisitions, structuring debt financing and corporate structures. In 2020, Mr. Jamaldeen was recognized as a trailblazer and disruptor in the investments sector by Echelon for his contribution to the sector. He also formerly served as a Director of People's Bank, Atomic Energy Board and as a member of the Interim Committee for Sri Lanka Cricket.

He holds a Degree in Engineering and Business from the University of Warwick and is a Fellow of the Association of Certified Chartered Accountants, UK.

Mr. Jamaldeen is an Executive Director of Lanka Realty Investments PLC, Managing Director of On'ally Holdings PLC, Independent Non-Executive Director of Hayleys PLC and Singer (Sri Lanka) PLC and Non-Executive Director of Talawakelle Tea Estates PLC.

## 11. MS. SHAMALIE GUNAWARDANA

### Independent Non-Executive Director

Appointed to the Board in March 2021, Ms. Gunawardana is an Attorney-at-Law of the Supreme Court of Sri Lanka and holds a Master's Degree in Commercial Law from the United Kingdom. She is an In-house Senior Legal Counsel of Capital City Law, Colombo. She is the Group Legal Consultant – International Distillers Limited, Honorary member of the Executive Committee of Sri Sathya Sai Karuna Nilayam Foundation and an Independent Non-Executive Director of DFCC Bank PLC. She is also a member of the Company Law Advisory Commission of Sri Lanka. A salient contribution made by her in the recent past include serving as a Member of the Core Group that finalised the legal framework for the Special Economic Zone – Colombo Port City.

# BOARD OF DIRECTORS

Ms. Gunawardana was called to the Bar in 1985. She started her career at Messers Julius & Creasy and moved to the Legal Division of the Central Bank of Sri Lanka. She served as the Secretary to the Commission and Director Legal of the Public Enterprises Reform Commission. Ms. Gunawardana has held several senior public service positions including that of the Director General, Legal Affairs Department of the General Treasury. As the Project Director, she has led the Fiscal Reforms Project and the Fiscal Management Reform Programme of the ADB/Ministry of Finance, and the Legal and Judicial Reforms Project of the World Bank/Ministry of Justice. She has previously served as a Director of Renuka City Hotels PLC, Capital City Corporate Services (Pvt.) Ltd., Information and Communication Technology Agency of Sri Lanka (ICTA) and DFCC Bank (as Government Nominee Director). She has also served as a Consultant - CHEC Port City (Colombo) (Pvt.) Ltd. and Senior Policy Consultant - UNDP (Debt for Nature swap / Debt Conversion) and Senior Policy Consultant, Sustainable Financing – UNDP.

She is an Attorney-at-Law of the Supreme Court of Sri Lanka and holds a Master's Degree in Commercial Law from the United Kingdom.

## 12. MS. BRINDHIINI PERERA

### Non-Executive Director

Appointed to the Board in October 2022. Ms. Brindhiini Perera has earned a Masters in Mechanical Engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Hayleys Fabric PLC, Dipped Products PLC, The Kingsbury PLC, Hayleys Leisure PLC, Singer (Sri Lanka) PLC, Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles

PLC, and The Fortress Resorts PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

## 13. NANDA FERNANDO

### Independent Non-Executive Director

Appointed to the Board in January 2024. Mr. Nanda Fernando is a Banker with over four decades of experience in banking. He is a Senior Fellow of the Institute of Bankers Sri Lanka and possesses a Master of Business Administration from Sikkim Manipal University, India.

He is currently the Managing Director of Professional Business Consultants, a company engaged in providing financial planning and advisory services. He also serves on the Boards of Dipped Products PLC, Hayleys Fabric PLC, Hatton National Bank PLC and Assetline Finance Ltd.

Prior to his current role, Mr. Nanda Fernando was attached to Sampath Bank as its Managing Director where he provided effective leadership, utilizing his expertise to drive organizational success and deliver exceptional value to stakeholders. He served Sampath Bank for 36 years from the year of its inception. Earlier in his career, he served Hatton National Bank PLC for almost 6 years.

## 14. MS. ANOMI WANIGASEKERA

### Independent Non-Executive Director

Ms. Wanigasekera is a partner at Julius & Creasy, a prominent law firm, in Sri Lanka. With a wealth of experience of over 40 years as a commercial lawyer, who specializes in the field of intellectual property. She heads the Intellectual Property Division of the firm. She also overlooks the drafting and reviewing of contracts and advise on regulatory and compliance matters.

She holds an LLM degree from the University of Wales and has obtained post graduate diplomas in Intellectual Property Law, International Trade Law, Banking and Insurance Law from the Institute of Advanced Legal Studies of the Incorporated Council of Legal Education.

Ms. Wanigasekera is a life member of the Bar Association of Sri Lanka as well as the Colombo Law Society. Additionally, she serves as a Council member of the Asian Patent Attorneys Association (APAA) and holds the position of Vice President of the APAA Sri Lanka Group. She is also a member of the International Trademark Association (INTA) and currently chairs the INTA South Asia Anti-Counterfeiting subcommittee for the term 2024/2025 and serves as a Council member of INTA India & South Asia Global Advisory Council.

Throughout her career, Ms. Wanigasekera has contributed significantly to the field of intellectual property and commercial law through her publications. Some of her notable works deal with the Comparison of Hague-Visby Rules and Hamburg Rules; Patent Protection in Sri Lanka; The Fair Use and Protection of Copyright; Protection of Geographic Indications in Sri Lanka; Protection of IPR at the Borders - Customs Enforcement Procedure in Sri Lanka; Enforcement and Protection against Unauthorized Disclosure of Undisclosed Information; Protection of Well-known Marks in Sri Lanka; and on Parallel Imports.

## 15. YOHAN PERERA

### Independent Non-Executive Director

Appointed to the board in April 2024. Mr. Yohan Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow Member of the Chartered Institute of Management Accountants (FCMA)- UK. He counts over 40 years of experience in audits of conglomerates and listed companies with diversified business interests.

He served as a Partner at KPMG Sri Lanka and Maldives for 33 years. During this period, he also served the Firm as the Head of HR, Risk Management Partner and Chief Operating Officer before he was appointed as the Managing Partner of the Firm. He served on the KPMG Middle East & South Asia Board during his tenure as Managing Partner of the Firm.

He served as the President of the Institute of Chartered Accountants of Sri Lanka during the years 2006 and 2007. He also served as a Board Member of the Confederation of Asian and Pacific Accountants (CAPA), one of four regional organisations (ROs) recognised by the International Federation of Accountants (IFAC).

Mr. Perera has also served as a Member of the Securities & Exchange Commission of Sri Lanka, the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka, the Governing Council of the Post Graduate Institute of Management of the University of Sri Jayewardenepura and as a Consultant to Audit Committees of Listed Companies.

Mr. Perera also serves on the Boards of Hayleys PLC and Dipped Products PLC.

# MANAGEMENT TEAM



**MOHAN  
PANDITHAGE**  
Chairman



**RAJITHA  
KARIYAWASAN**  
Managing Director



**BRAHMAN  
BALARATNARAJAH**  
Deputy Managing  
Director



**MS. JEEVANI  
ABEYRATNE**  
Director (Finance and IT)



**M S P UDAYA KUMARA**  
Director (Research  
& Development and  
Technical)



**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.)



**CHRIS ROSAUER**  
Senior Vice-President  
(Haycarb USA INC.)



**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

### BRAHMAN BALARATNARAJAH

Deputy Managing Director

### MS. JEEVANI ABEYRATNE

Director (Finance and IT)

### M S P UDAYA KUMARA

Director (Research & Development and Technical)

### 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)

## DEPUTY GENERAL MANAGERS

### 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)

### P. D. D. M. KRISHANTHA

Human Resource Management

### PRASAD WEERAKOON

Finance

## DIVISIONAL MANAGERS

### SAMANTHA ATHUKORALA

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

### ASITHA KULARATNE

Engineering Procurement

### PRABHATH LIYANAARACHCHI

Sales and Marketing

### CHRISHAN KOBBEKADUWE

Sales and Marketing

### 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

### LAYAN KOKILA GAMAGE

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

### MS. RASIKA JAYAWARDENA

Information Technology

### MS. PIYUMALI PREMARATNE

Finance

### ARUNA SAMPATH

Sustainability and ESG

### MS. KALPANA DE SILVA

Business Development

### NIMAL KUMARA

Production (Badalgama)

### SALIYA SAMARAJEEVA

Engineering Maintenance (Badalgama)

## DEPARTMENTAL MANAGERS

### SHANTHA SENEVIRATNE

Engineering Projects

### HASANGA SENANAYAKE

Business Development [Puritas (Pvt) Ltd.]

### SUJEEWA GURUSINGHE

Procurement R&D

### LALITH HAPUARACHCHI

Quality Management Systems

### NADUN HETTIARACHCHI

Production (Madampe)

### SANJAYA KUMARA

Finance



# MANAGEMENT TEAM

## GRATIAN FERNANDO

Production (Madampe)

## SURESH JAYANATH

Business Development

## JAGATH RATNAYAKE

Production Planning

## DHAMMIKA ALWIS

Engineering Projects

## CHARITH PREMATHILAKA

Production (Madampe)

## SUJITH RODRIGO

Engineering Projects

## HARSHANA KAMALAPRIYA

Research and Development

## PRASAD GNANARATHNE

Engineering Projects

## MAJ. RANGANA BODARAGAMA (RETD.)

Project Management (Puritas)

## KALANA PIYASIRI

Engineering Maintenance (Madampe)

## KEERTHI BANDARA

Finance

## K A P RANJITH

Research & Development

## MS. NILUSHA EKANAYAKE

Finance (Puritas (Pvt) Ltd.)

## MS. DULANI SENARATH YAPA

Sales & Marketing

## HARSHA LIYANAARACHCHI

Human Resources Management

## MS. CHATHURI YATAWARA

Sales & Marketing

## DR. LAHIRU SANDARUWAN

Research and Development

## MS. AMADARA WICKRAMANAYAKE

Finance

## BHAGYA RANASINGHE

Charcoal and Shell Procurement

## ASANKA RASNAYAKE

Production (Badalgama)

## KAVINDA FERNANDO

Information Technology

## 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

##### ROHANA BANDARA

Operations Manager

#### HAYCARB USA INC.

##### CHRIS ROSAUER

Senior Vice-President

##### A. S. PATHIRATHNA

Vice-President

##### CURT LARSON

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

## DINESH SAMARASENA

Manager – Engineering Maintenance

## ANANDA MUNASINGHE

Manager-Quality Control

## SHIZUKA CO. LTD.

### UPENDRA JAYASINGHE

Plant Manager

#### PT MAPALUS MAKAWANUA CHARCOAL INDUSTRY

##### INDIKA WIJERATNE

General Manager

##### MS. TETTY ENTE

Administration Manager

#### PT HAYCARB PALU MITRA

##### ASANKA SIRIMANNE

Factory Manager



# PROGRESS TOWARDS ADOPTING SLFRS SUSTAINABILITY REPORTING STANDARDS

In June 2023, the International Sustainability Standards Board (ISSB) launched its inaugural standards IFRS S1 General Requirements for Sustainability related Financial Information and S2 Climate related Disclosures. In collaboration with ISSB, The Institute of


Chartered Accountants of Sri Lanka has issued localized versions of these standards, designated as SLFRS S1 and SLFRS S2, in January 1, 2024. These standards aim to ensure consistent reporting of how sustainability related risks and opportunities

impact companies' future growth potential. We carefully studied these standards and revised our sustainability processes over the year to align with the new reporting requirements. A summary of our journey is given below.







☑ - Complied

📅 - In progress

Requirement	Reference
<b>Governance</b> 	
Established an ESG Steering Committee in line with the launch of our own ESG Roadmap 2030. The Committee is headed by the Managing Director and comprises representatives from diverse functions.	☑ Page 186 to 187
Established an ESG Unit to overlook the ESG activities of the Group. The ESG manager reports directly to the Deputy Managing Director.	
The committee met 3 times during the year to review ESG performance against targets.	
Established a Terms of Reference for the ESG Steering Committee to provide guidance for the Committee's objectives composition, meeting frequency, authorities, and responsibilities.	☑ Page 186 to 187
The ESG and Risk Management Committee is mandated with ensuring appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to sustainability related and climate related risks and opportunities.	☑ Page 186 to 187
Consideration of sustainability related risks and opportunities when overseeing the entities strategy and the trade-offs made	☑ Page 66 to 83
Amended remuneration policies of Haycarb to reflect the inclusion of ESG performance criteria in measuring / evaluating performance.	📅
Established processes to reliably capture ESG data which is then recorded in the Hayleys Sustainability Portal, the "Hayleys CUBE" which produces reports and analytics according to requirements. The data is audited on an annual basis by the Hayleys Group ESG auditors.	☑ Page 90 to 95
Established an internal audit mechanism headed by the Haycarb Sustainability Manager.	☑
All sustainability and climate related risks and opportunities are reviewed by the Audit Committee and the Board of Directors.	☑

# PROGRESS TOWARDS ADOPTING SLFRS SUSTAINABILITY REPORTING STANDARDS

Requirement		Reference
<b>Strategy</b> 	Identified sustainability related risks and opportunities that could reasonably be expected to affect the entity's prospects.	<input checked="" type="checkbox"/> Page 66 to 83
	Identified the impacts of the sustainability related risks and opportunities on our business model and value chain including where they are concentrated in the value chain.	<input checked="" type="checkbox"/> Page 66 to 83
	Identified the impacts of these sustainability related risks and opportunities on the Group's strategy and decision making.	<input checked="" type="checkbox"/> Page 66 to 83
	Quantified the effects of the sustainability risks and opportunities and climate related risks and opportunities identified on the Group's financial position, performance and cash flows for the reporting period.	<input type="checkbox"/>
	Quantified the anticipated effects of the climate related risks and opportunities and climate related risks and opportunities on the Group's financial position, performance and cash flows over the short, medium and long term.	<input type="checkbox"/>
<b>Risk Management</b> 	Prepared a sustainability risk management policy which included the processes and related policies used to identify, assess, prioritise and monitor sustainability related risks.	<input checked="" type="checkbox"/> Page 186 to 187
	Formally carried out a materiality assessment during the year to identify, assess and prioritise sustainability related risks and opportunities.	<input checked="" type="checkbox"/> Page 84 to 87
	This assessment formed the basis for the development of Activate, our ESG Roadmap 2030 which formally outlines our sustainability priorities, metrics, and targets.	
	Performance against targets is monitored on a quarterly basis. A risk assessment is carried out on a quarterly basis and a materiality assessment is carried out on an annual basis to review ESG related risks and opportunities.	
<b>Metric and targets</b> 	Connected the metrics and targets set out in our ESG Roadmap 2030 to the sustainability and climate related risks and opportunities identified in the matrix collated and scored by Haycarb.	<input checked="" type="checkbox"/> Page 93 to 95
	Connected the metrics and targets to the SASB standards, GRI material topics and SDGs.	<input checked="" type="checkbox"/> Page 26 to 28, 93 to 95, 237 to 247
<b>Transitional Relief</b> 	<b>Climate-Only Disclosures (First Year)</b> Entities may disclose only climate-related risks and opportunities in the first year and must disclose this choice.	Information related to both sustainability and climate related risks and opportunities are disclosed taking transitional reliefs into consideration
	<b>Comparative reporting</b> Entities are not required to provide disclosures or comparative information for periods before the initial application date.	<input checked="" type="checkbox"/> Transitional relief considered
	<b>Timing of reporting</b> In the first year, entities can publish sustainability-related financial disclosures after financial statements.	Information disclosures related to SLFRS S1 and S2 (with transitional reliefs), are published together with the annual financial statements and related information for 2023/24
	<b>Proportionality</b> Qualitative approach to determine anticipated financial effects of SRROs, CRROs and climate-related scenario analysis	Transitional relief considered (Quantification presented graphically on financial effects of SRROs & CRROs.)
	<b>GHG Protocol and Scope 3 disclosures</b> Information is limited to what is reasonable, supportable, and available without undue cost or effort in measurement of Scope 3 emissions and determination of the scope of the value chain	<input checked="" type="checkbox"/> Transitional relief considered



# Creating Streams of Value

## UNDERSTANDING VALUE CREATION AND IMPACTS

42 Operating Environment • 46 Our Value Creation Model • 48 Listening to Our Stakeholders  
58 Beyond the SWOT- The TOWS Analysis • 59 Strategy and Resource Allocation • 66 Managing Risks & Opportunities  
84 Determining Material Issues • 88 Future Outlook

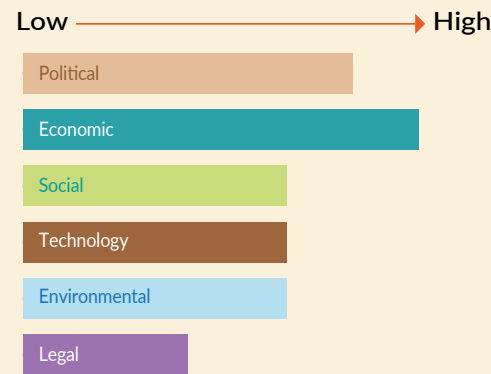
# OPERATING ENVIRONMENT



Targeted implementation of a range of policy measures by the Government of Sri Lanka (GoSL) and the Central Bank of Sri Lanka, underpinned by the IMF’s Extended Fund Facility (EFF) arrangement has stabilised the Sri Lankan economy and positioned it on a path of recovery. The Sri Lankan economy recorded an expansion in the second half of 2023, following six consecutive quarters of contraction. Other key macro-economic indicators also stabilised and demonstrated signs of improvement. While debt restructuring negotiations with external debt holders remain ongoing, significant progress has been made under the IMF-EFF as the country successfully reached a staff level agreement following the second review in March 2024.

Meanwhile, the global economy remained resilient with growth expected to improve to 3.2% in 2023 (2022: 2.3%) despite tight monetary policy across most regions aimed at restoring price stability. However, the IMF projects a stable but lower than pre-pandemic global growth trajectory for the coming years given short term factors including high borrowing costs and the gradual withdrawal of government support alongside longer term challenges stemming from rising geopolitical tensions and increasing geo-economic fragmentation.

The most significant external factors that impacted Haycarb’s performance during the year under review are discussed through a PESTEL analysis to provide context to performance.



## POLITICAL

### TRENDS AND DEVELOPMENTS

- Geopolitical dynamics
- Domestic political uncertainty
- Domestic policy reforms
- Bureaucracy and lack of transparency

Given our extensive global presence across markets and manufacturing locations, geopolitical developments have a significant impact on our risk landscape, growth potential and operations.

Furthermore, domestic developments as the GoSL continues to implement policies to recover from the debt crisis also hold implications for our business.

### OUR RESPONSE

- Geographic diversification of our manufacturing operations and revenue streams.
- Value creation for developing economies through foreign exchange generation, providing employment, and supporting livelihoods of micro-entrepreneurs
- Ongoing focus on establishing a new manufacturing plant in the Philippines for further geographic diversification of manufacturing operations.
- Strengthened local supply chains within each country of operations.
- Monitored and assessed the implications of new and proposed regulations and proposed regulations on business activities and adapted operations accordingly.
- Timely payment of all taxes in the countries we operate in.

[Link to material topics - M5, M20](#)

[Link to risks/opportunities - R2, R4, R9](#)

[Link to strategy](#)

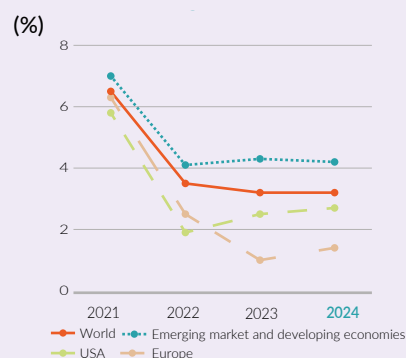


## ECONOMIC

### TRENDS AND DEVELOPMENTS

#### Global economic growth trends

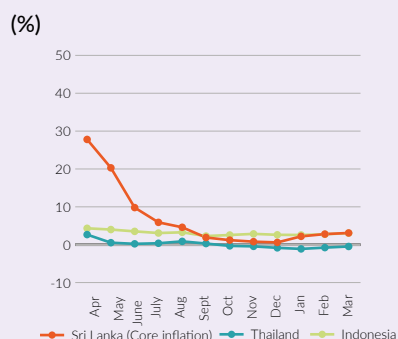
The IMF estimated global economic growth to have improved to 3.2% in 2023 (2022: 2.3%). Growth in the USA recovered to 2.5% in 2023 (2022: 1.9%) while the Euro area experienced a slowdown to 1% in 2023 (2022: 2.5%). Economic expansion in emerging market and developing economies remained strong at 4.3% in 2023.



#### Inflation

Sri Lanka inflation followed a disinflationary path from peak levels in September 2022 and stabilised within CBSL's medium term inflation expectations of 5%.

There were no significant trends identified in other manufacturing locations; Thailand and Indonesia.



[Link to material topics - M5](#)

[Link to risks/opportunities - R2, R3, R4](#)

[Link to strategy](#)



#### Sri Lankan economic growth trends

The Sri Lankan economy recorded positive real GDP growth in 3Q and 4Q 2023. Consequently, GDP contraction moderated to 2.3% in 2023 (2022: 7.3%). The growth momentum continued into 1Q 2024.

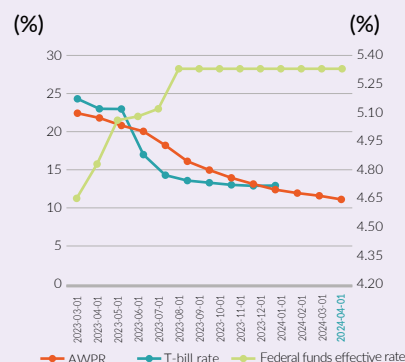
#### GDP and sector wise growth (constant prices)



#### Interest rate movement

The stabilisation of the exchange rate and declining inflation enabled monetary policy easing and the gradual decline in interest rates, lowering borrowing costs in Sri Lanka.

The Federal funds effective rate increased during the first half of the year but thereafter remained stable.



#### Freight rates

As supply-chain disruptions eased freight rates gradually normalised facilitating lower shipping costs.

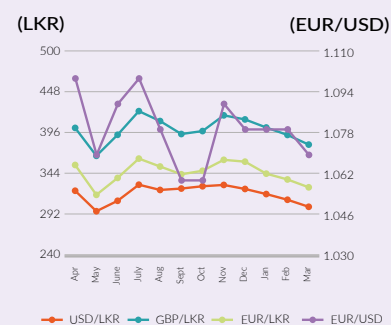
However, the red sea shipping crisis has resulted in freight cost increases to Europe and Eastern Coast USA, albeit to a lower point compared to pandemic era.

#### Intensifying competition

Easing supply chain disruptions, normalization of freight rates, and gradual improvement in business conditions, led to increased market access for activated carbon manufacturers from India and Philippines intensifying competition.

#### Exchange rate movement

The Sri Lankan Rupee appreciated 12% against the US Dollar in 2023 while appreciating a further 7.6% during 1Q 2024, which impacted our topline.



### OUR RESPONSE

- Strategic emphasis on expanding market share in growth regions while retaining market position in existing markets.
- Strengthened customer relationships through deeper engagement and a strong customer value proposition.
- Leveraged digital platforms to engage closely with customers and enhance our reach.
- Continued focus on strengthening and diversifying Group's supply chain networks
- Rigorous control and monitoring of macro-economic variables to manage operational costs through lean initiatives.
- Control of interest costs by effective management of the borrowing's portfolio.
- Managed exchange risk through selective forward bookings

# OPERATING ENVIRONMENT

## SOCIAL

### TRENDS AND DEVELOPMENTS

- Increased emphasis on environmentally and socially responsible value chains.
- Talent migration
- Rising concerns on health and well-being.
- Increased prevalence of technology.
- Growing female participation in the workforce.
- An aging population
- Rising income inequalities

Rising talent mobility and shifting workforce demographics has compelled employers to refine their employee value proposition to retain high performing talent. Growing emphasis on corporate social responsibility further necessitates extending ethical and sustainable practices across the value chain. Widening income disparities and implications of the economic crisis in Sri Lanka has placed emphasis on organizations' ethical obligations to respond to critical community needs.

### IMPACT ON THE GROUP

- Increased customer emphasis on the social implications of our value chain.
- More stringent assessment of our products and processes for adverse implications on human health.
- Increasing challenges to employee retention and potential adverse implications on organisational tacit knowledge.
- Rising expectations for positively contributing to the communities we operate in.

### OUR RESPONSE

- A comprehensive employee value proposition that encompasses, equitable remuneration on par with industry norms, opportunities for training and career progression, and strong emphasis on employee well-being and engagement.
- Numerous certifications to provide assurance to customers on the quality of our processes.
- Health and safety assessments for products where applicable
- Supported livelihoods and empowered communities through our Haritha Angara programme in Sri Lanka.
- Carried out supplier assessments considering social considerations to propagate ethical social practices along the supply chain.
- Long term focused, Impactful CSR initiatives including, Puritas Sath Diyawara, going beyond the school mid-day meal programme and laptop donations to university students

[Link to material topics - M2, M8, M16, M17, M19](#)

[Link to risks/opportunities - R7, R12, O2](#)

[Link to strategy](#) 

## TECHNOLOGY

### TRENDS AND DEVELOPMENTS

- Technological advancements and emerging activated carbon applications
- New technology to assess the properties of carbon.
- Developments in digital technology including Big Data and predictive data analytics.
- Technological platforms that enable system integration.
- Increased propensity towards digital marketing.
- Cyber security risks

Developments in the areas of energy storage and water & air purification applications have propelled new opportunities and markets for activated carbon products while a deeper understanding of the properties of activated carbon enables the development of specialised carbons that meet specific requirements. Concurrently, advancements in digital technology have transformed customer engagement and reach while enabling a data driven approach to driving operational efficiency and sustainability. However, increased digitisation has also given rise to cyber threats and heightened the risk of data losses.

### IMPACT ON THE GROUP

- Emerging opportunities for value added activated carbon products and access to new markets.
- Opportunities to enhance customer engagement and convenience through system integration.
- Potential for operational efficiency and reduction of waste and cost optimisation.
- Cyber security related risks

### OUR RESPONSE

- Future focused our product portfolio through strategic research and development initiatives.
- Invested in a high-tech electrochemical laboratory to propel the development of products for energy storage carbons.
- Increased emphasis on digital marketing channels to analyse digital behaviour and enable personalised outreach for enhanced lead generation
- Investments in technological solutions including automation and integration to improve process efficiency, access to data and analytics to facilitate insightful decision making and deepen customer relationships
- A comprehensive IT security policy, investments in latest tools such as firewall and virus guard software, employee training on cyber threats and regular audits of IT systems.
- Ongoing emphasis on creating a learning organisation that prioritises learning, adapting and innovation in alignment with external developments.

[Link to material topics - M6, M13, M15, M16](#)

[Link to risks/opportunities - R10, O1](#)

[Link to strategy](#) 



## ENVIRONMENT

### TRENDS AND DEVELOPMENTS

#### Increasing prevalence of physical risks

- Rise in adverse weather events across the globe and its implications on business operations, supply chains and distribution

#### Divergent global approach to the transition to a low carbon economy

- Increasing implications of chronic risks and carbon intensive industries

#### Compliance

- Increased stakeholder concerns on environmental & climate impacts and environmental regulations and enhanced corporate reporting requirements.

Our reliance on coconut shells, an agricultural input, exposes us to the potential risks of climate change. However, the transition to a low-carbon economy has led to emerging opportunities. The shift towards renewable energy sources has given rise to innovation in energy storage carbons, while sustainable resource consumption has led to the utilization of activated carbon products across many industries. Increased emphasis on addressing climate change has led to a rise in environmental regulations and corporate reporting requirements has led to the utilization of activated carbon products across many industries.

### IMPACT ON THE GROUP

- Emerging opportunities for activated carbon products that facilitate the low carbon transition.
- Supply-side vulnerabilities to chronic risks of climate change given our reliance on agricultural inputs.
- Opportunities to enhance energy and climate resilience of our operations.
- Increased stakeholder concerns on value chain environmental impact assessment and management.
- Increased compliance costs to meet more stringent environmental regulations and reporting requirements.
- The increased awareness of environmental impacts and the rise of emerging economies drive demand for water and air purification solutions.

### OUR RESPONSE

- Developed a diverse product offering and invested in renewable energy generation (Solar PV panels) that supports sustainable resource consumption and the shift to renewable energy sources.
- Diversified our operations across three geographical locations where coconut is a major agricultural crop to mitigate supply side risks.
- Committed to achieving strategic ESG goals through the launch of Activate, our 2030 ESG Roadmap 2030 .
- Ongoing emphasis on enhancing the sustainability of our operations and supply chain practices.

[Link to material topics - M1, M3, M7, M9, M10, M11, M14, M18](#)

[Link to risks/opportunities - R17, R22, O3, O4, O5](#)

[Link to strategy](#) 

## LEGAL

### TRENDS AND DEVELOPMENTS

- Evolving legal landscapes in the jurisdictions we operate in.
- Stringent regulations on safety, quality and environmental protection
- Laws promulgated to safeguard economies including anti-dumping regulations

#### Reputation risk



#### Compliance costs



Our global presence necessitates navigating the regulatory landscape of multiple jurisdictions giving rise to high levels of complexity. Proactive monitoring for new laws and regulations across all countries of operations is vital to ensure timely compliance and mitigate reputation risk. Moreover, compliance may entail changes to business models, processes and new investments increasing costs.

### IMPACT ON THE GROUP

- High levels of complexity in monitoring legal and regulatory developments across multiple countries.
- Reputation risk arising from inadvertent non-compliance.
- Increased costs to modify processes to ensure compliance and potential penalties due to non-compliance.

### OUR RESPONSE

- Proactive monitoring across all jurisdictions for new developments in the legal landscape to assess implications and ensure compliance.
- Complied with all legal and regulatory requirements during the year under review.
- Obtaining certifications relating to safety, quality, and environment management

[Link to material topics - M3](#)

[Link to risks/opportunities - R6, R15, R21](#)

[Link to strategy](#)     



# OUR VALUE CREATION MODEL

## Our Inputs

### Financial Capital



Vital to achieving our strategic aspirations, our financial resources are represented by

- Shareholders' funds – **Rs 25.7 Bn**
- Debt capital – **Rs 5.8 Bn**

### Natural Capital



Our primary input is coconut charcoal, a renewable resource while other inputs include energy, water, and chemicals.

- Renewable raw material consumption – **152,221 Mt**
- Water consumption – **732,634 m<sup>3</sup>**
- Energy consumption – **1,132,964 GJ**

### Intellectual Capital



Represents our capacity to innovate, the tacit knowledge gained over half a century of operations, systems, processes, and numerous certifications.

- Investment in R&D – **Rs. 231.4 Mn**
- No of certifications – **>25**

### Human Capital



Possessing unique skills and competencies our 1933 employees across 7 countries drive innovation and enable technical excellence.

- Investment in training and development – **Rs. 11.3 Mn**
- Investment in employee well-being – **Rs. 6.9 Mn**

### Social & Relationship Capital



Represents our long standing, collaborative relationships with key stakeholders and emphasis on strengthening our social license to operate.

- Customers – **>590**
- Coconut shell and Charcoal Suppliers – **>600**
- Investment in CSR initiatives – **Rs. 40.8 Mn**

### Manufactured Capital



Represents 7 well-equipped manufacturing facilities across Sri Lanka, Thailand and Indonesia which enable the consistent production of high-quality activated carbon products.

- PPE – **Rs. 10.8 Bn**
- Capital expenditure – **Rs. 2.1 Bn**

## Value transformation process

ESG mindset

Global economic context

Implications of climate change

Technology

Domestic economic considerations

### Our strategy



Market growth



Innovation led growth



Strengthen global supply chains



Purpose-driven and committed team



ESG mindset

Activated Carbon Manufacturing



Understanding customer needs



Research and development



Sourcing raw materials



Distribute to customers



Ensuring product quality



Manufacturing activated carbon



Commissioning and quality assurance



Design solutions



Understanding customer needs



O&M support

Environmental Engineering Solutions

### Corporate Governance

### Robust Risk Management

#### Top five material topics

- Materials
- Customer satisfaction

- Regulations and compliance

- Product quality

- Economic performance

#### Top risks and opportunities

R1, R2, R11, R18, R19, O1, O3, O4, O5

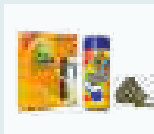
## Outputs



**47,754 Mt**  
of Activated Carbon



A range of water purification solutions



A range of activated carbon products

**Carbon footprint**  
**26,696 tCO<sub>2</sub>e**

**Effluents**  
**269,079 m<sup>3</sup>**

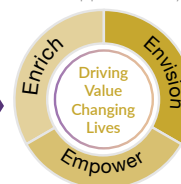
**Energy**  
**1,132,964 GJ**



OUR VISION

Our Vision is to be the leading global brand for coconut activated carbon and a leading provider of water purification systems in Sri Lanka and the region, renowned for technical excellence, customer centricity, innovation, and sustainable business practices.

OUR PURPOSE



## Impacts and Outcomes

### Our Capital Outcomes ⊕ Positive ⊖ Negative



#### Financial Capital (Page 102 to 105)

Consistent value creation for shareholders and debt providers

- ⊖ Profit after tax **Rs. 4.3 Bn**
- ⊖ Return on equity **16.8%**
- ⊖ Dividend per share **Rs. 6**
- ⊕ Dividend payout - **47.6%**



#### Natural Capital (Page 106 to 129)

Proactive approach towards achieving sustainable resource consumption and minimise our environmental footprint.

- ⊖ Water intensity - **16.97 m³/per revenue Rs. Mn**
- ⊖ Energy intensity - **26.24 m³/ per revenue Rs. Mn**
- ⊕ Carbon footprint - **26,696 tCO<sub>2</sub>e**



#### Intellectual Capital (Page 130 to 139)

A future focused product range and processes that enable the fulfilment of existing and emerging customer needs.

- ⊖ New products launched - **14**
- ⊕ Product pipeline - **7**
- ⊕ Enhanced organisational tacit knowledge



#### Human Capital (Page 140 to 153)

Continued to inspire our team through a culture of innovation and collaboration.

- ⊖ Employee retention rate - **92% (Permanent employees)**
- ⊕ Payments to employees - **Rs. 5.4 Bn**
- ⊕ Training hours per employee - **12.1**
- ⊕ No. of workplace accidents - **32**



#### Social and Relationship Capital (Page 154 to 169)

Mutual value creation for all stakeholders through long-term, collaborative partnerships.

- ⊖ No. of new customer acquisitions - **34**
- ⊕ Customer satisfaction score - **>90%**
- ⊖ Payments to coconut shell and charcoal suppliers - **Rs. 12.8 Bn**
- ⊕ CSR beneficiaries - **>105,000**
- ⊖ Tax payments - **Rs. 2.8 Bn**



#### Manufactured Capital (Page 170 to 176)

Enhanced value through future focused investments.

- ⊕ Value added carbon manufacturing capacity enhancement - **200Mt**
- ⊕ Investment in an electro-chemical laboratory for energy storage carbon development
- ⊕ Cost savings from lean initiatives **Rs. 148.6 Mn**

## SDG alignment



## Stakeholders Impacted



# LISTENING TO OUR STAKEHOLDERS GRI 2-29

Our stakeholder identification process takes into consideration all parties who currently have an interest in the business or are likely to have an interest in the future. These parties are then prioritised based on:

- The level of influence they have over the business directly or through others.
- The extent to which stakeholders will be impacted by the Group's activities.
- The expertise, level of information and guidance that can be given by the stakeholder.
- The nature of the relationship.

Based on the above, our engagement approach and mechanisms of engagement are determined. Our engagement strategies based on the level of interest and potential influence of stakeholders is set out below.

Shareholder

Employees

Customers

Suppliers

Business Partners

Communities

Government & Regulators

Financial Institutions

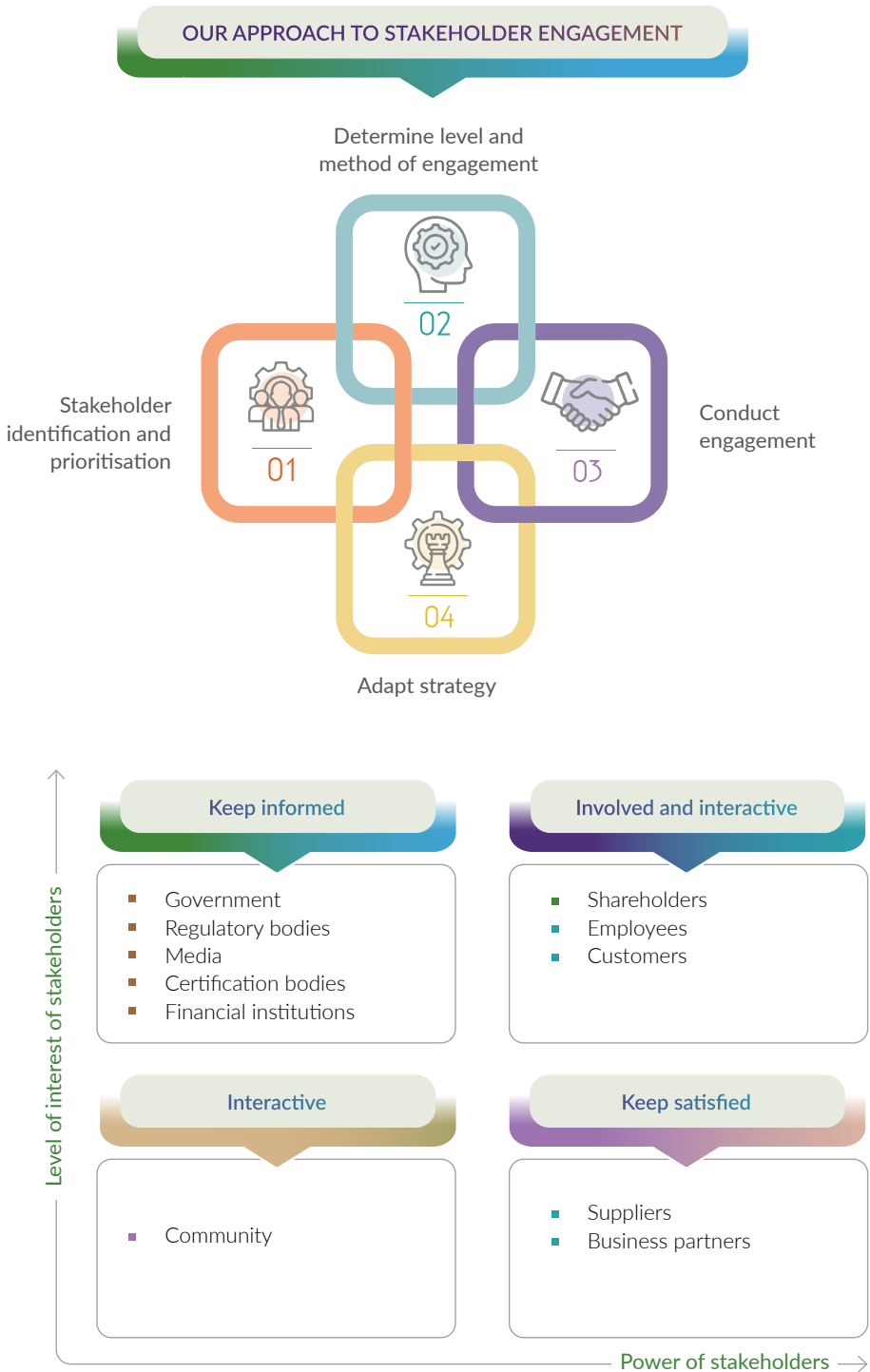
**Level of engagement**

- Keep Informed
- Involved and interactive
- Interactive
- Keep Satisfied

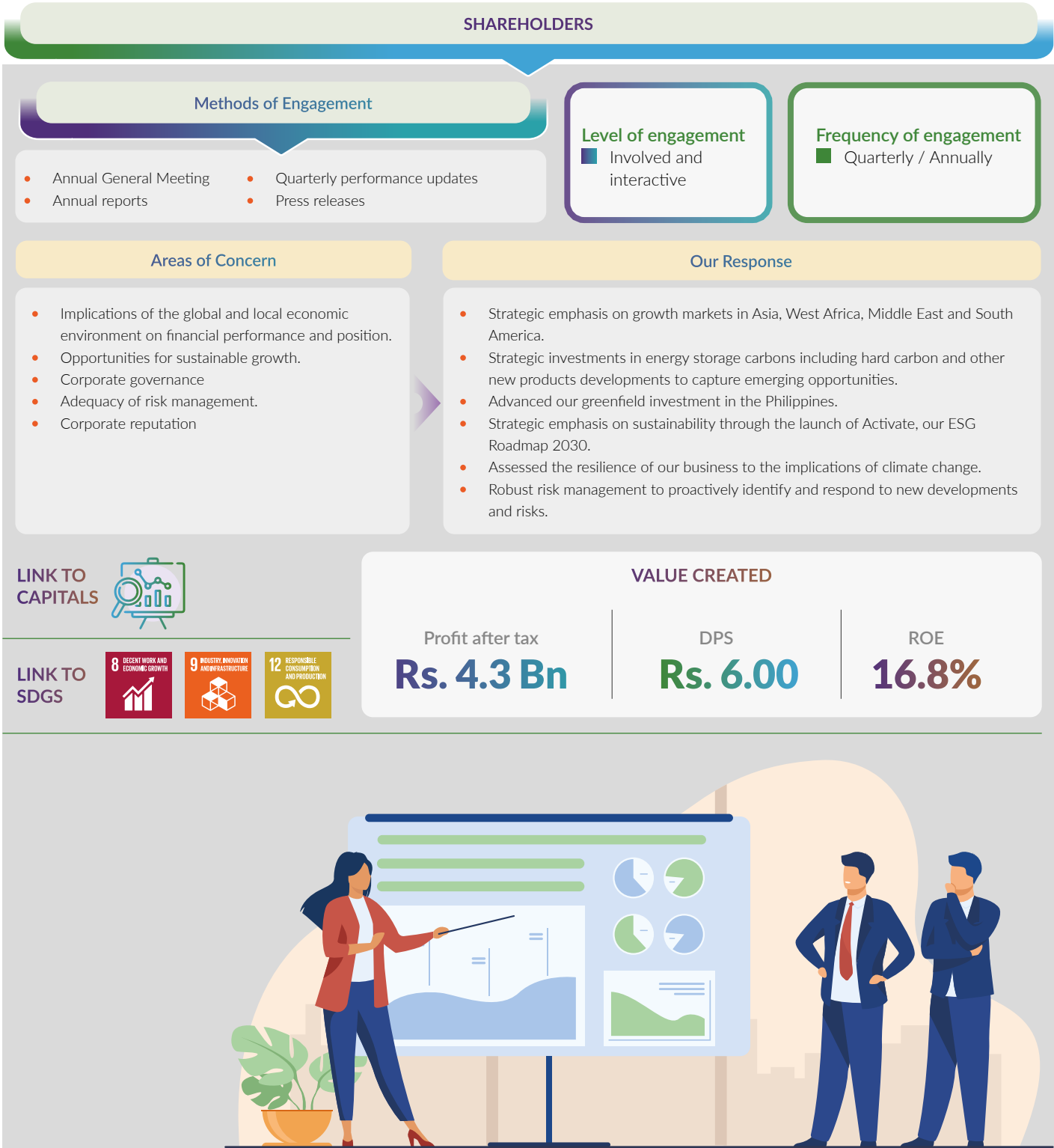
**Frequency of engagement**

- Quarterly / Annually
- Frequent
- As and when required
- Regular as and when required

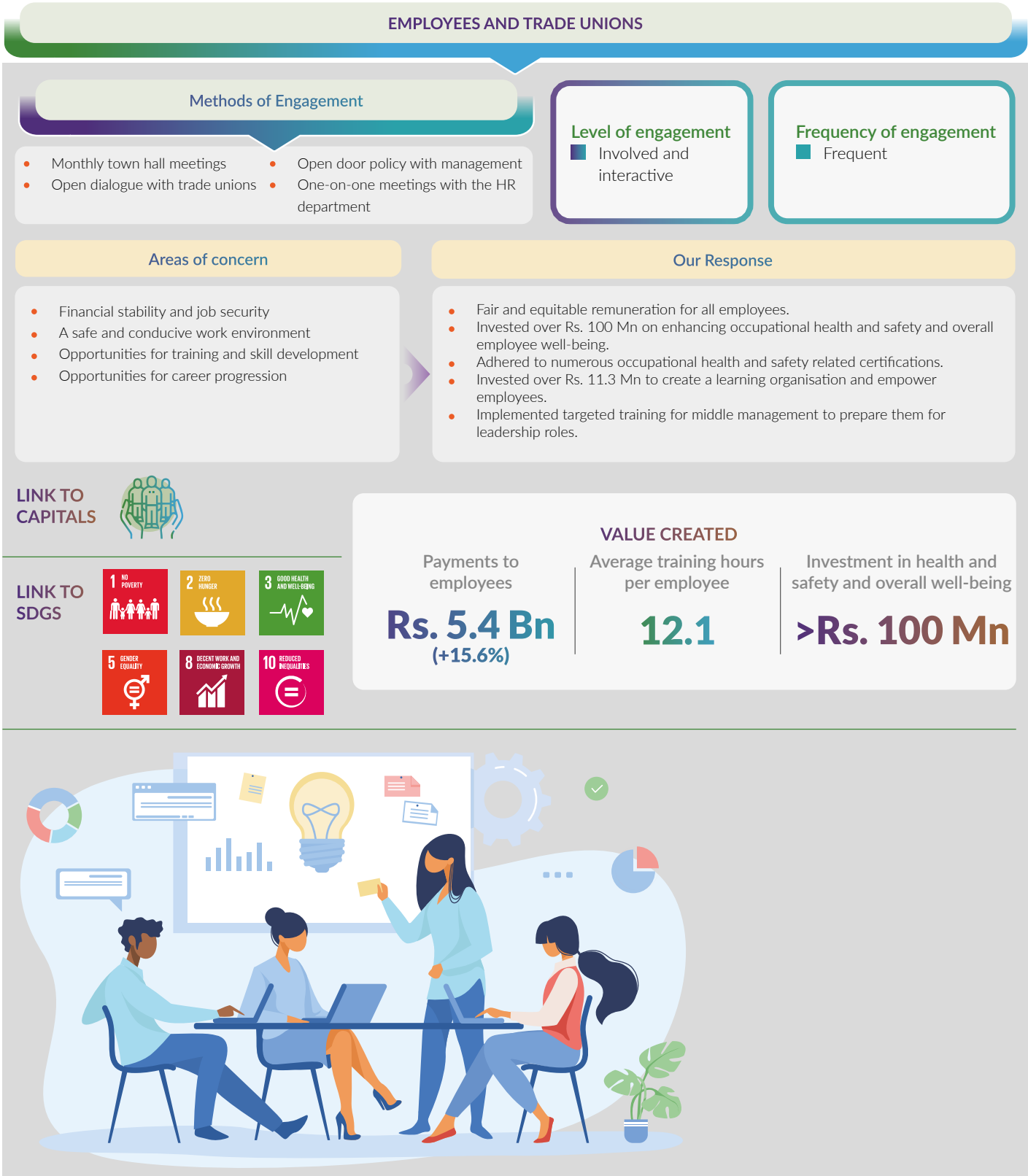
Proactive engagement with our stakeholders is a priority for formulating strategies and driving our innovation. Stakeholders enable us to identify, mitigate and manage risks, their concerns are a key input into strategy formulation, determining material issues and the corporate reporting process. Our approach to stakeholder engagement is guided by the Hayleys Group Stakeholder Engagement Policy and is described below.



## HIGHLIGHTS OF OUR STAKEHOLDER ENGAGEMENT IN 2023/24



# LISTENING TO OUR STAKEHOLDERS



## CUSTOMERS

### Methods of Engagement

- Customer visits to our factories
- Regular engagement through digital platforms
- In-person visits to customers
- Trade shows and exhibitions

### Level of engagement

- Involved and interactive

### Frequency of engagement

- Frequent

### Areas of concern

- Capacity to innovate.
- Capacity to customise products to meet specific technical requirements.
- Consistency in quality and timely delivery.
- Sustainable and ethical business practices.

### Our Response

- Ongoing emphasis on evolving our product portfolio to meet emerging needs.
- Strategic investments in new product developments to fulfill specific needs of customers.
- Strong engagement with customers to proactively address concerns and issues.
- Strategic emphasis on enhancing the sustainability of our business through the launch of our Activate, ESG Roadmap 2030.
- Robust manufacturing and QA systems and processes entrenched through a range of certifications such as ISO and GMP, to deliver products of consistent quality at the right time and right place.

### LINK TO CAPITALS



### LINK TO SDGS



### VALUE CREATED

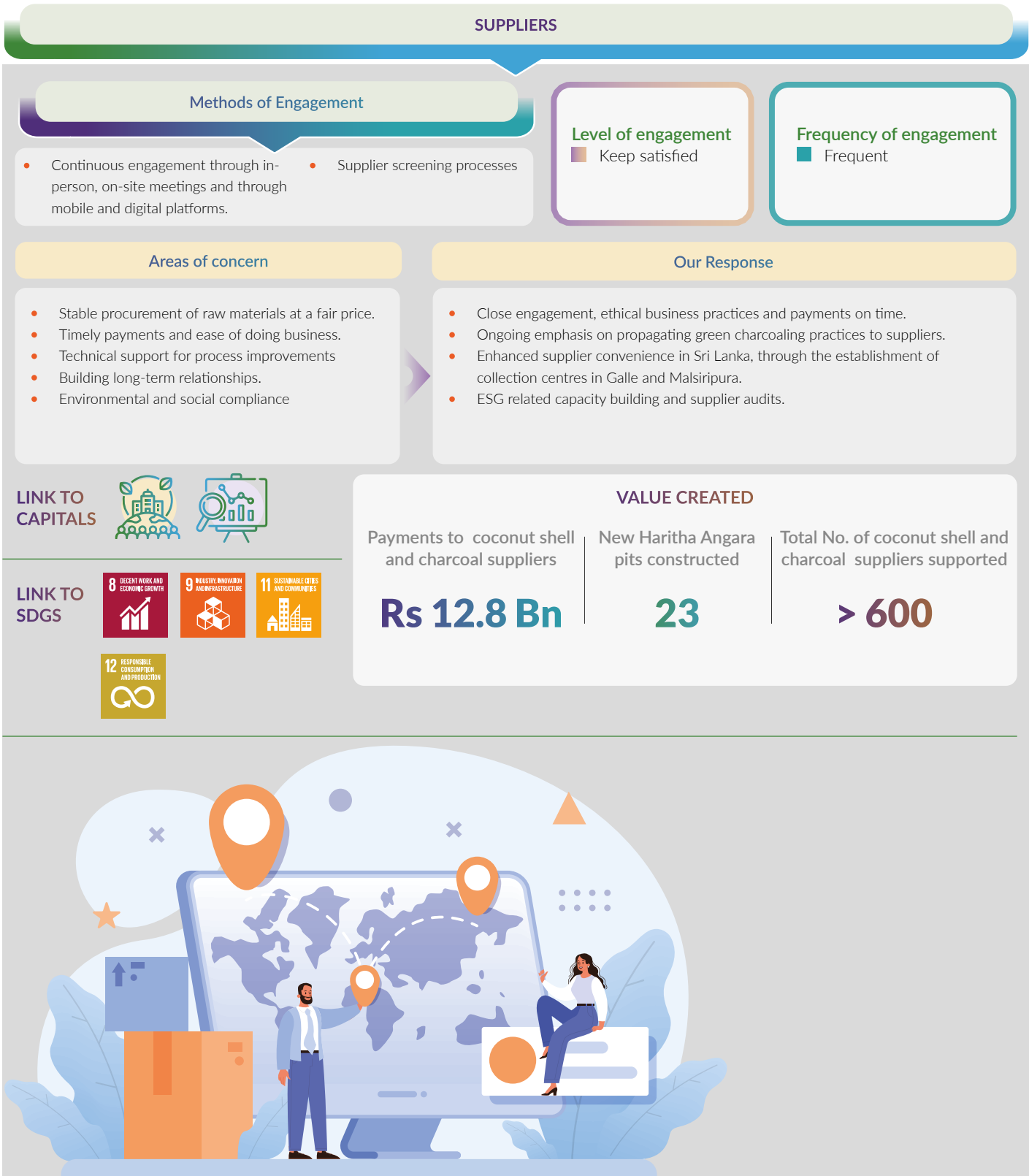
Customer satisfaction score  
**>90%**

New products launched  
**14**

Investment in R&D  
**Rs. 231.4 Mn**



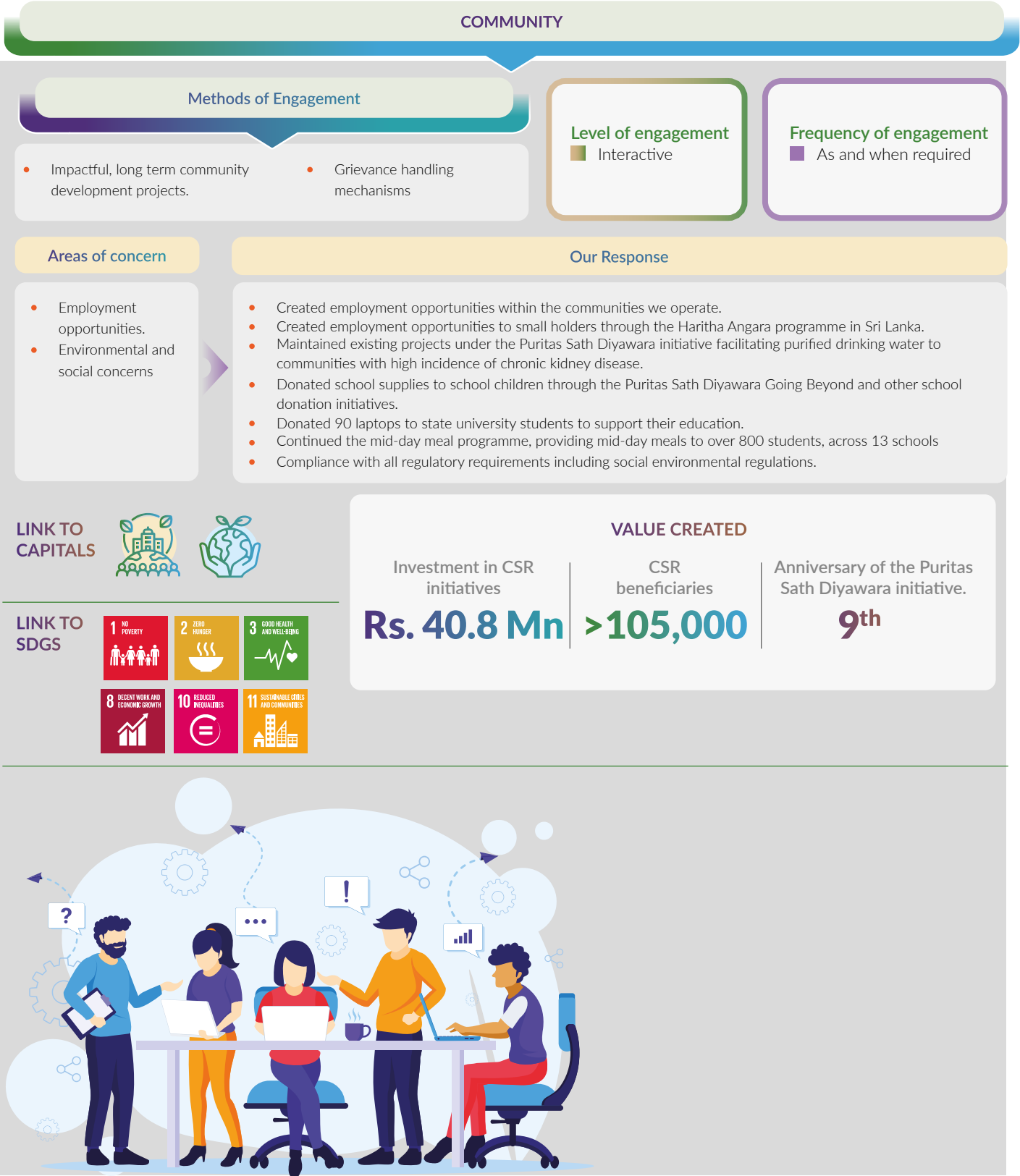
# LISTENING TO OUR STAKEHOLDERS

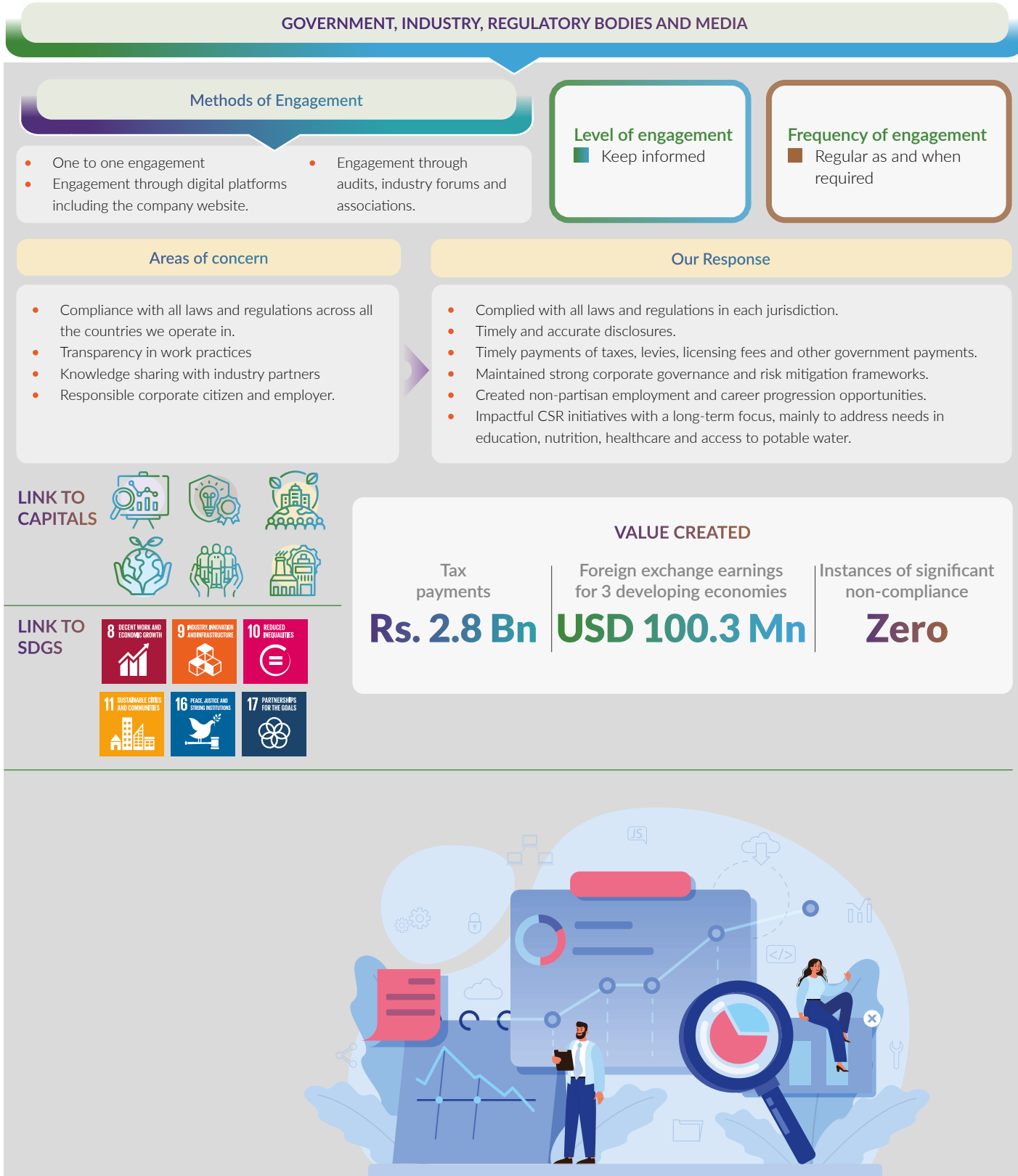






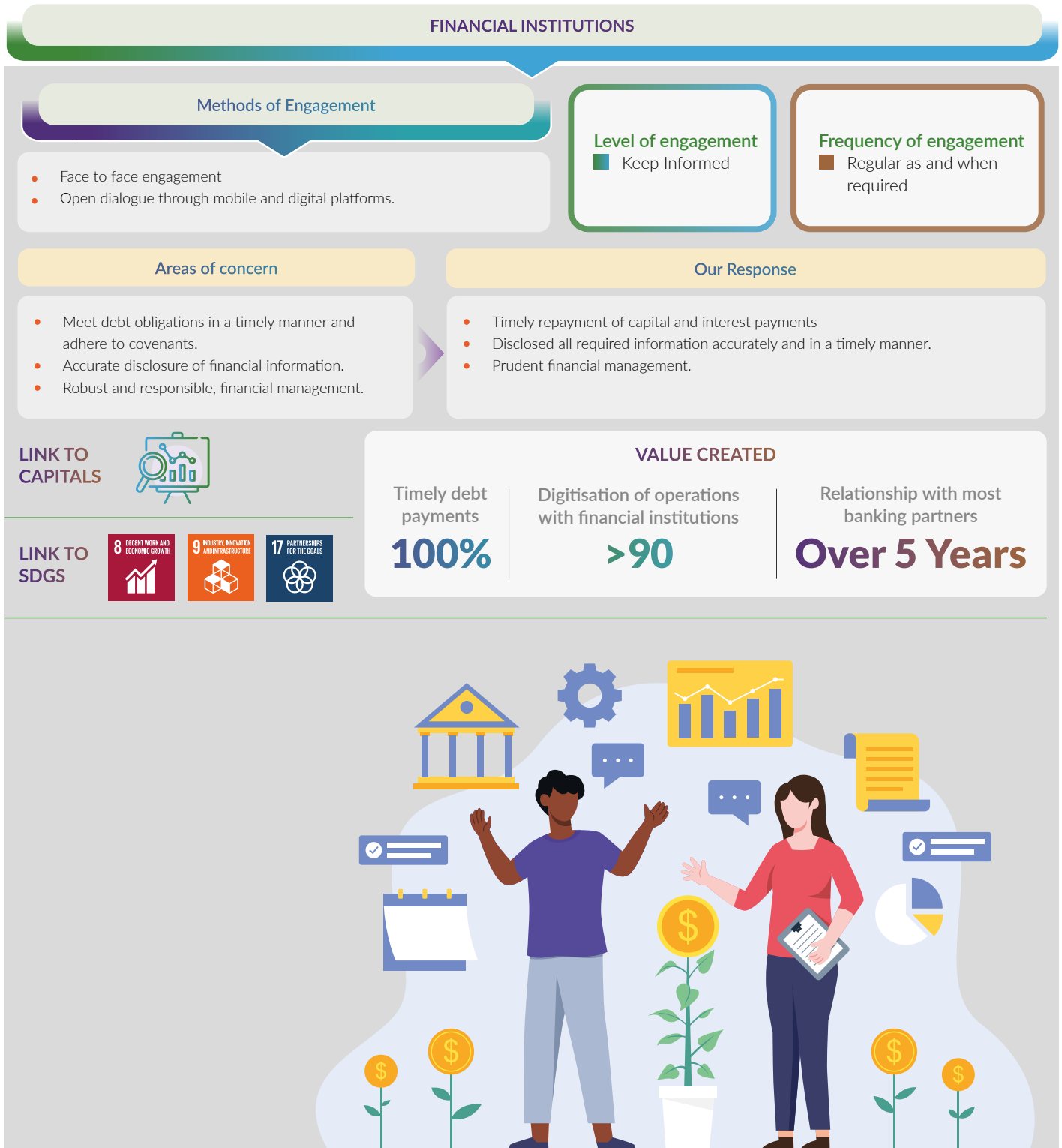
# LISTENING TO OUR STAKEHOLDERS





# LISTENING TO OUR STAKEHOLDERS





# BEYOND SWOT - THE TOWS ANALYSIS

Our strategy formulation process involves a comprehensive assessment of both our internal capabilities and the external environment. The careful assessment of our internal strengths and weaknesses and analysis of opportunities and threats stemming from the external environment, provided us with a new lens to evaluate potential growth strategies for the Group. This analysis explored the following key strategic questions.

- **Strengths – Opportunities** – How can we leverage our existing strengths to capture emerging opportunities.
- **Strengths – Threats** – How can we utilise our strengths to mitigate potential threats that may arise from the external environment.
- **Weaknesses – Opportunities** – How will emerging opportunities enable us to address identified weaknesses and improve our overall position
- **Weaknesses – Threats** – How can we mitigate the impact of our weaknesses while navigating potential threats stemming from the external environment.

The result of this analysis is presented below.



## Strengths

- S1** Market position and strong global brand
- S2** Capacity to innovate.
- S3** Sustainable and sound business practices
- S4** Capable leadership team
- S5** Strong financial position and performance

## Weaknesses

- W1** Exposure to volatility in commodity prices
- W2** Dependent on a single raw material
- W3** Rising cost of production.
- W4** Large capital outlay and working capital requirements

## Opportunities

- O1** Strong growth potential
- O2** Technological advancements
- O3** Strategic partnerships

- Strong demand in the East Asian and Indian markets & rising demand for premium and specialized activated carbon products (**S1, O1**)
- Growth potential in Maldives and the region for Environmental Engineering Solutions services (**S1, O3**)
- Continuing to invest in R&D to develop products and processes to provide competitive advantage to Haycarb. (**S2, S3, S5, O2**)

- Opportunities to enhance Haycarb's presence in other coconut producing countries for manufacturing (**W2, W3, O1**)
- Investing in research and development to create environmentally friendly production processes and products (**W3, W4, O2**)
- Developing partnerships or investing in backward integration to secure a stable supply of raw materials. (**W2, O3**)

## Threats

- T1** Intense competition
- T2** Economic uncertainty
- T3** Supply chain disruptions
- T4** Availability of substitutes for certain applications

- Manufacturing footprint in proximity to raw material availability & maintain stable supply chains and supplier empowerment. (**S3, T3**)
- Encourage diversified product portfolio with emphasis on quality. (**S2, T1**)
- Innovation in collaboration with customers for development and commercialization of activated carbon from other raw materials in line with current business operations and market presence. (**S3, T4**)
- Monitoring of economic uncertainty and effective navigation by our capable leadership team (**S4, T2**)

- Slowdown in global economic growth and political instability in Europe and Central Asia (**W1, T2**)
- Pressure to explore substitutes given the high cost of coconut-shell based activated carbon products for certain industries. (**W2, T4**)
- Additional operational costs to the company due to supply chain disruptions (**W3, T3**)

# STRATEGY AND RESOURCE ALLOCATION



We will continue our journey towards realizing our Corporate Purpose of Driving Value and Changing Lives to create a sustainable and prosperous future for Haycarb and its stakeholders.

## DRIVING SUSTAINABLE GROWTH THROUGH SHARED VALUE

Haycarb's strategy is formulated in alignment with its purpose and vision and takes into careful consideration of, potential threats and opportunities within the operating environment, key stakeholder concerns and its own strengths and weaknesses. Five key strategic priorities guide our strategy execution and resource allocation over the short, medium and long term. Our strategic pillars of Market growth, Innovation led growth, Strengthening global supply chains and Purpose driven & committed team are underpinned by our commitment to sustainability through the ESG mindset pillar. This enables environmentally and socially responsible value creation for stakeholders.



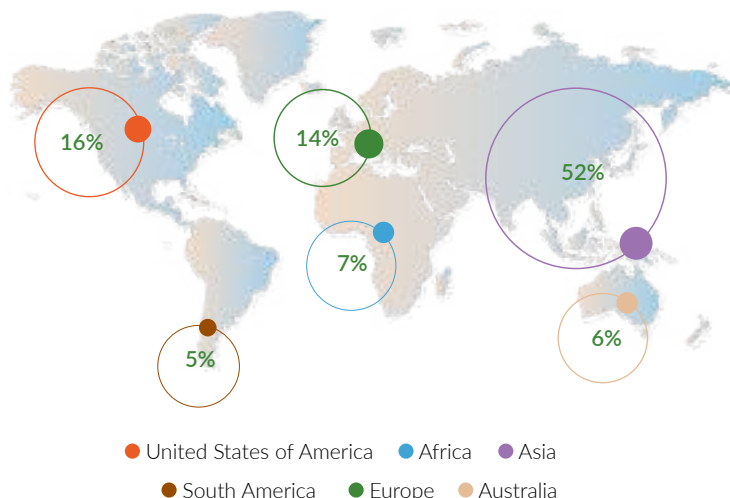


# STRATEGY AND RESOURCE ALLOCATION



## MARKET GROWTH

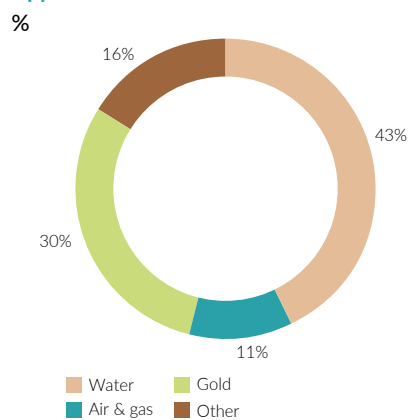
### Region-wise revenue contribution



### Strategic interventions in 2023/24

- One on one engagements with existing and prospective customers to consolidate and expand market share in a challenging global environment of intense competition from carbon manufacturers in India and Philippines.
- Intense strategic market initiatives to promote newly developed value-added specialty carbon including energy storage carbons and chemically activated wood carbon for PFOA and PFAS removal in water purification.
- Deeper penetration to existing markets and business development strategies in new markets to increase market share.
- Initiate the expansion to the fourth manufacturing location in Philippines through incorporation of Haycarb Philippines Corporation.
- Environmental Engineering : Re-entry to infrastructure and B2B projects for water and wastewater treatment solutions in Maldives
- Environmental Engineering : Strategic agencies/ collaborations for marketing RO membranes, specialty pumps and chemicals for water treatment market established in Sri Lanka and Maldives
- Strengthening of digital marketing and corporate communication efforts and brand building to enhance the image of Haycarb as a sustainable and innovative activated carbon company.

### Applicationwise revenue contribution



### Resources allocated

- Business development expenditure – **Rs 133 Mn**
- Investment in technology and digital platforms – **Rs 23.9 Mn**
- Investments in enhancement of new applications segment like energy storage (to enhance market, product and customer knowledge)

### Value creation for stakeholders

- Shareholder value creation through improved financial performance.
- Enhanced our customer value proposition.
- Employment opportunities and creation of knowledge base, exposure, and training



### Applications that will drive our future growth

- Energy storage carbons
- Water purification carbons
- Air treatment carbon
- Gold carbon
- Water and wastewater treatment solutions



### Progress made in 2023/24

- Retained our market position despite a global slowdown in the activated carbon industry.

Key performance indicators	2023/24	2022/23	y-o-y % change
<b>Activated Carbon segment</b>			
Revenue (Rs. Mn)	41,659.7	59,646.8	(30%)
PBT (Rs. Mn)	6,065.7	8,499.7	(29%)
Market share (Coconut shell based activated carbon)	16%	16%	-
<b>Environmental Engineering Solutions segment</b>			
Revenue (Rs. Mn)	1,519.6	1,296.4	17%
PBT (Rs. Mn)	56.4	(244.1)	123%



### WAY FORWARD

#### Short term focus

- Enhance market share in newly developed countries in Asia, North, East & West Africa, South America and the Middle East and deeper penetration of existing markets in Asia, USA and Europe
- Commence the construction of phase 1 of manufacturing facility in Philippines giving the breath of manufacturing capacity to grow market share
- Capacity expansion of energy storage carbons in Sri Lanka
- Focus on marketing of activated carbon to new and emerging applications in specialized water carbons and energy storage carbons globally with emphasis on USA, Europe, South Korea, China and India.
- Phase 1 of CRM solution implementation to enhance customer management and increase efficiencies in managing sales and marketing initiatives
- Environmental Engineering – growth in infrastructure and B2B segment in Sri Lanka and Maldives, secure O&M service contracts and grow trading operations for RO membranes, specialized pumps and chemicals for reputed brands as exclusive agent in Sri Lanka and Maldives

#### Medium to Long term focus

- Increase global market share through strategic product development aligned with emerging applications and entry and growth in new markets for existing applications.
- Environmental engineering – Development of Infrastructure integrated water solutions projects in the region in tandem with complete suite of O&M services and trading of related products in Sri Lanka and the region.

Link to  
SDGs



Link to  
Stakeholders



Link to  
Capitals



# STRATEGY AND RESOURCE ALLOCATION



## INNOVATION LED GROWTH

### Strategic interventions in 2023/24

- Successful developments in energy storage carbon range including hard carbon and improvements of EDLC carbon performance for volumetric capacitance.
- Investment in R&D including Electro-chemical laboratory for development of energy storage carbons and Pilot Manufacturing Line for Hard Carbon manufacture
- Strengthen R&D team with new recruitments including technical expertise on energy storage carbons
- Ongoing emphasis on developing the product pipeline through strategic R&D in close collaboration with marketing teams and business partners.
- Innovated processes to enhance operational efficiency and reduce environmental footprint.
- Environmental Engineering - SAP S/4 HANA implemented for Puritas Pvt. Ltd., to improve efficiency and timely information.
- Enhanced the tacit knowledge of the Group through focused training and development programs.

### Resources allocated

- Investment in research and development – **Rs 231.4 Mn**
- An R&D team of over **60** multi skilled individuals.
- Investment in training and development – **Rs 11.3 Mn**

### Value creation for stakeholders

- Shareholder value creation through the enhancement of the Group's future growth potential.
- Enhanced our customer value proposition through innovative new products.

### Progress made in 2023/24

Key performance indicator	2023/24	2022/23	y-o-y % change
New products launched	14	16	(13%)
Products in the pipeline	7	4	75%
% Contribution of value-added carbon to total revenue – Activated Carbon segment*	25%	25%	-

Link to  
SDGs



Link to  
Stakeholders



Link to  
Capitals



## WAY FORWARD

### Short term focus

- Strategic innovations in energy storage carbons including the hard carbon product range to capture emerging opportunities.
- Increase the contribution of value-added carbons to total revenue to 30%.
- Process innovation to enhance productivity and reduce our environmental impacts.
- Digitization of processes including production data capture in order to reduce costs, improve access to real-time data and facilitate insightful decision making.

### Medium to Long term focus

- Evolve our product portfolio in line with emerging trends including capitalizing on the business opportunities that arise from the transition to a low carbon economy
- Increase the contribution of value-added carbons to total revenue to 50%.
- Innovate processes to optimise costs and improve efficiencies
- Expand and build expertise necessary for specialized applications including energy storage carbons to be a key contributor of revenue and profits



## STRENGTHEN GLOBAL SUPPLY CHAINS

### Strategic interventions in 2023/24

- On-going emphasis on creating mutual value for our global supplier network through close engagement and ethical sourcing principles.
- Emphasis on developing a localized supplier network in close proximity to manufacturing locations in Sri Lanka, Thailand and Indonesia
- Actively promote and support transitions to green charcoaling technologies with increase of 23 environment friendly charcoaling units under the Haritha Angara initiative in Sri Lanka and 3 premium charcoaling units in Thailand.
- Continued ESG awareness through capacity building and supplier assessments
- Supported the Sri Lanka Coconut Cultivation Board's initiative to expand coconut cultivation in Sri Lanka in the Northern region by contributing 25,000 coconut seedlings.

### Resources allocated

- Payments to coconut shells and charcoal suppliers - **Rs 12.8 Bn**
- Investments in supplier capacity building - **Rs 2.6 Mn**
- Investment in the coconut tree planting initiative - **Rs 1.9 Mn**

### Value creation for stakeholders

- Shareholder value creation through supply chain resilience.
- Value creation for our suppliers through economic value distributed and ethical sourcing practices.
- Positively impacted our communities through the promotion of sustainable charcoaling practices.

### Progress made in 2023/24

Key performance indicators	2023/24	2022/23	y-o-y % change
New charcoal suppliers added	172	242	(29%)
Payments to coconut shells and charcoal suppliers (Rs. Mn)	12.8	17.6	(27%)
Number of suppliers assessed for environmental and social considerations*	56	10	460%

\*Scope of suppliers assessed for environmental and social considerations increased from charcoal suppliers to all suppliers in 2023/24 compared to 2022/23

## WAY FORWARD

### Short term focus

- Ongoing emphasis on expanding the supplier network.
- Maintain focus on greening our supply chains in Sri Lanka, Indonesia, and Thailand and building supply chain resilience.
- Increase supplier assessments to ensure compliance with environmental and social considerations.
- Initiate supply chain network for coconut shell charcoal in Philippines within the committed framework of ESG practices including environment friendly charcoaling methodologies

### Medium to Long term focus

- Build a diversified and resilient supply chain to ensure an uninterrupted supply of raw materials.
- Sustainable and responsible sourcing of raw materials by increasing the proportion of green charcoal at all manufacturing locations by 2030
- Increase the proportion of suppliers assessed for environmental and social considerations to 40% by 2030.
- Establishing a central sourcing and storage facility of charcoal in Indonesia as a strategic inventory location

Link to  
SDGs



Link to  
Stakeholders



Link to  
Capitals



# STRATEGY AND RESOURCE ALLOCATION



## PURPOSE DRIVEN AND COMMITTED TEAM

### Strategic interventions in 2023/24

- Leveraging on Haycarb's purpose statement and inculcating the core values among Haycarb team
- Re-organised the HR function to strengthen the implementation of our HR strategy and respond more swiftly to employee needs.
- Enhanced occupational health and safety while implementing multiple programmes to enhance overall employee well-being.
- Provided an array of training and development opportunities aligned with creating a learning organisation.
- Implemented targeted development programmes to foster the growth of middle management for senior leadership roles.
- Strengthened employee engagement through one-on-one meetings between the HR department and factory level employees.
- Promoting healthy and balances life style through health camps, interactive workshops and awareness sessions.
- Continued focus on internal succession planning

### Resources allocated

- Payments to employees – **Rs 5.4 Bn**
- Investments in employee well-being – **Rs 6.9 Mn**
- Investments in creating a learning organisation – **Rs 11.3 Mn**

### Value creation for stakeholders

- Investing in the most valued asset of the company; A team of empowered and motivated employees.

### Progress made in 2023/24

Key performance indicator	2023/24	2022/23	y-o-y % change
Employee retention rate	92%	95%	(3%)
Training hours per employee	12.1	8.9	36%
No. of workplace injuries	32	30	7%
% of factory level employees engaged in one-on-one meetings with the HR department	49%	-	
% of additions to the senior management promoted internally	75%	100%	(25%)

## WAY FORWARD

### Short term focus

- Maintain a strong employee value proposition to engage and retain staff.
- Ongoing emphasis on occupational health and safety and overall well-being.
- Empower our team through continuous training and learning.
- Continue initiatives to promote physical and mental well-being of employees and work-life balance through awareness sessions and medical care schemes.
- Increase focus on up skilling employees and creating a knowledge base including digital technology

### Medium to Long term focus

- Nurture a diverse and empowered team of employees well equipped to approach organisational goals and problem-solving with innovation.

Link to  
SDGs



Link to  
Stakeholders



Link to  
Capitals





## ESG MINDSET

### Strategic interventions in 2023/24

- Formalized a strategic approach to minimise our environmental footprint through the launch of Activate, our ESG Roadmap 2030 which clearly articulates our environmental, social and governance targets.
- Numerous initiatives to enhance energy resilience including the installation of solar PV panels.
- Implemented initiatives to enable sustainable water withdrawal and reduce consumption including rainwater harvesting, recycling and pump tests in Sri Lanka to ascertain the sustainable water yield.
- Increased emphasis on enhancing business resilience to the implications of climate change through a strategic assessment of the related risks and opportunities and relevant mitigating strategies.
- Long-term focused initiatives, including Puritas Sath Diyawara and Puritas Sath Diyawara – Going Beyond that positively impacted the community.
- Focus on community empowerment through improving health, nutrition, and education through initiatives such as Sisu Divi Pahana, Sath Diyawara, Going Beyond and assistance to university students.
- Continued contribution to tree planting initiatives and turtles conservation in Sri Lanka.

### Resources allocated

- Investments in solar power generation - **Rs 1,061.3 Mn**
- Investments in enhancing the sustainability and efficiency of our operations - **Rs 176.2 Mn**
- Investments in CSR initiatives - **Rs. 40.8 Mn**

### Value creation for stakeholders

- Value created to all stakeholders through socially and environmentally responsible business practices.

### Progress made in 2023/24

Key performance indicator	2023/24	2022/23	y-o-y % change
Energy intensity (GJ/Rs. Mn)	<b>26.24</b>	19.81	32%
Water intensity (m <sup>3</sup> /Rs. Mn)	<b>16.97</b>	10.66	59%
Emissions intensity - Scope 1 & 2 (tCO <sub>2</sub> e/Rs Mn)	<b>0.56</b>	0.43*	24%
No. of beneficiaries from CSR initiatives	<b>&gt;105,000</b>	>100,000	2%

\*Re-stated figures as per third-party assurance provided by Sri Lanka Climate Fund Pvt Ltd.

### WAY FORWARD

#### Short term focus

- Strategic emphasis on achieving the interim goals derived from our 2030 ESG targets.

#### Medium to Long term focus

- Achieve environmental, social and governance targets outlined in Activate, our ESG targets 2030

#### Some key targets are:

- \*To be 100% renewable on electricity consumption through solar PVs installation and Recogen plant capacity enhancement
- \*To adopt sustainable water sourcing
- \*Reduce fossil fuel consumption through use of biomass thermic fluid heaters and induction dryers
- \*Increase CSR beneficiaries by 50%
- \*Increase per employee training hours to 40 hours

For further details on the "Activate" ESG road map 2030



Link to  
SDGs



Link to  
Stakeholders



Link to  
Capitals



# MANAGING RISKS & OPPORTUNITIES

GRI 201-2, 413-2

## MANAGING RISKS & OPPORTUNITIES

Given the dynamic nature of the Group's risks and opportunities landscape, risk management forms a vital part of the Board's agenda, influencing all matters

set before them. The financial year under review was no exception, presenting its own unique set of risks and opportunities. Proactive monitoring at multiple levels within the Group facilitated the timely

mitigation and management of key risks while simultaneously capitalizing on emerging opportunities. Haycarb's risk environment is graphically presented below.

### Climate change

Our product range, which caters to air and water purification, energy storage and resource efficiency positions us well to seize the significant opportunities presented by the global transition to a low carbon economy.

Climate change also presents physical risks to our business as extreme weather events and vagaries in weather patterns could disrupt business operations and adversely impact supply chains.

### Global economic outlook

The Global Economic Outlook for 2024 forecasts stable but modest growth, with a projected 3.2% increase in GDP, mirroring the performance observed in 2023.

Advanced economies are anticipated to experience a slight uptick in growth to 1.7% in 2024, supported by improved prospects in the USA. Meanwhile, emerging market and developing economies are expected to maintain their growth trajectory at 4.2% in 2024.

### Sri Lanka economic outlook

The Sri Lankan economy is poised for recovery and a path towards sustainable growth. However, its fruition hinges upon the continued implementation of reforms and economic adjustments outlined in the IMF's EFF program and the successful conclusion of ongoing debt restructuring negotiations.

### Product and process innovation

Product innovation presents opportunities for the Group to develop new offerings that capitalise on emerging market trends. Process innovation empowers the Group to implement more sustainable practices.



### Technology and cyber security

IT enables the streamlining and continuous improvement of processes while fueling our innovation through data driven insights on emerging market trends. It also facilitates connectivity to overseas locations and customers which is vital for our growth. However, increased digitization presents heightened cyber security risks.

### Policy and regulations

Increasing environmental regulations across the globe presents significant growth opportunities for the Group in water and air purification applications.

Moreover, ongoing policy reforms under the Sri Lanka's EFF-IMF programme have the potential to significantly impact our business.

### Growth in the activated carbon industry

The global activated carbon industry is projected to grow at a compound annual growth rate of 4% to 9% by 2030 with growth expected to stem from applications underpinned by more stringent environmental regulations, global efforts towards de-carbonization and increased need for pure and safe potable water.

### Geopolitics

The current geopolitical climate presents risk as well as opportunities. Ongoing conflicts pose downside risks with potential to disrupt supply chains and fluctuations in commodity prices. In contrast, growth in markets like India presents opportunities for the business.



## RISK GOVERNANCE

The Board of Directors is collectively responsible for the management of risk and is assisted by the Audit Committee. Risk management is a regular item on the Board agenda while the Audit Committee conducts a more detailed review of risk and reports it to the Board.

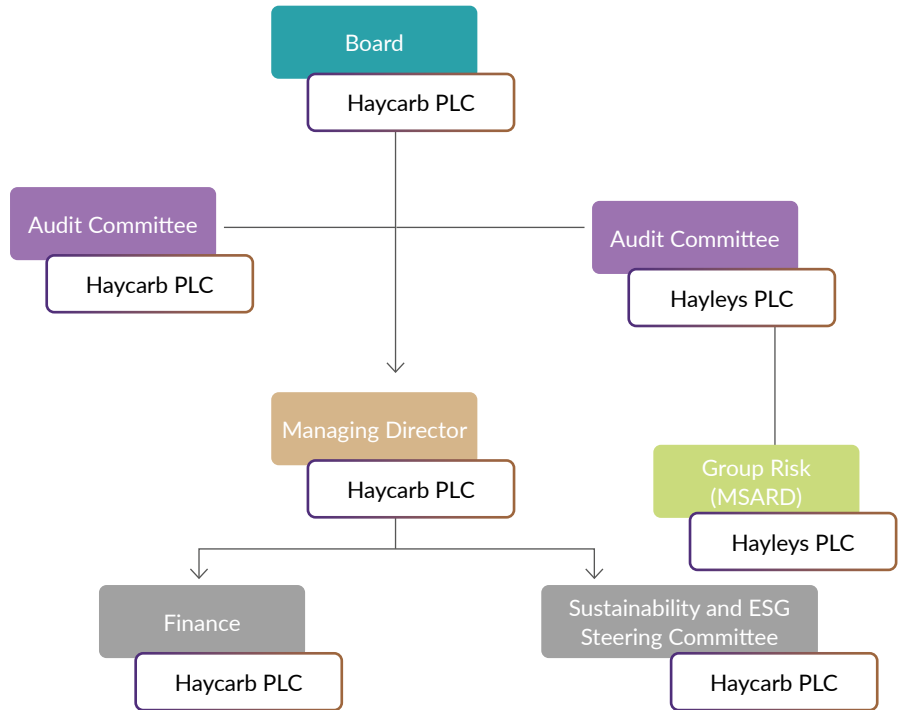
The Group's risk management is also reviewed by the parent entity, Hayleys PLC's Management Systems Audit and Review Department (MSARD) and feedback is provided to the Haycarb Audit Committee at quarterly meetings. Sector risk reviews are also subjected to further scrutiny by the Audit Committee of the parent entity.

Risk management is a shared responsibility embedded across the Group. It is integrated into all key decision-making processes including strategy formulation, business planning, business development, investment decisions, capital allocation, internal control, and day-to-day functions.

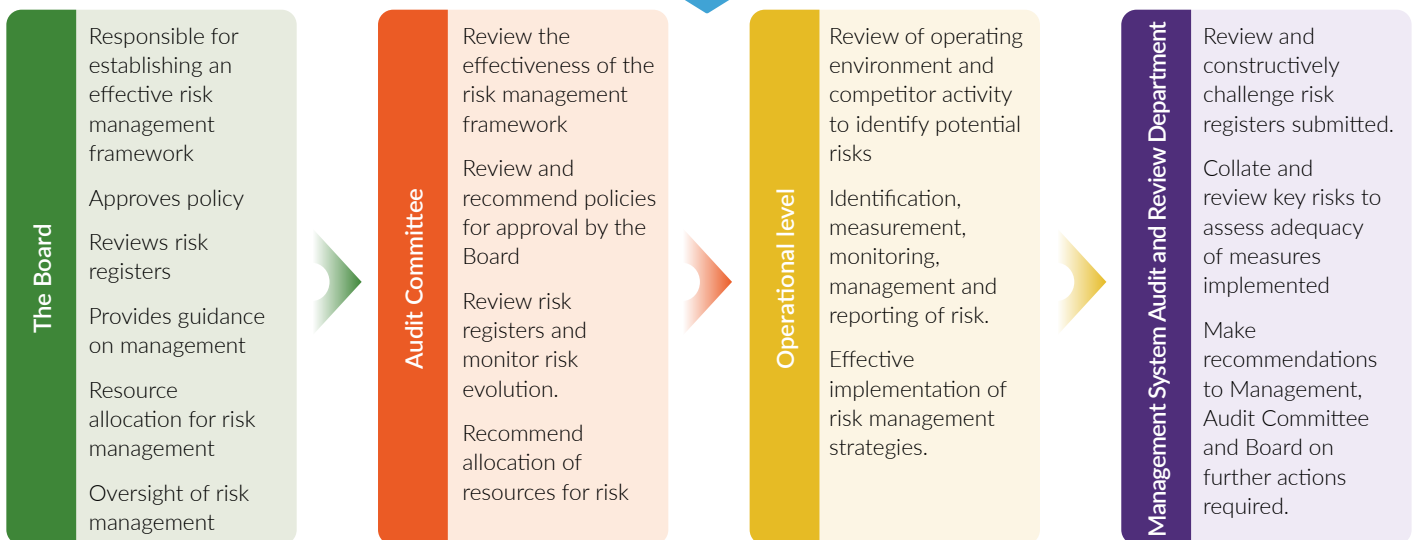
During the year under review, the Group undertook several initiatives to strengthen the governance of its sustainability risks and opportunities by establishing

an ESG steering committee headed by the Managing Director and including sustainability & climate related risks to the presentation of the risks scoring, impact

to the business and responses by the management to the audit committee and board for review on a quarterly basis (more details under Corporate Governance page 66 to 83).



## ROLES AND RESPONSIBILITIES



# MANAGING RISKS & OPPORTUNITIES

## RISK MANAGEMENT PROCESS

The Group has established a formal process to manage risk and is coordinated by the Finance Department. The Senior Management of the Group is responsible for identifying risks related to their areas. These are then captured on the risk register and reviewed at least quarterly. Identified risks are measured, managed, and monitored while the top risks are reported to the Audit Committee and the Board of Directors.

The allocation of resources to manage risk is typically done by management and is approved by the Board through the strategic plan and other processes.

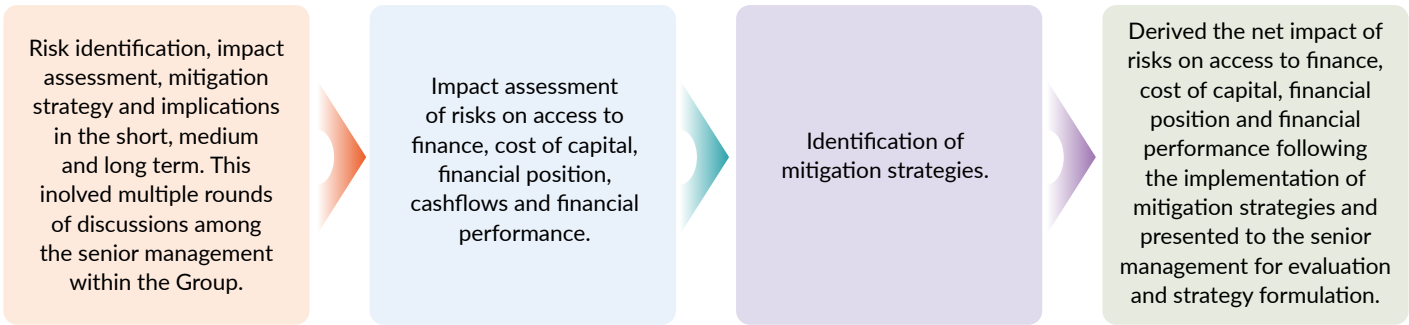
During the year under review, the Group strengthened its risk management process in line with the requirements of SLFRS S1 and S2.



### Key improvements to our risk management process in 2023/24

- Aligned our sustainability and climate related risk management process with the requirements of SLFRS S1 and S2.
- This involved identifying and presenting the impact of each sustainability and climate related risk on the Group's financial performance and position after the implementation of mitigation strategies.
- This assessment was carried out across three time periods – short term, medium term and long term, to ascertain the implication of each risk at different time periods and enable proactive mitigation and adaptability.
- 15 out of the 19 data points required under SLFRS S1 and S2 have been assessed during the year.
- We extended the same approach to the assessment of business risks.

The Group adopted the following approach in identifying its sustainability and climate related risks and opportunities across of short, medium and long term periods. This process was also extended to assessing business risks.



This analysis provided the Group with a quantitative impact assessment of its principal business, sustainability and climate related risks. This data driven approach to risk management facilities long term risk management strategies, enabling the development of sustainable solutions and facilitate operational stability.

During the year under review, we also formally established a sustainability risk

management policy which included the processes and related policies used to identify, assess, prioritise and monitor sustainability related risks and opportunities. We also carried out a double-materiality assessment during the year under review to identify, assess and prioritise sustainability related risks and opportunities. This assessment formed the basis for the development of our 2030 ESG roadmap. A risk assessment is carried out on a

quarterly basis and a materiality assessment is carried out on an annual basis to review ESG related risks and opportunities. This assessment is presented to the Board on a quarterly basis.

■ - Short term ■ - Medium term ■ - Long term

## BUSINESS RISKS

Business risks																																																		
Risk	R1 RAW MATERIAL PROCUREMENT	R2 FOREIGN CURRENCY RISK																																																
Description	<ul style="list-style-type: none"><li>Coconut shell charcoal accounts for a significant component of cost of goods sold.</li><li>Disruptions to the supply of this key raw material due to increased competition for raw materials, fluctuations in coconut yield or adverse implications to industries from which we derive coconut shells could adversely affect financial performance.</li></ul>	<ul style="list-style-type: none"><li>Haycarb Group is exposed to foreign currency risk, as a significant portion of revenue is derived in foreign currency compared to the cost base of the business entity that is generating the revenue.</li><li>The Group's debtors and borrowings are primarily USD denominated.</li><li>Therefore, exchange rate fluctuations can have both positive and negative impacts on the Group's financial performance.</li></ul>																																																
Mitigation strategies	<ul style="list-style-type: none"><li>Maintained a robust supply chain network in the three countries we operate manufacturing facilities in (Sri Lanka, Indonesia and Thailand) while maintaining a supply network in the Philippines and India.</li><li>Expand our manufacturing footprint to the Philippines where coconut is a major economic crop.</li><li>Backward integration and partnerships with suppliers.</li><li>Expansion of the charcoal and shell collection network.</li><li>Expansion of the activated carbon regeneration facilities.</li><li>Emphasis on eco-friendly charcoaling at all manufacturing locations with plans for expansion.</li></ul>	<ul style="list-style-type: none"><li>Entering foreign currency forward contracts with financial institutions considering macro-economic conditions.</li><li>Forecasting foreign exchange rate movements and adjusting pricing models.</li></ul>																																																
Net impact after mitigation strategies in the short, medium and long term	<table><caption>Net impact for R1 (Raw Material Procurement)</caption><thead><tr><th>Category</th><th>Short term</th><th>Medium term</th><th>Long term</th></tr></thead><tbody><tr><td>Access to finance</td><td>0.5</td><td>1.0</td><td>1.5</td></tr><tr><td>Cost of capital</td><td>0.5</td><td>1.0</td><td>1.5</td></tr><tr><td>Financial position</td><td>0.5</td><td>1.0</td><td>3.5</td></tr><tr><td>Cashflows</td><td>0.5</td><td>1.0</td><td>3.5</td></tr><tr><td>Financial performance</td><td>0.5</td><td>1.0</td><td>3.5</td></tr></tbody></table>	Category	Short term	Medium term	Long term	Access to finance	0.5	1.0	1.5	Cost of capital	0.5	1.0	1.5	Financial position	0.5	1.0	3.5	Cashflows	0.5	1.0	3.5	Financial performance	0.5	1.0	3.5	<table><caption>Net impact for R2 (Foreign Currency Risk)</caption><thead><tr><th>Category</th><th>Short term</th><th>Medium term</th><th>Long term</th></tr></thead><tbody><tr><td>Access to finance</td><td>0.5</td><td>1.0</td><td>1.5</td></tr><tr><td>Cost of capital</td><td>0.5</td><td>1.0</td><td>1.5</td></tr><tr><td>Financial position</td><td>0.5</td><td>1.0</td><td>4.0</td></tr><tr><td>Cashflows</td><td>0.5</td><td>1.0</td><td>4.0</td></tr><tr><td>Financial performance</td><td>0.5</td><td>1.0</td><td>4.0</td></tr></tbody></table>	Category	Short term	Medium term	Long term	Access to finance	0.5	1.0	1.5	Cost of capital	0.5	1.0	1.5	Financial position	0.5	1.0	4.0	Cashflows	0.5	1.0	4.0	Financial performance	0.5	1.0	4.0
Category	Short term	Medium term	Long term																																															
Access to finance	0.5	1.0	1.5																																															
Cost of capital	0.5	1.0	1.5																																															
Financial position	0.5	1.0	3.5																																															
Cashflows	0.5	1.0	3.5																																															
Financial performance	0.5	1.0	3.5																																															
Category	Short term	Medium term	Long term																																															
Access to finance	0.5	1.0	1.5																																															
Cost of capital	0.5	1.0	1.5																																															
Financial position	0.5	1.0	4.0																																															
Cashflows	0.5	1.0	4.0																																															
Financial performance	0.5	1.0	4.0																																															
Link to capital																																																		

# MANAGING RISKS & OPPORTUNITIES

## BUSINESS RISKS

Business risks																																																		
Risk	R3 LIQUIDITY RISK	R4 INTEREST RATE RISK																																																
Description	<ul style="list-style-type: none"><li>Financial stress and increased pressure to meet future debt obligations.</li></ul>	<ul style="list-style-type: none"><li>An upward revision to interest rates will increase finance costs and adversely impact financial performance.</li></ul>																																																
Mitigation strategies	<ul style="list-style-type: none"><li>We aim to strike a balance between continuity of funding, flexibility and tenure through a mix of short- and long-term borrowings in multiple currencies</li><li>Diversification of funding sources.</li><li>The liquidity position of the Group is monitored by the Group Treasury function while all liquidity policies and procedures are subjected to review and approval by the Board of Directors.</li><li>Balancing risk return dynamics in the investment of short term excess cashflows.</li></ul>	<ul style="list-style-type: none"><li>Diversification of funding across multiple financial institutions</li><li>Forecasting of interest rate movements and balance the fixed and variable interest rate components accordingly.</li><li>Effective negotiations with banks on interest rate proposals provided to the company to obtain most competitive rate.</li><li>Actively pursue concessionary funding especially for sustainable / green initiatives.</li></ul>																																																
Net impact after mitigation strategies in the short, medium and long term	<table><caption>Net impact of R3 Liquidity Risk mitigation strategies</caption><thead><tr><th>Category</th><th>Green Bar (Positive)</th><th>Blue Bar (Neutral)</th><th>Orange Bar (Negative)</th></tr></thead><tbody><tr><td>Access to finance</td><td>3.5</td><td>2.0</td><td>1.0</td></tr><tr><td>Cost of capital</td><td>2.5</td><td>2.0</td><td>1.0</td></tr><tr><td>Financial position</td><td>4.0</td><td>3.0</td><td>2.0</td></tr><tr><td>Cashflows</td><td>4.0</td><td>2.0</td><td>1.0</td></tr><tr><td>Financial performance</td><td>5.0</td><td>4.0</td><td>2.0</td></tr></tbody></table>	Category	Green Bar (Positive)	Blue Bar (Neutral)	Orange Bar (Negative)	Access to finance	3.5	2.0	1.0	Cost of capital	2.5	2.0	1.0	Financial position	4.0	3.0	2.0	Cashflows	4.0	2.0	1.0	Financial performance	5.0	4.0	2.0	<table><caption>Net impact of R4 Interest Rate Risk mitigation strategies</caption><thead><tr><th>Category</th><th>Green Bar (Positive)</th><th>Blue Bar (Neutral)</th><th>Orange Bar (Negative)</th></tr></thead><tbody><tr><td>Access to finance</td><td>4.0</td><td>3.0</td><td>2.0</td></tr><tr><td>Cost of capital</td><td>4.0</td><td>3.0</td><td>2.0</td></tr><tr><td>Financial position</td><td>3.0</td><td>2.0</td><td>1.0</td></tr><tr><td>Cashflows</td><td>3.0</td><td>2.0</td><td>1.0</td></tr><tr><td>Financial performance</td><td>3.0</td><td>2.0</td><td>1.0</td></tr></tbody></table>	Category	Green Bar (Positive)	Blue Bar (Neutral)	Orange Bar (Negative)	Access to finance	4.0	3.0	2.0	Cost of capital	4.0	3.0	2.0	Financial position	3.0	2.0	1.0	Cashflows	3.0	2.0	1.0	Financial performance	3.0	2.0	1.0
Category	Green Bar (Positive)	Blue Bar (Neutral)	Orange Bar (Negative)																																															
Access to finance	3.5	2.0	1.0																																															
Cost of capital	2.5	2.0	1.0																																															
Financial position	4.0	3.0	2.0																																															
Cashflows	4.0	2.0	1.0																																															
Financial performance	5.0	4.0	2.0																																															
Category	Green Bar (Positive)	Blue Bar (Neutral)	Orange Bar (Negative)																																															
Access to finance	4.0	3.0	2.0																																															
Cost of capital	4.0	3.0	2.0																																															
Financial position	3.0	2.0	1.0																																															
Cashflows	3.0	2.0	1.0																																															
Financial performance	3.0	2.0	1.0																																															
Link to capital																																																		

Business risks		
Risk	R5 CREDIT RISK	R6 COMPLIANCE RISK
Description	<ul style="list-style-type: none"> <li>Impairment of receivables and its implications on financial performance and cashflows.</li> <li>Inability of banks and Financial institutions to repay our deposits</li> </ul>	<ul style="list-style-type: none"> <li>Increased regulations and potential risk of non-compliance resulting in legal fees, fines, penalties and reputational damage.</li> </ul>
Mitigation strategies	<ul style="list-style-type: none"> <li>Obtained adequate credit insurance or advance payments from customers who cannot be covered through credit insurance.</li> <li>Evaluation of the credit worthiness of new customers against the Group's credit policy prior to offering standard payment and delivery terms and conditions.</li> <li>Regular monitoring of outstanding customer receivables by the Senior Management of Haycarb and Hayleys Group Management Committee.</li> <li>Monitoring the developments in the credit ratings and assessing the credit risk of the financial institutions where short-term funds have been invested.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing monitoring of the regulatory landscape for new developments and revisions to existing regulations.</li> <li>Performing regular risk assessments by the Board and Audit committee on a quarterly basis.</li> <li>Implementing new policies and procedures in line with new regulations to ensure the adequacy of monitoring.</li> <li>Conducting internal audits and review meetings to assess compliance procedures with current compliance status of the company.</li> </ul>
Net impact after mitigation strategies in the short, medium and long term		
Link to capital		

# MANAGING RISKS & OPPORTUNITIES

BUSINESS RISKS																																																		
Business risks																																																		
Risk	R7 CUSTOMER SATISFACTION	R8 PRODUCT QUALITY																																																
Description	<ul style="list-style-type: none"><li>Dissatisfied customers can lead to customer loss and reputational damage.</li></ul>	<ul style="list-style-type: none"><li>Adverse issues regarding product quality can result in customer dissatisfaction, production delays and increased costs associated with re-work and reputational damage.</li></ul>																																																
Mitigation strategies	<ul style="list-style-type: none"><li>Maintain customer complaint logs to support learning and prevent the re-occurrence of similar incidents.</li><li>Continued focus on efficient production planning and logistics to minimise delays and errors in shipping and delivery.</li><li>Conducted regular quality, contamination, environmental and safety audits to identify improvement areas and to minimise possible lapses in systems.</li><li>Introduction of new production processes and machinery through in-house R&amp;D efforts for increased efficiency and Precision Pore Size Distribution (PSD) for different applications.</li><li>Expansion of production capabilities to meet emerging requirements of customers.</li></ul>	<ul style="list-style-type: none"><li>Established robust quality management systems including ISO 9001:2015 Quality Management Systems to ensure consistent product quality throughout the production process.</li><li>Established clear quality requirements and expectations with suppliers and monitored performance regularly.</li><li>Comprehensive training to employees involved in the production process to ensure quality standards and procedures are met.</li><li>Root cause analysis of quality issues to identify underlying factors contributing to defects or to avoid the recurrence of similar issues in the future.</li><li>Held regular quality, contamination, environmental and safety audits to identify further improvement areas and minimise possible lapses in the system.</li></ul>																																																
Net impact after mitigation strategies in the short, medium and long term	<table><caption>Net Impact Data for R7 (Customer Satisfaction)</caption><thead><tr><th>Metric</th><th>Green</th><th>Orange</th><th>Blue</th></tr></thead><tbody><tr><td>Access to finance</td><td>1</td><td>0</td><td>0</td></tr><tr><td>Cost of capital</td><td>0</td><td>1</td><td>0</td></tr><tr><td>Financial position</td><td>0</td><td>0</td><td>2</td></tr><tr><td>Cashflows</td><td>3</td><td>0</td><td>0</td></tr><tr><td>Financial performance</td><td>3</td><td>0</td><td>0</td></tr></tbody></table>	Metric	Green	Orange	Blue	Access to finance	1	0	0	Cost of capital	0	1	0	Financial position	0	0	2	Cashflows	3	0	0	Financial performance	3	0	0	<table><caption>Net Impact Data for R8 (Product Quality)</caption><thead><tr><th>Metric</th><th>Green</th><th>Orange</th><th>Blue</th></tr></thead><tbody><tr><td>Access to finance</td><td>1</td><td>0</td><td>0</td></tr><tr><td>Cost of capital</td><td>0</td><td>1</td><td>0</td></tr><tr><td>Financial position</td><td>0</td><td>0</td><td>2</td></tr><tr><td>Cashflows</td><td>4</td><td>0</td><td>0</td></tr><tr><td>Financial performance</td><td>4</td><td>0</td><td>0</td></tr></tbody></table>	Metric	Green	Orange	Blue	Access to finance	1	0	0	Cost of capital	0	1	0	Financial position	0	0	2	Cashflows	4	0	0	Financial performance	4	0	0
Metric	Green	Orange	Blue																																															
Access to finance	1	0	0																																															
Cost of capital	0	1	0																																															
Financial position	0	0	2																																															
Cashflows	3	0	0																																															
Financial performance	3	0	0																																															
Metric	Green	Orange	Blue																																															
Access to finance	1	0	0																																															
Cost of capital	0	1	0																																															
Financial position	0	0	2																																															
Cashflows	4	0	0																																															
Financial performance	4	0	0																																															
Link to capital																																																		

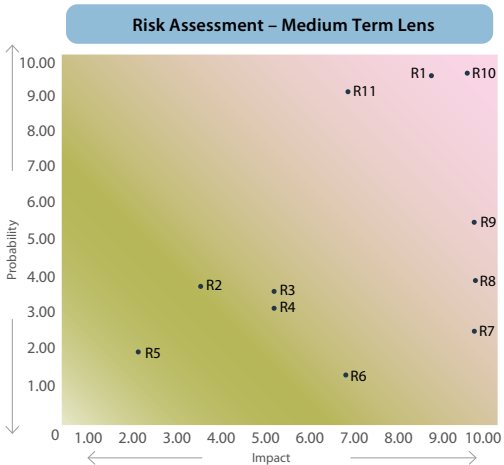
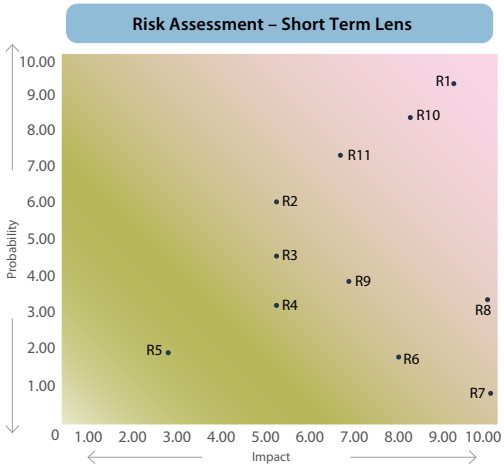
Business risks																																																		
Risk	R9 GEO-POLITICAL DYNAMICS	R10 CYBER SECURITY RISK																																																
Description	<ul style="list-style-type: none"><li>• Potential implications include loss of revenue from possible trade sanctions, supply chain disruptions, movement of funds and exchange rate volatility.</li></ul>	<ul style="list-style-type: none"><li>• Potential negative implications arising from cyber threats.</li></ul>																																																
Mitigation strategies	<ul style="list-style-type: none"><li>• Regular engagement with suppliers and customers to stay up-to-date and pro-actively address new developments.</li><li>• Diversification of suppliers.</li><li>• Increased insurance coverage where required.</li><li>• Effective crisis management and proactive resilience planning.</li><li>• Market diversification</li></ul>	<ul style="list-style-type: none"><li>• Regular risks assessments to identify potential vulnerabilities, threats and risks to digital assets.</li><li>• Formulating IT Security Policies which are consistently communicated and adhered to by all teams across the Group.</li><li>• Pro-actively ensure operating systems, software and firmware are up to date with the latest security patches and updates.</li><li>• Regular cyber security training to employees</li><li>• Implemented regular data backups and ensured backups were safely and securely stored off site.</li><li>• Implemented continuous monitoring tools and processes to detect and respond to cyber security threats in real time.</li><li>• Maintained annual vulnerability testing for all Haycarb web sites hosted on dedicated virtual private servers.</li><li>• Annual IT audits by a reputed external audit firm.</li><li>• Periodic reviews and revisions of the IT policy, information security policy and NDAs.</li></ul>																																																
Net impact after mitigation strategies in the short, medium and long term	<table><caption>Net impact for R9 (GEO-POLITICAL DYNAMICS)</caption><thead><tr><th>Category</th><th>Short</th><th>Medium</th><th>Long</th></tr></thead><tbody><tr><td>Access to finance</td><td>0.5</td><td>0.5</td><td>0.5</td></tr><tr><td>Cost of capital</td><td>0.5</td><td>0.5</td><td>0.5</td></tr><tr><td>Financial position</td><td>0.5</td><td>0.5</td><td>0.5</td></tr><tr><td>Cashflows</td><td>0.5</td><td>0.5</td><td>0.5</td></tr><tr><td>Financial performance</td><td>0.5</td><td>0.5</td><td>0.5</td></tr></tbody></table>	Category	Short	Medium	Long	Access to finance	0.5	0.5	0.5	Cost of capital	0.5	0.5	0.5	Financial position	0.5	0.5	0.5	Cashflows	0.5	0.5	0.5	Financial performance	0.5	0.5	0.5	<table><caption>Net impact for R10 (CYBER SECURITY RISK)</caption><thead><tr><th>Category</th><th>Short</th><th>Medium</th><th>Long</th></tr></thead><tbody><tr><td>Access to finance</td><td>1.5</td><td>1.5</td><td>1.5</td></tr><tr><td>Cost of capital</td><td>1.5</td><td>1.5</td><td>1.5</td></tr><tr><td>Financial position</td><td>2.5</td><td>2.5</td><td>2.5</td></tr><tr><td>Cashflows</td><td>2.5</td><td>2.5</td><td>2.5</td></tr><tr><td>Financial performance</td><td>2.5</td><td>2.5</td><td>2.5</td></tr></tbody></table>	Category	Short	Medium	Long	Access to finance	1.5	1.5	1.5	Cost of capital	1.5	1.5	1.5	Financial position	2.5	2.5	2.5	Cashflows	2.5	2.5	2.5	Financial performance	2.5	2.5	2.5
Category	Short	Medium	Long																																															
Access to finance	0.5	0.5	0.5																																															
Cost of capital	0.5	0.5	0.5																																															
Financial position	0.5	0.5	0.5																																															
Cashflows	0.5	0.5	0.5																																															
Financial performance	0.5	0.5	0.5																																															
Category	Short	Medium	Long																																															
Access to finance	1.5	1.5	1.5																																															
Cost of capital	1.5	1.5	1.5																																															
Financial position	2.5	2.5	2.5																																															
Cashflows	2.5	2.5	2.5																																															
Financial performance	2.5	2.5	2.5																																															
Link to capital																																																		



# MANAGING RISKS & OPPORTUNITIES

BUSINESS RISKS

Business risks													
Risk	R11 INCREASED COMPETITION												
Description	<ul style="list-style-type: none"> <li>Normalisation of supply chains and improving global macro-economic environment led to, intensifying competition in the activated carbon market and impacting top line.</li> <li>The growing demand for activated carbon products has intensified competition for raw materials.</li> </ul>												
Mitigation strategies	<ul style="list-style-type: none"> <li>R&amp;D investments to innovate new products, improve the existing product range and develop innovative solutions that address emerging customer needs.</li> <li>Deeper penetration of existing markets through competitive pricing.</li> <li>Strengthen presence in new markets.</li> <li>Enhanced value added capabilities with emphasis on improving the energy storage carbons product range.</li> <li>Collaborative partnerships with customers to drive innovation and new product development.</li> <li>Strengthen global supply chains to ensure an uninterrupted supply of raw materials.</li> </ul>												
Net impact after mitigation strategies in the short, medium and long term	<table border="1"> <caption>Net Impact After Mitigation Strategies</caption> <thead> <tr> <th>Category</th> <th>Impact</th> </tr> </thead> <tbody> <tr> <td>Access to finance</td> <td>2.0</td> </tr> <tr> <td>Cost of capital</td> <td>2.0</td> </tr> <tr> <td>Financial position</td> <td>4.0</td> </tr> <tr> <td>Cashflows</td> <td>3.0</td> </tr> <tr> <td>Financial performance</td> <td>4.0</td> </tr> </tbody> </table>	Category	Impact	Access to finance	2.0	Cost of capital	2.0	Financial position	4.0	Cashflows	3.0	Financial performance	4.0
Category	Impact												
Access to finance	2.0												
Cost of capital	2.0												
Financial position	4.0												
Cashflows	3.0												
Financial performance	4.0												
Link to capital													



## SUSTAINABILITY RELATED RISKS & OPPORTUNITIES

As stated in SLFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information standard, the Group applied the disclosure topics in the SASB Chemical Standard in the identification of its sustainability related risks and opportunities. Based on this assessment, the Group's sustainability related risks and opportunities, its implications on financial performance and position over the short, medium and long term and the mitigation strategies we have implemented are presented below.

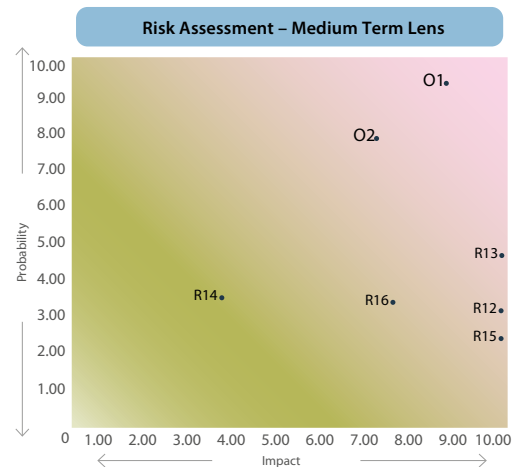
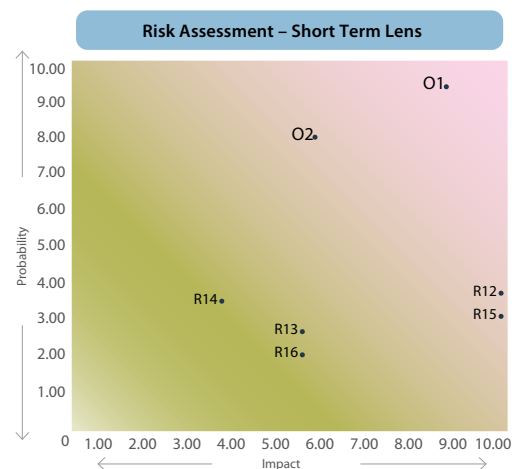
Sustainability related risks		
Risk	R12 WORKFORCE HEALTH AND SAFETY	R13 WASTE MANAGEMENT
Description	<ul style="list-style-type: none"> <li>• Risk of accidents and injuries within our premises</li> <li>• Work disruption</li> <li>• Impact on employee well-being</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of non-compliance with waste management regulations in the countries we operate in and associated penalties.</li> </ul>
Mitigation strategies	<ul style="list-style-type: none"> <li>• A comprehensive occupational health and safety policy that encompasses all individuals present on all our premises.</li> <li>• Ongoing health and safety training to all employees and periodic evacuation and fire drills.</li> <li>• Designated safety officers and emergency response teams at each location.</li> <li>• Equipped first aid centers operated by qualified personnel at all manufacturing locations.</li> <li>• Promotion of overall worker health through medical reimbursement schemes, medical insurance, annual medical check-ups and weekly visits by a consultant doctor.</li> </ul>	<ul style="list-style-type: none"> <li>• Minimise and re-use solid waste generated from production processes including recycling non-reusable polythene packaging and re-using charcoal packaging received.</li> <li>• Installed a bio-gas generating system from organic waste.</li> <li>• Installed a composting facility within the factory premises.</li> <li>• Maintained and expanded effluent treatment plants.</li> </ul>
Net impact after mitigation strategies in the short, medium and long term		
Link to capital		

# MANAGING RISKS & OPPORTUNITIES

## SUSTAINABILITY RELATED RISKS & OPPORTUNITIES


Sustainability related risks																										
Risk	R14 SAFETY AND ENVIRONMENTAL STEWARDSHIP OF CHEMICALS	R15 MANAGEMENT OF LEGAL AND REGULATORY ENVIRONMENT																								
Description	<ul style="list-style-type: none"><li>• Risk of accidents and chemical spills at production facilities.</li></ul>	<ul style="list-style-type: none"><li>• Risk of non-compliance with environmental and social legal and regulatory requirements and associated penalties and reputational damage.</li></ul>																								
Mitigation strategies	<ul style="list-style-type: none"><li>• Rigorous safety protocols and procedures for handling, storage and disposal of chemicals.</li><li>• Comprehensive training to personnel involved in chemical handling to ensure competency and awareness of safety protocols.</li><li>• Compliance with all relevant regulations and standards pertaining to chemical safety and environmental protection.</li><li>• Established emergency response plans and contingency measures to mitigate the impact of accidents and chemical spills.</li></ul>	<ul style="list-style-type: none"><li>• A senior manager reporting to the Managing Director is tasked with conducting regular audits with certified external auditors to assess the risk of non-compliance vis-a-vis Company's environmental certifications.</li><li>• Frequent air quality monitoring and emission testing</li><li>• Installation and maintenance of dust extractions.</li><li>• Installation and maintenance of volatile gas burning chamber (VBC)</li><li>• Introduced the wet scrubber mechanism to avoid emitting acid based fumes in to the environment from the washing plant operation.</li><li>• Investment in R&amp;D for innovative pollution control technologies.</li></ul>																								
Net impact after mitigation strategies in the short, medium and long term	<table><thead><tr><th>Category</th><th>Impact</th></tr></thead><tbody><tr><td>Access to finance</td><td>1.0</td></tr><tr><td>Cost of capital</td><td>1.0</td></tr><tr><td>Financial position</td><td>2.0</td></tr><tr><td>Cashflows</td><td>2.0</td></tr><tr><td>Financial performance</td><td>2.0</td></tr></tbody></table>	Category	Impact	Access to finance	1.0	Cost of capital	1.0	Financial position	2.0	Cashflows	2.0	Financial performance	2.0	<table><thead><tr><th>Category</th><th>Impact</th></tr></thead><tbody><tr><td>Access to finance</td><td>1.0</td></tr><tr><td>Cost of capital</td><td>1.0</td></tr><tr><td>Financial position</td><td>2.0</td></tr><tr><td>Cashflows</td><td>2.0</td></tr><tr><td>Financial performance</td><td>2.0</td></tr></tbody></table>	Category	Impact	Access to finance	1.0	Cost of capital	1.0	Financial position	2.0	Cashflows	2.0	Financial performance	2.0
Category	Impact																									
Access to finance	1.0																									
Cost of capital	1.0																									
Financial position	2.0																									
Cashflows	2.0																									
Financial performance	2.0																									
Category	Impact																									
Access to finance	1.0																									
Cost of capital	1.0																									
Financial position	2.0																									
Cashflows	2.0																									
Financial performance	2.0																									
Link to capital																										

Sustainability related risks	
Risk	<b>R16 AIR QUALITY</b>
Description	<ul style="list-style-type: none"> <li>Risk of non-compliance with regulatory air quality indicators and associated penalties.</li> </ul>
Mitigation strategies	<ul style="list-style-type: none"> <li>Installation and maintenance of dust extractions.</li> <li>Installation and maintenance of volatile gas burning chamber (VBC)</li> <li>Introduced the wet scrubber mechanism to avoid emitting acid based fumes in to the environment from the washing plant operation.</li> <li>Frequent air quality monitoring and emission testing</li> <li>Investment in R&amp;D for innovative pollution control technologies.</li> </ul>
Net impact after mitigation strategies in the short, medium and long term	
Link to capital	



# MANAGING RISKS & OPPORTUNITIES

## SUSTAINABILITY RELATED RISKS & OPPORTUNITIES

Sustainability related opportunities		
Risk	O1 PRODUCT DESIGN FOR USE PHASE EFFICIENCY	O2 COMMUNITY RELATIONS
Description	<ul style="list-style-type: none"> <li>Opportunities for products that enhance material efficiency and lower energy consumption.</li> </ul>	<ul style="list-style-type: none"> <li>Opportunity to positively impact the communities we operate in.</li> </ul>
Mitigation strategies	<ul style="list-style-type: none"> <li>R&amp;D investments to innovate new products; improve the existing product range and develop innovative solutions that enhance material efficiency and lower energy</li> <li>Regular monitoring on market changes to identify and capitalize on market opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Supporting livelihoods and creating employment opportunities through local procurement and staffing.</li> <li>Strict adherence to social and environmental regulations to minimise adverse impacts on local communities.</li> <li>Long term focused CSR initiatives that support important community needs.                             <ul style="list-style-type: none"> <li>Supporting wellness and educational needs of children.</li> <li>Supporting the healthcare system within our communities.</li> <li>Donation of dry rations to communities in need.</li> </ul> </li> <li>Continuous engagement with communities.</li> </ul>
Net impact after mitigation strategies in the short, medium and long term		
Link to capital		

## CLIMATE RELATED RISKS & OPPORTUNITIES





For the identification of its climate related risks and opportunities, the Group applied the disclosure topics in the SASB Chemical standard, the SLFRS S2 Climate related disclosures industry-based guidance and TCFD guidance. Based on this assessment, the Group's sustainability related risks and opportunities, its implications on financial performance and position over the short, medium and long term and the mitigation strategies we have implemented are presented below.

Climate Related Risks																										
Risk	R17 GREENHOUSE GAS EMISSIONS	R18 ENERGY MANAGEMENT																								
Description	<ul style="list-style-type: none"><li>A growing focus on managing GHG emissions is likely to lead to stricter emission regulations.</li></ul>	<ul style="list-style-type: none"><li>Implications of stricter emission regulations on our energy mix.</li><li>Energy security and resilience.</li></ul>																								
Transition / Physical	Transition	Transition																								
Mitigation strategies	<ul style="list-style-type: none"><li>Proactive measures to minimise reliance on fossil fuel based energy sources while investing in renewable energy sources (refer Energy Management for more details).</li><li>Introduced an additional measure in machinery and equipment procurement where the source of energy and emission level is considered prior to procurement.</li></ul>	<ul style="list-style-type: none"><li>Reduce reliance on fossil fuel based energy sources while investing in renewable energy sources to enhance energy security and resilience. Specific strategies in this regard include,<ul style="list-style-type: none"><li>Installation of solar panels at factory premises in Sri Lanka.</li><li>Innovation of processes to increase energy efficiency and reduce energy and oil consumption.</li><li>Harnessed waste heat generated from manufacturing processes to power the production process.</li><li>Increased reliance on biomass as an energy source to dry activated carbon.</li><li>Commenced installation of floating solar panels in Carbokarn factory, Thailand.</li></ul></li><li>Conducted energy management audits to identify opportunities to reduce energy consumption and minimise waste.</li><li>Installation of solar powered garden / street lights.</li><li>Installation of transparent sheets for roofing to enhance natural lighting.</li></ul>																								
Net impact after mitigation strategies in the short, medium and long term	<table><thead><tr><th>Category</th><th>Impact</th></tr></thead><tbody><tr><td>Access to finance</td><td>3</td></tr><tr><td>Cost of capital</td><td>2</td></tr><tr><td>Financial position</td><td>2</td></tr><tr><td>Cashflows</td><td>4</td></tr><tr><td>Financial performance</td><td>4</td></tr></tbody></table>	Category	Impact	Access to finance	3	Cost of capital	2	Financial position	2	Cashflows	4	Financial performance	4	<table><thead><tr><th>Category</th><th>Impact</th></tr></thead><tbody><tr><td>Access to finance</td><td>1</td></tr><tr><td>Cost of capital</td><td>2</td></tr><tr><td>Financial position</td><td>2</td></tr><tr><td>Cashflows</td><td>2</td></tr><tr><td>Financial performance</td><td>2</td></tr></tbody></table>	Category	Impact	Access to finance	1	Cost of capital	2	Financial position	2	Cashflows	2	Financial performance	2
Category	Impact																									
Access to finance	3																									
Cost of capital	2																									
Financial position	2																									
Cashflows	4																									
Financial performance	4																									
Category	Impact																									
Access to finance	1																									
Cost of capital	2																									
Financial position	2																									
Cashflows	2																									
Financial performance	2																									
Link to capital																										

# MANAGING RISKS & OPPORTUNITIES

## CLIMATE RELATED RISKS & OPPORTUNITIES

Climate Related Risks		
Risk	R19 WATER MANAGEMENT	R20 VAGARIES IN WEATHER PATTERNS
Description	<ul style="list-style-type: none"> <li>Disruptions to operations due to water scarcity</li> <li>Non-compliance with water quality regulations</li> </ul>	<ul style="list-style-type: none"> <li>Implications on supply chain and operational continuity.</li> </ul>
Transition / Physical	Physical, Transition	Physical
Mitigation strategies	<ul style="list-style-type: none"> <li>Rainwater harvesting mechanisms in Sri Lanka and Thailand.</li> <li>Collection and re-use of condensed steam in the boiler process.</li> <li>Expanded storm water drainage systems for usage in non-production activities.</li> <li>Investment in water re-cycling plants.</li> <li>Emphasis on enhancing water intensity.</li> <li>Frequent testing of water samples to maintain quality parameters in legislative and regulatory standards.</li> <li>Installation of sensor/low flow taps for employee water consumption</li> <li>Promotion of effective water and waste water management in Sri Lanka and South East Asia through the Environmental Engineering Solutions segment.</li> </ul>	<ul style="list-style-type: none"> <li>Emergency preparedness at manufacturing locations for adverse weather events.</li> <li>Emergency responsive transport management</li> <li>Location wise flood management plans.</li> <li>Obtaining insurance coverage across the Group.</li> <li>Emergency preparedness for health-related issues.</li> <li>Weather forecasting to ascertain implications on raw material availability.</li> <li>Supported initiatives focused on increasing coconut cultivation.</li> </ul>
Net impact after mitigation strategies in the short, medium and long term		
Link to capital		

Climate Related Risks																				
Risk	R21 REGULATION	R22 REPUTATION																		
Description	<ul style="list-style-type: none"> <li>Increased regulations related to energy management and emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Growing stakeholder concerns regarding climate implications of the business</li> </ul>																		
Transition / Physical	Transition	Transition																		
Mitigation strategies	<ul style="list-style-type: none"> <li>Ongoing engagement with regulators and policymakers to stay abreast of policy changes.</li> <li>Maintained robust policies and controls and conducted regular risk assessments to ensure compliance with all regulatory requirements.</li> <li>Transparent reporting of environmental metrics and mitigation strategies.</li> <li>Invest in legal and regulatory expertise to ensure compliance with evolving environmental regulations</li> <li>Continuous improvement and innovation to stay ahead of regulatory requirements and market expectations related to carbon emissions and environmental sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Communicated the Group's commitment to sustainability and efforts to mitigate environmental impacts to stakeholders through the launch of "Activate" ESG roadmap 2030</li> <li>Deeper integration of ESG factors into corporate decision-making processes and business strategies</li> <li>Voluntarily aligned corporate reporting with numerous sustainability related frameworks</li> <li>Strengthened corporate governance practices and ensure board oversight on ESG related activities.</li> <li>Adhered with corporate strategies and goals set in Activate which is in-line with global climate targets and provide regular updates to shareholders/customers through different platforms such as social media.</li> </ul>																		
Net impact after mitigation strategies in the short, medium and long term	 <p>The figure consists of two horizontal bar charts side-by-side, comparing the net impact of two climate-related risks (R21 Regulation and R22 Reputation) across five financial metrics. The x-axis for both charts ranges from -5 to 5, with 0 as the baseline. Green bars represent positive impacts, and orange bars represent negative impacts.</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>R21 REGULATION (Net Impact)</th> <th>R22 REPUTATION (Net Impact)</th> </tr> </thead> <tbody> <tr> <td>Access to finance</td> <td>~3.5</td> <td>~3.5</td> </tr> <tr> <td>Cost of capital</td> <td>~2.5</td> <td>~2.5</td> </tr> <tr> <td>Financial position</td> <td>~2.5</td> <td>~3.5</td> </tr> <tr> <td>Cashflows</td> <td>~2.5</td> <td>~3.5</td> </tr> <tr> <td>Financial performance</td> <td>~2.5</td> <td>~3.5</td> </tr> </tbody> </table>		Metric	R21 REGULATION (Net Impact)	R22 REPUTATION (Net Impact)	Access to finance	~3.5	~3.5	Cost of capital	~2.5	~2.5	Financial position	~2.5	~3.5	Cashflows	~2.5	~3.5	Financial performance	~2.5	~3.5
Metric	R21 REGULATION (Net Impact)	R22 REPUTATION (Net Impact)																		
Access to finance	~3.5	~3.5																		
Cost of capital	~2.5	~2.5																		
Financial position	~2.5	~3.5																		
Cashflows	~2.5	~3.5																		
Financial performance	~2.5	~3.5																		
Link to capital	  																			

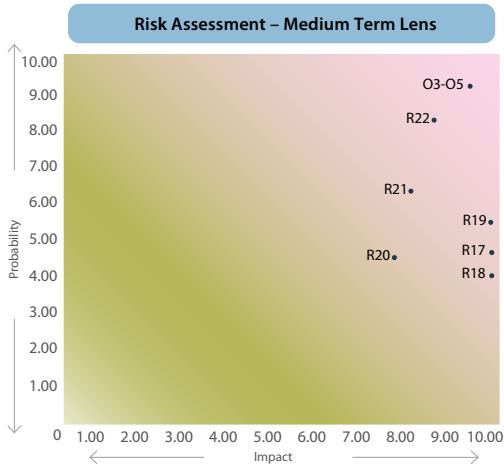
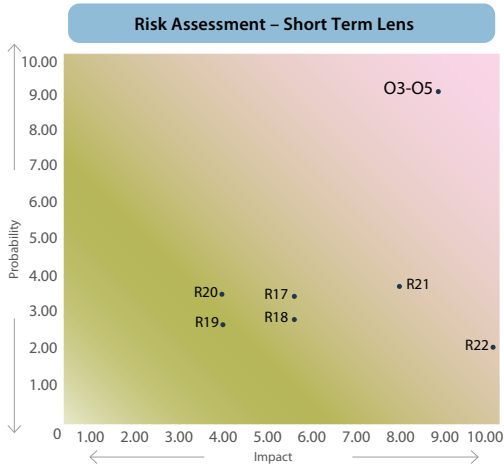


# MANAGING RISKS & OPPORTUNITIES

## CLIMATE RELATED RISKS & OPPORTUNITIES

Climate Related Opportunities																																																		
Opportunity	O3 AIR PURIFICATION	O4 ENERGY STORAGE CARBONS																																																
Description	<ul style="list-style-type: none"><li>Opportunities stemming from increasingly stringent regulations on the air quality emitted from industrial activity.</li></ul>	<ul style="list-style-type: none"><li>Opportunities stemming from the increased need for energy storage solutions to support the adoption of renewable energy sources.</li></ul>																																																
Strategies to capitalise on opportunities	<ul style="list-style-type: none"><li>Regular monitoring of customer requirements, market &amp; regulatory changes and invest in R&amp;D and product development to leverage Haycarb's expertise to develop products for emerging requirements</li><li>Participating in related marketing exhibitions to showcase Haycarb's new and existing product developments to cater to air quality improvements</li></ul>	<ul style="list-style-type: none"><li>Regular monitoring of customer requirements, market &amp; regulatory changes</li><li>Participating in related marketing exhibitions to showcase Haycarb's new and existing product developments that is applicable as energy storage solutions</li><li>Improving customer reach through digital media and focus on strategic customers through focused marketing initiatives</li><li>Continual investment in technology, manufacturing capacity and resources (know-how) to stay abreast of the market and product technology developments</li></ul>																																																
Net impact after mitigation strategies in the short, medium and long term	<table><caption>Net Impact for O3 Air Purification</caption><thead><tr><th>Category</th><th>Short Term</th><th>Medium Term</th><th>Long Term</th></tr></thead><tbody><tr><td>Access to finance</td><td>3</td><td>3</td><td>3</td></tr><tr><td>Cost of capital</td><td>3</td><td>3</td><td>3</td></tr><tr><td>Financial position</td><td>2</td><td>2</td><td>2</td></tr><tr><td>Cashflows</td><td>2</td><td>2</td><td>2</td></tr><tr><td>Financial performance</td><td>2</td><td>2</td><td>2</td></tr></tbody></table>	Category	Short Term	Medium Term	Long Term	Access to finance	3	3	3	Cost of capital	3	3	3	Financial position	2	2	2	Cashflows	2	2	2	Financial performance	2	2	2	<table><caption>Net Impact for O4 Energy Storage Carbons</caption><thead><tr><th>Category</th><th>Short Term</th><th>Medium Term</th><th>Long Term</th></tr></thead><tbody><tr><td>Access to finance</td><td>4</td><td>4</td><td>4</td></tr><tr><td>Cost of capital</td><td>3</td><td>3</td><td>3</td></tr><tr><td>Financial position</td><td>3</td><td>3</td><td>3</td></tr><tr><td>Cashflows</td><td>3</td><td>3</td><td>3</td></tr><tr><td>Financial performance</td><td>3</td><td>3</td><td>3</td></tr></tbody></table>	Category	Short Term	Medium Term	Long Term	Access to finance	4	4	4	Cost of capital	3	3	3	Financial position	3	3	3	Cashflows	3	3	3	Financial performance	3	3	3
Category	Short Term	Medium Term	Long Term																																															
Access to finance	3	3	3																																															
Cost of capital	3	3	3																																															
Financial position	2	2	2																																															
Cashflows	2	2	2																																															
Financial performance	2	2	2																																															
Category	Short Term	Medium Term	Long Term																																															
Access to finance	4	4	4																																															
Cost of capital	3	3	3																																															
Financial position	3	3	3																																															
Cashflows	3	3	3																																															
Financial performance	3	3	3																																															
Link to capital																																																		

Climate Related Opportunities													
Opportunity	<b>O5 WATER PURIFICATION</b>												
Description	<ul style="list-style-type: none"> <li>Opportunities stemming from increasingly stringent regulations on the water quality released from industrial activity.</li> </ul>												
Strategies to capitalise on opportunities	<ul style="list-style-type: none"> <li>Regular monitoring of customer requirements, market &amp; regulatory changes</li> <li>Participating in related marketing exhibitions to showcase Haycarb's new and existing product developments to cater to water purification improvements</li> <li>Continuous investment in R&amp;D for improved activated carbon products for water purification applications.,</li> <li>Expand geographical presence to increase customer reach through our environmental engineering arm</li> </ul>												
Net impact after mitigation strategies in the short, medium and long term	<table border="1"> <caption>Net Impact After Mitigation Strategies</caption> <thead> <tr> <th>Metric</th> <th>Impact</th> </tr> </thead> <tbody> <tr> <td>Access to finance</td> <td>3.0</td> </tr> <tr> <td>Cost of capital</td> <td>3.0</td> </tr> <tr> <td>Financial position</td> <td>2.0</td> </tr> <tr> <td>Cashflows</td> <td>-1.0</td> </tr> <tr> <td>Financial performance</td> <td>2.0</td> </tr> </tbody> </table>	Metric	Impact	Access to finance	3.0	Cost of capital	3.0	Financial position	2.0	Cashflows	-1.0	Financial performance	2.0
Metric	Impact												
Access to finance	3.0												
Cost of capital	3.0												
Financial position	2.0												
Cashflows	-1.0												
Financial performance	2.0												
Link to capital													

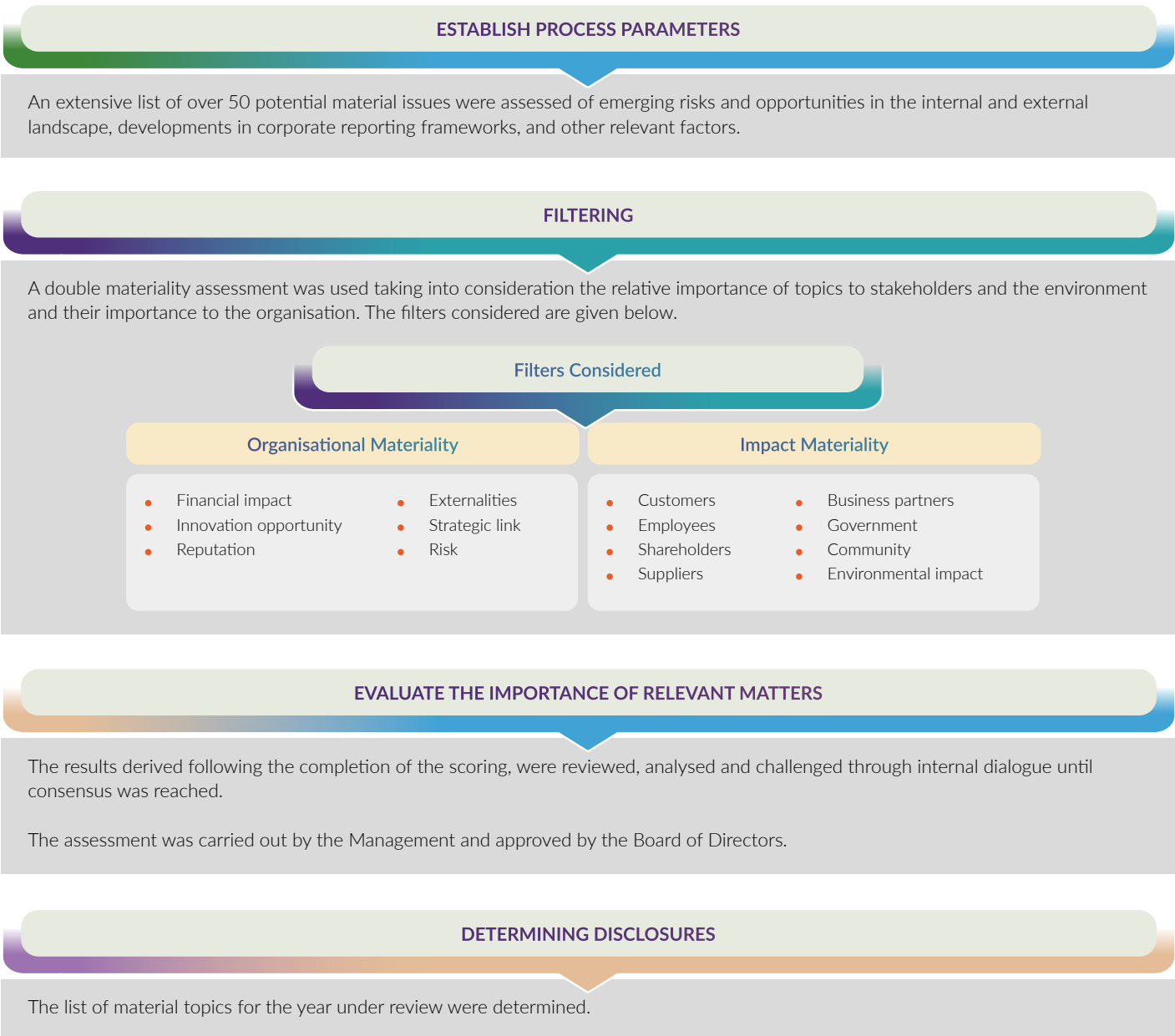





































# DETERMINING MATERIAL ISSUES GRI 3-1, 2

We consider material topics as those that impact our ability to create value over the short, medium, and long term. We adopt a formal approach to determining materiality which encompasses both retrospective and























future oriented perspectives enabling us to evaluate the value generated during the year under review as well as the strategies necessary to enhance value going forward. Our approach to determining material

















topics is guided by the Hayleys Group Material Assessment process and is carried out as described below.



Material topic	Link to risk and opportunities (Page 66 to 83)	Impacts				Movement in materiality compared to last year	Link to		Relevant GRI / SASB standard / SDG
		Impact on stakeholders	Impact on the organisation	Impact on the environment	Total impact		Strategy	Capitals	
<b>M1</b> - Materials	R1, R7, R8, R20	●	●	●	●	↑			GRI 301  
<b>M2</b> - Customer satisfaction	R7, R8, R22, O1, O3, O4, O5	●	●	●	●	↑			 GRI 416,418
<b>M3</b> - Regulations and compliance	R6, R15, R21	●	●	●	●	↑	    	    	GRI 2-27 GRI 205, 206, 207, 415 Management of the legal and regulatory environment  
<b>M4</b> - Product Quality	R7, R8, R20, O1, O3, O4, O5	●	●	●	●	Same		 	
<b>M5</b> - Economic performance	R2, R3, R4, R5, R9, R11	●	●	●	●	↓			GRI 201, 203 
<b>M6</b> - Technology and product innovations	R7, R8, R10, R11, O1, O3, O4, O5	●	●	●	●	↑		 	
<b>M7</b> - Water and effluents	R13, R19, R22	●	●	●	●	Separate topic to give due importance			GRI 303 Water management   

# DETERMINING MATERIALITY

Material topic	Link to risk and opportunities (Page 66 to 83)	Impacts				Movement in materiality compared to last year	Link to		Relevant GRI / SASB standard / SDG
		Impact on stakeholders	Impact on the organisation	Impact on the environment	Total impact		Strategy	Capitals	
<b>M8</b> - Employee well-being	R12, R14	●	●	●	●	↑			GRI 202, 401 to 403, 405 to 409, 411  Workforce health and safety   
<b>M9</b> - Manufacturing capabilities	R11, R20, O1, O3, O4, O5	●	●	●	●	↑			
<b>M10</b> - Emissions & Air quality	R6, R14, R15, R16, R17, R21, R22	●	●	●	●	Separate topic to give due importance			GRI 305  Greenhouse gas emissions  Air quality     
<b>M11</b> - Energy consumption and management	R6, R15, R18, R20, R21, R22	●	●	●	●	New topic			GRI 302  Energy management     
<b>M12</b> - Operational safety and emergency preparedness	R1, R8, R10, R12, R20	●	●	●	●	New topic			Operational safety, emergency preparedness and response
<b>M13</b> - Operational efficiency and productivity	R7, R8, R11, R12, R13, R14, R15, R18, R19, R20, O1, O3, O4, O5	●	●	●	●	↑			

Material topic	Link to risk and opportunities (Page 66 to 83)	Impacts				Movement in materiality compared to last year	Link to		Relevant GRI / SASB standard / SDG
		Impact on stakeholders	Impact on the organisation	Impact on the environment	Total impact		Strategy	Capitals	
<b>M14</b> - Environmental impacts in supply chain	R1, R7, R8, R11	●	●	●	●	↑			GRI 308, 414
<b>M15</b> - Cyber security	R10, R11, R15	●	●	●	●	New topic	   	   	
<b>M16</b> - Training and education	R7, R8, R10, R11, R12, R14, R15, O2	●	●	●	●	↑			GRI 404   
<b>M17</b> - Community and livelihood development	R9, R22, O1, O2	●	●	●	●	↑			GRI 413 Community relations 
<b>M18</b> - Marketing and labelling	R6, R7, R8, R11, R14, R15, R21	●	●	●	●	New topic		 	GRI 417
<b>M19</b> - Best practices along the supply chain	R1, R8, R11, R15, R22	●	●	●	●	↓		 	GRI 204  
<b>M20</b> - Market presence	R1, R7, R8, R9, R11, R14, R15, R22, O1	●	●	●	●	New topic		 	

# FUTURE OUTLOOK

## GLOBAL OUTLOOK

- The IMF expects global economic growth to maintain its momentum of 2023, into 2024 and 2025 with a projected growth rate of 3.2% in both years.
- Economic growth in advanced economies is expected to rise slightly to 1.7% in 2024 and 1.8% in 2025 with stronger economic performance in the USA expected to offset downward momentum in the Euro area.
- Emerging market and developing economies are projected to demonstrate a stable growth at 4.2% in both 2024 and 2025.

## COUNTRY OUTLOOK

- **Sri Lanka** – The CBSL projects economic growth to improve to 3% while the World Bank has revised its forecast upward to 2.2% for 2024. Continued commitment to ongoing reforms and economic adjustments under the EFF programme of the IMF is expected to lead to greater macro-economic stability and support broad-based growth across all sectors.
- **Thailand** – While economic growth in 2023 was relatively subdued at an estimated 1.9%, the IMF projects growth to increase to 2.7% and 2.9% respectively in 2024 and 2025.
- **Indonesia** – The strong economic performance of 2023 is expected to continue into 2024 and 2025 with IMF projecting economic growth rates of 5.0% and 5.1% respectively.

## INDUSTRY OUTLOOK

- The global activated carbon market is estimated to grow at a 4% to 9% CAGR to 2030.
- Growth is expected to stem from a wide range of applications underpinned by more stringent environmental regulations, global efforts towards de-carbonisation and increased need for pure and safe potable water.
- The industry is intensely competitive with a few major players holding a significant market share.
- The Asia Pacific region continued to dominate the market given easy access to coconut shells and strong demand from China and India.
- The USA and Europe also offer growth opportunities given more stringent environmental regulations regarding industrial wastewater disposal, and gas emissions.

## HAYCARB PLANS

- Strategic emphasis on developing the energy storage carbon product range to meet emerging needs, value added high performing water and air purification products such as activated carbon for removal of PFOA, PFAS, MCA, VOC and high activity carbon products.
- Strengthen market position by deeper penetration of existing markets and expanding presence in new markets.
- Advance our greenfield investment in the Philippines.
- Collaborative partnerships with customers, suppliers, and business partners to create shared value.
- Propagate environmentally and socially sound business practices across the value chain while striving to achieve the goals set out in our ESG Roadmap 2030.
- Robust risk management to weather macro-economic uncertainties.
- Continue ongoing efforts to enhance process and operational efficiencies.
- Explore new opportunities in local infrastructure projects, trading activities and Operation and Maintenance services in Sri Lanka, Maldives and the region

Further information on the future outlook is presented in the following sections: Each capitals section, strategy and resources allocation and risks and opportunities



# Unification of Interests

## OUR VALUE PROPOSITION ON ESG

90 Activate-ESG Roadmap 2030 • 96 Consolidated Statement on ESG Performance • 99 Uplifting our Communities



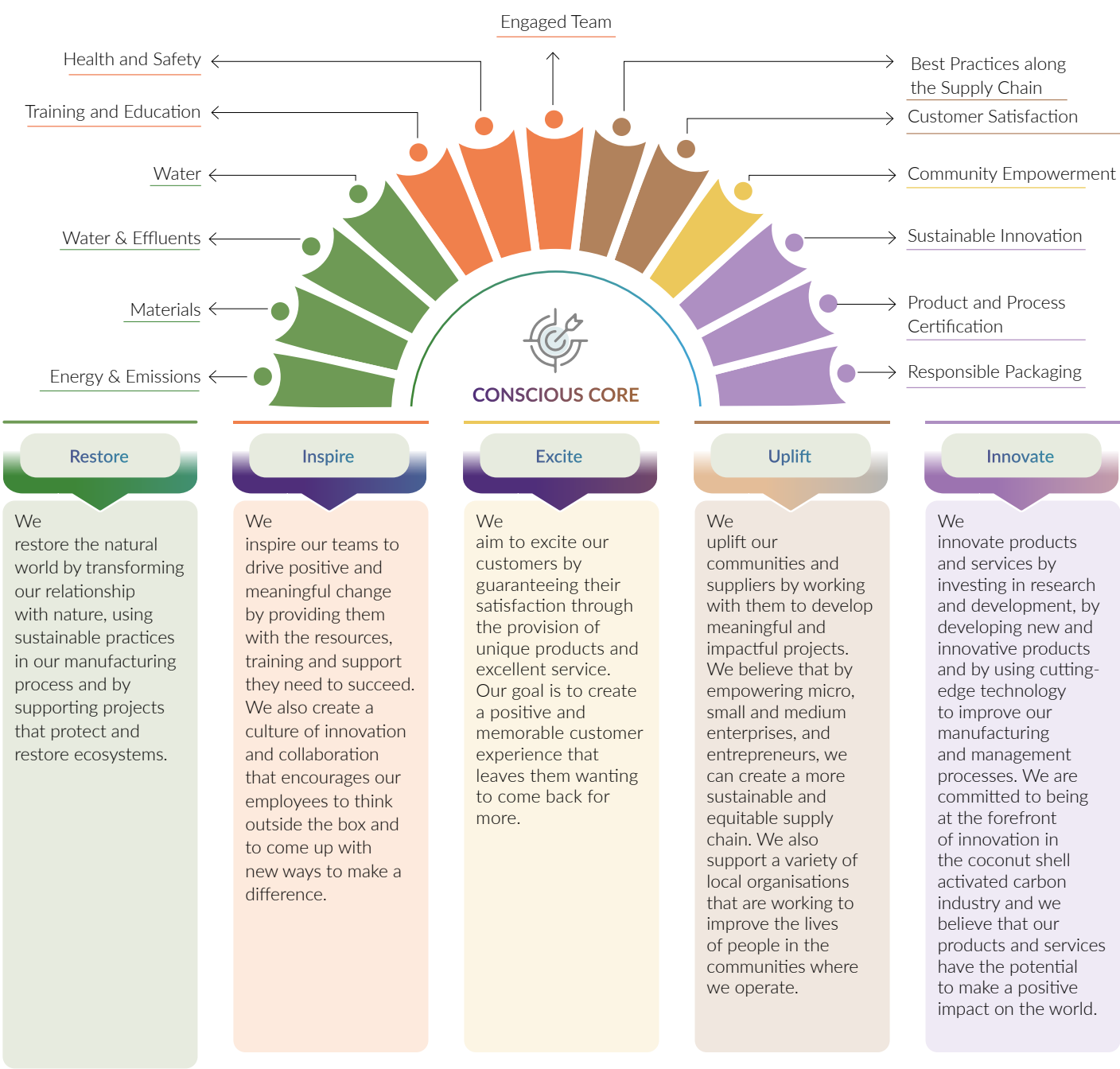
# ACTIVATE – ESG ROADMAP 2030

## IN PURSUIT OF A MORE SUSTAINABLE FUTURE

Launched in August 2023, our ESG Roadmap, Activate, clearly articulates our commitment to embedding ESG drivers across all aspects of our strategy and operations as we seek to effectively respond to shifting risk landscapes and forge new decision-making norms that appropriately value nature and society. It details our 2030 ESG aspirations and a clear

roadmap towards delivering these goals through collective action. Activate centres on five action pillars (as shown below) which details the Group's commitment to the environment, its customers, the communities it operates in and its product value proposition. The Conscious Core of Activate represents its central focus on governance and the role played by robust

and responsive governance practices in driving the Group's ESG agenda. As part of the Hayleys Group, Haycarb's ESG Roadmap is broadly aligned to that of its parent entity's ESG aspirations – the Hayleys Lifecode – which outlines the Hayleys Group's 2030 ESG goals and its roadmap to achieving them.



## STEWARDSHIP OF ACTIVATE



## POLICY ARCHITECTURE

Haycarb has formulated many policies for ESG factors which entail significant risk, are a strategic area of focus and /or is a criterion for success in accessing markets. Other areas are governed by the policies of the Hayleys Lifecode, which serve as the minimum standard across all entities of the Hayleys Group. The policy architecture of Activate is given below.

Environment	Social	Governance
<b>Haycarb policies</b>		
<ul style="list-style-type: none"> <li>Material and waste management policy</li> <li>Energy and emission management policy</li> <li>Water management policy</li> <li>Environmental policy</li> </ul>	<p><b>Human Resource policies</b></p> <ul style="list-style-type: none"> <li>Recruitment and selection procedure</li> <li>Disciplinary policy</li> <li>Salaries and benefits policy</li> <li>Fit for work policy</li> <li>No harassment and abuse policy</li> <li>Anti-discrimination policy</li> <li>No child labour policy</li> <li>No forced labour policy</li> <li>Health and safety policy</li> </ul> <p><b>Policies related to other stakeholders</b></p> <ul style="list-style-type: none"> <li>Customer management policy</li> <li>Procurement policy</li> </ul>	<ul style="list-style-type: none"> <li>Board and Sub-Committee Charters</li> <li>Information technology (IT) policy</li> <li>Information security policy</li> <li>Vendor and third-party management policy</li> <li>Innovation policy</li> </ul>
<b>Hayleys Lifecode policies</b>		
<ul style="list-style-type: none"> <li>Biodiversity policy</li> <li>Chemical management policy</li> </ul>	<p><b>Human Resource policies</b></p> <ul style="list-style-type: none"> <li>Grievance handling policy</li> <li>Learning and development policy</li> <li>Talent management and succession planning policy</li> <li>Performance management policy</li> <li>Human rights policy</li> <li>Whistle-blower policy</li> </ul> <p><b>CSR policy</b></p>	<ul style="list-style-type: none"> <li>Stakeholder engagement policy</li> </ul>

# ACTIVATE – IN PURSUIT OF A MORE SUSTAINABLE FUTURE



With boundless energy and unwavering determination, we have embraced the possibilities that lie ahead, remaining steadfast in our commitment to creating a more sustainable and healthier planet.

## OUR SUSTAINABILITY TARGETS

Our sustainability targets for 2030 are given alongside. We track progress against internal goals and targets on a quarterly basis.

The Haycarb Group's ESG related data is consolidated within the Haycarb Corporate Sustainability and ESG Division

and performance is reported to the Haycarb Management team, ESG Steering Committee and ultimately the Board of Directors, on a quarterly basis. ESG related performance is also reported to the Hayleys Group ESG Steering Committee and the Hayleys Group Management Committee.



LINK TO SDGS

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

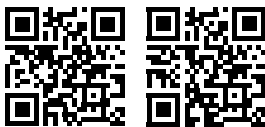
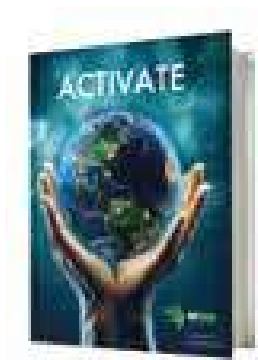
8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

MORE INFORMATION






For more information on Activate





Increase - ↑ Decrease - ↓ Achieved -  On track -  Missed - 

Key performance indicator	Source of metric used	Baseline (2022/23)	2023/24		2025 Target	2028 Target	2030 Target	
			Progress made	On track / Achieved / Missed				
Restore	Waste and effluents							
	Reduction of solid waste generation (Mt per Rs. Mn revenue)	GRI	0.11	0.12 (↑16%)		↓4%	↓10%	↓15%
	Reduction of wastewater generation (m3 per Rs. Mn revenue)	GRI	3.66	6.22 (↑70%)		↓2.8%	↓7%	↓10%
	Materials							
	Use of sustainable packaging for packaging	GRI	Purchased 1,000,000 Nos Leno sacks for charcoal intake	Purchased only 619,00 Nos leno sack during this period - reduction mainly due to increase in usage* of bulk bags (BB's) for charcoal intake. *01 bulk bag reused at least 5 times for charcoal packaging *01 leno sack reused at least 2 times for charcoal packaging		7%	21%	25%
	Water							
	Sustainable water sourcing (Litres'000)	GRI	-	45,839 (6%)		2.8%	7%	10%
	Water usage dedicate to reuse and recycling sustainable practices (Litres'000)	GRI	-	12,318 (2%)		4%	10%	15%
	Reduction in Group water intensity (m3 per Rs. Mn revenue)	GRI	10.66	16.97 (↑59%)		↓8%	↓20%	↓30%
	Energy and emissions							
	Increase in renewable energy use - as a % of total non renewable energy consumption (GJ)	GRI	5,390	5,915 (2.4%)		14%	35%	50%
	Increase biofuels utilisation (GJ)	GRI	Assessment in progress	-	-	-	-	-
	Reduction in energy intensity GJ per Rs.Mn revenue	GRI	19.81	26.24 (↑32%)		↓2.8%	↓7%	↓10%
	Ensuring science-based target approach to reduce carbon footprint per revenue	Non-GRI	-	-		-	-	-
	Reduction in Scope 1 and 2 emissions (tCO <sub>2</sub> eq)	GRI	25,952	24,388 (↓6%)		↓7%	↓17.5%	↓25%
Maintain mapping of all the direct and indirect GHG emissions of the sector	GRI	Direct and indirect emissions calculated annually.	Direct and indirect emissions are being calculated annually.		100%	100%	100%	

# ACTIVATE – IN PURSUIT OF A MORE SUSTAINABLE FUTURE

	Key performance indicator	Source of metric used	Baseline (2022/23)	2023/24		2025 Target	2028 Target	2030 Target
				Progress made	On track / Achieved / Missed			
Inspire	Engaged team							
	Maximum attrition rate (%)	GRI	5%	8%		5%	5%	5%
	Coverage of permanent employee performance appraisals (%)	GRI	100%	100%		100%	100%	100%
	Training and development							
	Mapping of all training requirements across the Group (%)	Non-GRI	100%	100%		100%	100%	100%
	Average hours of training per employee per annum	GRI	9 hrs	12.1 hrs		17 hrs	29 hrs	40 hrs
	Health and safety							
	Zero fatalities and reduce work related injuries across all manufacturing facilities. <ul style="list-style-type: none"><li>Reduce recordable incident rate</li><li>Lost time injuries frequency rate</li></ul>	SASB	RIR – 1.8 LTIF – 0.9	RIR – 1.58 LTIF – 1.53	 	1.5 1	1 1	0 <1
	Mandatory health screening for all employees Ensure annual 'Haycarb Health Plan' conducted for all executives (>40 years age) considered at risk.	Non-GRI	-	Periodic health checks conducted to identify any health issues early on.		-	-	-
	Excite	Customer management						
Target customer satisfaction score (%)		GRI	85%	>90%		>90%	>90%	>90%
Increase in global market share (%)		GRI	16%	Parallel with the market growth of its volume, we will continue to grow ourselves to meet the growing demand while ensuring market share while focusing on further expansion possibilities		-	-	1%
Uplift	Community development							
	Increase in CSR beneficiaries (Nos)	GRI	>100,000	>105,000 (↑5%)		↑14%	↑35%	↑50%
	Supplier value creation							
	Use of green charcoal as raw material in all manufacturing locations (%)	GRI	42%	40%		52%	67%	>75%
	Supplier assessments of all suppliers on their environmental and social standards and contributions (%)	GRI	5%	8%		15%	30%	40%

	Key performance indicator	Source of metric used	Baseline (2022/23)	2023/24		2025 Target	2028 Target	2030 Target
				Progress made	On track / Achieved / Missed			
Innovate	Product and process certifications (Nos)	Non-GRI	All mandatory and strategically important certifications obtained	Refer page 138 to 139 under intellectual capital		-	-	-
	Sustainable innovation (Rs.Mn)	Non-GRI	Continuous efforts to carryout initiatives relating to sustainable innovation	Refer page 170 to 176 under manufactured capital		-	-	-

# CONSOLIDATED STATEMENT ON ESG PERFORMANCE

Performance indicator	UOM	2023/24	2022/23
<b>Environmental Performance</b>			
<b>Resources</b>			
<b>Total energy consumption for operations</b>	GJ	1,132,964	1,207,440
<b>Non- renewable energy</b>	GJ	247,352	265,139
LPG	GJ	34,207	32,865
Electricity	GJ	113,477	112,045
Diesel	GJ	33,449	59,995
Furnace Oil	GJ	65,923	59,915
Others	GJ	296	319
<b>Self-generated energy</b>	GJ	885,612	942,301
<b>Electricity generated &amp; supplied to national grid</b>	GJ	2,889	3,656
Out of total electricity consumed	%	2.5%	3.3%
Energy intensity (energy per revenue)	GJ/Rs. Mn	26.24	19.81
<b>Water consumption/ withdrawal for operations</b>	m <sup>3</sup>	732,634	649,683
Water intensity (water withdrawal per revenue)	m <sup>3</sup> /Rs. Mn	16.97	10.66
<b>Renewable raw material consumption</b>	Mt	152,221	158,885
Coconut shells	Mt	50,468	46,592
Coconut shell charcoal	Mt	101,753	112,293
<b>Waste</b>			
<b>Solid waste</b>	Mt	5,403	6,589
Total solid non-hazardous waste	Mt	5,402	6,589
Total solid hazardous waste disposed	Mt	1.2	-
Solid waste generated per revenue	Mt/Rs. Mn	0.12	0.11
Percentage of hazardous waste shipped internationally	%	-	-
Waste water treated through internal treatment plants in factories	Liters '000	241,465	196,918
Total wastewater discharged	m <sup>3</sup>	269,079	223,171
Water discharged per revenue	m <sup>3</sup> /Rs. Mn	6.22	3.66
<b>Emission</b>			
<b>Carbon emitted for operations</b>	tCO <sub>2</sub> e	26,696	28,396
Scope 1 emission	tCO <sub>2</sub> e	10,903	12,622
Scope 2 emission	tCO <sub>2</sub> e	13,485	13,330
Scope 3 emission	tCO <sub>2</sub> e	2,308	2,444
Biogenic emission	tCO <sub>2</sub> e	48,658	41,305
Emission intensity			
Per revenue Mn	tCO <sub>2</sub> e/Rs Mn	0.56	0.43
Per Mt of made activated carbon	tCO <sub>2</sub> e/Mt	0.51	0.53
Trees Planted	No.	>25,000	>500

Performance indicator	UOM	2023/24	2022/23
<b>Social Performance</b>			
<b>People &amp; Employees</b>			
<b>Total employees</b>	No.	<b>1,933</b>	1,880
Activated carbon segment	No	<b>1,835</b>	1,768
Environmental engineering solutions segment	No	<b>98</b>	112
<b>Employee turnover</b>	No.	<b>227</b>	178
Local	No	<b>166</b>	128
Overseas	No	<b>61</b>	50
Female employees as a percentage of total employees	%	<b>14%</b>	14%
Female employees in decision-making roles	%	<b>27%</b>	21%
Total training hours	No.	<b>23,352</b>	16,800
<b>Average training hours per employee</b>	No.	<b>12.1</b>	8.9
Male	No	<b>12.2</b>	8.2
Female	No	<b>11.5</b>	13.3
<b>New Recruits</b>	No.	<b>280</b>	290
Local	No	<b>194</b>	142
Overseas	No	<b>86</b>	148
Investments in training & development	Rs. Mn	<b>11.32</b>	7.35
<b>Total number of injuries</b>	No.	<b>32</b>	30
Fatal	No	<b>0</b>	0
Occupational	No	<b>32</b>	30
Lost working days	No.	<b>226.0</b>	112.5
Health and safety training hours	No.	<b>7,404</b>	4,980
Promotions	No.	<b>28</b>	40
Apprenticeships provided for technical education	No.	<b>18</b>	14
Profit per employee	Rs. Mn	<b>2.2</b>	3.5
Revenue per employee	Rs. Mn	<b>22.4</b>	32.4
Value added per employee	Rs. Mn	<b>7.3</b>	9.5
<b>Customers</b>			
<b>Customer Satisfaction Index</b>	%	<b>&gt;90</b>	>85
Activated carbon segment	%	<b>&gt;90</b>	>85
Environmental engineering solutions segment	%	<b>&gt;90</b>	>85
New customer acquired	No.	<b>34</b>	53
New products developed	No.	<b>14</b>	16
Revenue generated from new products	Rs. Mn	<b>479</b>	3,390
Products in pipeline	No.	<b>7</b>	4
Revenue generated	Rs. Mn	<b>43,179</b>	60,943
Investment in research & development	Rs. Mn	<b>231</b>	187



# CONSOLIDATED STATEMENT ON ESG PERFORMANCE

Performance indicator	UOM	2023/24	2022/23
<b>Suppliers and Business Partners</b>			
<b>Total number of Suppliers</b>	No.	850	832
Coconut shells & charcoal suppliers	No	637	570
Other materials & service suppliers	No	213	262
SME Suppliers	No.	555	504
New coconut shells & charcoal suppliers added during the year	No.	172	242
<b>Payments to suppliers</b>	Rs. Mn	18,303	23,730
Coconut shells & charcoal suppliers	Rs. Mn	12,828	17,613
Other materials & service suppliers	Rs. Mn	5,475	6,117
Proportion of spending on local suppliers	%	87	88
Investment in supplier development	Rs. Mn	2.5	6
<b>Community Engagement</b>			
Investment in CSR	Rs. Mn	40.8	40
Beneficiaries of CSR	No.	>105,000	>100,000
<b>Taxes to Government</b>	Rs. Mn	2,834	3,954
Sri Lanka	Rs. Mn	1,206	1,756
Overseas	Rs. Mn	1,627	2,198
<b>Governance Performance</b>			
<b>Values and Ethics</b>			
Employees trained on Hayleys/ Haycarb code of business conduct	No.	222	39
Whistle-blower cases reported and solved	No.	0	0
<b>Management Systems</b>			
<b>Total audits conducted on management systems</b>	No.	59	55
Internal Audits	No	52	48
External Audits	No	7	7
Significant non-compliances reported in management systems	No.	0	0
Occasions the sustainability committee met	No.	4	4
New certifications	No.	2	1
<b>Data Privacy and Security</b>			
Employees trained on data privacy	No.	73	35
<b>Other</b>			
Human rights violations	No.	0	0
Anti-corruption incidents	No.	0	0
Instances of socio-economic non-compliance	No.	0	0
Instances of environmental non-compliance	No.	0	0

# UPLIFTING OUR COMMUNITIES

GRI 203-1.2, 413-1

RT-CH-210 a.1



The Group launched a multitude of CSR initiatives centred on addressing the most urgent needs of the communities it operates in. Key highlights for the year are given below.

  
**Rs 40.8 Mn**  
invested in CSR initiatives in 2023/24

  
**> 16,600**  
employee volunteer hours

  
**> 105,000**  
Beneficiaries in Sri Lanka, Thailand and Indonesia

## SRI LANKA

### Shaping the next generation through education

- **Rs. 7.8 Mn** spent on the provision of mid-day meals to **> 800** students in **13 schools**
- **Rs. 7.5 Mn** worth schoolbooks donated to school children living in proximity to our operations in Sri Lanka
- **Rs. 3.7 Mn** spent on the distribution of the laptops for university students in **9** government universities
- **Rs. 1.6 Mn** spent on donations of school supplies to students, donations to universities

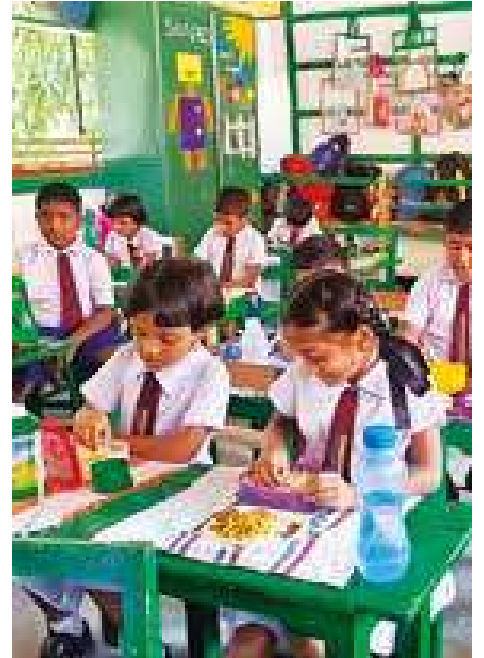
### Responding to the needs of our communities

- **Rs. 6.1 Mn** spent on renovation, provision of medical equipment and distribution of medicine to the healthcare sector of Sri Lanka
- **Rs. 4.1 Mn** of maintenance cost spent on Puritas – Sathdiyawara water purification projects
- **Rs. 2.1 Mn** donated for other welfare activities

### Investments in environment and biodiversity projects

- **Rs. 1.9 Mn** spent on tree planting projects in Jaffna and Madampe
- **Rs. 1.3 Mn** spent on sea turtle conservation
- **Rs. 0.3 Mn** spent on the beach cleanup programme conducted in the Negombo coastline

## UPLIFTING OUR COMMUNITIES



### INDONESIA

- Investment: **Rs. 1.6 Mn**
- No. of beneficiaries: **> 1,300**
- Donations in support of environmental initiatives and the distribution of dry ration packs to community.

### THAILAND

- Investment: **Rs. 2.5 Mn**
- No. of beneficiaries - **> 1,500**
- Donations to schools and environmental initiatives in the regions we operate in.



# Diligence in Capital Management

## NURTURING OUR RESOURCES

102 Financial Capital • 105 Investment Case • 106 Natural Capital • 130 Intellectual Capital • 140 Human Capital  
154 Social and Relationship Capital • 170 Manufactured Capital



## FINANCIAL CAPITAL



Haycarb Group reported a revenue of Rs. 43.2 billion and net profit of Rs. 4.3 billion, proving its resilience in the face of volatility in markets and operating environment closing the year with a strong balance sheet, giving the Company the strength to launch its future growth trajectory.



**Rs 6.0**

Dividends per share



**7.8%**

Dividends yield



**Rs 22.7 Bn**

Market capitalization as at 31st March 2024



**Rs 12.6**

Earnings per share



**16.8%**

Return on equity

### LINK WITH MATERIAL TOPICS:

M5, M13

### LINK WITH KEY RISKS AND OPPORTUNITIES / SRROS / CRROS

R2, R3, R4, R5, R6, R9, R15

### ALIGNMENT WITH STRATEGIC PRIORITIES



### CONTRIBUTION TO SDGS



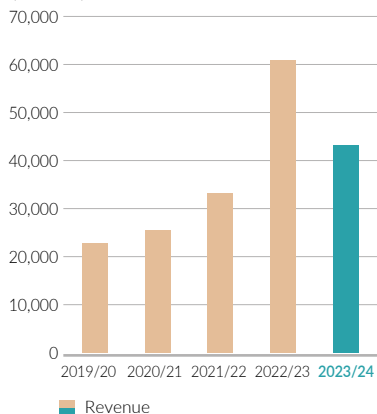
### REVENUE

Total group revenue declined by 29% to Rs. 43.2 billion. The main reasons are price reductions offered to customers due to the decline in raw material cost and easing of global supply chain disruptions and related costs including normalization of freight cost. Appreciation of LKR against USD also resulted in decline in LKR reported activated carbon revenue. In spite of moderation of demand in traditional markets, business development and marketing initiatives to penetrate and expand markets, ensured a moderate decline in sales volume by 4%. Activated carbon segment revenue of Rs. 41.7 billion, represents 96% of Group revenue.

Meanwhile, the Environmental Engineering Solutions segment revenue increased 17% to Rs. 1.52 billion during the year, reflective of our efforts to re-organise and re-position the segment for growth as macro-economic conditions gradually improved in Sri Lanka and easing of pandemic related restrictions which facilitated re-entry to the Maldives market.

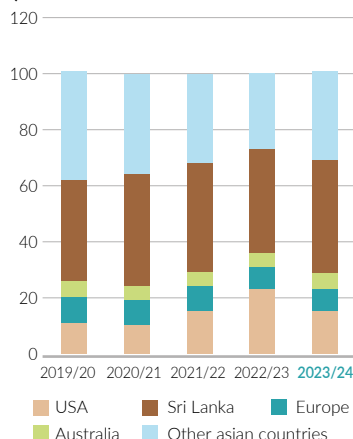
## Revenue

(Rs Mn)



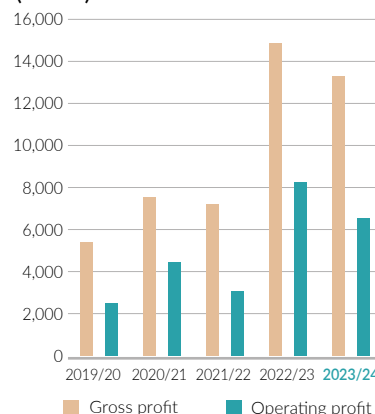
## Revenue generated by geographic region

(%)



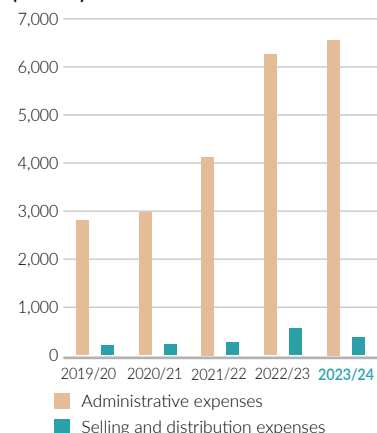
## Profitability

(Rs Mn)



## Overhead Expenses

(Rs Mn)



## GROSS PROFIT

Consolidated gross profit declined by a more moderate 11% to Rs. 13.3 billion during the year supported by stable raw material prices, well managed cost base, lean initiatives, decreased freight rates for imports and reduction of low margin non-core business segments. This led to improvement in the Group's gross profit margin to 31% in 2023/24. Ongoing efforts to continuously improve the efficiency and productivity of our processes while minimising waste led to cost savings of Rs. 148million during the year.

124% to Rs. 306.2 million mainly due to the significant net exchange gain reported in 2022/23. Consequently the overall net finance costs rose to Rs.399.1 million during the year from Rs. 18.7 million the previous year.

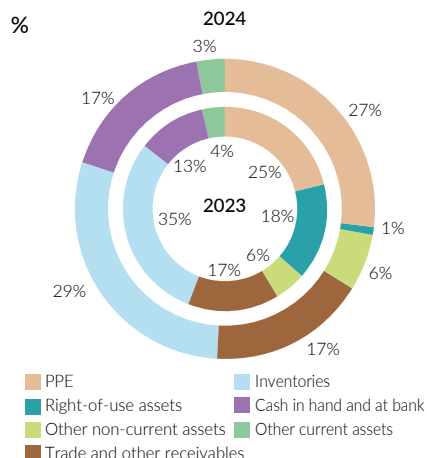
The cumulative share of profits from equity-accounted investees was a negative of Rs. 8.8 million during the year was due to the share of loss attributable from Lakdiyatha (Pvt) Ltd of Rs. 15 million.

## PROFITABILITY GRI 207-1 to 4

Underpinned by the decline in revenue, consolidated operating profit declined by 21% to Rs. 6.5 billion during the year. Overall, consolidated pre-tax profits declined by 26% to Rs. 6.1 billion in 2023/24. The Activated Carbon segment continued to dominate accounting for 99% of pre-tax profits, while the Environmental Engineering Solutions segment performance returned to profitability of Rs. 56 million compared to the loss of Rs. 244 million the previous year.

The Group's tax expense increased by 3% to Rs. 1.81 billion reflective of the increase in the effective tax rate to 30%. Overall, the Group's profit after tax declined by 34% to Rs. 4.31 billion. The Group's tax strategy is directed by its Board of Directors and Audit Committee and implemented by the

## Asset Composition



## OVERHEAD EXPENSES

The Administration, selling and distribution expenses increased by only 2% in consolidated income statement due to the impact of appreciation of Sri Lankan Rupees against reporting currency of subsidiaries which partly negates the increase of overhead cost. The increase in remuneration and employee related cost resulted in increase of administration expenses.

## NET FINANCE COST

Net interest cost reduced by 88% to Rs. 160.7million due to the lower working capital needs, reduction in interest rates and prudent loan portfolio management within the group. Net exchange loss increased by

# FINANCIAL CAPITAL

CFO and the finance team. Compliance with tax regulations is monitored on an ongoing basis by the Internal Audit team with independent evaluation carried out by the external auditors at the end of the fiscal year. The responsibility of liaising with the tax authorities and filing of tax returns with the respective departments of the Inland Revenue lies with the CFO. Haycarb was in adherence with all tax regulations of each country of operation and no incidents of noncompliance were reported during the year.

## CASHFLOW

Net cashflows from operating activities declined to Rs. 7.9 billion from Rs. 10.1 billion the previous year due to decline in performance which was cushioned by reduction in working capital, lower interest cost and tax payments. Net cashflows from investing activities amounted to negative Rs. 1.7 billion reflective of capital expenditure of Rs. 2.1 billion to enhance capacity and future focus on its manufactured capital. Net cashflows from financing activities Haycarb's cash and cash equivalents expanded to a positive of Rs. 2.9 billion compared with negative Rs. 1.5 billion as at 31/3/2023 after financing activities which include dividend of Rs. 1.9 billion to shareholders.

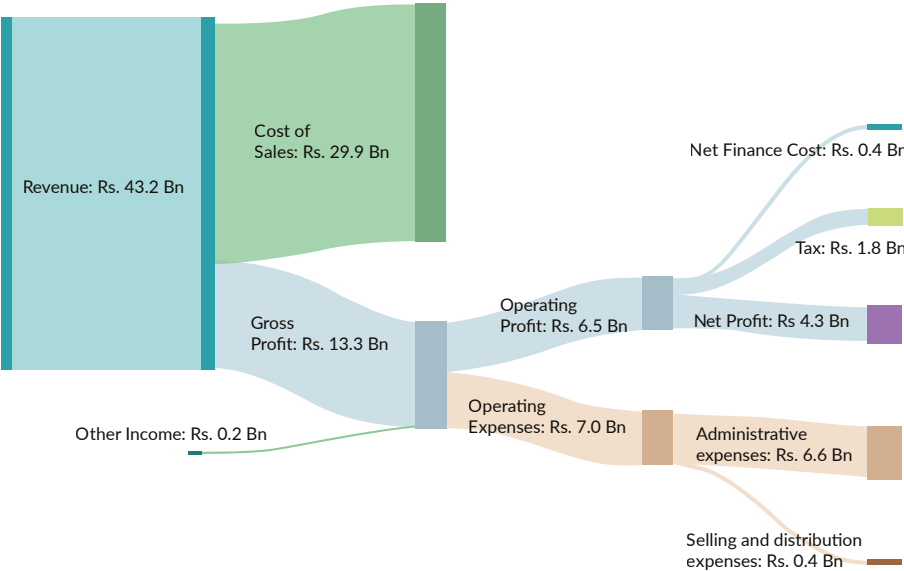
## ASSET STRENGTH

The Group's asset base remained relatively stable at Rs. 40.2 billion as at end-March 2024 as the 8% expansion in non-current assets was offset by the 3% contraction in current assets. The expansion in the non-current asset base was driven by capital expenditure of Rs. 2.1 billion, as the Group future focused its manufactured capital through investments to enhance post activation and value addition capabilities and solar power generation. investments in inventory declined by 17% while trade and other receivables remained relatively stable and trade payables increased by 13.5% compared with the previous year.

## FUNDING PROFILE

The Group's funding profile remained strong with a gearing ratio of 18.4% as at end-March 2024 (end-March 2023: 25.1%). The Group's total equity increased by 2%

Sankey diagram on the income statement

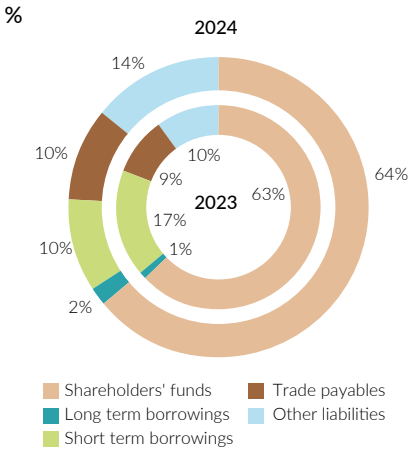


to Rs. 25.7 billion as at end-March 2024 of business performance. Meanwhile, long term borrowings (including non-current lease liabilities) rose by 93.5% to Rs. 670 million as the Group relied partly on borrowings to fund capital investments. In contrast, short term borrowings declined 38.7% to Rs. 4.21 billion reflective of reduced working capital needs.

## SHAREHOLDER RETURNS

Earnings per share declined by 36% to Rs. 12.60 in 2023/24 while ROE declined to 16.8% during the year from 26% the previous year. However, net assets per share improved to Rs. 77.09 as at end-March 2024 (end-March 2023: Rs. 74.52). The total dividend per share amounted to Rs. 6 for the financial year 2023/24 compared with Rs. 5.65 in 2022/23.

Funding Profile





## BUSINESS CASE



### Market leadership position

We are a leader in the coconut shell activated carbon market with a global market share of 16%.



### Global presence

GRI 2-1

Our operations are spread across 7 countries including 7 manufacturing plants in Sri Lanka, Thailand and Indonesia and marketing offices in UK, Germany, USA and Australia and a distributor network spread globally.



### Capacity to innovate with state-of-the-art machinery and equipment

State of the art manufacturing facilities and strong research and development capabilities to develop new products that fulfill emerging needs. A product portfolio of >1,500 products.



### Capable team and strategic partnerships

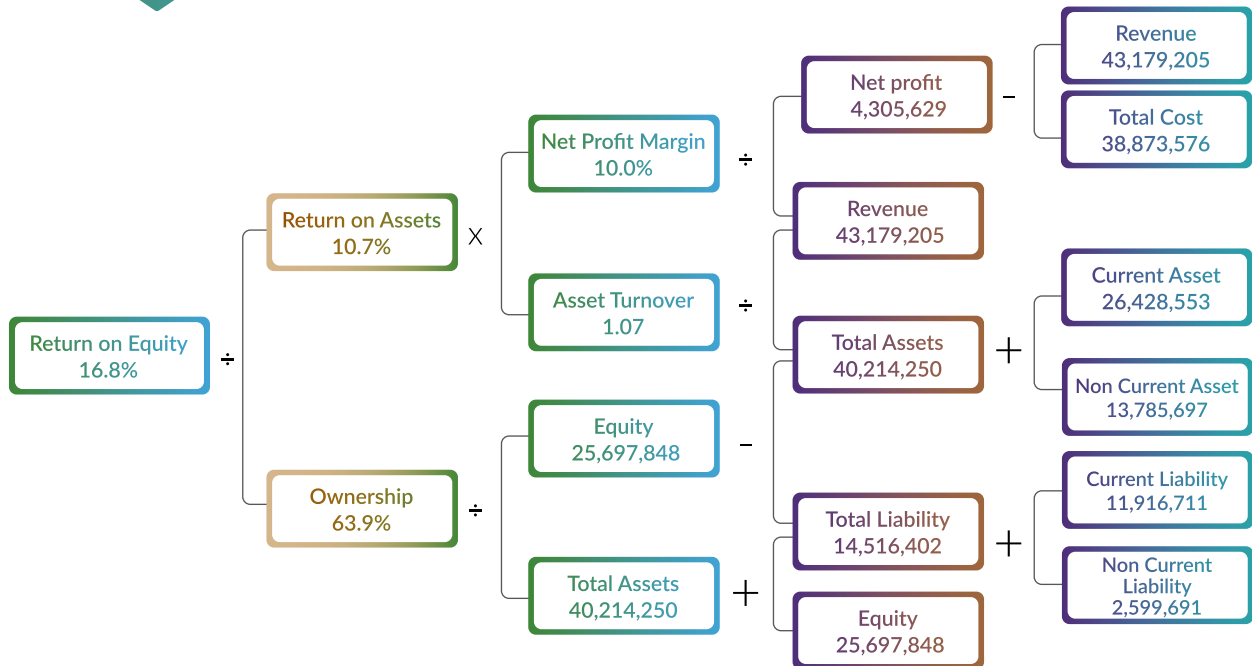
Our business success is underpinned by an empowered and highly skilled team, long-standing customer relationships, mutually beneficial partnerships with business partners and suppliers.



### Responsible business practices and sustainability

A holistic ESG framework integrated into strategy formulation.

## DuPont Analysis (Rs. '000)







## NATURAL CAPITAL



Haycarb's approach to managing its natural capital and the associated sustainability and climate related risks and opportunities aligns with its strategic emphasis on sustainability



### OUR NATURAL CAPITAL



#### INPUTS IN 2023/24

##### Raw material consumption

Coconut shells

50,468 Mt

Coconut shell charcoal

101,753 Mt

##### Energy consumption

1,132,964 GJ

##### Water consumption

732,634 m<sup>3</sup>



#### OUTPUTS IN 2023/24

##### Total carbon footprint

26,696 tCO<sub>2</sub>e

##### Emission intensity

0.56 tCO<sub>2</sub>e/per revenue  
Rs. Mn

##### Energy intensity

26.24 GJ/ per revenue  
Rs. Mn

##### Water intensity

16.97 m<sup>3</sup>/ per revenue  
Rs. Mn

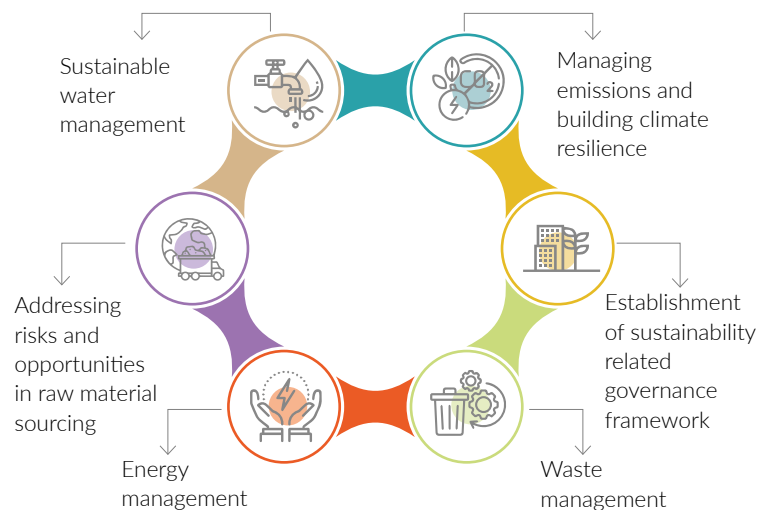
##### Effluents

269,079 m<sup>3</sup>

##### Solid waste generation

5,403 Mt

### FOCAL AREAS IN 2023/24



- **Rs. 1,237.5 Mn** investment for the promotion of sustainable environmental practices.

## VALUE CREATED IN 2023/24

- A key strategic intervention is Formulating Activate, our ESG Road map with target reductions by 2030 embedding our environmental, social and governance targets to business strategy and decision making.
- Strategic management of climate related physical and transitional risks and building climate resilience through the assessment of different climate scenarios.
- Installation of solar panels at Badalgama & Madampe factories in Sri Lanka will lead to increase renewable energy (electricity) reliance by 14%
- Pursued multiple strategies including to strengthen supply chain resilience and ensure an uninterrupted supply of raw materials. Ongoing emphasis on promoting the use of sustainable charcoaling practices along the supply chain.
- 78% of our total energy consumption for operations is through self-generated energy.
- Emphasis on sustainable water management practices led to a 6% increase in sustainable water sourcing.
- >45,800,000 litres of rainwater harvested
- >25,000 trees planted

## CAPITAL TRADE-OFFS

- Increased investments in Natural Capital have short-term negative implications on Financial Capital.
- However, these investments build business resilience, strengthening Financial Capital in the long-term.

## WAY FORWARD

- Ongoing emphasis on strengthening supply chain resilience by building global supply chains, expand and support existing supply networks.
- Upgrade Recogen to enhance its electricity generating capacity.
- Ongoing emphasis on improving the energy efficiency of our operations.
- Continued focus on promoting sustainable water management.
- Strategic emphasis on reducing our carbon footprint while monitoring the development of climate related risks and opportunities.
- Investments on rooftop, ground mounted and floating solar projects
- Emphasis on life cycle assessments for products

### LINK WITH MATERIAL TOPICS:

M1, M7, M10, M11, M14

### LINK WITH KEY RISKS AND OPPORTUNITIES / SRROS / CRROS

R1, R13, R14, R15, R16, R17, R18, R19, R20, R21, R22

### ALIGNMENT WITH STRATEGIC PRIORITIES



### CONTRIBUTION TO SDGS



# NATURAL CAPITAL

## OUR ESG ASPIRATIONS AND PROGRESS MADE





## Our proactive approach to sustainability not only positions us well for compliance with potential future environmental regulations

### GOVERNANCE

Haycarb's approach to managing its natural capital and the associated sustainability and climate related risks and opportunities aligns with its strategic emphasis on sustainability as articulated in its 2030 ESG roadmap, Activate. Activate's 'Restore' pillar specifically focuses on sustainable natural capital management through policies and clearly defined 2030 goals across materials, waste, energy, emissions and water and effluents enabling focused strategic planning and resource allocation. Further, The Group remains committed to investing resources to projects which promote biodiversity as well.

### MANAGEMENT OF THE LEGAL AND REGULATORY FRAMEWORK

GRI 2-23

RT-CH-530a.1

The environmental legal and regulatory framework in Sri Lanka, Thailand and Indonesia currently focuses on diverse environmental related risks. Growing concerns about climate change are prompting a global shift towards a low carbon economy. This could lead to tightening of environmental regulations in these regions over the medium to long term. Further, jurisdictions like Sri Lanka are currently offering opportunities for securing green loans. (Refer page 306)

Recognising this shift, we have proactively assessed our environmental footprint and developed Activate, our ESG 2030 roadmap, which outlines our governance, environmental policies and sustainability goals enabling efficient strategic planning and resource allocation. Our proactive approach to sustainability not only positions us well for compliance with potential future environmental regulations but also allows us to capitalise on opportunities in a world increasingly focused on environmental sustainability.

At present, we adhere to all environmental laws and regulations relevant to the country of operations. Our environmental practices are also in compliance with international best practice through certifications including ISO14001:2015, ISO 9001:2015, OHS 45001:2018 and WQA Sustainability Certification (Refer page 138 to 139). Environment related audits are carried out on a quarterly basis and actions taken and resources allocated to address if any issues raised. The Group's environment management framework is subjected to a surveillance / re-certification audit on an annual basis by the relevant certification bodies. Therefore, there were no instances of non-compliances during the year under review.

### RAW MATERIALS

GRI 301-1 to 3

RT-CH-410b.1, 2

Haycarb's primary raw material is coconut shell charcoal, which is produced from the charcoaling of coconut shells generated as a by-product material primarily from coconut industry and household consumption. The raw material is sourced from Sri Lanka, Thailand and Indonesia, where our manufacturing entities are established and from our supplier networks in India.

Therefore, availability of our raw material is directly dependent on crop yield of the coconut industry in these countries. This agricultural dependence exposes the Group to risks associated with climate change as coconut yields can be impacted by extreme weather events as well as long term climate implications. The strong growth in the coconut shell activated carbon industry, and the resultant demand for raw materials exposes the Group to volatilities in input prices. Stagnation coconut crop yields in Sri Lanka over the past two decades have limited local capacity expansion, placing upward pressure on pricing. Supply risks in Thailand and Indonesia, stem from



### STRATEGIES TO ADDRESS RISKS AND OPPORTUNITIES IN THE SOURCING OF RAW MATERIALS



# NATURAL CAPITAL



competition from alternative, higher-value crops. Risks associated with pricing and supply are likely to emerge in the short-medium term and will have implications on the operations of the Group.

On this backdrop, the Group has placed emphasis on developing strategies to address these risks and secure an uninterrupted supply of its key raw material to meet emerging market demand and its aspirations of expanding its global market share in the coconut shell activated carbon industry by 1% by 2030. In this regard, strategies implemented by the Group include,

- **Building global supply chains**
  1. The Group is presently in the process of advancing its greenfield investment in activated carbon manufacture in the Philippines. Coconut is a major economic agricultural crop in the Philippines with an annual coconut yield of approximately 14 Bn coconut nuts per year, supported by a well developed coconut industry.
  2. Broad basing the supplier base across multiple geographical locations aims to mitigate the risk of supply interruptions in specific regions.

- **Expand and support existing supply networks.**

1. Building long term relationships and creating mutual value for existing coconut charcoal suppliers in Sri Lanka, Indonesia and Thailand as well as India has enabled an uninterrupted supply of coconut charcoal to fulfil our raw material requirements. (refer Social and Relationship Capital Page 161 to 164 for more information)
2. The Haritha Angara programme has also increased access to coconut shells discarded from households whose consumption exceeds that of industry in Sri Lanka increasing the availability of our key raw material to the activated carbon industry.

- **Enhancing coconut crop yields**

1. Ongoing collaborations with the Coconut Research Institute, Coconut Development Authority and industry partners on strategies to improve coconut crop yields.
2. Active investment in the initiative of Coconut Cultivation Board supported by the Coconut Research Institute to establish a second coconut triangle

in the Northern Province of Sri Lanka through the planting of 67,500 coconut saplings. Haycarb contributed 25,000 plants to farmers within this initiative.

- **Process innovations to enhance yields and reduce waste**

Ongoing initiatives to minimise waste and improve resource efficiency through lean manufacturing process innovations and the use of tools such as Life Cycle Assessment practices.
- **Exploring the use of alternative raw materials**

We explore the potential of alternative raw material sources for the manufacture of activated carbon products for the applications we cater to.

## GREENING OUR SUPPLY CHAIN

GRI 308-2

The adverse environmental implications of coconut shell charcoaling have presented the Group with the opportunity to promote green charcoaling practices along its supply chain. A summary of processes and practices implemented to reduce the environmental impacts of coconut shell charcoaling is given below.

Sri Lanka

>90%

of raw material requirement met through green charcoaling practices

Thailand

>15%

of raw material requirement met through green charcoaling practices

## VALUE CREATED IN 2023/24

Our proprietary charcoaling technology enables the production of high-quality coconut shell charcoal while minimising its environmental impacts. This technology converts the traditional open pit charcoaling process to a closed pit unit enabling the combustion of greenhouse gases and hazardous gases produced during the charcoaling process, preventing its release into the environment. This technology also optimises energy consumption for charcoaling as energy is required only for initiation with subsequent energy needs met by harnessing the exothermic energy generated during the charcoaling process.



### Traditional open pit method

Release of greenhouse and other gases to the environment.



### Haycarb proprietary closed pit charcoaling technology

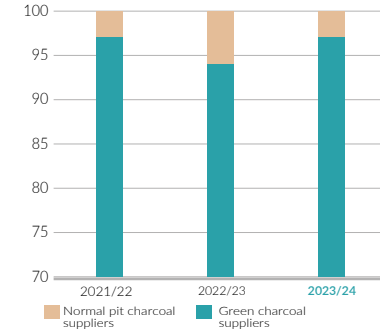
All harmful gases released are combusted within an enclosed space and is not released to the environment



### SRI LANKA

- 90% of our local raw material requirement in Sri Lanka is sourced through green charcoaling technology.
- Significant efforts and investments have been made to support the adoption of this technology along the supply chain.
- During the year under review, the Group invested Rs. 0.55 Mn and provided technical support to green charcoaling practices along the supply chain and established 23 new closed pit charcoaling systems.

Composition of charcoal suppliers in Sri Lanka (%)



### INDONESIA

- Despite considerable effort and investment towards promoting green charcoaling practices to suppliers in Indonesia, uptake has been relatively slow. During the year under review, the Group invested Rs. 2 Mn and provided technical support to install 9 new closed pit charcoaling systems,
- The Group remains committed to investing resources to promote the acceptance of green charcoaling practices among suppliers in Indonesia.

## VERTICAL KILN CHARCOALING



Similar to the green charcoaling technology implemented in Sri Lanka and Indonesia, vertical kiln charcoaling and premium environment friendly charcoaling pits also

converts the traditional open pit charcoaling process into a closed pit charcoaling system preventing the release of harmful gases into the atmosphere.

### Thailand

Approximately 15% of our raw material requirement in Thailand is sourced through vertical kiln charcoaling.

## RECOGEN

This patented technology also produces coconut shell charcoal in a closed system enabling the combustion of harmful gases released during the production process. The heat generated in this process 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).

### Sri Lanka

- 18% of our raw material requirement in Sri Lanka is sourced through this technology.
- Over 800,000 kWh of electricity was supplied to the national grid during the year under review.
- Plans are underway to expand the electricity generation capability of Recogen in the year ahead.

# NATURAL CAPITAL

Chemical usage within direct operations is limited to less than 10% of raw material cost and volume. Our products do not contain any Globally Harmonised System of Classification and Labelling of Chemicals (GHS) category 1 and 2 health and environmental hazardous substances. However, we have implemented stringent processes and practices on safe storage and use of chemicals to prevent spills

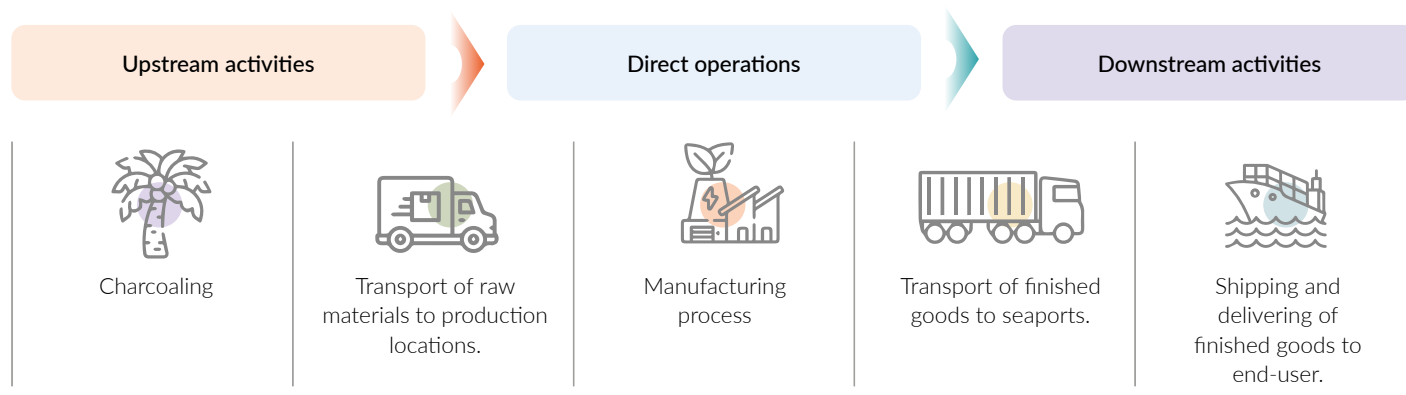
and accidents. We are also exploring improvements to processes to minimise the use of chemicals in the production process.

We are also committed to enhancing the sustainable use of packing material within our direct operations with a 2030 goal of increasing the use of sustainable packing material for raw material packaging by 25%.

No recycled material was used in the production process during the year under review. No incidents of product reclaims or their packing materials took place during the year under review. Our material consumption during the year under review is given below.

Raw Material	UOM	2023/24	2022/23	% change
<b>Renewable materials</b>				
Coconut shell	Mt	50,468	46,592	8%
Coconut charcoal	Mt	101,753	112,293	(9%)
Packing materials*	Nos	1,119,392	1,096,745	2%
<b>Non-renewable materials</b>				
Chemicals	Mt	4,276	7,043	(39%)
Packing materials*	Nos	4,821,211	5,724,866	(16%)

\*Only bags and sacks were considered.



## ENERGY MANAGEMENT

GRI 302-1 to 5 RT-CH-130a.1

Energy is a vital input across our value chain as illustrated below. The manufacture of our product range is reliant on a mix of renewable and non-renewable energy

sources. Non-renewable energy comprises of fossil fuel-based energy sources, thereby exposing the Group to risks associated with availability and price volatility across all time periods. In contrast, stakeholder perception and commitment to reducing fossil fuel

consumption given its implications on climate change has given rise to new opportunities in renewable energy investments and enhancing the energy resilience of the Group. Key areas of energy consumption along the value chain is given below.

Key energy metrics for the year under review are given below.

Energy consumption *	UOM	2023/24	2022/23	y-o-y % change
<b>Non-renewable sources</b>				
Furnace oil	GJ	65,923	59,915	10%
Electricity	GJ	113,477	112,045	1%
Diesel	GJ	33,449	59,995	(44%)
LPG	GJ	34,207	32,865	4%
Other	GJ	296	319	(7%)
<b>Total self-generated energy</b>	GJ	<b>885,612</b>	942,301	(6%)
<b>Total energy consumption</b>	GJ	<b>1,132,964</b>	1,207,438	(6%)
Grid electricity	%	10	9	11%
Self-generated energy	%	78	78	-
Energy intensity per revenue Rs. Mn	GJ	26.24	19.81	32%

\*Energy consumption was calculated based on type of energy source consumed quantity, density & net calorific value

While the manufacture of activated carbon products is energy intensive, we have engineered our processes to reduce our reliance on fossil fuel sources by harnessing the exothermic energy generated during production. Furthermore, Recogen, a patented technology, uses the heat generated from the combustion of harmful gases during charcoaling to operate a boiler/steam turbine to generate electricity which is supplied to the National Grid. Building on strategies already implemented to minimise our energy consumption within our direct operations, we have also committed to reducing our energy intensity per Rs of revenue by 10% by 2030 while

increasing renewable energy use by 50% by 2030 on a baseline performance of 2022/23.

Our energy policy clearly sets out our commitment to achieving these goals and include guidelines on compliance, interventions, timely reporting, energy conscious procurement procedures and prioritization of renewable energy. Energy usage optimisation involves the implementation of lean management practices and the application of Life Cycle Assessment (LCA) concepts. Key initiatives implemented during the year that enabled us to stay on track towards the achievement of our 2024/25 interim goal include,

- The installation of solar panels at factory premises in Badalgama and Madampe will lead to the generation of electricity over 9,900 GJ per year and will increase reliance on renewable energy sources (electricity) by 14%.
- The re-engineering of factory equipment at Badalgama plant to reduce its fossil fuel consumption by 25%.
- Upgrade of the dryer to reduce fuel consumption for the drying operation.
- Explored the possibility of using waste heat for the drying operation.



# NATURAL CAPITAL



The installation of solar panels at factory premises in Badalgama and Madampe will lead to the generation of electricity over 9,900 GJ per year



Our 2030 energy-related targets and performance during the year under review are given below.



## 2030 Target



- 50% increase in renewable energy use
- 10% reduction in energy intensity per revenue Rs. Mn

2023/24



### Interim target vs actual performance

	Interim target	Actual performance	Achieved / Missed / On track
Increase in renewable energy use ( as a % of non-renewable energy consumption)	7%	5,915 (2.4%)	
Reduction in energy intensity per revenue Rs. Mn	1.4%	26.24 GJ (↑32%)	

2022/23



### Baseline performance

	2022/23
Renewable energy use	5,390 GJ
Energy intensity per revenue Rs. Mn	19.81 GJ

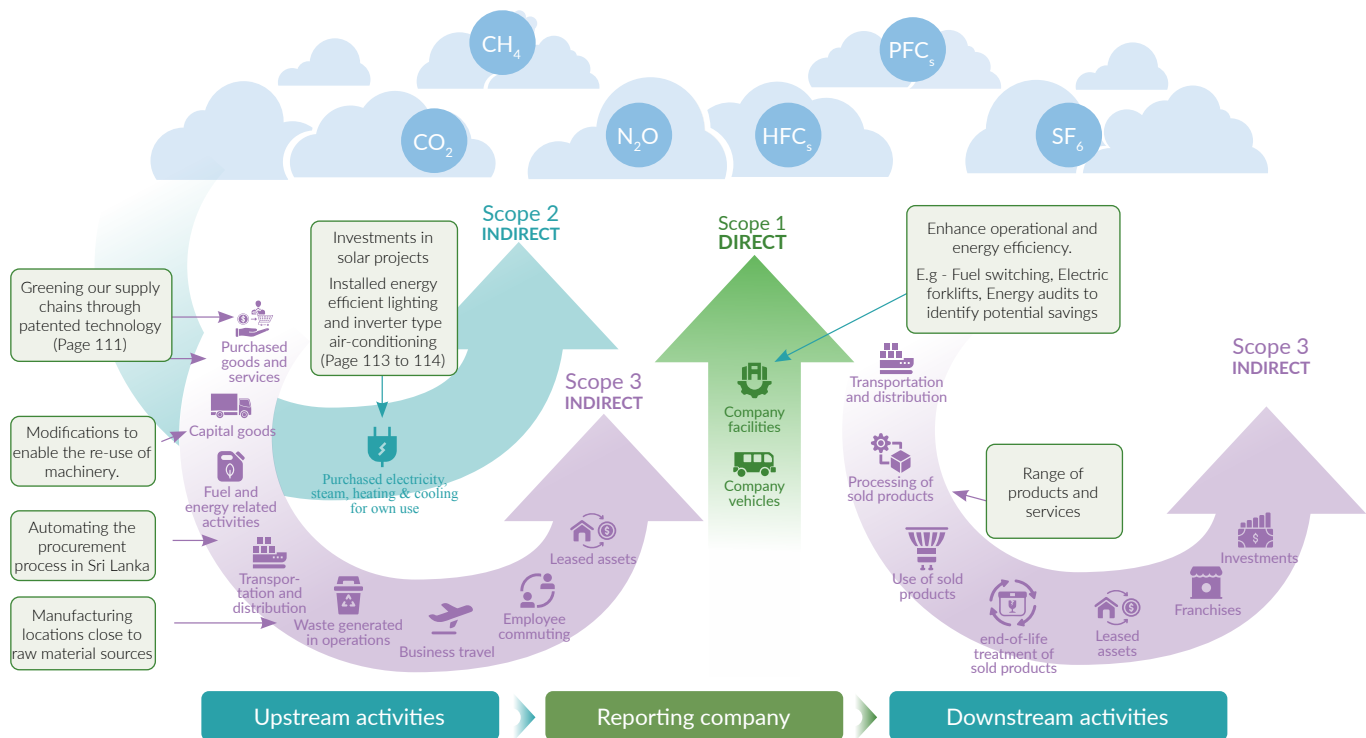
## EMISSIONS AND CLIMATE CHANGE

GRI 305-1 to 7 RT-CH- 110a. 1,2

Our value chain activities lead to the generation of GHG emissions from fossil fuel combustion. Scope 1 and 2 GHG emissions arise from direct operations while Scope 3 emissions are related with upstream and downstream activities. Haycarb's manufacturing process complies with all relevant environmental regulations

and has been verified through continuous monitoring and third-party audits to emit insignificant amounts of NO<sub>x</sub>, SO<sub>x</sub>, POPs, VOCs, HAPs, and these are combusted at high temperatures while dust extractors have been installed to retain particulate matter. Therefore, significant levels of air pollutants are not released into the

atmosphere.. Further, we do not engage in importing or exporting ozone-depleting substances. We have already implemented a range of strategies to mitigate the release of harmful gases into the atmosphere while reducing GHG emissions along our value chain. A summary of strategies implemented are given below.



Adaptation of the GHG protocol: Corporate value chain diagram

In addition to the above, we have implemented the following processes within direct operations to mitigate the release of harmful gases into the atmosphere :

- The installation and maintenance of dust extractors
- Installation and maintenance of the volatile gas burning chamber to prevent the emission of petroleum based volatile gases.
- Periodic air quality monitoring and emission testing.

- Introduction of the wet scrubber mechanism to avoid emitting acid/base fumes into the environment.
- Ongoing investments in research and development for innovative pollution control technologies.

Further, the Group has obtained a third party assurance from Sri Lanka Climate Fund (Pvt) Ltd for its total GHG Emissions for the financial year 2022/23 and the calculation improvements have been incorporated in to the year under review.



Third-Party Verification for GHG Emissions (22/23)

# NATURAL CAPITAL

Our carbon footprint and air quality metrics for the year under review are given below.

Carbon footprint *	UOM	2023/24	2022/23	y-o-y % change
Scope 1 emissions	tCO <sub>2</sub> e	10,903	12,622	(14%)
Scope 2 emissions	tCO <sub>2</sub> e	13,485	13,330	1%
Scope 3 emissions	tCO <sub>2</sub> e	2,308	2,444	(6%)
<b>Total emissions</b>	tCO <sub>2</sub> e	<b>26,696</b>	<b>28,396</b>	<b>(6%)</b>
Emission intensity (Scope 1 & 2) MT of made activated carbon	tCO <sub>2</sub> e	0.51	0.53	6%
Emission intensity (Scope 1 & 2) per revenue Rs. Mn	tCO <sub>2</sub> e	0.56	0.43	33%
<b>Biogenic emission</b>	tCO <sub>2</sub> e	<b>48,658</b>	<b>41,305</b>	<b>18%</b>

\* Basis of preparation for Greenhouse Gas (GHG) Emission reporting - Reporting of Green House Gases, Corporate Standard of Greenhouse Gas Protocol by World Resource Institute (WRI), IPCC Sixth Assessment Report (AR6) and Energy balance 2021 by Sri Lanka Sustainable Energy Authority

Our performance in 2023/24 against our 2030 emission goals are set out below. Performance in 2022/23 has been established as the baseline performance.

## 2030 Target



- Ensuring science-based target approach to reduce carbon footprint per revenue.
- 25% reduction in Scope 1 and 2 emissions
- Reduced emission intensity per revenue Rs. Mn
- Maintain 100% mapping of direct and indirect GHG emissions of the sector

## 2023/24

### Interim target vs actual performance

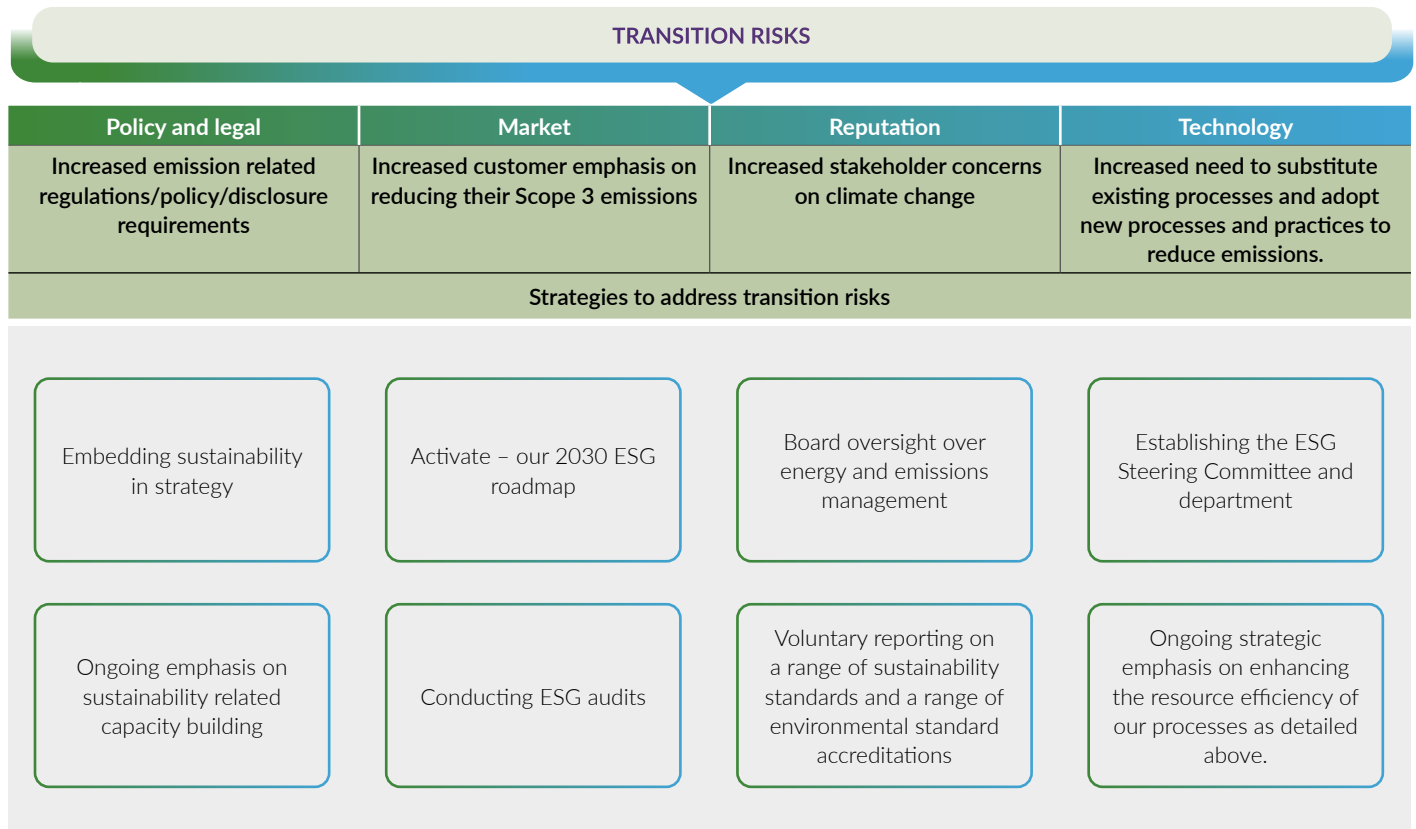
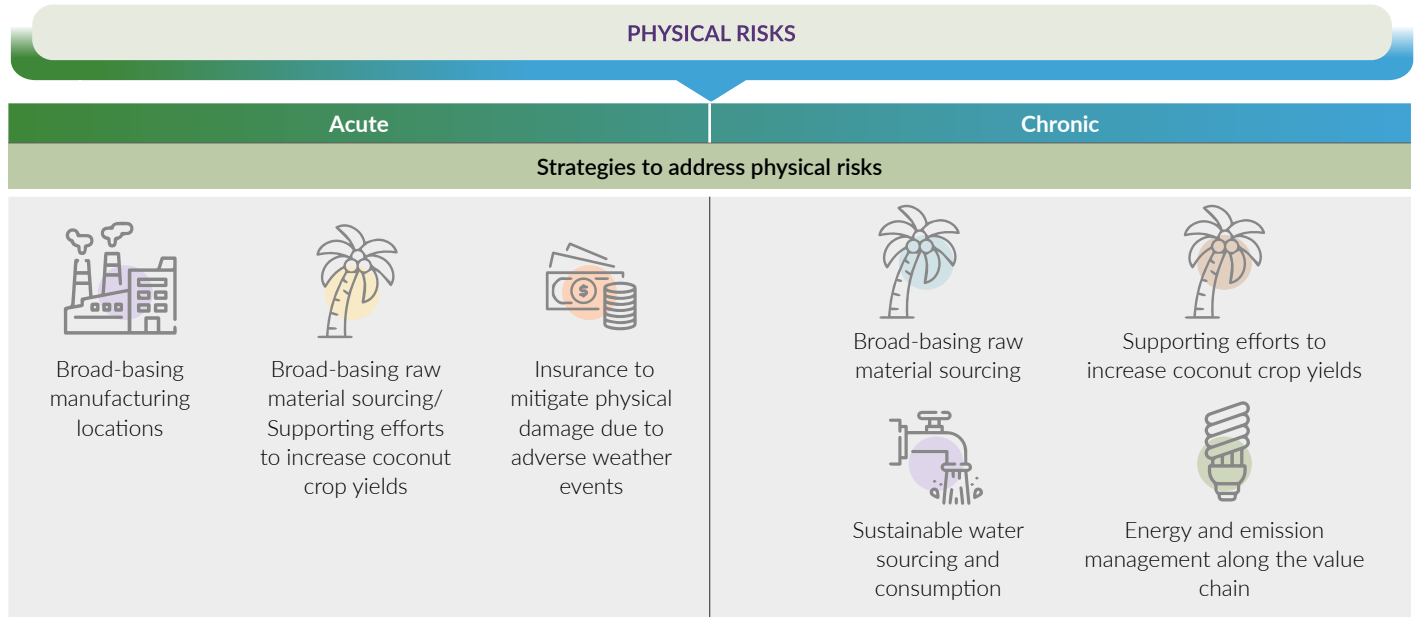
	Interim target	Actual performance	Achieved / Missed / On track
Ensuring science-based target approach to reducing carbon footprint per revenue	-	-	✓
Reduction in Scope 1 and 2 emissions	3.5%	24,388 (↓6%)	⚙️
Reduction in emission intensity per revenue Rs. Mn	1.4%	0.56 (↑33%)	⚙️
Mapped % of direct and indi-rect GHG emissions of the sector	-	All direct & Indirect emissions are being calculated	⚙️

## 2022/23

### Baseline performance

	2022/23
Emission intensity per revenue Rs. Mn	0.43 tCO <sub>2</sub> eq
Total scope 1 and 2 emissions across the Group	25,952 tCO <sub>2</sub> eq
Scope 1 emissions	12,622 tCO <sub>2</sub> eq
Scope 2 emissions	13,330 tCO <sub>2</sub> eq

Moreover, multiple strategies have been implemented to address the key climate related physical and transition risks identified by the Group. Details are summarised below.



# NATURAL CAPITAL

## ASSESSING CLIMATE RELATED RESILIENCE

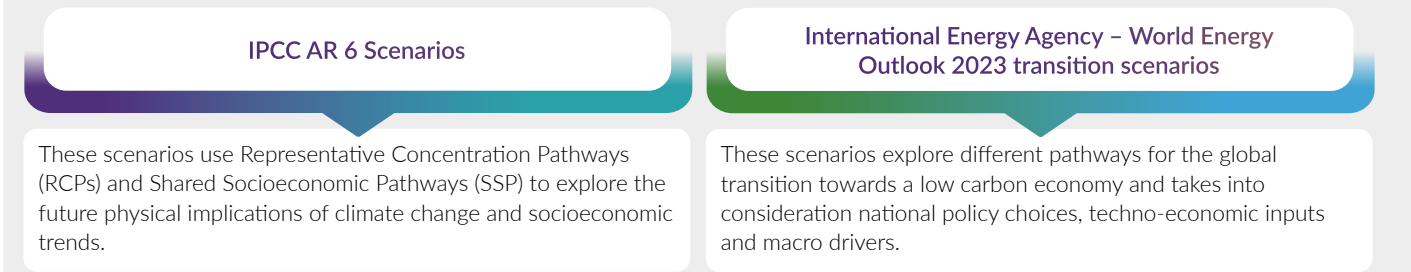
As climate related risks increase in importance, we determined it important to assess the resilience of our business strategy to climate related changes and developments given our reliance on natural inputs. Due to limitations in resources and the availability of quantitative models, Haycarb chose initiate a qualitative scenario analysis, in line with the transitional relief allowed for the implementation of SLFRS-S2. We are

### Methodology

#### Methodology

Our approach to scenario analysis was aligned with that of our parent entity, Hayleys PLC and was carried out in line with the principles outlined in the TCFD framework. Given our global footprint, we opted to align with global scenarios for our climate scenario analysis.

The international physical and transition climate scenarios adopted by Haycarb in alignment with that of the Hayleys Group are given below.



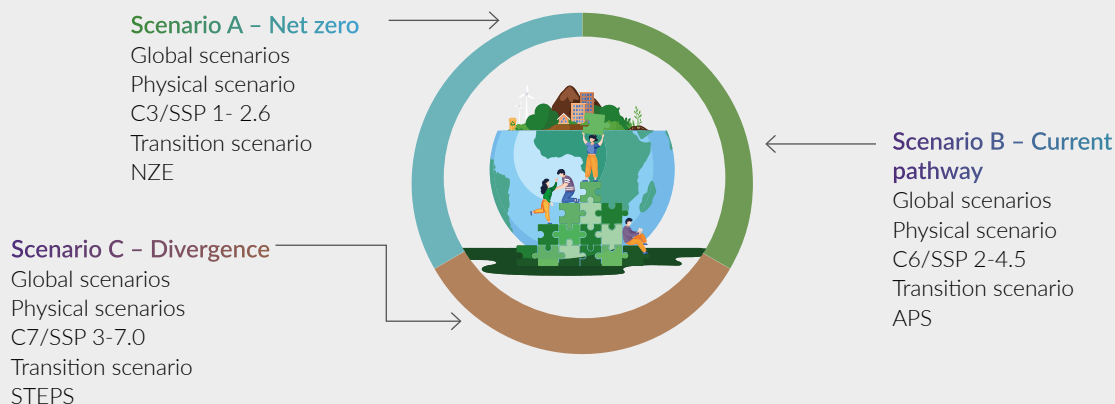
The Group considered the following global physical and transition climate scenarios when developing its climate scenarios.

Source	Scenario	Key assumptions
IPCC AR 6	C3/SSP 1-2.6	<ul style="list-style-type: none"><li>Low emission scenario</li><li>Increase in global warming limited to 2°C by 2100</li><li>Net zero status achieved between 2055 and 2060</li><li>An almost 65% reduction in GHG emissions by 2050.</li></ul>
	C6/SSP 2-4.5	<ul style="list-style-type: none"><li>Intermediate emission scenario</li><li>Global temperatures projected to increase by 3°C in 2100 compared to pre-industrial levels.</li></ul>
	C7/SSP 3-7.0	<ul style="list-style-type: none"><li>High emission scenario with global temperatures projected to increase by 4°C in 2100 compared to pre-industrial levels.</li></ul>
IEA 2023	Net Zero Emissions (NZE) Scenario	<ul style="list-style-type: none"><li>Considers a pathway where the global energy sector achieves net zero by 2050 and thereby limits the global temperature increase to 1.5°C. it assumes the deployment of an array of clean energy technologies without offsets from land use measures alongside the successful achievement of key energy related SDGs.</li></ul>
	Announced Pledges Scenario (APS)	<ul style="list-style-type: none"><li>This scenario assumes governments will meet all announced climate-related commitments in full and on time. These commitments include longer term net zero targets, and pledges in Nationally Determined Contributions (NDCs).</li></ul>
	Stated Policies Scenario (STEPS)	<ul style="list-style-type: none"><li>This scenario considers the policies and measures currently in place and the present efforts of governments to achieve their targets. This scenario projects a temperature rise of 2.4°C in 2100 (with a 50% probability).</li></ul>

Based on the above, we adapted our parent entity's climate scenarios to accommodate our global footprint and arrived at the following scenarios.

in the process of identifying key variables and inputs required for a quantitative scenario analysis and will strive to extend this assessment quantitatively going forward. The methodology we adopted to carry out the scenario analysis, its results and potential strategic responses under each scenario, is summarised below.

## Haycarb's climate scenarios



The Group considered the following global physical and transition climate scenarios when developing its climate scenarios.

Scenario	Description and assumptions	Reference global scenarios	
<b>Scenario A – Net Zero</b>	<ul style="list-style-type: none"> <li>An orderly global transition towards reducing emissions and rapid deployment of clean energy technologies and energy efficiency.</li> <li>Significant decline in the demand for fossil fuels and pricing strategies for fuel leading to a steep reduction in emissions.</li> <li>The increase in global temperature is limited to 2°C.</li> <li>Fair and effective global co-operation with advanced economies taking the lead and achieving net zero earlier than emerging market and developing economies.</li> <li>Global access to electricity and clean cooking by 2030 in alignment with energy related SDGs.</li> <li>Extensive investments in mitigating climate implications.</li> <li>The IPCC projects a likely increase of 0.0-6.6% in the annual global land precipitation by 2081-2100 relative to 1995-2014 levels. Near-term projections are uncertain.</li> </ul>	C3/SSP 1-2.6	NZE
<b>Scenario B – Current path-way</b>	<ul style="list-style-type: none"> <li>Limited external investments in technology and funding to drive the transition to a low carbon economy.</li> <li>Average temperatures expected to increase by approximately 2.5°C.</li> <li>The IPCC projects a likely increase of 1.5-8.3% in the annual global land precipitation by 2081-2100 relative to 1995-2014 levels. Near-term projections are uncertain.</li> </ul>	C6/SSP 2-4.5	APS
<b>Scenario C – Divergence</b>	<ul style="list-style-type: none"> <li>Global deviation from decarbonisation goals resulting in significant weather-related impacts on businesses and communities.</li> <li>Average temperatures expected to increase by approximately 4°C.</li> <li>No specific climate related interventions.</li> <li>The IPCC projects a likely increase of 0.5-9.6% in the annual global land precipitation by 2081-2100 relative to 1995-2014 levels. Near-term projections are uncertain.</li> </ul>	C7/SSP 3-7.0	STEPS

# NATURAL CAPITAL

## Haycarb's climate scenarios

- According to the IPCC, the precipitation change will demonstrate significant regional differences and seasonal contrasts as global average of near surface air temperature increase. Precipitation is projected to very likely increase over tropical oceans and likely increase in large parts of monsoon regions. Inter-annual variability is also projected to increase.
- The IPCC also states that while near term monsoon precipitation changes are uncertain, over the long term (2081-2100) monsoon rainfall will feature a north-south asymmetry and an east-west asymmetry, Therefore, a greater increase is projected in the northern hemisphere than in the southern hemisphere and in the Asian African monsoon regions as opposed to the North American monsoon regions.
- Based on our climate related risks and opportunities assessment, we have chosen to assess the physical risks of temperature and precipitation and the transition risk of technology against the climate scenarios identified above.

Optimal climate conditions for coconut growth and yield	
Mean temperature	27+/- 5°C
Relative humidity	>60%
Rainfall (well-distributed)	2000 mm/year

*\*In areas of uneven distribution of rainfall, irrigation is required.*

*\*Coconut is tolerant of a wide range in intensity and distribution of rainfall.*

*Source: ICAR-Central Plantation Crops Research Institute – India*

- Given the reliance on an agricultural input as our key raw material, optimum climate conditions for coconut growth and yields as determined by the Central Plantation Crops Research Institute in India is given alongside.
- Mean annual temperature in our input sourcing and manufacturing countries

Sri Lanka	28-29°C
Indonesia	25-26°C
Thailand	26.3°C with a seasonal variation of 5.7°C

*Source: World Bank and ADB climate risk country profiles for Sri Lanka, Thailand and Indonesia (2021)*

Water stress		
Haycarb Madampe, Sri Lanka	High	3-4
Haycarb Badalgama, Sri Lanka	High	3-4
Haycarb Palu Mitra, Indonesia (Considered Central Sulawesi)	High	3-4
PT Mapalus Makawanua Charcoal Industry, Indonesia	High	3-4
Carbokarn, Thailand	Extremely High	4-5
Shizuka, Thailand	Medium to High	2-3

*Source: World Resources Institute, <https://www.wri.org/aqueduct>*

- Due to our reliance on water as an input to our operations we consider water stress as an important aspect that has to be monitored and managed.

## OUR QUALITATIVE CLIMATE ASSESSMENT

Scenario	Risk	Outputs of the scenario analysis	Our response
Scenario A – Net zero	Transition risk/ opportunity Technology	<ul style="list-style-type: none"> <li>An orderly transition to a low carbon economy will result in increased clean energy-related policies and regulations.</li> <li>This will increase our compliance costs while requiring us to incur additional capital expenditure to adopt new clean technologies as it emerges particularly in the short-to-medium term.</li> <li>Concessionary funding opportunities may become more readily available, facilitating the adoption of our strategic priorities and potentially reducing our financing costs.</li> <li>On the flipside, growth opportunities for energy storage carbon products will be strongest under this scenario particularly in the short-to-medium term.</li> <li>However, an escalation in global demand for coconut activated carbon products could potentially intensify competition for coconut charcoal, leading to elevated input prices and insufficient supplies to meet the surge in demand.</li> </ul>	<ul style="list-style-type: none"> <li>Under this scenario, our strategic priorities would be as follows,</li> <li>Intensify our efforts to adopt clean technologies and enhance our energy efficiency across our manufacturing operations.</li> <li>Investments in R&amp;D to evolve our energy storage carbon products to meet emerging needs.</li> <li>Enhance business development efforts to establish ourselves in global supply chains for energy storage carbons.</li> <li>Explore new opportunities for securing adequate raw material supplies.</li> </ul>
	Chronic physical risk Temperature	<ul style="list-style-type: none"> <li>Our exposure to a rise in temperature stems primarily from our reliance on an agricultural input.</li> <li>Despite a 2°C temperature increase, the mean annual temperatures in these countries will remain within the optimal temperature range for coconut growth and yield. Moreover, this scenario presents the lowest increase in temperature. Therefore, we do not envisage an impact on coconut growth and yield under this scenario.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable water management, including monitoring and reducing consumption, managing withdrawals in stressed areas, conducting audits, investing in water-saving technologies, and preparing for water-related emergencies</li> </ul>
	Chronic physical risk Precipitation	<ul style="list-style-type: none"> <li>The increase in precipitation in the long term is projected to be the lowest under this scenario. Further, given the resilience of coconut to a wide range in intensity and distribution of rainfall (ICAR-Central Plantation Crops Research Institute – India), we do not envisage a significant impact of precipitation on the coconut crop and yield.</li> <li>Our manufacturing locations are in tropical countries and therefore, the increased risk of extreme precipitation events over these regions could give rise to operational disruptions. However, since the increase in temperature under this scenario is limited to 1°C, we deem this risk is at its lowest under this scenario.</li> </ul>	
	Chronic physical risk Physical water availability	<ul style="list-style-type: none"> <li>Surface, ground, and rainwater are the sources used for industrial and domestic requirements across geographic operational locations. The availability of those sources of water could be impacted by climate change.</li> <li>Drawdown of the groundwater table and drying off of surface water bodies are the outcomes of long-term droughts due to the impacts of climate change. Additionally, excess and heavy rainfall and floods can lead to the deterioration of the usable sources. In the Net Zero scenario, the mentioned potential impacts could be zero or minimal in the short and medium term.</li> </ul>	



# NATURAL CAPITAL

Scenario	Risk	Outputs of the scenario analysis	Our response
Scenario B – Current pathway	Transition risk/ opportunity Technology	<ul style="list-style-type: none"> <li>As transition-supportive policies are anticipated to be less prevalent under this scenario in comparison to Scenario A, the demand for clean technology is expected to be moderate, resulting in a slower pace of adoption.</li> <li>Therefore, capital expenditure and compliance costs incurred in this regard, will be lower under this scenario when compared with Scenario A.</li> <li>Growth opportunities will still remain for energy storage carbon products but it will not be as dominant as under Scenario A.</li> <li>Uncertainty prevails in ascertaining the global demand for coconut charcoal. This will be determined by growing demand across multiple applications as opposed to being driven significantly by energy related activated carbon products.</li> </ul>	<ul style="list-style-type: none"> <li>Under this scenario, our strategic priorities would be as follows,</li> <li>Maintain investments in R&amp;D to evolve our energy storage carbon products will exploring new opportunities in other applications.</li> <li>Build supply chain resilience by diversifying our geographic footprint for raw material sourcing.</li> <li>Moderate emphasis on strengthening the energy resilience of our business.</li> <li>Sustainable water management, including monitoring and reducing consumption, managing withdrawals in stressed areas, conducting audits, investing in water-saving technologies, and preparing for water-related emergencies in a more focused manner.</li> </ul>
	Chronic physical risk Temperature	<ul style="list-style-type: none"> <li>Despite a 2.5°C temperature increase under this scenario, the mean annual temperatures in the countries we source raw materials from will remain within the optimal temperature range for coconut growth and yield. Therefore, we do not envisage an impact on coconut growth and yield under this scenario.</li> </ul>	
	Chronic physical risk Precipitation	<ul style="list-style-type: none"> <li>The increase in precipitation in the long term under this scenario is projected to be higher than under Scenario A. However, given the resilience of coconut to a wide range in intensity and distribution of rainfall (ICAR-Central Plantation Crops Research Institute – India), we do not envisage increased precipitation to have a significant impact on the coconut crop and yield. However, if precipitation is unevenly distributed, this may have implications on the crop and yield.</li> <li>The implications of extreme precipitation events on operational activities at our manufacturing locations will be moderate under this scenario compared with Scenario A.</li> </ul>	
	Chronic physical risk Physical water availability	<ul style="list-style-type: none"> <li>Surface, ground, and rainwater are the sources used for industrial and domestic requirements across geographic operational locations. The availability of those sources of water will be impacted by climate change.</li> <li>Drawdown of the groundwater table and drying off of surface water bodies are the outcomes of long-term droughts due to the impacts of climate change. Additionally, excess and heavy rainfall and floods will lead to the deterioration of the usable sources.</li> </ul>	

Scenario	Risk	Outputs of the scenario analysis	Our response
Scenario C – Divergence	Transition risk/ opportunity Technology	<ul style="list-style-type: none"> <li>Since no specific climate interventions will be implemented, the adoption of clean technology will be determined by financial feasibility. Moreover, the speed of development of clean technology will also be much slower than in Scenarios A and B as no incentives will be provided for its development and adoption.</li> </ul>	<ul style="list-style-type: none"> <li>Under this scenario, our strategic priorities would be as follows,</li> <li>Diversify our activated product portfolio across multiple applications.</li> </ul>
	Chronic physical risk Temperature	<ul style="list-style-type: none"> <li>A temperature increases of exceeding 2.5°C will now place almost all countries beyond the upper bound of the optimal temperature range for coconut growth and yield. Temperature increases beyond this point may begin to adversely affect yield, thereby impacting the supply of our key raw material. This could lead to an increase in our input prices.</li> </ul>	<ul style="list-style-type: none"> <li>Diversify our supply chains to mitigate risks associated with reductions in coconut crop yields and extreme precipitation events.</li> </ul>
	Chronic physical risk Precipitation	<ul style="list-style-type: none"> <li>The increase in precipitation in the long term under this scenario is projected to be the highest under this scenario. The coconut crop is resilient to a wide range of intensity and distribution of rainfall (ICAR-Central Plantation Crops Research Institute – India) and therefore the increase alone may not impact yields. However, the likelihood that precipitation will be uneven increases given the increased prevalence of extreme precipitation events under this scenario. This could affect the coconut crop and yield.</li> <li>The implications of extreme precipitation events on operational activities at our manufacturing locations is highest under this scenario.</li> </ul>	<ul style="list-style-type: none"> <li>Diversify the geographic distribution of our manufacturing locations to mitigate operational disruptions caused by extreme precipitation events.</li> <li>Measures to mitigate financial losses due to operational disruptions caused and damage to property caused by extreme weather events.</li> </ul>
	Chronic physical risk Physical water availability	<ul style="list-style-type: none"> <li>The availability of water in the required quantity and quality will be impacted. The same will impact operation continuity; in the worst-case scenario, washing operations will be impacted.</li> </ul>	<ul style="list-style-type: none"> <li>Process water recycling, additional water sourcing locations, Shifting the washing intensity of operations (in the worst case), research &amp; development for reduction of water consumption for production.</li> </ul>

# NATURAL CAPITAL

## WATER AND EFFLUENT MANAGEMENT

GRI 303-1 to 5 RT-CH-140a.2, 3

Our interaction with water is primarily in both direct operations as water is critical for the washing process of activated carbon, activation process and domestic consumption for employees. Operating in water-stressed locations in Sri Lanka (classified as highly stressed by the Food and Agriculture Organisation) and medium-to-high stress regions in Thailand and Indonesia (as classified by the World Resource Institute's Aqueduct Water Risk Atlas) exposes the Group to medium-to-long term risks associated with water

scarcity, increases in water sourcing costs and potential operational disruptions arising from changes in precipitation patterns as a result of climate change. We source water from various sources as given below. At present we do not face strict monitoring mechanism by the governments, stakeholder concerns or competition for water resources in the regions we operate in. However, these risks may emerge over the medium to long term. Therefore, we are focusing our water management initiatives on optimizing usage, recycling and tapping sustainable water sourcing.

Our processes also generate wastewater which requires treatment prior to discharge. Compliance with all relevant environmental standards in the countries we operate mitigated legal and financial risks associated with non-compliance which could arise across all time frames and result in reputational damage. No incidents of non-compliance with water quality permits, standards and regulations occurred during the year under review.

Our water withdrawal, consumption and effluent management related metrics for the year under review are given below.

Water withdrawal, consumption and Effluents	UOM	2023/24	2022/23	y-o-y % change
<b>Water withdrawal and consumption</b>				
Surface water	m <sup>3</sup>	429,191	445,099	(4%)
Ground water	m <sup>3</sup>	250,156	198,885	25%
Rainwater	m <sup>3</sup>	45,839	-	100%
Municipal water	m <sup>3</sup>	7,448	5,699	31%
<b>Total water consumed</b>	m <sup>3</sup>	<b>732,634</b>	649,683	13%
<b>Total water withdrawn</b>	m <sup>3</sup>	<b>732,634</b>	649,683	
Water intensity per revenue Rs Mn	m <sup>3</sup>	16.97	10.66	59%
<b>Effluents</b>				
Surface water	m <sup>3</sup>	250,411	205,992	22%
Ground water	m <sup>3</sup>	18,668	17,179	9%
<b>Total wastewater discharged</b>	m <sup>3</sup>	<b>269,079</b>	223,171	21%



**We harvested rainwater and collected over 45,839 m<sup>3</sup> during the year. This method fulfilled 6% of water needs for our operations**

Our water management aspirations focus on conserving and optimising water usage, increasing dependencies on sustainable water sourcing and exploring new avenues for recycling and reusing water. We have implemented methods for blackwater recycling and reducing water withdrawal and consumption through collection methods such as commercial rainwater harvesting, installation of sensor operated/low flow taps, waste water recycling for gardening.



Key initiatives implemented during the year under review include,



We conducted pump tests within the factories in Sri Lanka in collaboration with the Water Resource Board for water sourced to ascertain the sustainable water extraction yield. This study provided us the data to drive towards the sustainable consumption of our ground water resources.



Expanded the capacity of the reservoir at the Shizuka factory in Thailand by 52,146 m<sup>3</sup> to increase rain water harvesting. This system fulfils 100% of water needs at the factory.



We also collaborated with the communities in Sri Lanka to utilise abandoned brick pits to harvest rainwater and collected over 6,500 m<sup>3</sup> from November 2023 onwards. This method currently fulfilled 9% of water needs at the Badalgama factory, for the year under review.



Effluents generated from our operations are treated at effluent treatment plants located at all manufacturing locations prior to responsible discharge. Treated waste water quality is monitored on an ongoing basis and has consistently been within the parameters specified by the environmental authorities in Sri Lanka and overseas. Third party accredited laboratory testings are carried out periodically to ensure compliance with all regulatory requirements.

# NATURAL CAPITAL

Reflecting our commitment to the sustainable consumption of water, our gaols and performance during the year under review in relation to sustainable water sourcing and consumption and reductions in water intensity and wastewater generation as given below. These goals are benchmarked against our performance in 2022/23.

## 2030 Target



- 10% sustainable water sourcing across the Group.
- 15% water usage dedicated to reuse and recycling sustainable practices.
- 30% reduction in group water intensity.
- 10% reduction in wastewater generated.

2023/24

### Interim target vs actual performance

	Interim target	Actual performance	Achieved / Missed / On track
Sustainable water sourcing across the Group (Litres '000)	1.4%	45,839 (6%)	
Water usage dedicated to reuse and recycling sustainable practices (Litres '000)	2%	12,318 (2%)	
Reduction in water intensity per revenue Rs.Mn	4%	16.97 m³ (↑59%)	
Reduction in wastewater generated per revenue Rs.Mn	1.4%	6.22 m³ (↑70%)	

2022/23

### Baseline performance

	2022/23
Sustainable water sourcing across the Group (Litres' 000)	-
Water usage dedicated to reuse and recycling sustainable practices (Litres' 000)	-
Group water intensity per revenue Rs. Mn	10.66 m³
Total wastewater generated per revenue Rs. Mn	3.66 m³



## WASTE MANAGEMENT

GRI 306-1 to 5 RT-CH-150a.1

The waste generated from our manufacturing process comprises primarily with charcoal powder, paper, cardboard, polythene, stones (from destoners) and sweeping waste which is deemed non-hazardous. The countries we operate in have specific regulations for waste management, which exposes the group to risks associated with non-compliance across all time periods. Waste disposal-related stringent regulations in Sri Lanka include the prevention of open dumping and open burning of waste materials that can harm the environment and communities, with similar approaches in other operating countries as well.



**Aligned with our commitment to responsible consumption of resources and waste reduction, our processes are guided by the 7R principles of Reduce, Reuse, Reclaim, Replace, Repair, Recycle and Reject**

Given the regulatory environment associated with waste management, we have implemented stringent measures to ensure applicable compliance requirements in all of our operations. Waste is segregated properly at the points of generation and stored securely. Approximately 86.6% of waste is recycled and reused while adhering to internal policies, procedures and legal requirements.. Biodegradable

waste generated in factory premises are composted. Hazardous waste generated in the reporting period was managed in full compliance with all relevant regulatory requirements and internal policies and procedures. There were no incidents related to non compliance recorded during the year under review

Our waste related metrics for the year under review is given below.

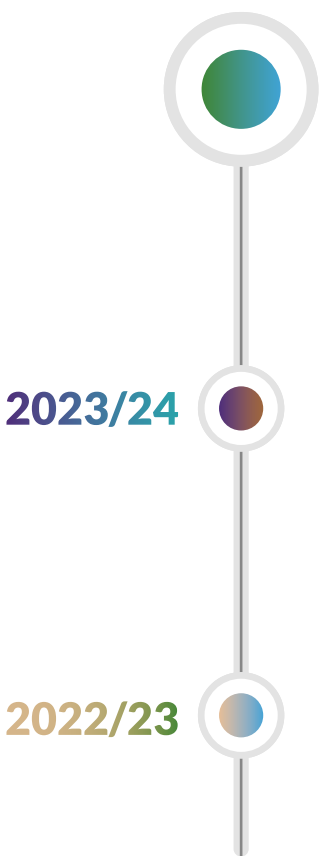
Waste	UOM	2023/24	2022/23	y-o-y % change
Waste diverted from disposal				
Composting	Kg	60,813	39,555	54%
Recycled	Kg	1,504,027	688,146	119%
Reused	Kg	3,178,731	4,765,226	(33%)
Waste diverted to disposal	Kg	658,413	1,095,599	40%
Hazardous waste generated through our operations	Kg	1,200	-	100%

Aligned with our commitment to responsible consumption of resources and waste reduction, our processes are guided by the 7R principles of Reduce, Reuse, Reclaim, Replace, Repair, Recycle and Reject. Waste minimisation practices include improving resource efficiency through lean manufacturing process innovation and the use of tools such as Life Cycle Assessment (LCA) practices. In addition to ensuring the proper segregation of all categories of

process and non-process waste, minimising waste generation across all touch points and conducting regular waste audits, we are also committed to promoting zero landfilling practices through agreements with third-parties including waste collectors and disposers. Waste management information is tracked and monitored on an ongoing basis to drive continuous improvements and ensure progress to targets.

Our waste related 2030 goals and performance in 2022/23 are set out below. Performance in 2022/23 has been established as the baseline.

# NATURAL CAPITAL



## 2030 Target



- 15% reduction of solid waste generated.

### Interim target vs actual performance

	Interim target	Actual performance	Achieved / Missed / On track
Reduction in solid waste generated per revenue Rs.Mn	2.1%	0.12 Mt (↑16%)	

### Baseline performance

	2022/23
Solid waste generated per revenue Rs.Mn	0.11 Mt

## CONSERVING NATURAL ECOSYSTEMS

GRI 304-2

### Behold the Turtle – Sea turtle conservation initiative

We continued to contribute towards the conservation of endangered and critically endangered sea turtles of Sri Lanka through our collaboration with the Department of wild life conservation, Sri Lanka. This project is carried out at the Kumana National Park and entails,

- The preservation of sea turtle eggs.
- Assisting hatchlings' return to the sea
- Counting and record keeping of the different species of sea turtles and their eggs
- Maintenance of the hatchery and lodge.

Turtle species	No. of hatchings
Loggerhead turtle	390
Olive ridley turtle	1,066
Hawksbill turtle	427
Green turtle	47
Other	2,293
	4,223



### Tree planting initiatives

In efforts to combat climate change, the Group engaged in several tree planting initiatives during the year. A brief summary of these initiatives are given below.

- In collaboration with the Coconut Development Authority and Coconut Cultivation Board, Haycarb engaged in coconut tree planting initiative. The goal is to plant 67,500 coconut trees in the Northern region of Sri Lanka, specifically in Mullaitivu, Kilinochchi and Jaffna. This initiative plays a crucial role in a broader national effort to establish a second coconut triangle. Phase one of the project commenced in Iyakachchi, Jaffna, with the distribution of 25,000 coconut seedlings.
- Fruit tree planting project in Madampe factory premises.
- On the occasion of World Coconut Day, Haycarb factories planted over 200 coconut trees, distributed over 2,000 coconut plants to our employees.

### Butterfly and medical plant garden

We have developed a butterfly/ dragonfly and medicinal plant garden in Badalgama factory premises, 27 perches in extent. There are more than 70 medicinal plant species planted in the garden while more than 08 butterfly species are found in the area.







# INTELLECTUAL CAPITAL



Our commitment to future-focused innovation has enabled the development of a range of products, services and processes that contribute to a more sustainable tomorrow. A strong new product pipeline underpinned by strategic innovation, digitisation and continuous improvement of processes, and a brand synonymous with technical and manufacturing excellence has positioned the Group for future growth



## OUR INTELLECTUAL CAPITAL

### FUTURE FOCUSED INNOVATION

Underpinned by a highly skilled, multi-disciplinary team and tacit knowledge garnered over 50 years of operations.



### THE HAYCARB BRAND

Which embodies customer centricity, technical excellence, innovation, and sustainability.

### PATENTS AND PROPRIETARY PROCESSES

### DIGITAL INFRASTRUCTURE

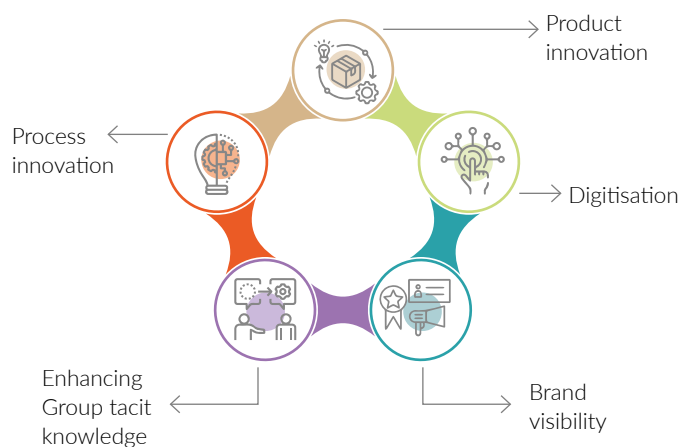
>25

CERTIFICATIONS

### A BROAD AND FUTURE FOCUSED PRODUCT RANGE THAT CATERS TO ALMOST EVERY ACTIVATED CARBON APPLICATIONS

- >1,500 activated carbon products
- >100 Environmental Engineering products and solutions.

## FOCAL AREAS IN 2023/24



- Research and development investment – Rs. 231.4 Mn
- Training and development investment – Rs. 11.3 Mn
- Digital technology investment – Rs. 23.9 Mn
- Strategic marketing expenses – Rs106.7 Mn

## VALUE CREATED IN 2023/24

- Future-focused R&D initiatives strengthened our product pipeline through strategic research and development efforts aimed at capturing emerging opportunities.
- Process excellence through compliance with a range of certifications.
- Strengthened Group tacit knowledge through knowledge sharing and investments in training and development.
- Enhanced brand visibility in the global arena through strategic marketing initiatives.
- Invested in a state of the art Electro-chemical laboratory to strengthen R&D capabilities.
- No. of new products launched – **14**
- Revenue from new products – **Rs.478.8 Mn**
- Training hours per employee – **12.1 Hrs**

## CAPITAL TRADE-OFFS

- Building a strong product pipeline through innovation, adoption of digital platforms and technology, strengthening organisational tacit knowledge and enhancing the visibility of our brand requires the investment of financial resources, thereby adversely impacting Financial Capital in the short-term.
- However, in the long-term, these investments will facilitate growth and thereby strengthen Financial Capital.
- Investments in product innovation and technology that enhances the convenience of customers will strengthen relationships with customers,

## WAY FORWARD

- Ongoing emphasis on enhancing our product pipeline through strategic research and development investments aligned with emerging needs.
- Increased emphasis on integrating technology and AI tools into our processes to facilitate data driven decision making
- Process innovation and excellence in adherence with a range of external accreditations.
- Strengthening the tacit knowledge of the Group through our strategic focus on creating a learning organisation.

### LINK WITH MATERIAL TOPICS:

M6, M15, M13, M2, M5

### LINK WITH KEY RISKS AND OPPORTUNITIES / SRROS / CRROS

R7, R8, O1, O3, O4, O5

### ALIGNMENT WITH STRATEGIC PRIORITIES



### CONTRIBUTION TO SDGS



# INTELLECTUAL CAPITAL

## MANAGEMENT APPROACH

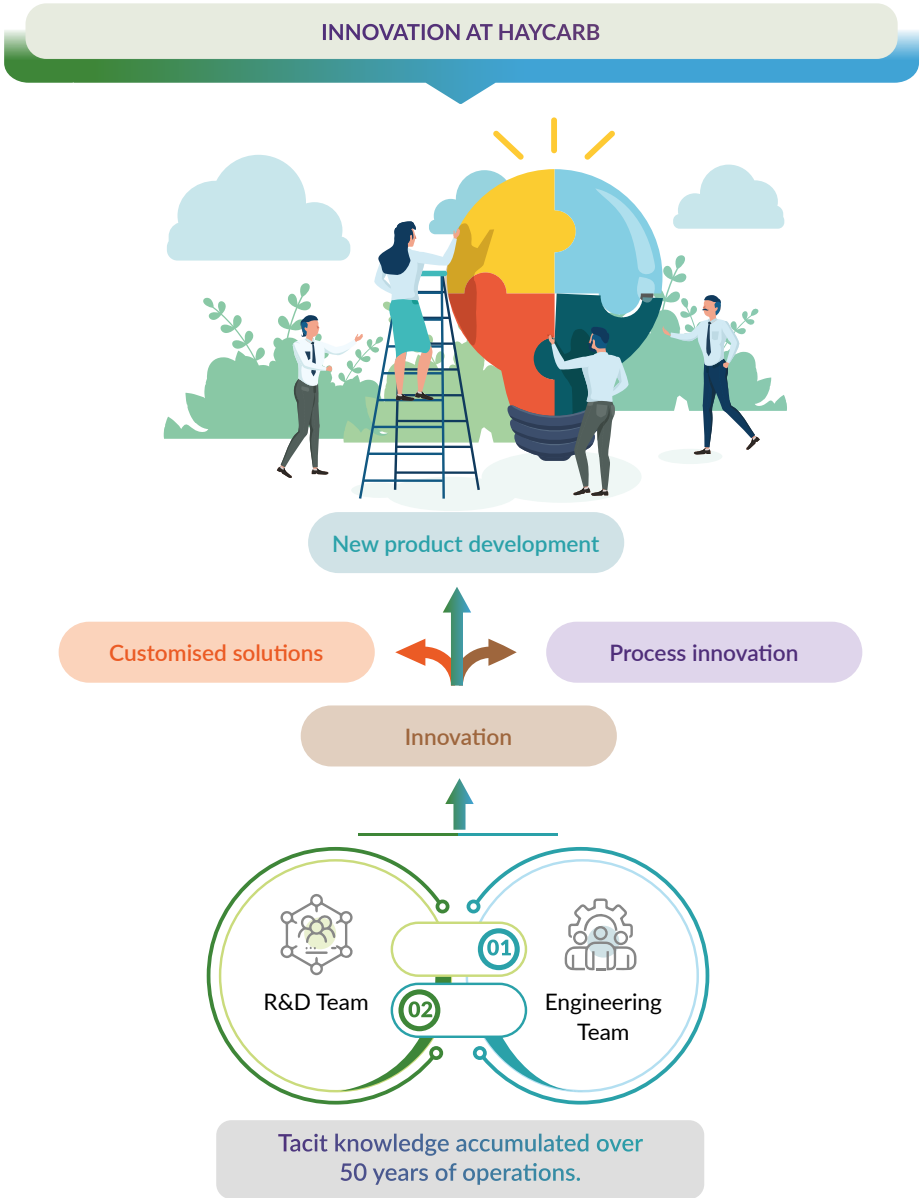
Haycarb adopts a strategic approach to managing its Intellectual Capital, fostering a culture of innovation aligned with its strategic objectives, sustainability goals and market trends. Our Innovation policy guides our innovation process, promoting creativity and supporting new product development and process improvements. Moreover, our Information Security policy governs our commitment towards safeguarding information assets and protecting the confidentiality, integrity and availability of information.

## CAPACITY TO INNOVATE

Haycarb's commitment to innovation is driven by the combined expertise of its R&D and engineering teams and is underpinned by the Group's unique knowledge base accumulated over 5 decades of operations in the activated carbon industry.

Our highly skilled R&D and engineering team, comprises engineers and chemists who drive product innovation for emerging applications in the activated carbon industry and collaborates closely with customers to tailor solutions to fulfil specific needs. Customer-centric innovation has contributed to a robust product portfolio that aligns with emerging applications with a strong pipeline of new products in development. This has enabled us to retain our competitive edge in an intensely competitive industry and positioned us for future growth.

Our in-house R&D and engineering teams, drive our machine and process innovations. Their expertise extends to re-engineering and re-purposing existing machinery to meet the requirements of our manufacturing process enhancing the sustainability of our operations while optimising our capital expenditure.

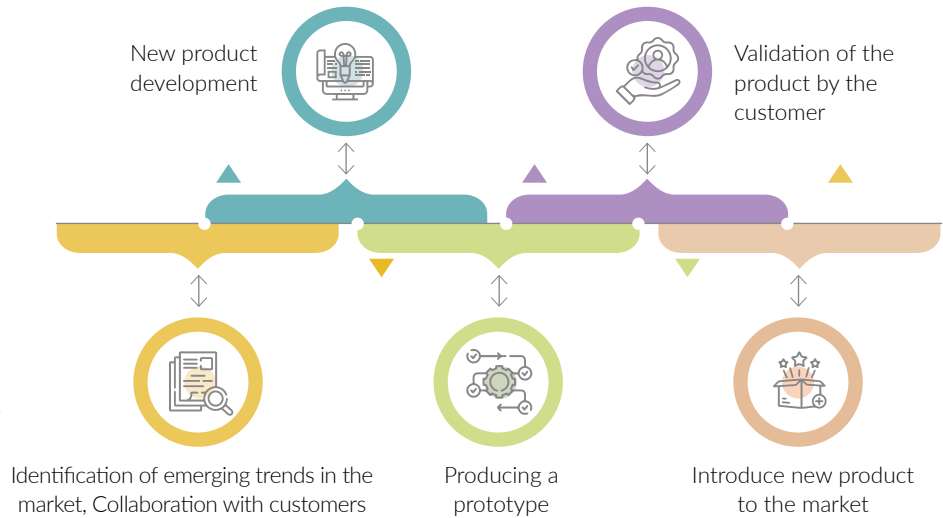


Extensive tacit knowledge has enabled us to anticipate emerging opportunities in the activated carbon industry and strategically direct our innovation efforts. Our strategic focus on creating a learning organisation and enhancing employee retention through

a strong employee value proposition facilitates the retention of our unique knowledge base and strengthens our long-term innovation capability.

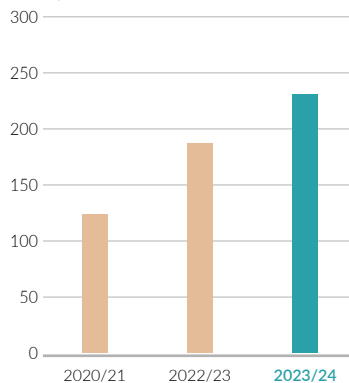


**Haycarb's commitment to innovation is driven by the combined expertise of its R&D and engineering teams and is underpinned by the Group's unique knowledge base accumulated over 5 decades of operations in the activated carbon industry**

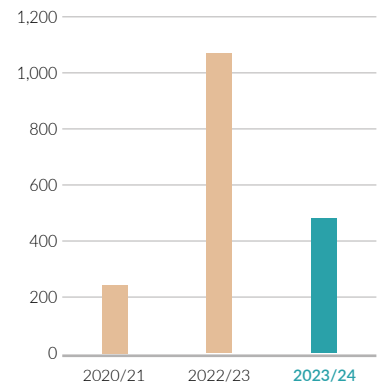


#### NEW PRODUCT DEVELOPMENT PROCESS

Investment in R&D  
(Rs Mn)



Revenue from new products



#### FUTURE FOCUSED PRODUCT RANGE

Our new product development investments are strategically aimed at capturing opportunities in emerging applications driven by the global shift towards a more sustainable future, including the transition to a low carbon economy, increased resource efficiency and more stringent ESG regulations. Highlights of our product pipeline is given below.



**14**

New products launched in 2023/24

#### New Products

- Unique blend of activated carbon for POU filters
- Specialized sized product developed for water filter applications
- PFOA removal in water filter applications
- High active specialized size carbon developed for respirator applications
- Special wood based super premium blended with Coconut shell based catalytic carbon
- Special wood based super premium carbon for PFOA/PFOS removal, blended with Coconut shell based carbon to enhance Lead removal capacity
- Special size wood based super premium carbon
- ASTM 20X50 size ,medium active grade product for water filter applications
- Very high active specialized size product developed for clean room application
- New product developed for water filters & Carbon block filters
- High active cabin air carbon developed for car cabin filters
- High capacity EN products for gas phasa applications
- Special product grades developed for specialized applications.
- Pellet carbon developed for unpleasant odor removal

# INTELLECTUAL CAPITAL

## TECHNOLOGY FOCUS

Recognising the potential of technology in enhancing, optimising and increasing the efficiency of processes, Haycarb has placed increased emphasis on implementing new technologies including digital platforms. The Group presently has in place, SAP ERP system and other software applications to facilitate data exchange, optimise workflows and improve information analysis reporting across business processes.

During the year under review the following initiatives were implemented:

- The latest EHP upgrade to existing SAP servers
- Implementation of SAP S/4 HANA for the Environmental Engineering business segment.



These investments complement existing customer-centric digital infrastructure including, the Haycarb Virtual Experience platform and the systems that support the automation of key processes related to raw material procurement implemented last year in Sri Lanka.



## KEY AREAS OF FOCUS IN THE YEAR AHEAD INCLUDE



### PRODUCT AND PROCESS INNOVATION

- R&D initiatives to develop new products and improve processes aimed at enhancing customer value proposition and drive sustainable mindset.



### INFORMATION SYSTEMS UPGRADE AND INTEGRATION

- Upgrade and integrate information systems with latest digitalization platforms through projects such as production data capture digitalization, upgrade SAP ERP system and standardize ERP solutions across manufacturing entities and use of CRM solutions and AI technologies to improve efficiency of customer interface. These initiatives are expected to improve efficiencies, reduce response times and facilitate insightful decision making.

## IT AND CYBER SECURITY GOVERNANCE

GRI 418-1

To ensure the security of our systems, we have established a robust governance structure to manage our technology and information assets. Emerging cyber security risks, the probability of its occurrence and potential impacts on our business are evaluated on a quarterly basis and actions plans are updated accordingly by the Haycarb IT team. The effectiveness of our evaluation process and adequacy of mitigation plans are evaluated by the Board Audit Committee on a quarterly basis and any deviations or threats are escalated to the Board of Directors.

Haycarb's management of cyber security is also overseen by the Hayleys Group IT Division and Chief Information Security Officer. The Heads of IT Divisions within the Hayleys Group meet monthly to assess emerging threats, new developments in security guidelines and industry best practices.

Our commitment to maintaining effective information security practices throughout our organisation is outlined in our Information Security policy. We recognise the criticality of protecting customer data and have implemented a comprehensive IT security plan accordingly. We use an

array of data security tools and servers to protect critical user data and prevent data loss. External auditors conduct audits on a periodic basis to identify risks. Employees are also trained to protect against user related risks. We also perform annual disaster recovery drills of our core systems to ensure business continuity. During the year under review, no occurrences of system security breaches, data losses, breaches of customer privacy or losses of customer data were reported.

Members of our IT team receive regular training to stay abreast of the latest developments related to cyber security.

# INTELLECTUAL CAPITAL



To ensure the security of our systems, we have established a robust governance structure to manage our technology and information assets



## Group IT policy

- Group Connectivity
- Disaster recovery plans
- External security audits
- Backup & Recovery
- IT Equipment & Software procurement, maintenance, use and disposal
- Access Control and Management
- System Communications and Networks Management

## Group information security policy

- Confirmation of information
- Confidentiality, availability and integrity of information
- Protection of information from unauthorised access
- Information security training
- Reporting breaches of information security
- Regulatory requirements
- Business continuity plans
- IT policy embedded in to employee induction programme

## Guidelines for corporate website

- Guidelines for secure web development
- Guidelines for web hosting Enforcement

### THE HAYCARB BRAND

Haycarb's 50-year legacy of manufacturing and technical excellence coupled with its commitment to innovation and customer-centricity has established it as a leader in the coconut shell activated carbon industry

with a strong 16% global market share. We proactively invested in building the strength of our brand during the year, through strategic marketing initiatives driven by our marketing and business development teams based in Colombo and overseas,

participation in global trade shows and industrial exhibitions and leveraging digital marketing tools. Our strong focus on sustainability enables further differentiation, positioning Haycarb as the preferred manufacturer within the coconut shell activated carbon industry.

## OUR BRAND ATTRIBUTES



## PROCESS INNOVATION

Process innovation at Haycarb centres on enhancing operational efficiency and productivity and minimising our environmental footprint. Key process innovations during the year under review include,

- Optimizing air treatment production facility with improved feeding system
- Optimization of process path of activated carbon for point of use carbon filter blocks
- Reduction in fuel consumption of charcoal and carbon dryers
- Improving the yield of gold carbon production process
- Improving yield of the water and acid washing process





# INTELLECTUAL CAPITAL

## PROCESS EXCELLENCE CERTIFICATIONS

Haycarb complies with a range of local and international certifications in quality,

food safety environmental management and occupational health and safety. Compliance with certifications enables the benchmarking of our processes to

international best practices while providing assurance to third parties about our business processes. The key certifications and affiliations are listed below.

### CERTIFICATIONS

Haycarb Group	Quality Management	Food Safety Management	Environmental Management	Occupational health and safety
<b>Haycarb Sri Lanka</b>	<ul style="list-style-type: none"> <li>ISO 9001:2015 Recertification by SLSI – Sri Lanka</li> </ul>	<ul style="list-style-type: none"> <li>ISO 22000:2018 Certification from SGS – Sri Lanka</li> <li>HACCP Certification from SGS – Sri Lanka</li> <li>GMP Certification from SGS – Sri Lanka</li> <li>Halal Certification from the Halal Accreditation Council</li> <li>KOSHER Certification Orthodox Union – USA</li> <li>NSF Product Certification by NSF International USA</li> </ul>	<ul style="list-style-type: none"> <li>ISO 14001:2015 Recertification by SGS – Sri Lanka</li> <li>WQA Sustainability Certification WQA – USA</li> </ul>	<ul style="list-style-type: none"> <li>ISO 45001:2018 Occupational health and safety</li> </ul>
<b>PT Mapalus Makawanua Charcoal Industry – Indonesia</b>	<ul style="list-style-type: none"> <li>ISO 9001: 2015 Recertification by SLSI – Sri Lanka</li> </ul>	<ul style="list-style-type: none"> <li>Halal Certification from the Halal Accreditation Council</li> <li>KOSHER Certification Orthodox Union – USA</li> <li>NSF Product Certification by NSF International USA</li> </ul>	<ul style="list-style-type: none"> <li>ISO 14001: 2015 Certification by SLSI – Sri Lanka</li> </ul>	
<b>Haycarb Palu Mitra – Indonesia</b>	<ul style="list-style-type: none"> <li>ISO 9001: 2015 Recertification by SLSI – Sri Lanka</li> </ul>	<ul style="list-style-type: none"> <li>Halal Certification from the Halal Accreditation Council</li> <li>NSF Product Certification by NSF International USA</li> </ul>	<ul style="list-style-type: none"> <li>ISO 14001: 2015 Certification by SLSI – Sri Lanka</li> </ul>	
<b>Carbokarn – Thailand</b>	<ul style="list-style-type: none"> <li>ISO 9001: 2015 Recertification by SGS – Thailand</li> </ul>	<ul style="list-style-type: none"> <li>NSF Product Certification by NSF International USA</li> <li>Halal Certification</li> </ul>	<ul style="list-style-type: none"> <li>ISO 14001: 2015 Recertification by SLSI – Sri Lanka</li> </ul>	
<b>CK Regen Systems – Thailand</b>	<ul style="list-style-type: none"> <li>ISO 9001:2015 Recertification by SGS – Thailand</li> </ul>		<ul style="list-style-type: none"> <li>ISO 14001:2015 Recertification by SLSI – Sri Lanka</li> </ul>	
<b>Shizuka – Thailand</b>	<ul style="list-style-type: none"> <li>ISO 9001: 2015 Recertification by SGS – Thailand</li> </ul>			

Haycarb Group	Quality Management	Food Safety Management	Environmental Management	Occupational health and safety
Eurocarb Products – UK	<ul style="list-style-type: none"><li>• ISO 9001: 2015 Certification</li><li>• REACH registration</li></ul>			
Puritas Sri Lanka	<ul style="list-style-type: none"><li>• ISO 9001: 2015 Recertification by SLSI – Sri Lanka</li><li>• C2 Grade on Main Construction Contractor's Registration – CIDA Sri Lanka</li><li>• EM1 Grade on Specialist Construction Contractor's Registration – CIDA Sri Lanka</li></ul>			
<div></div> <div></div>				



## HUMAN CAPITAL



The unwavering dedication and expertise of the Haycarb team serve as the foundation upon which we drive our strategic aspirations and foster innovation. We are committed to empowering our team with the knowledge, skills and opportunities they need to reach their full potential within a thriving work environment that prioritises their well-being



### OUR HUMAN CAPITAL

# 1933

Employees across  
7 countries

**63%** in Sri Lanka

**37%** overseas

## 463

staff with over 10  
years of service

## 92%

Permanent employee  
retention rate

## 14%

female  
representation

## 280

New  
recruits

### FOCAL AREAS IN 2023/24



- Investment in employee well-being in 2023/24: Rs 6.9Mn
- Investment in training and development in 2023/24: Rs 11.3 Mn (+54%)

## VALUE CREATED IN 2023/24

- Re-organization of the HR function to improve the implementation of our HR strategy and enhance responsiveness to employee needs.
- Established Haycarb's own policies for grievance handling and remuneration in conjunction with the development of our ESG Roadmap 2030, "Activate".
- Continuous improvements to occupational health and safety and numerous programmes to enhance overall employee well-being.
- Ongoing emphasis on creating a learning organization through a multitude of training and development opportunities and fostering employee empowerment.
- Targeted development programmes to nurture the growth of middle management for senior leadership roles.
- Strengthened employee engagement through one-on-one meetings between the HR department and employees.

1. Payments to employees in 2023/24: **Rs 5.4 Bn (+15%)**
2. Training hours per employee in 2023/24: **12.1 (+36%)**
3. Investment in occupational health and safety in 2023/24: **> Rs. 100Mn**
4. One-on-one meetings with **49% of our factory level employees**

## CAPITAL TRADE-OFFS

- Increased investments in Human Capital have short-term negative implications on Financial Capital.
- However, in the long-term, investments in Human Capital will strengthen Financial Capital as it enables the retention of high performing talent, required to meet organizational strategic objectives.
- Investments in Human Capital also strengthens Intellectual Capital as it drives innovation and enhances organizational tacit knowledge.

## WAY FORWARD

- Strategic emphasis on acquiring and retaining high-performing talent.
- Ongoing emphasis on employee wellbeing.
- Upskilling employees to facilitate the integration of technology into work practices.
- Ongoing emphasis on training and development in alignment with strategic objectives.
- Ongoing focus on employee engagement.
- Support a performance driven culture with opportunities for career progression.
- Continue to focus on diversity, equity and inclusion within the workforce.

### LINK WITH MATERIAL TOPICS:

M3, M8, M12, M16

### LINK WITH KEY RISKS AND OPPORTUNITIES / SRROS / CRROS

R6, R12, R14, R15

### ALIGNMENT WITH STRATEGIC PRIORITIES



### CONTRIBUTION TO SDGS



# HUMAN CAPITAL

## OUR ESG ASPIRATIONS AND PROGRESS MADE IN 2023/24.

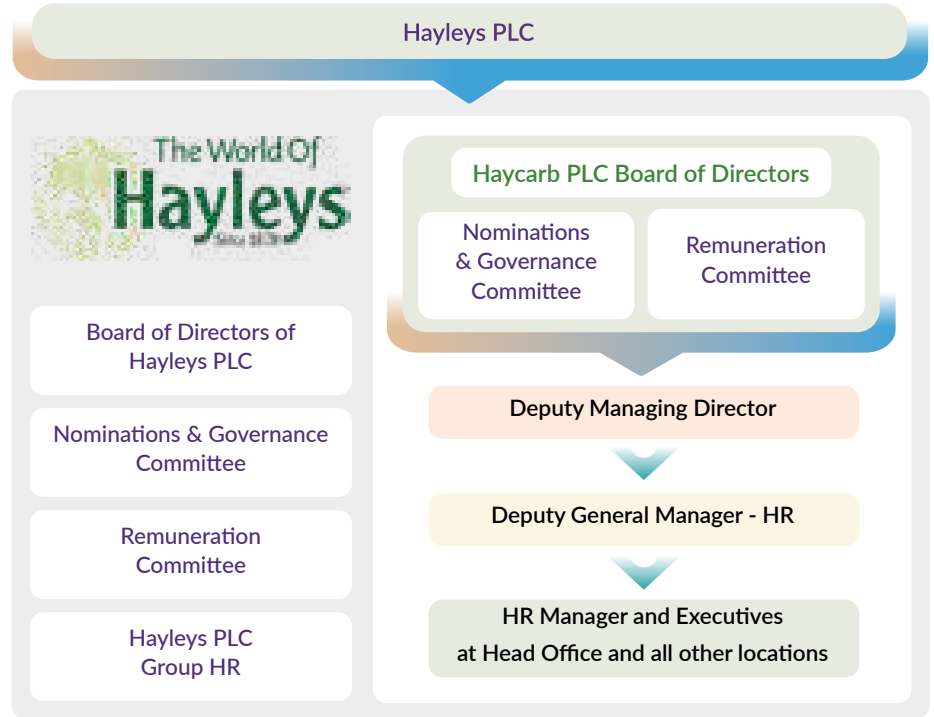


## HR GOVERNANCE

Haycarb's approach to people management is aligned to its parent entity Hayleys PLC. Our HR policies, procedures and practices adhere to all regulatory requirements of the countries we operate in and also align with global best practice on human rights and child labour through our membership in the United Nations Global Compact. During the year, Haycarb re-organised its HR function to improve the implementation of its HR strategy in alignment with organisational strategic objectives while enhancing responsiveness to employee needs.

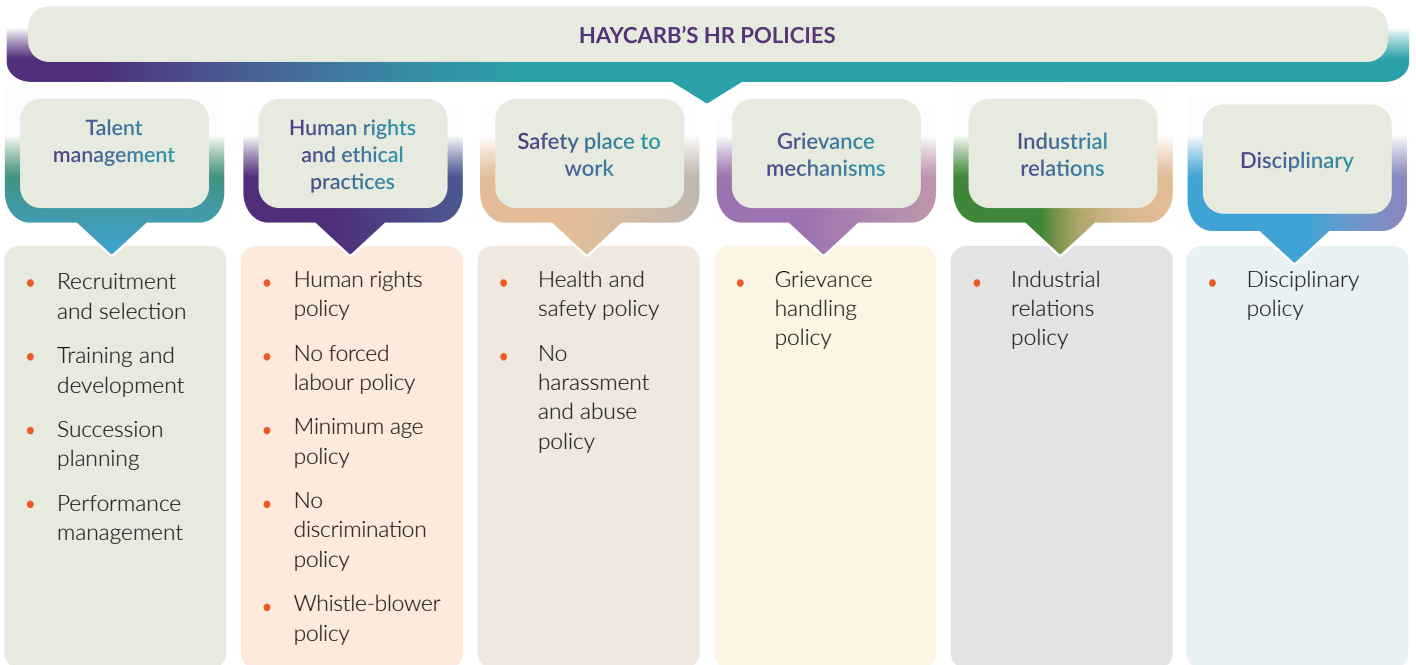
HR related matters at production facilities is managed by the HR departments located on-site with oversight from head office.

Formulation of HR policies is centralised at the Head Office in Sri Lanka and cascaded down by the Head of HR to HR representatives at each manufacturing location. HR policy formulation takes into consideration regulatory requirements, policies established by the Hayleys Group and industry best practice.



The Group's policy framework includes policies for the prevention of child labour and forced or compulsory labour. Haycarb

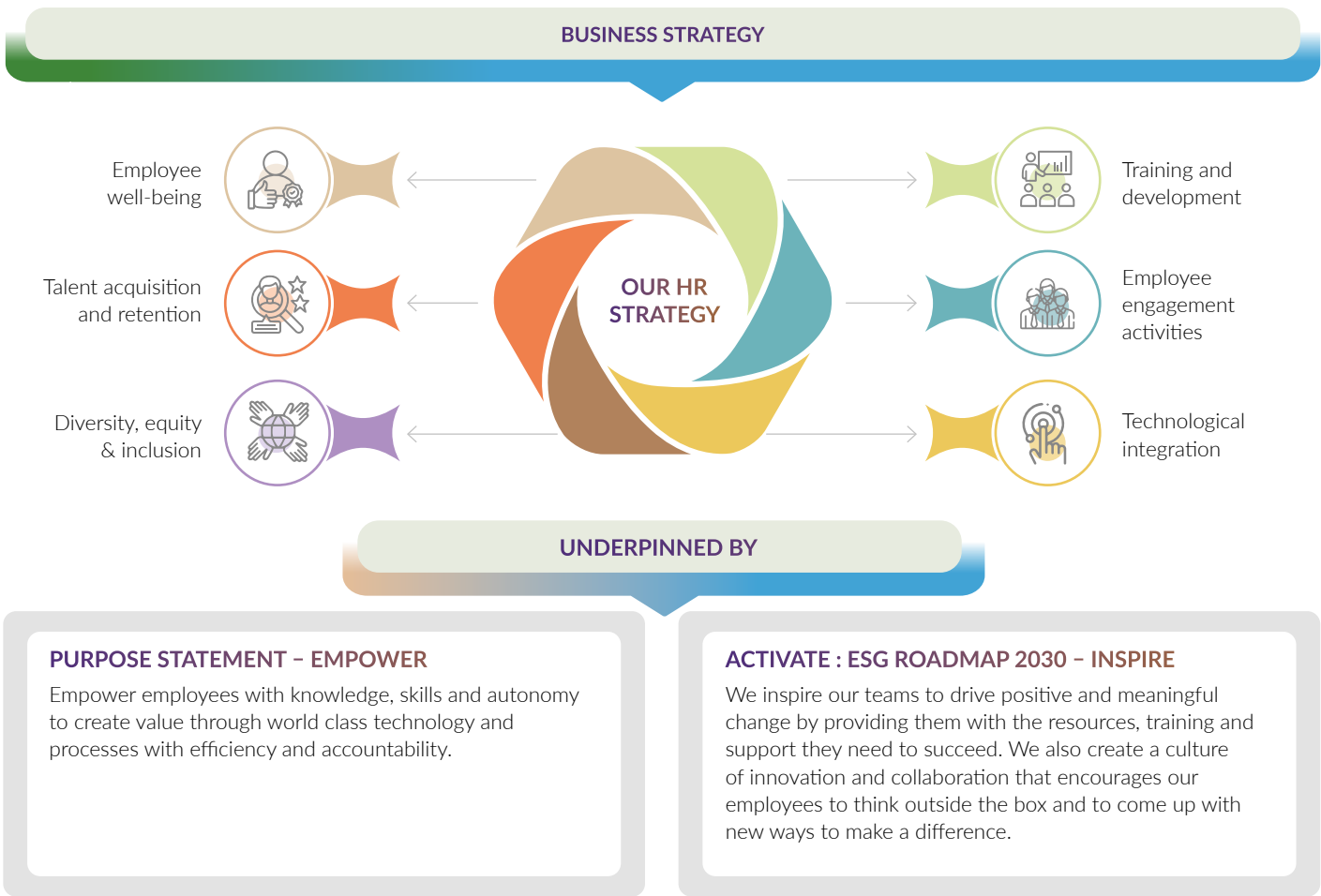
established its own policies for grievance handling and remuneration in 2023/24. Haycarb's HR policies are given below.



# HUMAN CAPITAL

## OUR HR STRATEGY

Our HR strategy is guided by our long-term strategic objectives and is underpinned by our purpose statement and aligned with our ESG aspirations as articulated in Activate.

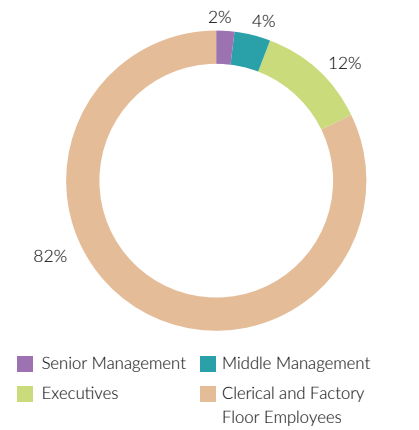


## TEAM PROFILE

GRI 2-7, 8, 405-1, 408-1, 411-1

Team Haycarb comprises 1933 employees across 7 countries with approximately 63% based in Sri Lanka. Of its team of 1933 employees 1584 are employed on a permanent basis\*. The Group does not employ staff on part-time and non guaranteed basis. Outsourced staff amounted to 467 during the year under review and managed non-core activities at production locations. Further, there is no significant fluctuations in the number of employees during the reporting period or between reporting periods. We do not sanction child labour or forced / compulsory labour within our organisation and no incidents were reported during the year.

Team composition by employee categories

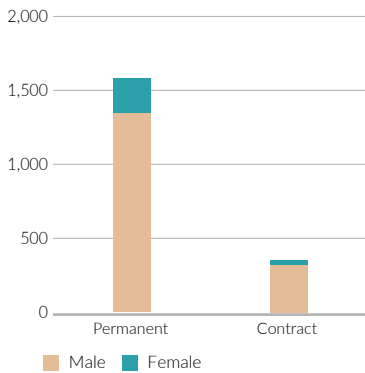


Approximately 94%\* of the Group's cadre are employed at its manufacturing facilities located in Sri Lanka, Indonesia, and Thailand. Approximately 100%, 83% and 86% of positions in senior management (Assistant Manager and above) at Sri Lanka, Indonesia and Thailand are held by individuals from the respective countries. Further, the Group do not have indigenous peoples among its workforce or operations.

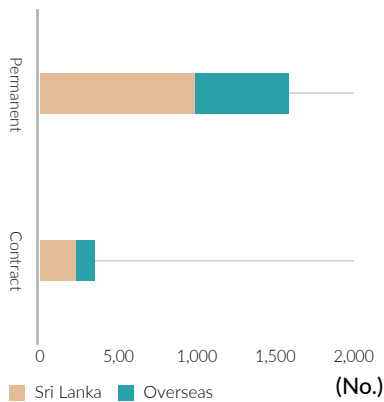
\* These figures are given as head count at the end of the reporting period to comply with the GRI requirement

### Employees by contract and gender

(No.)



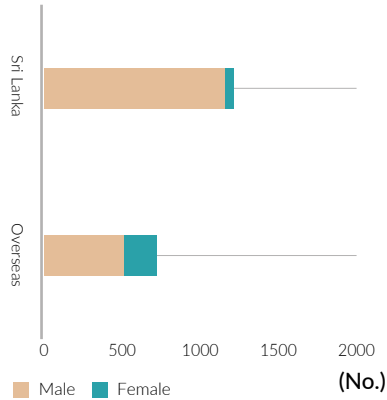
### Employees by contract and region



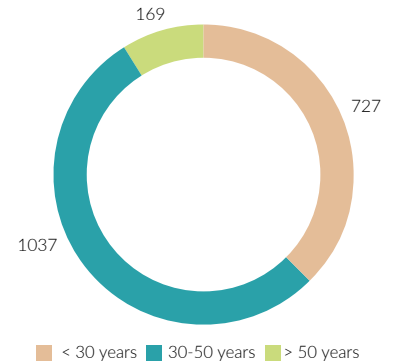
**22 Mn**

Revenue per employee

### Employees By Gender And Region



### Employees By Age



## RECRUITMENT AND RETENTION

GRI 202-2,401-1

The Group maintained a healthy permanent employee retention rate of 92% during the year under review. Haycarb's ability to retain high performing talent is underpinned by its strong employee value proposition delivered through its HR strategy. The Group's HR department conducts exit interviews with all employees resigning from the organization. Approximately 12% of resignations were female.

Haycarb's recruitment process is governed by its recruitment policy and ensures transparency and impartiality. The Group continued to collaborate with universities and higher educational institutes to attract recruits with right competencies. We also focused on multi-skilling existing staff to broaden their capabilities enabling them to assume roles that were required by the organisation. Haycarb has recruited one senior management employee during the reporting period.

	Recruitment	Turnover
<b>Total</b>	280	227
<b>By gender</b>		
Male	245 (88%)	199 (88%)
Female	35 (12%)	28 (12%)
<b>By region</b>		
Sri Lanka	194 (69%)	166 (73%)
Overseas	86 (31%)	61 (27%)
<b>By age</b>		
<30 years	239 (85%)	64 (28%)
30-50 years	41 (15%)	161 (71%)
>50 years	0 (0%)	2 (1%)



# HUMAN CAPITAL

## EMPLOYEE WELL-BEING

RT-CH- 320a.2

Our approach to fostering a culture of employee well-being is multi-dimensional as described alongside.

### Occupational health and safety

GRI 403-1, 2, 4, 8

At Haycarb, safeguarding the health and safety of all employees and maintaining a safe and injury free work environment is a strategic priority. We have implemented a comprehensive health and safety management system that covers all employees (100%) including 497(100%) of outsourced staff. Our occupational health and safety management system adheres to all country-specific occupational health and safety regulations. In addition, we have obtained ISO 45001:2018 Occupational Health and Safety certification for our factories in Sri Lanka.

Haycarb’s health and safety management system detail the procedures in identifying and minimising occupational health and safety risks and hazards. Health and safety officers present at all manufacturing locations and offices are tasked with carrying out periodic hazard identification and risks assessments. They are supported by health and safety teams comprising factory floor employees from all significant production lines who actively participate in recognising hazards, the reporting

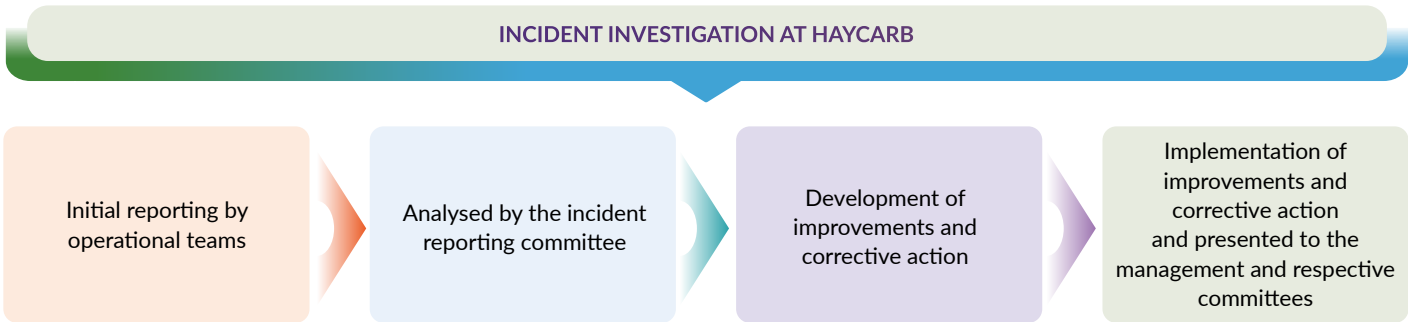


and investigation of incidents and supporting the prioritisation of a safety culture. Group management maintains open communication with factory floor employees enabling the reporting of potential health and safety hazards as soon as they are identified.

Health and safety committees comprising the Deputy Managing director, factory management, workers and the Health and Safety Officer meet on a quarterly basis to monitor, evaluate, and continually improve existing occupational health and safety systems. Health and safety audits

are carried out on a quarterly basis and progress made on the implementation of corrective measures are reported to the Executive Deputy Managing Director monthly.

Worker compliance with all health and safety regulations are ensured by the Health and Safety Officer. The Group also ensures adequate safety visualisation through sign boards and warning boards to encourage a safety culture. In the event a health and safety incident occur, an in-depth investigation is carried out and health and safety procedures are revised if necessary.



### Health and safety governance at Haycarb

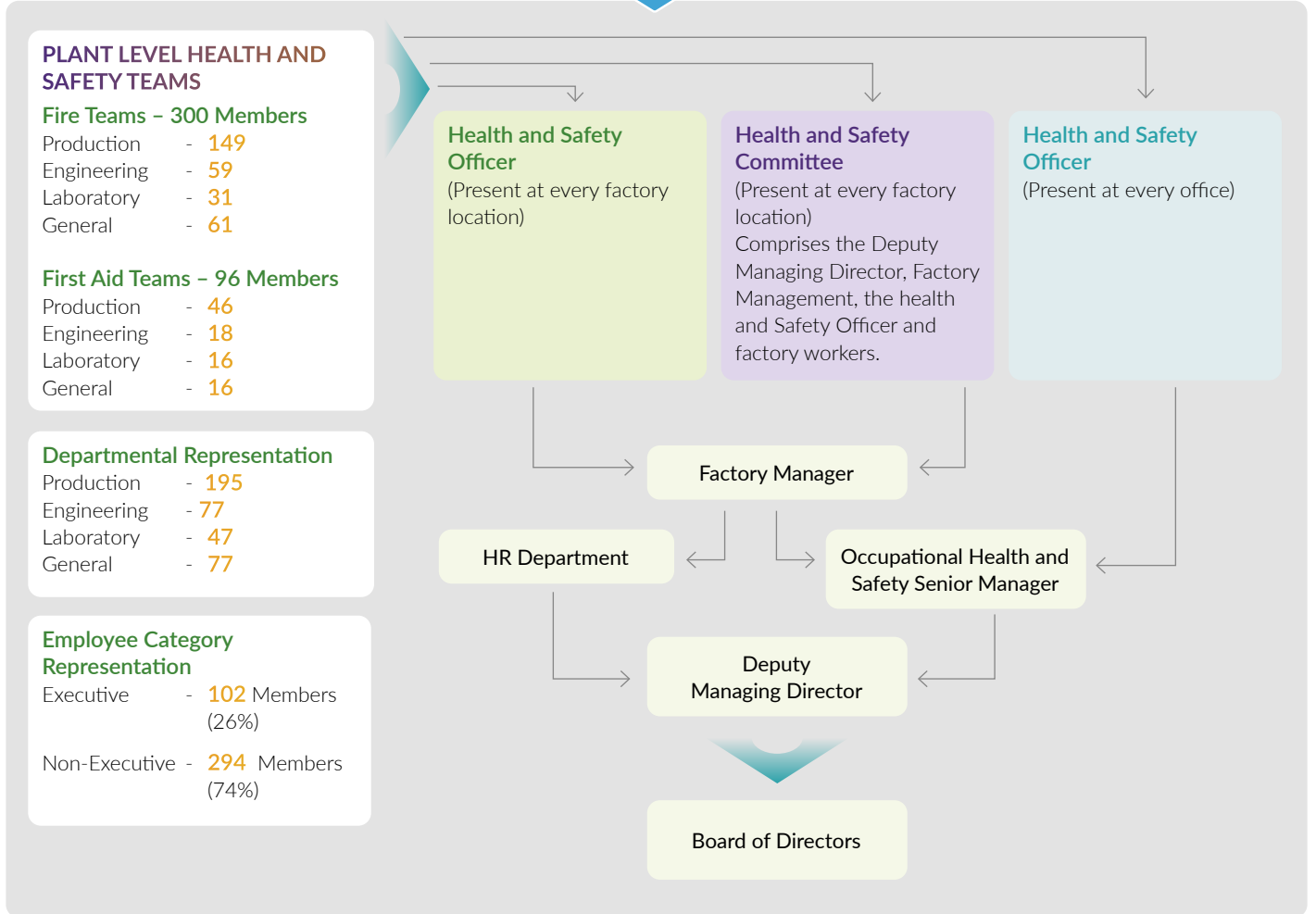
GRI 403-3, 6, 7, 9, 10

Health and safety related concerns identified by the Health and Safety Officer

and the Health and Safety Committee are reported to the Occupational Health and Safety Senior Manager and the HR Department. All significant health and safety related risks are reported to the Deputy

Managing Director who informs the Board of Directors on a quarterly basis on health and safety related matters. The Group’s health and safety reporting process is summarised below.

## SAFETY AND GOVERNANCE STRUCTURE



The Group has implemented a range of health and safety related procedures across its manufacturing facilities. These include,

- Fire safety systems with fire drills conducted on a periodic basis.
- Safety visualisations with sign boards and warning boards.
- Permit to work system.
- Provision of personal protective equipment depending on: safety shoes, goggles, earmuffs, helmets, aprons and gloves.
- First aid boxes, medical rooms with qualified personnel.
- Toolbox talk with worker participation.
- Mock drills on chemical safety.

Health and safety related training is mandatory for all employees. During the year, the following health and safety related training was provided,



**7,404 Hrs**  
of health and safety related training

# HUMAN CAPITAL

## Health and Safety Training GRI 403-5

- Stress management
- Mental well-being through mindfulness
- Dietary awareness for a healthy life
- Seminar on occupational health & industrial safety in force by the Factories Ordinance programme
- Fire warden training
- Chemical safety and risk management
- Electrical safety for industries
- Efficient operation of wastewater treatment plants and handling of treated water, solid waste, and air emissions
- The boiler operation, maintenance, steam distribution, condensate recovery & cost saving measures in steam generation training program



Haycarb provides the following health related benefits to its employees.

- First aid centres at all manufacturing plants with qualified personnel.
- Visits from a consultant doctor on a weekly basis.
- Surgical hospitalization insurance cover for executives.

- A medical expenses fund for factory employees.
- Annual health check-up for every employee in manufacturing locations.

Robust health and safety measures have enabled the Group to maintain workplace injury rates within the targets identified in Activate. Our health and safety record for 2023/24 is given below.

**RT-CH-320a.1**

	Total
Occupational injuries and diseases	32
Total no. of lost days due to occupational injuries/diseases	226
Total recordable incident rate (TRIR)	1.58
Fatality rate for direct employees	Zero
Fatality rate for contract employees	Zero

No work-related ill health was recorded during the year.

### Physical and mental well-being

During the year, the Group also initiated programmes to support the overall physical and mental well-being of its employees. This included,

- Enhancements to the work environment at factory locations including improvements to the ventilation system and upgrade of canteen facilities.
- Nutrition related workshops to raise awareness on the importance of a balanced diet.
- Mental health workshops including focus on mindfulness, to assist employees in dealing with challenges arising personally and from the external environment.

- Awareness and training on prevention/early diagnosis of non-communicable diseases

### Safeguarding our employees against long-term health risks

**GRI 403-6   RT-CH-320a.2**

We proactively assess how our operation can affect the long-term health and well-being of our employees and have established safety standards for work processes that have been identified as having the potential to impact the long-term well-being of our staff. Adherence to safety standards and its effectiveness are monitored on an ongoing basis and corrective action is taken where necessary. Factory floor employees engaged in processes, that could impact their long-term health are provided with personal protective equipment while all factory employees receive regular training on the proper use of and importance of PPE. Additionally, periodic health checks are conducted to detect any health issues early on. Moreover, to limit exposure of our team to long term health impacts, processes have been automated where possible.

### Operational safety, emergency preparedness and response

**RT-CH-540a.1, 2**

Haycarb has implemented a disaster recovery plan across its operations and provides training in this regard to all employees and outsourced personnel employed within their premises. In accordance with this, the Group conducted a comprehensive fire risk assessment in consultation with external experts during the year under review. Emergency response teams are also present at all locations to respond emergencies. The teams are provided training in multiple aspects of emergency response including fire, medical and chemical management.



	Total
Process safety incidents count (PSIC )	4
Process safety total incident rate (PSTIR)	0.20
Process safety incident severity rate (PSISR)	0.20
Number of transport incidents	Zero

## NURTURING A LEARNING ORGANISATION

Nurturing a culture that promotes continuous learning and development is a strategic priority for the Group in alignment

with its purpose driven approach towards empowering its employees with knowledge, skills, and autonomy to create value through world-class technology and processes with efficiency and accountability. Creating

numerous opportunities to learn new ways of thinking and working empowers our staff to gain new skills and competencies while enriching organisational tacit knowledge, innovation and productivity.

## Training and development

GRI 404-1, 2, 410-1

Haycarb offers a variety of training and development opportunities to enhance the skills and competencies of its team. Individual skill gaps are identified through the year-end performance appraisal and also takes into consideration technical requirements of our processes. Discussions are also held with department heads to identify the competencies required to achieve organisational strategic goals and individual KPIs. These inputs are then utilised to develop individual training plans for staff which are actioned upon in the following year. A summary of the breadth of training opportunities provided during the year under review is given below.



# HUMAN CAPITAL

A summary of the key training focal areas during the year under review is given below.

Training related to;	No of Hours
Health and safety	7,404
Driving efficiency	10,574
ESG related	3,333
Other	2,041

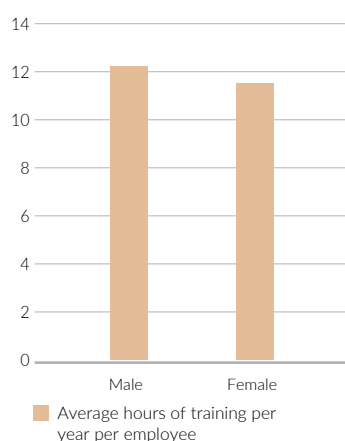
During the year under review, we also strengthened ESG related training across the Group to drive our ESG Roadmap 2030, Activate.

Further, we have organized multiple training programs aimed at improving the expertise and capabilities of our service providers, spanning across security, janitorial, transport, and other sectors. These programs encompass training on human rights, anti-harassment, safe chemical handling, grievance handballing process, and Haycarb policy awareness. The Group currently do not have transition assistance programs in place.

Our training record for 2023/24 is given below.

Staff category	Average training hours per head
Assistant Manager and above	25
Executive	17
Non-executive	10

## Average hours of training per year per employee



## Performance management

GRI 404-3

Our performance management system is designed to challenge staff to reach their full potential in alignment with organisational needs. Organisational strategic goals are cascaded into measurable goals for each employee and progress is assessed through a formal

performance appraisal process at the year-end. Constructive feedback given and knowledge gaps identified during the performance appraisal then leads to the development of training plans for the following year, motivating employees to continuously learn and improve themselves and ultimately drive organizational performance. During the year, we carried out performance appraisals for 100% of all permanent employees. This includes 85% of male and 15% of female employees under all of the permanent staff categories.

## Empowering our team

To deliver on our commitment to empower our team, we actively encourage employees to share insights and propose new ideas to innovate work processes, reduce waste and enhance productivity. Work improvement meetings are held every quarter at each manufacturing location in Sri Lanka led by the Deputy Managing Director with representatives at all levels of the organisation including selected factory workers in attendance. These meetings foster cross-functional collaboration and



# 76

ESG related programmes in 2023/24



# 3,333 Hrs

Training hours on ESG related training

brainstorming. Following these meetings, teams are empowered to implement the most promising ideas and subsequently present the outcomes to senior management. Several ideas suggested at these meetings 31 projects were actioned upon resulting in a cost saving of Rs. 148 million

## Succession planning

During the year under review, Haycarb continued to focus on developing its middle management for future leadership roles. High potential individuals in middle management were identified based on their leadership capabilities and strategic thinking. Targeted development programmes were then implemented to nurture their growth and equip them with the necessary skills to excel in senior management roles. This proactive approach fosters employee awareness of career progression opportunities within Haycarb while ensuring a consistent pipeline of qualified talent to guide the organization's continued success.

## EMPLOYEE ENGAGEMENT

The Group strengthened employee engagement during the year through the introduction of one-on-one discussions between employees and the HR department to identify and respond to employee needs. Meetings with approximately 50% of the team were completed during the year under

review. We plan to complete meetings with the remaining team members in the coming year.

Haycarb also conducted a range of activities during the year under review to enhance camaraderie and strengthen employees' sense of belonging to the organization. Staff were also encouraged to participate in many of the Group's CSR initiatives. Key programmes carried out during the year are listed alongside.

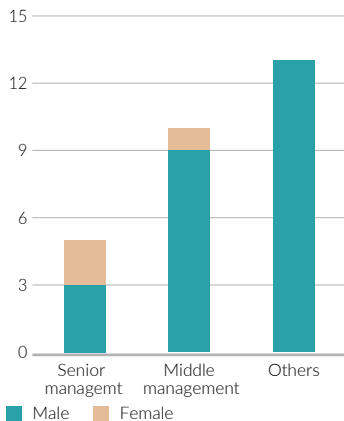
#### HR Activity Calendar

1. International Women's Day
2. Mother's Day
3. Father's Day
4. New Year celebrations.
5. Water Day
6. Coconut Day
7. Tree Planting Day.
8. Religious ceremonies
9. Family sports/ fun day

#### Average tenure with the company

Senior Management	17 years
Middle Management	16 years
Executive Level	9 years

#### Composition of internal promotions (No)



## INDUSTRIAL RELATIONS

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

We recognise employees' right to freedom of association and collective bargaining. Approximately 45% of our employees in Sri Lanka are members of trade unions, while executive and contract employees are covered by collective bargaining agreements. We maintained cordial relations with trade unions supported by open communication facilitated by an open-door policy. Consequently, no disputes occurred during the year under review. A notice on operational changes was provided to employees beginning of each month. During the year two collective agreements were negotiated which will be in effect until 31st December 2025.

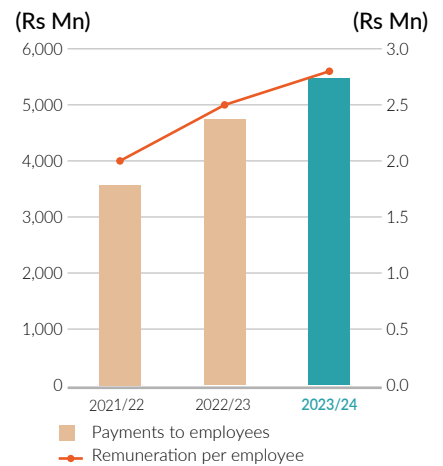
Town hall meetings	Meetings held once in every quarter
Discussion with union reps	Several meetings were held when required and maintain a cordial relationship with trade unions
Employee gathering	Gatherings in both local and overseas locations – annual get-togethers

## REMUNERATION AND BENEFITS

GRI 401-2

Remuneration and benefits are determined by the Group's remuneration policy and ensures fair and equitable treatment of all employees. For executives, rewards are linked to performance as determined at the year-end performance appraisal while remuneration for unionised employees is determined by collective agreements negotiated every two years. The Group adheres to all remuneration related statutory requirements including EPF and ETF obligations. Benefits provided to permanent employees are given below.

#### Payments to employees



# HUMAN CAPITAL

## BENEFITS LIST

	Executive	Clerical staff	Factory floor employees	Contract
Healthcare insurance - Hospitalization	✓	✓	✗	✗
Healthcare insurance - outpatient medical expenses and spectacles	✓	✓	✓	✗
Personal accident cover	✓	✓	✗	✗
Disability and invalidity cover	✗	✗	✓	✓
Retirement provision	✓	✓	✓	✓
Loan scheme	✓	✓	✗	✗
Subsidize Meal facility	✓	✓	✓	✓
Travelling & Transport Allowance	✓	✓	✓	✗
Vehicle maintenance	✓	✗	✗	✗
Uniforms	✓	✗	✓	✓
Personal protective equipment	✓	✓	✓	✓
Production, attendance, shift and grading incentives	✗	✗	✓	✓
Department, shift and cost of living allowances	✓	✓	✓	✓
Attendance Bonus	✗	✓	✓	✓
Bonus	✓	✓	✓	✗
OT	✗	✓	✓	✓
Leave encashment	✗	✓	✓	✗
Company doctor service	✓	✓	✓	✓
Subscriptions payments for professional bodies and sponsorship for higher studies	✓	✗	✗	✗
Membership of Hayleys Group Recreation Club	✓	✓	✗	✗
Cash Awards for children of employees who passed grade 5 scholarships, highest achievements at O/L and State. university entrance	✓	✓	✗	✗
School bag & Stationery – For children of the employees	✗	✓	✓	✗
Subsistence – Official Duty	✓	✓	✓	✓
Study Leave – Professional Exams	✓	✗	✗	✗
Workmen's Compensation Insurance	✗	✓	✓	✓
Long Service Award (15 and 25 Years)	✓	✓	✓	✗
Death donation scheme	✓	✓	✓	✗

✓ Only executives and above employee categories stationed in factories are provided

✓ Executives in the section head, assistant manager and above only provided

## STANDARD ENTRY LEVEL WAGES BY GENDER COMPARED TO LOCAL MINIMUM WAGE

GRI 202-1



1 : 1.6

## GENDER PARITY REPORTING

GRI 406-1

Haycarb's commitment to promoting a gender diverse workforce is underpinned by its HR policy architecture which includes policies on anti-sexual harassment, equal opportunity and non-discrimination. The Group has also implemented a dedicated

grievance handling mechanism to address harassment related grievances. This approach has enabled the fair and equitable treatment of all employees. Resultantly, no major incidents of discrimination were reported during the year.

## A SUPPORTIVE POLICY FRAMEWORK

### Anti-sexual harassment policy

### Equal opportunity policy

### Non-discrimination policy

#### FEMALE REPRESENTATION

**14%**

Total female representation

**27%**

Female representation at Board level

**12%**

Female representation in recruitment during 2023/24

#### FEMALE REPRESENTATION IN KEY DEPARTMENTS

Finance, IT, HR and administration

**49%**

Marketing and business development

**31%**

Engineering and project management

**4%**

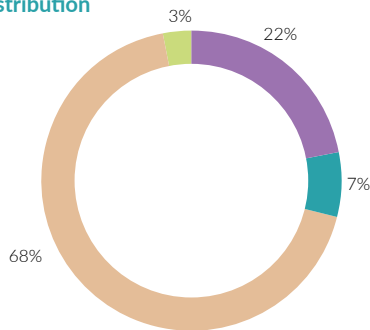
R&D / technical

**18%**

Operations and ESG

**12%**

#### Female representation by geographical distribution



■ Sri Lanka
 ■ Indonesia
 ■ Thailand
 ■ Others

#### GRI 401-3

Parental leave and retention	Number	% of Female Workforce
Maternity leave availed	9	3%
Paternity leave availed*	0	0%
Returned to work after maternity leave	8	3%
Resignations after maternity leave	0	0%
Retained within the organization after 12 months taking maternity leave	2	1%

\* Paternity leave policy will be effective 2024/25 onwards.

**100%**

Return to work rate

**100%**

Retention rate

#### RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN \*\*

GRI 405-2



**1:1**

\*\* For each employee category & for all operating locations







## SOCIAL & RELATIONSHIP CAPITAL



Our network of enduring partnerships with customers, suppliers, business partners and communities form the foundation of our Social and Relationship Capital. These long-standing relationships foster shared value, enables operational continuity while strengthening our social license to operate



### OUR SOCIAL & RELATIONSHIP CAPITAL

#### CUSTOMERS



**>590**

customers

#### SUPPLIERS



**>600**

Coconut shell and charcoal suppliers

#### BUSINESS PARTNERS



Long standing relationships

#### COMMUNITY



**>105,000**

CSR beneficiaries

### FOCAL AREAS IN 2023/24

Fulfilling and exceeding customer expectations



Expanding our supply chains and strengthening resilience



Mutual value creation for business partners



Positively contributing to our communities



## VALUE CREATED IN 2023/24

### CUSTOMERS

Fulfilled and exceeded customer expectations through a comprehensive value proposition that encompassed a future focused product range, proactive engagement across multiple platforms and a strong sustainability focus.

- **34** new customer acquisitions
- Customer satisfaction scores that exceeded **90%** in both the Activated Carbon segment and the Environmental Engineering Segment.

### SUPPLIERS

Created value for our global supplier network through ethical sourcing practices and capacity building initiatives while emphasising social and environmental responsibility.

- **172** new coconut shell and charcoal suppliers added.
- **Rs 12.8 Bn** payments to charcoal suppliers.  
*Rs. 5.1Bn payments to chemicals and other suppliers*
- **8%** of suppliers assessed on social and environmental considerations.

### COMMUNITIES

Long-term focused CSR initiatives that positively impact the communities we operate in.

- **Rs 40.8 Mn** investment in CSR initiatives
- **>105,000** CSR beneficiaries

## CAPITAL TRADE-OFFS

- Increased investments in Social and Relationship Capital negatively impacts Financial Capital in the short-term.
- However, strengthening Social and Relationship Capital, in the long term, will lead to supply chain resilience, deeper customer relationships and enhanced integration into the communities we operate in.
- Therefore, this will build business resilience leading to positive impacts on Financial Capital in the long term.

## WAY FORWARD

- Enhance value created to customer through a sustainably manufactured product range that fulfils their emerging needs while enabling transparency in order processing and tracking through the digitisation of our processes.
- Ongoing emphasis on mutual value creation for suppliers through ethical sourcing practices and supporting livelihoods while propagating green charcoaling practices.
- Positively impact the communities we operate in through long-term focused CSR initiatives.

### LINK WITH MATERIAL TOPICS:

M2, M3, M4, M6, M13, M18, M19, M20

### LINK WITH KEY RISKS AND OPPORTUNITIES / SRROS / CRROS

R1, R6, R7, R8, R11, O2

### ALIGNMENT WITH STRATEGIC PRIORITIES



### CONTRIBUTION TO SDGS



# SOCIAL & RELATIONSHIP CAPITAL

## OUR ESG ASPIRATIONS AND PROGRESS MADE IN 2023/24



## MANAGEMENT APPROACH

Our approach to managing our social and relationship capital adopts a long-term focus. We strive to foster long-term relationships with customers, suppliers, business partners and the community based on a foundation of trust and ethical business practices. Through proactive customer engagement and consistently exceeding customer expectations on product quality and service, ethical sourcing practices with suppliers, mutually beneficial partnerships with business partners and positive and meaningful relationships with communities, we are committed to building a collaborative ecosystem of relationships, leading to mutual value creation.

## CUSTOMER RELATIONSHIPS

Our Customer Management policy guides our approach to exceeding customer expectations and building long term relationships with our customers through a unique value proposition that fulfils their current and emerging needs.

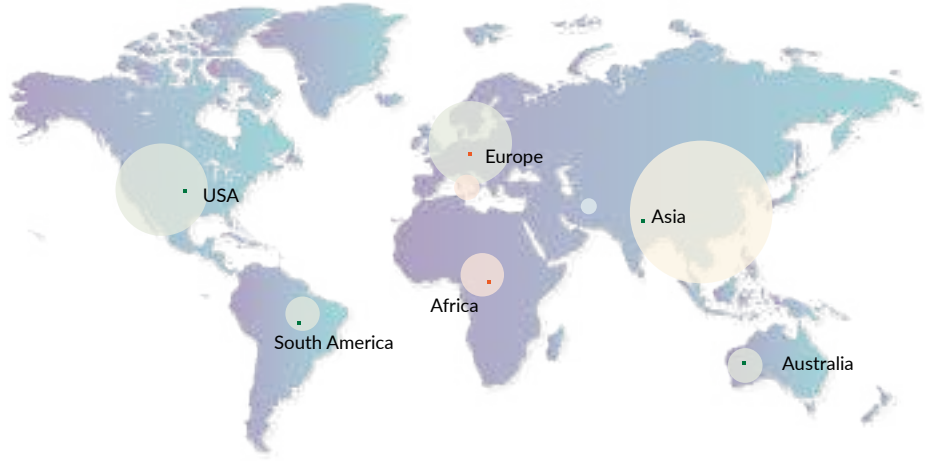
### Customer profile

GRI 2-6-b-iii

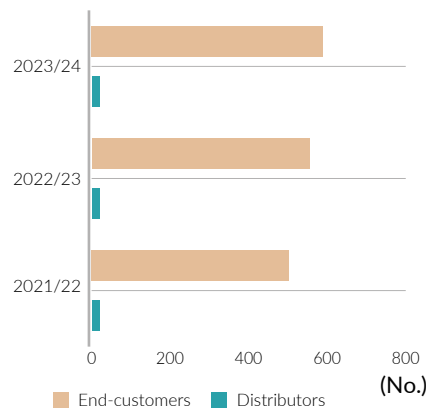
- Customers of the Activated Carbon segment is diverse in geographic distribution and applications and comprise distributors and end-customers located across 50 countries.
- Customers of the Environmental Engineering Solutions segment represent industries, institutions, municipalities, and businesses reflecting the diversity in its service and product offering.



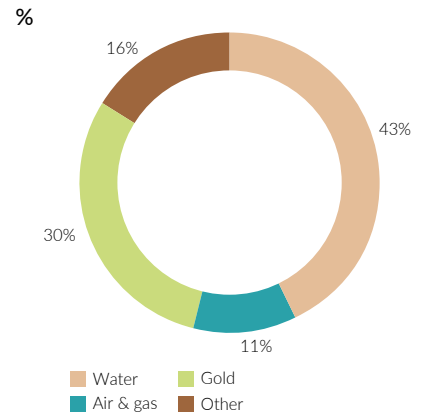
## Customer profile by geographic distribution



### Customer profile



### Customer profile by application



## Key achievements in 2023/24



**34**

new end-customer acquisitions



**95%**

customer retention rate



**90%**

customer satisfaction rate

# SOCIAL & RELATIONSHIP CAPITAL

## HIGHLIGHTS OF OUR CUSTOMER MANAGEMENT STRATEGY IN 2023/24

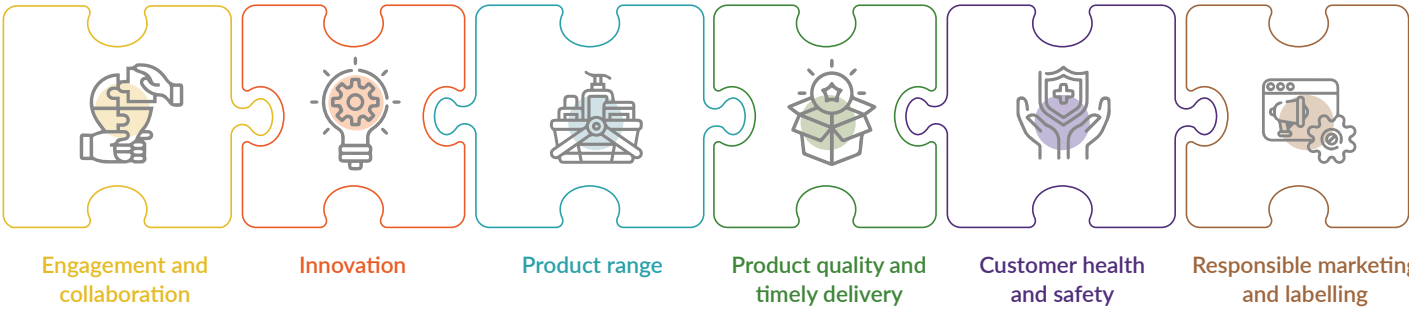
As global markets recovered from the pandemic, competition within the coconut shell activated carbon industry intensified amidst easing supply chain disruptions. In response, we

- Deepened engagement with existing customers to facilitate swift responses to their needs, this involved one-on-one engagement offering customized technical support, new product offerings and collaborative product development
- Aggressively pursued new customer acquisitions by
  - i. Participating in trade shows in key markets including China, USA, South Korea and India.
  - ii. In person meetings for target customers in specific geographies.
  - iii. Encourage more customer visits to our manufacturing facilities to experience our value proposition.
- Responded pro-actively to customers' increasing focus on sustainability through the launch of our ESG Roadmap 2030, Activate – and committing to a range of climate and environment related goals.



- Strengthened the digital marketing platform within the organisation through the establishment of a digital marketing department to adopt a more data-driven approach to responding to emerging trends and customer needs.
  - i. Augmenting our digital presence harnessing the potential of social media marketing and search engine optimisation of the website.
  - ii. Revamped and relaunched the corporate website enhancing the user experience and the availability of technical specifications.

## OUR CUSTOMER VALUE PROPOSITION





## ENGAGEMENT AND COLLABORATION



Strong customer engagement enables us to identify and respond to customer needs swiftly and effectively. During the year, emphasis was placed on strengthening engagement utilising a range of platforms and mechanisms.



## INNOVATION



Future focused our product range and directed R&D efforts towards emerging needs in energy storage, water purification, carbon molecular sieve (CMS) and gold extraction (Refer Intellectual Capital Page 130 to 139 for more details).



## PRODUCT RANGE



We offer a comprehensive product and service portfolio in activated carbon and environmental engineering solutions which can be adapted to meet the specific technical specifications of customers. Our product range includes,

- Activated carbon – products for diverse range of applications (Refer Page 25 for more information)
- Environmental engineering solutions
  - i. Water and Sewerage Infrastructure
  - ii. Sewage treatment
  - iii. Industrial effluent treatment
  - iv. Operations and maintenance services (O&M)
  - v. Value added activated carbon products
  - vi. Chemicals , Filmtec membranes , Tecofi Valves , Softeners , Hydrocove water purifiers



## PRODUCT QUALITY AND TIMELY DELIVERY



We adopt a value chain approach to product quality and have established stringent quality assurance processes at critical points in the value chain. We also comply with a range of international and local certifications enabling the consistent delivery of high-quality products to customers.

Active engagement with shipping partners, and on-site warehousing in key markets enabled us to offer competitive pricing and ensure timely delivery of products to customers.



## CUSTOMER HEALTH AND SAFETY GRI 416-1, 2



Given applications in the food and beverage industry, ongoing emphasis is placed on ensuring our products and services do not cause harm to end-users. Our Food Safety policy articulates our commitment to producing products that are free from physical, chemical and biological contamination. Furthermore, we have implemented stringent quality control measures in adherence with numerous food-safety related certifications to enable sound food safety related practices. During the year under review, approximately 45% of our products were assessed for health and safety concerns and no incidents of non-compliance were reported.



## RESPONSIBLE MARKETING AND LABELLING GRI 417-1 to 3



Product labelling is carried out in accordance with customer requirements. We ensure compliance through the implementation of stringent processes and adherence to numerous certifications that outline labelling best practices. During the year under review, no incidents related to non-compliance with product and service information, labelling, and marketing communications were reported. Further, we ensure that 100% of our customers have accessible and adequate information on the safe use of a product or service, the disposal of the product, or the sourcing of its components.

# SOCIAL & RELATIONSHIP CAPITAL

## CUSTOMER SATISFACTION

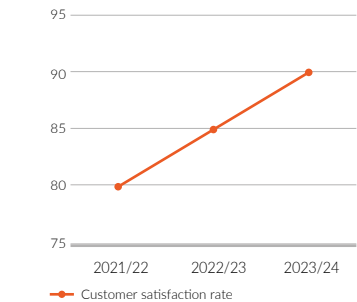
We monitor customer satisfaction levels through customer satisfaction surveys that track multiple indicators including customer engagement, quality, packaging, delivery and complaint resolution. Our customer satisfaction score for the year under review improved to 90% compared with 85% in 2022/23 and reflected improved satisfaction levels across all indicators.

## FUTURE FOCUSING OUR PRODUCT RANGE

RT-CH-410a.1

As resource scarcity increases and regulations drive greater material efficiency, lower energy consumption and reduced emissions, numerous new opportunities have emerged in activated carbon applications. Recognising the potential

Customer satisfaction score (%)



in resource optimisation and automobile emission reduction, we have developed and are developing a range of activated carbon and environmental engineering products and services to capitalise on these emerging markets. During the year under review, Rs.

## Customer satisfaction indicators

- Customer engagement
- Quality
- Packaging
- Delivery
- Complaint resolution



## Customer satisfaction scores

>90% in the Activated Carbon segment

>90% in the Environmental Engineering Solutions segment

20.1 Bn was generated in revenue from products designed for use phase resource efficiency. A summary of our products and services that contribute towards use phase efficiency are given below.

## ENERGY STORAGE

Advance material manufactured for both ultra-capacitor and battery applications; this product range has vital implications in the global transition to a low carbon economy.



## WATER AND WASTEWATER PURIFICATION SOLUTIONS

Water and wastewater purification solutions offered by the Environmental Engineering Solutions segment enables the treatment of Raw water to meet desired standards for various applications and effluents produced from industrial activity enabling the safe disposal to the environment.

## INDUSTRIAL AIR AND GAS TREATMENT

These products aid the capture and removal of toxic fumes and hazardous gases produced as by-products of industrial activity.



## PRECIOUS METALS

Enhances the efficiency of recovering precious metals such as gold from natural ore.



## SOLVENT RECOVERY

Through solvent recovery, our product range enables their reuse within the production process.

## DUPONT FILMTEC RO, UF AND NF MEMBRANES

Provides total solutions for seawater and blackish water RO plants with 15% energy savings by using Filmtec membranes



## SUPPLIER RELATIONSHIPS

GRI 2-6-b-ii, 408-1, 409-1

We invest in building long-term relationships with our suppliers across five countries, through ethical sourcing practices, technical knowledge sharing, capacity building and propagation of green practices. We have invested significant resources in developing supplier networks close to our manufacturing locations in Sri Lanka, Thailand and Indonesia while also building partnerships with suppliers in India and the Philippines to bridge shortfalls in raw material requirements in Sri Lanka.

Our commitment to responsible sourcing is outlined in our Procurement policy. This policy sets the minimum standard

all our companies must follow when acquiring supplies, ensuring the consistent implementation of sustainable practices and responsible value creation for our suppliers. This commitment also includes adhering to all legal and regulatory requirements in the countries we operate in. Our emphasis on ethical sourcing enables the elimination of child labour and forced/compulsory labour along our supply chain. During the year under review, no incidents of child labour or forced/compulsory labour was reported.

We are acutely aware of the adverse environmental impacts of open pit coconut charcoaling and have developed proprietary green charcoaling technology and actively supported its adoption within our supplier ecosystem. Through our unique and award-

winning programme, Haritha Angara in Sri Lanka, we have actively supported 75% of our supplier base in the adoption of this technology. Similar efforts are under way in Indonesia, while in Thailand, vertical kiln charcoaling has been implemented, and a pilot project for environmental friendly charcoaling pits (premium charcoaling pits) commenced during the year.

Our strategic focus on propagating green charcoaling practices and minimising our raw material sourcing related Scope 3 emissions has been outlined in our ESG Roadmap 2030. We have committed to increasing our raw material sourcing from green charcoaling practices to more than 75% across all locations by 2030 on a baseline performance 42% in 2022/23.

## 2030 Target



### 2030 TARGET

1. Use of > 75% green charcoaling as raw material in all manufacturing locations.
2. 40% of supplier assessments of all suppliers on their environmental and social standards and contributions.

### Interim target vs actual performance

Training related to;	Interim target	Actual performance	Achieved / Missed / On track
Raw materials sourced from green charcoaling practices*	48%	40%	☒
% of suppliers assessed for environmental and social standards and contributions	10%	8%	☒

\*Highest proportion of green charcoaling in the group is sourced from Sri Lanka and the charcoal purchase quantity of Sri Lanka in 2023/24 reduced by 28%. Therefore, the interim target for 2023/24 was not achieved during the year.

### Baseline performance

Training related to;	2022/23
Green charcoal supply as raw material across all manufacturing locations	42%
% of suppliers assessed for environmental and social standards and contributions,	5%

2023/24

2022/23



# SOCIAL & RELATIONSHIP CAPITAL

## SUPPLIER PROFILE

Suppliers of the Activated Carbon segment comprises primarily suppliers of coconut shells and coconut charcoal but also includes chemicals and packaging material suppliers and service providers.

In Sri Lanka, our supplier base of coconut shell and coconut charcoal providers exceeds 600. Of these, over 200 are micro-entrepreneurs and are members of the Haritha Angara programme, our unique award-winning initiative that promotes the socio-economic development of suppliers while propagating green charcoaling practices.

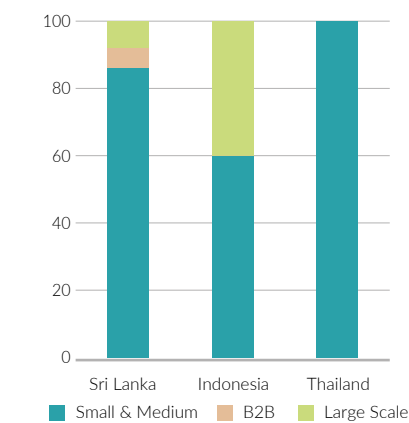
We work closely with our business partners in Thailand and Indonesia to ensure mutual value creation for suppliers through numerous initiatives including introducing eco-friendly charcoaling methods and actively engaging in crop production initiatives regularly.

The proportion of raw materials sourced locally by each geographic location during the year under review is given below. Emphasis on local sourcing enables the upliftment of community livelihoods while enhancing our contribution to the respective national economies. Moreover, it also enables us to reduce our upstream transportation related Scope 3 emissions.

Geographic location	% of local sourcing
Sri Lanka	80%
Thailand	100%
Indonesia	100%

The Environmental Engineering Solutions segment's supplier base includes suppliers of chemicals, equipment and subcontractors. The segment's supplier base comprises approximately 20 suppliers located in multiple countries including China, Taiwan, Japan, Thailand, Singapore and Europe. The segment also worked with over 35 subcontractors during the year under review to deliver its water and wastewater treatment solutions in Sri Lanka and Maldives.

Charcoal supplier profile (%)



### Highlights of our supplier management strategy in 2023/24

GRI 308-1

- Ongoing emphasis on creating mutual value for our global supplier network through close engagement and ethical sourcing practices while propagating green charcoaling.
- Decentralisation of charcoal collection in Sri Lanka through the establishment of collection centers in Galle and Malsiripura enhancing supplier convenience
- ESG related capacity building and audits for suppliers in Sri Lanka to raise awareness and ensure compliance with sustainable environmental and social practices.

### Key achievements in 2023/24

**172**

new coconut shell and charcoal suppliers added to our global supplier network

**8%**

of the supplier network assessed for environment and social compliance

**40%**

Raw materials sourced from green charcoaling practices



We invest in building long-term relationships with our suppliers across five countries, through ethical sourcing practices, technical knowledge sharing, capacity building and propagation of green practices

GRI 204-1

Value creation in 2023/24



**Rs. 12.8 Bn**

Payments to coconut shell and charcoal suppliers

Rs. 5.1Bn payments to chemicals and other suppliers



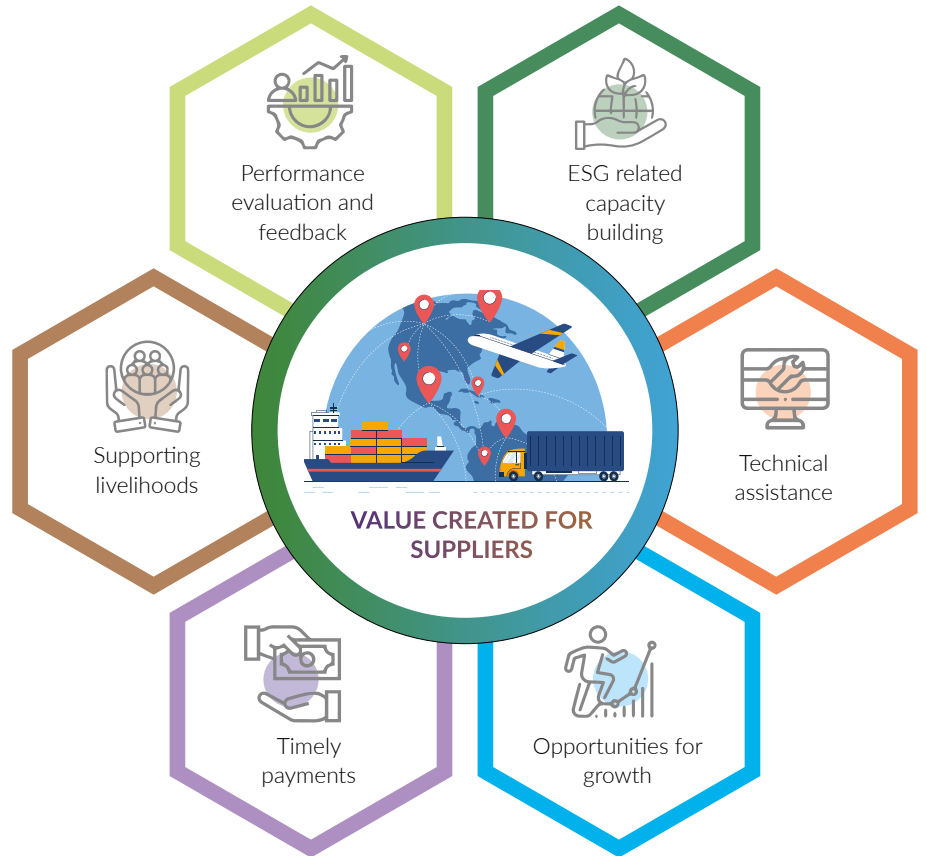
**87%**

% of payments to local coconut shell and charcoal suppliers

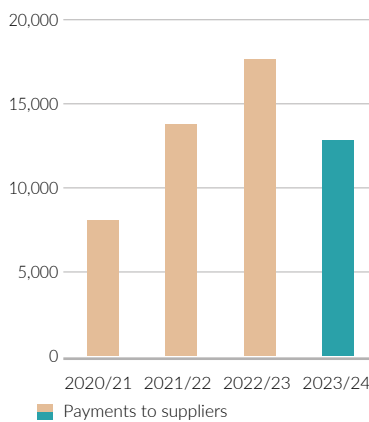


**Rs. 2.6 Mn**

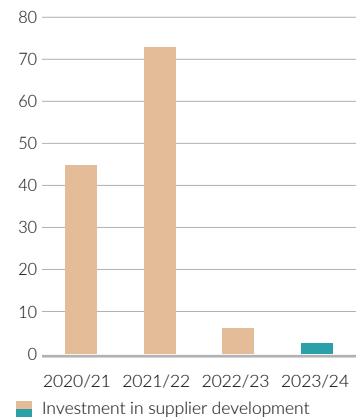
Invested in capacity building of suppliers



**Payments to coconut shell and charcoal suppliers (Rs Mn)**



**Investment in supplier development (Rs Mn)**



# SOCIAL & RELATIONSHIP CAPITAL

## SUPPLIER ASSESSMENT

GRI 308- 2, 414-1, 2

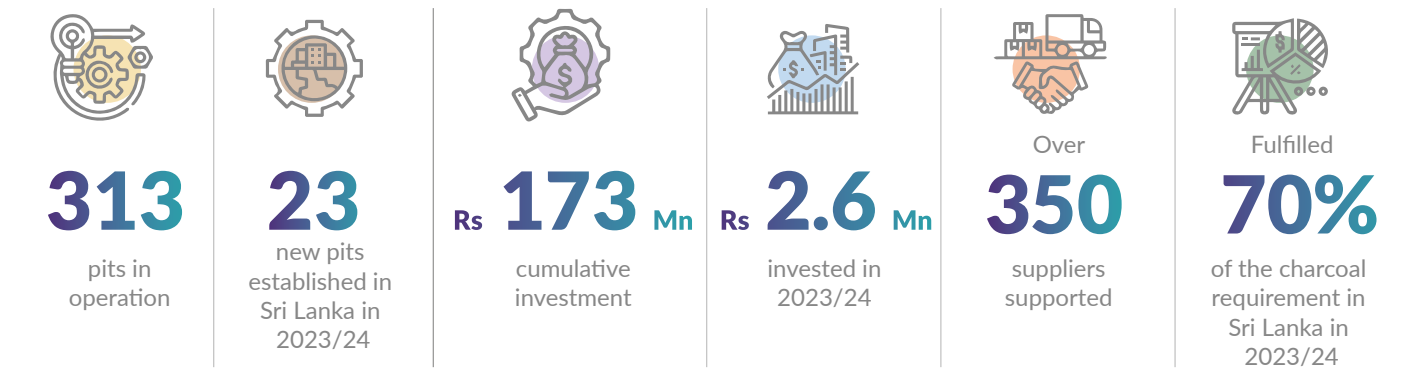
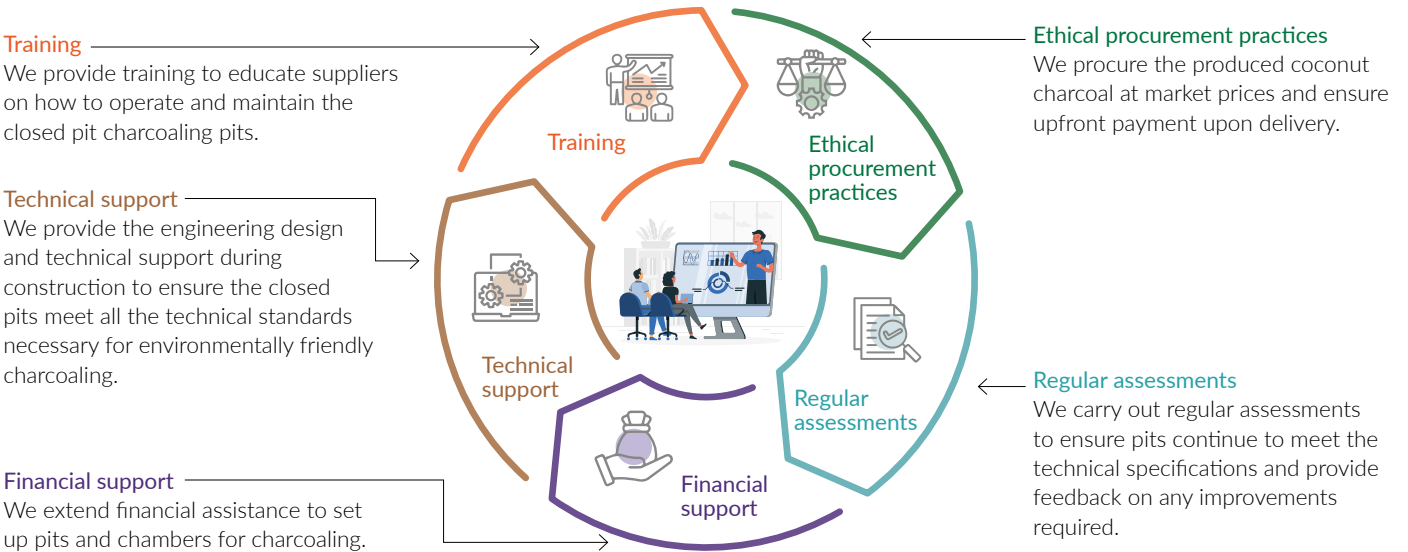
In line with our strategic focus on building a resilient and socially and environmentally responsible supply chain, we made progress by increasing the number of supplier assessments carried out during the year under review. Our supplier assessment focuses on a range of social and environmental criteria including water

and air pollution, waste disposal, fuel usage, type of labour used, and health & safety measures adopted. 56 suppliers (including 10 charcoal suppliers) were assessed on social and environmental criteria during the year under review which was an increase of 3% over the previous year as we have extended the assessment

scope by assessing 46 other suppliers for negative social and environmental impacts. Of these, no incidents were identified as having potential adverse environmental implications. 6% of new coconut shell and charcoal suppliers were screened using environmental and social criteria during the year under review.

### HARITHA ANGARA PROGRAMME – SRI LANKA

In its 9th year of operations, Haycarb's Haritha Angara programme is a unique, award-winning programme that promotes environmentally friendly charcoaling practices within our supply chain in Sri Lanka while contributing to the socio-economic development of our micro-entrepreneurial suppliers. The value we create for our suppliers through this programme is summarised below.



## COMMUNITY RELATIONSHIPS

GRI 203-1.2, 413-1

RT-CH-210 a.1

We actively identify ways we can positively and meaningfully contribute to the communities we operate in. Our emphasis on local procurement and staffing have created employment opportunities and supported the livelihoods. Strict adherence to social and environmental regulations and ambitious goals to address the environmental footprint of our operations ensures minimal adverse impacts on local communities and ecosystems. We have also made significant investments in addressing environmental and social concerns along our supply chain. In this regard, the Haritha

Angara programme in Sri Lanka has enabled significant value creation for communities across the country by supporting livelihoods and promoting socio-economic progress. We also engage in strategic community development programmes that adopt a long-term focus, aimed at addressing critical needs in society.

Our approach to CSR is guided by the Hayley's Group Community Relationships policy which sets out focal areas for strategic community development, which includes education, health and wellbeing,

livelihood development and culture. Our CSR projects are aligned with these strategic focal areas and are aimed at achieving our 2030 goal of increasing our CSR beneficiaries by 50% from a baseline performance of >100,000 beneficiaries in 2022/23. During the year under review, we invested a total of Rs. 40.8 Mn on CSR initiatives giving rise to over 105,000 beneficiaries.

A summary of our strategic community development initiatives is given below.



Puritas Sath Diyawara



Puritas Sath Diyawara – Going Beyond



School meal programme



Supporting the healthcare sector of the nation

## SOCIAL & RELATIONSHIP CAPITAL

### PURITAS SATH DIYAWARA

Puritas Sath Diyawara, the Group's flagship CSR initiative continued to play a significant role in providing purified drinking water to communities affected by Chronic Kidney Disease (CKD). This initiative utilises the expertise of the Environmental Engineering Solutions segment in water purification and involves the establishment of a reverse osmosis treatment plant and distribution system to provide purified potable water to the community. During the year under review, the Group incurred Rs. 7.1 Mn maintaining existing projects and is expecting to establish a new project in Vavuniya next year.

#### KEY HIGHLIGHTS

- 9 years of operations
- **Rs. 95.9 Mn** cumulative investment of the Hayleys Group
- 19 projects
- **>44,000** people benefited
- **190,000 L** of water purified per day

### PURITAS SATH DIYAWARA – GOING BEYOND

The Going Beyond programme is an extension of the Puritas Sath Diyawara initiative and aims to address the broader socio-economic needs of the communities in CKD affected areas. The Group continued to invest in a range of initiatives that supported the education of school children, empowered youth and women and promoted domestic entrepreneurship. During the year under review, the Haycarb Group invested Rs. 2.1 Mn to donate school supplies to school children under this initiative.

#### KEY HIGHLIGHTS

- 7 years of operations
- **Rs. 47Mn** cumulative investment of the Hayleys Group
- 14 schools
- **>3,700** children benefited during the year.

### SCHOOL MEAL PROGRAMME

We continued support to the School Meal programme, an initiative launched in 2022, to address nutritional concerns in school children on the backdrop of the economic crisis in Sri Lanka. Through this initiative, we provided more than 800 children from 13 identified schools a mid-day meal to facilitate their nutritional needs and support their education.

#### KEY HIGHLIGHTS

- **>800** school children benefited from 13 schools.
- **Rs. 7.8 Mn** investment by Haycarb.

### SUPPORTING THE HEALTH CARE SECTOR OF THE NATION

During the year under review, we extended support to provide medical equipment and medicine donations.

#### KEY HIGHLIGHTS

- **> 58,000** beneficiaries.
- **Rs. 6.1 Mn** investment by Haycarb

### ASSISTANCE TO UNIVERSITY STUDENTS

Distribution of laptops for university students in 9 government universities

#### KEY HIGHLIGHTS

- 90 students benefited
- **Rs. 3.8Mn** investment by Haycarb

## RELATIONSHIPS WITH BUSINESS PARTNERS GRI 2-6-c

By fostering long-term, collaborative partnerships and sound business practices, we continued to deliver value to our business partners.

### Joint venture partners in Thailand and Indonesia

Long standing partnerships with joint venture partners in Thailand and Indonesia continued to drive growth and mutual value creation. These partnerships were vital in managing raw material procurement, industrial relations, marketing and management of activated carbon sales in the local market and community engagement in the respective countries.

2. Thailand - > 27 year relationship
3. Indonesia - > 12 year relationship

### Veolia

Environmental Engineering Solutions has maintained a long-standing partnership with Veolia, the world's largest water service provider, specialising in water management, wastewater management and energy services. This partnership has enabled the Group to develop large-scale water and wastewater treatment systems in Sri Lanka using the latest European technology and expertise.

1. Veolia - > 12 year relationship

### Front end partners

Collaborations with numerous front-end partners supported technical, product and market development activities during the year.



## INDUSTRY INITIATIVES AND ASSOCIATIONS GRI 2-28

Haycarb holds memberships in numerous industry associations and uses these platforms to contribute to initiatives that are significant to the advancement of the industry. Furthermore, given our reliance on coconut shells for our production process, and the resultant dependency on coconut crop yields, we actively engage with the Coconut Research Institute of Sri Lanka (CRI) supporting research related to increasing yields and studying the various properties of coconut shells. During the year, the Group supported the initiative of the Coconut Cultivation Development Board to create a second coconut triangle in the north of the country through a commitment to plant 67,500 coconut seedlings. During the year under review, 25,000 were planted in Jaffna, Mullaitivu and Mannar while the remainder is expected to be completed in the year ahead.

### Memberships in industry associations

- Ceylon Chamber of Commerce
- The Ceylon National Chamber of Industries
- International Chamber of Commerce – Sri Lanka
- The European Chamber of Commerce of Sri Lanka
- National Chamber of Exporters of Sri Lanka
- Export Development Board
- Industrial Association of Sri Lanka
- American Chamber of Commerce in Sri Lanka
- Chamber of Construction Industry of Sri Lanka.

# SOCIAL & RELATIONSHIP CAPITAL

## “DRIVING VALUE, CHANGING LIVES”

Celebrating a company’s 50th anniversary is a significant milestone reflecting on the company’s history, from its humble beginnings to its current standing. In commemoration of Haycarb’s golden jubilee, we carried out several initiatives, on knowledge sharing, giving back to the society focusing on the betterment of health, education and nutrition standards of related stakeholders and valuing our cultural heritage. Below are a few key initiatives we carried out.

### KNOWLEDGE SHARING

- Technical and marketing session with business partners and international sales & marketing teams at Haycarb Head office
- Revamped Haycarb’s website to reflect our progressive brand identity, enriched user experience, and seamless alignment with our core values and aspirations.



### GIVING BACK TO THE SOCIETY

- Launched ‘Sisu Divi Pahana’ mid-day meal programme
- Unveiled the newly renovated Plastic Surgery Unit of the National Hospital of Sri Lanka which was completed by the engineering team of Haycarb PLC
- Unveiled the newly renovated Cancer Treatment Ward at the Karapitiya Teaching Hospital, which was another undertaking by our engineering team
- Book donations to school children, and Laptop donations to state university students
- Donated chemotherapy-related drugs to the Apeksha Cancer Hospital in 2 separate occasions.



## VALUING OUR CULTURAL HERITAGE

- Sinhala & Tamil New Year celebrations at the head office and Sri Lanka factories located in Madampe and Badalgama
- Conducted religious ceremonies in all factory premises in Sri Lanka, Thailand and Indonesia



## CELEBRATION

- Haycarb 50th Anniversary was celebrated at all factory locations .
- Main celebration event was hosted in Kingsbury hotel, Colombo with the attendance of all Hayleys and Haycarb directors, business partners and overseas functional heads



## OTHER

- Unveiled the 'Haycarb 50th Anniversary' gold logo with the tagline 'Driving value; Changing lives'
- Unveiled the Haycarb 'Purpose Statement' which reflects our continued commitment to creating positive change in the world, whilst driving value to all stakeholders in this process







# MANUFACTURED CAPITAL



Our Manufactured Capital is integral to our value creation process, enabling the production of high-quality activated carbons for a multitude of applications. This year, emphasis was placed on future focusing our Manufactured Capital with a sustainable mindset, to capture opportunities in emerging applications while minimising our environmental impact and positioning



## OUR MANUFACTURED CAPITAL

### SRI LANKA

<b>2</b>	<b>4</b>	<b>31,800 TPA</b>
Manufacturing facilities	State of the art laboratories	Total production capacity

### INDONESIA

<b>2</b>	<b>2</b>	<b>13,000 TPA</b>
Manufacturing facilities	State of the art laboratories	Total production capacity

### THAILAND

<b>3</b>	<b>2</b>	<b>12,000 TPA</b>
Manufacturing facilities	State of the art laboratories	Total production capacity
		<b>3,600 TPA</b>
		Total regeneration

## FOCAL AREAS IN 2023/24

Future focusing our manufacturing capabilities

Manufacturing excellence



### Capital expenditure in 2023/24:

Rs 2.1 Bn (+12%)

**Total production capacity**  
56,800 Mt per annum

**Capacity utilisation in**  
2023/24 : 84%

### VALUE CREATED IN 2023/24

- A new pilot plant at the Haycarb Badalgama factory and an electrochemical laboratory at Colombo to capitalise on emerging opportunities in energy storage applications.
- Enhancing production capacity of hard carbons for energy storage applications.
- Progress made on the greenfield investment in the Philippines.
- Enhanced the sustainability of our operations through increased reliance on renewable energy.
- Ongoing capital expenditure to maintain manufacturing excellence.
- Expansion of CK Regen System plant in Thailand to increase capacity by **1,600 Mt**

### WAY FORWARD

- Ongoing emphasis on expanding our presence in energy storage applications.
- Upgrade Recogen to enhance its electricity generation capacity.
- Maintain emphasis on enhancing operational efficiency.
- Leverage digital technology to streamline processes and enhance efficiency. (E.g. digitization of production data capture systems, raw material procurement digitization systems and integrated ERP systems to overseas plants, warehouse management systems)
- Reuse of process water through a RO plant
- Continuation of solar project upto 5.6 MWh capacity

### CAPITAL TRADE-OFFS

- While investments in future focusing our Manufactured Capital negatively impacts Financial Capital in the short-term, it will enable the Group to capture emerging opportunities and thereby strengthen Financial Capital in the long-term.
- Investments in enhancing the sustainability of our operations positively impacts Natural Capital despite a short-term negative impact on Financial Capital.
- Investments to maintain manufacturing excellence enables consistent product quality and enhances customer satisfaction leading to the strengthening of Social & Relationship Capital.

### LINK WITH MATERIAL TOPICS:

M9, M13

### LINK WITH KEY RISKS AND OPPORTUNITIES / SRROS / CRROS

R8, R20

### ALIGNMENT WITH STRATEGIC PRIORITIES



### CONTRIBUTION TO SDGS



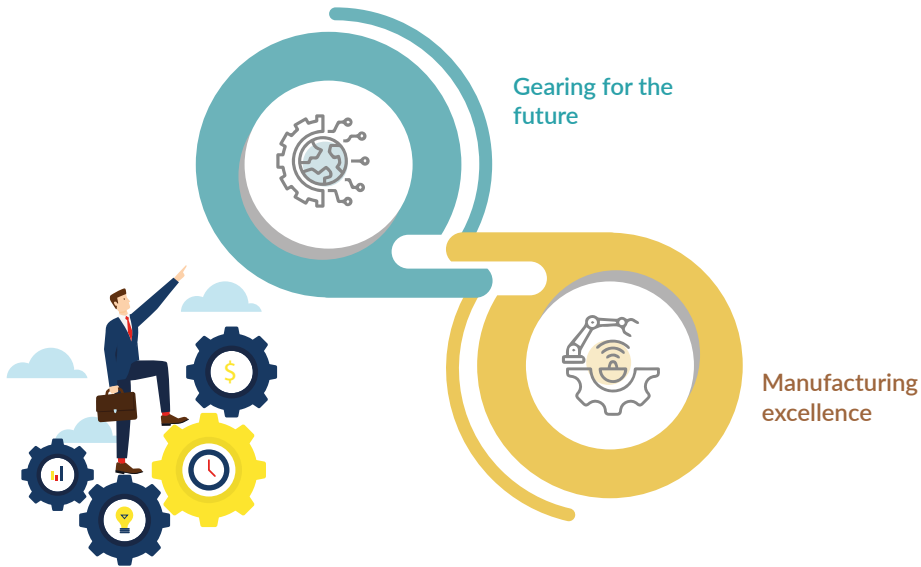
# MANUFACTURED CAPITAL

## MANAGEMENT APPROACH

Our approach to managing our Manufactured Capital is guided by our strategic objectives and the evolving needs of our customers. Investment decisions involve careful assessment of the product design and manufacturing requirements and are made following robust evaluation by the engineering, research and development, finance and other technical teams. To optimise capital expenditure and minimise its environmental footprint, Haycarb also evaluates the feasibility of re-purposing used machinery, leveraging the expertise of its engineering team to adapt and modify.

## POSITIONING OUR MANUFACTURED CAPITAL FOR THE FUTURE

Advancements in industries reliant on stored energy for their operations have created numerous opportunities within energy storage applications. The shift towards a low-carbon economy has intensified the focus on renewable energy

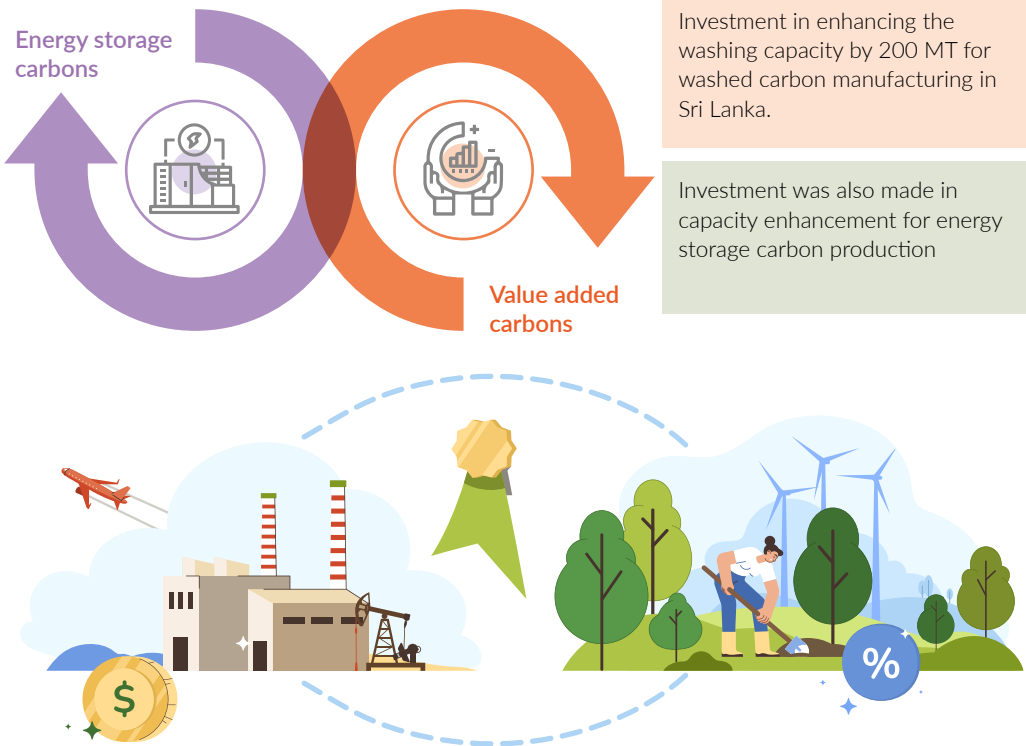


generation, increasing the vital importance of energy storage in improving reliability and power quality. Recognising these emerging trends, we made substantial investments during the year to enhance our

Manufactured Capital to position ourselves as a leader in the supply of activated carbon products for energy storage applications.

We invested in a new electro-chemical laboratory, enabling in-house performance testing of energy storage carbons. The laboratory is equipped with the latest electro-chemical performance testing facilities. Establishing the laboratory in-house has reduced the lead time in obtaining test results. This has enabled us to respond to customer queries more swiftly and enhance collaboration bringing energy storage carbon solutions closer to commercial manufacture.

Opening of our new electro-chemical laboratory





**We also strive to improve our manufacturing and supply chain processes, adopting greener technologies across the Organisation**

Given the growing demand for activated carbon products across diverse applications and our own strategic goal of increasing our global market share by 1%, we also focused on advancing our greenfield investment in the Philippines.



### Greenfield investment in the Philippines

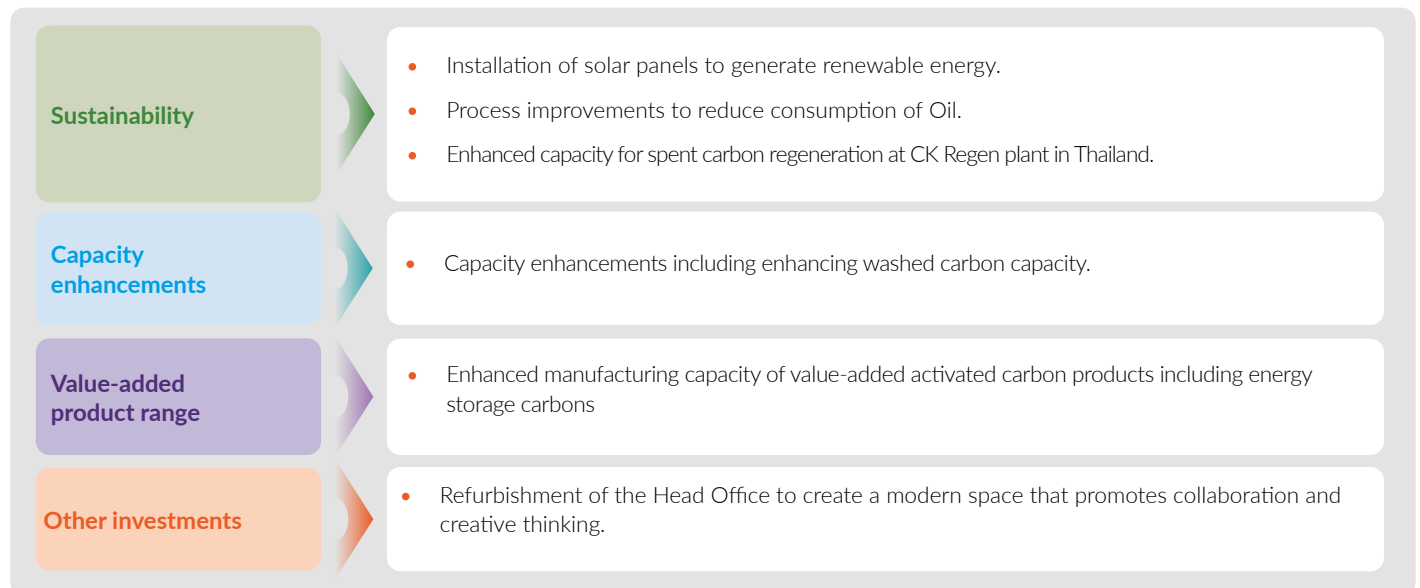


- We recognized Philippines' potential with its readily available supply of raw materials facilitating our strategic objective of a diverse supply chain network and its strategic location supporting to cater to the company's key markets.
- Haycarb officially incorporated a new entity, Haycarb Philippines Corporation during the year under review.
- The Group is currently in the process of evaluating and finalizing the selected site for the establishment of its manufacturing plant in the Philippines.

#### ACHIEVING MANUFACTURING EXCELLENCE SUSTAINABLY

We continued to invest in our Manufacturing Capital to uphold excellence in fulfilling product specifications and maintaining consistency in quality across the wide range of applications we serve.

Furthermore, we made substantial investments to advance our 2030 ESG goals as outlined in our ESG Roadmap 2030, Activate. Key investments made during the year under review in this regard, are given below.



# MANUFACTURED CAPITAL

## OPERATIONAL EFFICIENCY AND PRODUCTIVITY

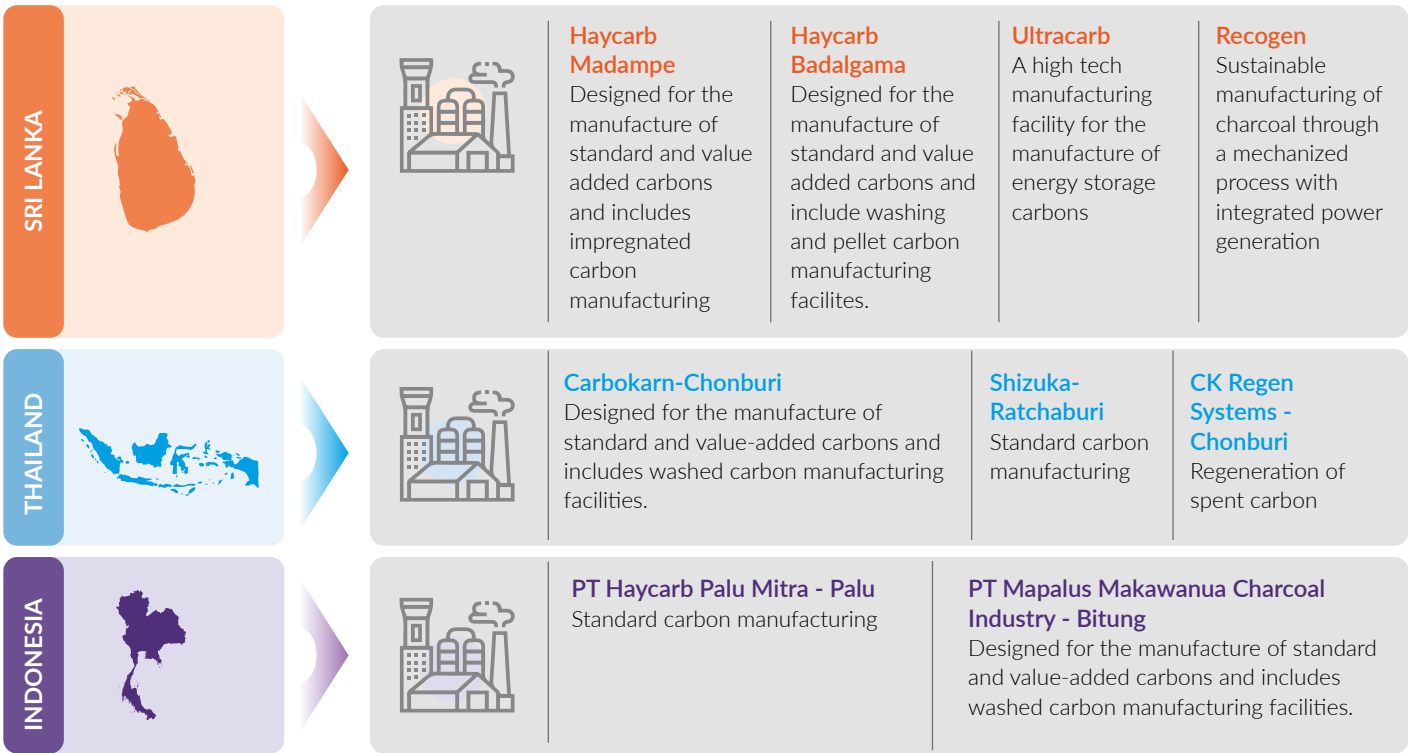
The Group’s emphasis on operational efficiency is guided by its 3R concept of Reduce, Reuse and Recycle, and enables a comprehensive approach to improving processes, reducing waste, and enhancing productivity. The Group implements a range of manufacturing best practices

including Lean Manufacturing, Six Sigma, 5S and Kaizen across its manufacturing facilities to nurture a culture of ‘zero produce defects’ enhancing product quality while minimising waste. Haycarb has maintained a zero-defect standard in the production of its EDLC carbon range since its inception in 2010.

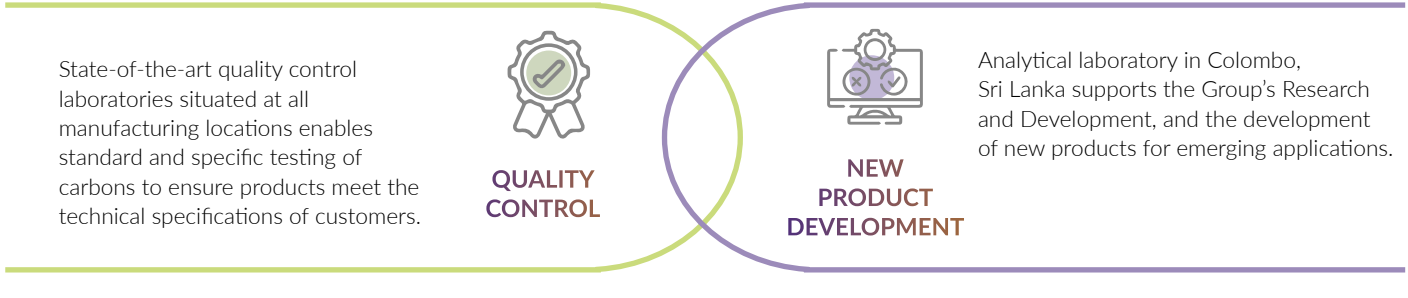
Maintenance of plant and machinery is guided by the Preventive Maintenance pillar of Total Productive Maintenance (TPM) minimising loss of productivity due to machine breakdowns.

- **31 lean initiatives** implemented during 2023/24
- **Rs 148.6 Mn** in cost savings

### ENABLING MANUFACTURING AND TECHNICAL EXCELLENCE

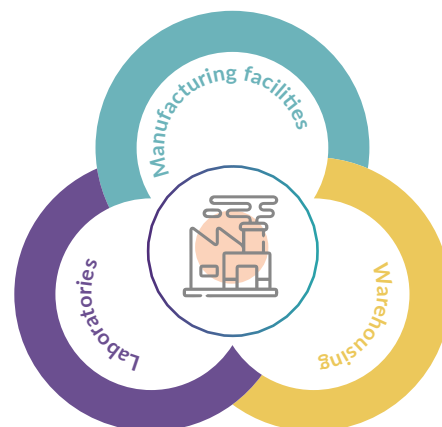


### ACTIVATED CARBON SEGMENT





Manufactured capital comprises of;



Key laboratory equipment that supports innovation and technical excellence in the Activated Carbon segment include,

Equipment	Capability
Inductively coupled plasma mass spectrometric (ICP-MS) analyzer	Ability to measure metal constituents at trace levels (ppt levels) enables the production of activated carbon with high purity.
Atomic absorption spectroscopy (AAS)	Ability to measure metal constituents in activated carbon facilitates the production of value-added activated carbon segment and enables maintaining required purity levels for the specialized carbon product portfolio.
ONH element analyser	Ability to measure surface functional groups (Oxygen, Nitrogen, Hydrogen) in surface modified/ treated activated carbon.
Surface area analyser	Measures pore geometry of activate carbon (internal) pore area, pore diameter, pore size distribution, pore volumes of micropores and meso pores) and facilitate fundamental development work.
Laser particle size analysers	Ability to measure particle size distribution facilitates the ability to maintain the correct drop in pressure at the end application.

#### NEW ADDITIONS 2023/24

##### GAS DISPLACEMENT PYCNOMETER

Ability to measure high-precision volume measurements and true density calculations of activated carbon.

##### ELECTROCHEMICAL LAB

Equipped with critical equipment including a Glove box to assemble coin cells in controlled environment and Battery Testing equipment to support development of battery carbons.

# MANUFACTURED CAPITAL

## ENVIRONMENTAL ENGINEERING SOLUTIONS SEGMENT

The Environmental Engineering Solutions segment is also equipped with a modern laboratory that can carrying out advanced analysis of rare and special effluents, while enabling new product development, process improvements and capacity augmentation. Our laboratory is registered under the Central Environment Authority as a laboratory for environmental monitoring and evaluation.

### During the year, we extended our capabilities to include,

- Performing wide range of tests related to chemicals sales business sector
- Onsite testing to ensure smooth operation existing treatment plants.



## WAREHOUSING

Access to extensive warehousing around the world has enabled the timely delivery of finished goods, the fulfillment of urgent customer needs and optimised inventory management. Our marketing offices maintain warehousing facilities in the USA, Europe and Australia. Warehousing facilities are also available at each manufacturing site enabling the storage of raw materials, semi-finished and finished goods while additional warehouses within proximity to seaports facilitate shipment of finished goods. During the year, we expanded our warehousing network through the addition of 1 new warehouse in Perth, Australia.







# Foundations of Successful Establishment

## MINDFUL GOVERNANCE

178 Corporate Governance • 220 Annual Report of the Board of Directors on the Affairs of the Company  
224 Statement of Directors' Responsibility • 225 Related Party Transactions Review Committee Report  
226 Audit Committee Report • 229 Remuneration Committee Report  
230 Nomination and Governance Committee Report • 232 Statement by the Senior Independent Director  
233 Independent Assurance Report for the GRI Standard • 235 Independent Assurance Report for the Integrated Annual Report  
237 GRI Index • 246 SASB Disclosure & Index



# CORPORATE GOVERNANCE



The Company has complied with the newly promulgated Section 9 of the Listing Rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and requirements of SLFRS Sustainability Standards S1 and S2 with the transitional relief granted.

## OUR APPROACH TO GOVERNANCE

Haycarb's governance structure needs to be comprehensive and effective as our operations span across ten countries. The Board is cognisant of the need to ensure compliance with legal and regulatory requirements, and internal policies and growing need to integrate sustainability in to governance, strategy, risk management and performance oversight processes.

### KEY DEVELOPMENTS IN 2023/24

Sustainability and climate change have been gaining traction with Governments and regulators who understand the costs of climate change in the economy, with many countries mandating sustainability

reporting and tightening regulations in related areas. Our global customer base is increasingly concerned about sustainability throughout their own supply chains. We commenced the year by compiling our own ESG Framework "Activate" which is aligned with the parent company's ESG Roadmap "Hayleys Lifecode". This is discussed under ESG Governance to this report on page 186 and 187.

There were several external developments that impacted the corporate governance structure of Haycarb which are captured below:

Month	Development	Compliance / Planned Action
June 2023	Issue of the IFRS Sustainability Standards by the International Sustainability Standards Board, a part of the IFRS Foundation. Two standards were issued, which are:  <b>S1:</b> General requirements for Sustainability Related Financial disclosures.  <b>S2:</b> Climate Related Disclosures.  ICASL adopts and issues the IFRS Sustainability Standards as SLFRS Sustainability Standards in January 2024.	The Company is complying with the requirements of SLFRS; S1 and S2, with the transitional relief that has been granted.
July 2023	Issue of European Sustainability Reporting Standards by the European Commission.	Aligned with GRI which Haycarb already complies with. Will continue to monitor developments.
September 2023	Issue of Section 9 on Corporate Governance by the Colombo Stock Exchange (CSE).	Haycarb is in compliance with all of the provisions that are due by the date of this report.
December 2023	Issue of 6th edition of "Code of Best Practice on Corporate Governance 2023" by the Institute of Chartered Accountants of Sri Lanka (ICASL).	Haycarb is in compliance with all of the provisions that are due by the date of this report.

## GOVERNANCE HIGHLIGHTS



### Appointments to the Board

- Mrs. Anomi Wanigasekera as an Independent Non-Executive Director (w.e.f. 03rd January 2024)
- Mr. Nanda Fernando as an Independent Non-Executive Director (w.e.f. 03rd January 2024)
- Mr. Yohan Perera as an Independent Non-Executive Director (w.e.f. 01st April 2024)



### Appointment of Senior Independent Director

- Mr. Hisham Jamaldeen as Senior Independent Director (w.e.f. 01st November 2023)



### Appointment of Deputy Managing Director

- Mr. Brahman Balaratnarajah as Deputy Managing Director (w.e.f. 01st April 2023)



### Resignations

- Mr. Sujeewa Rajapakse as an Independent Director (w.e.f. 01st April 2024)
- Dr. Sarath Abayawardana as an Independent Non-Executive Director (w.e.f. 31st December 2023)



### New Committees of the Board

- Nominations and Governance Committee (w.e.f. 16th May 2024)
- Remuneration Committee (w.e.f. 16th May 2024)
- Related Party Transactions Review Committee (w.e.f. 16th May 2024)



### Sustainability

- Launch of "Activate", Haycarb's ESG Roadmap 2030
- Setup Sustainability Steering Committee
- Set up Sustainability and ESG Division reporting to the Deputy Managing Director
- Gap analysis for implementing SLFRS S1 and S2 carried out and recommendations implemented



### Evaluations

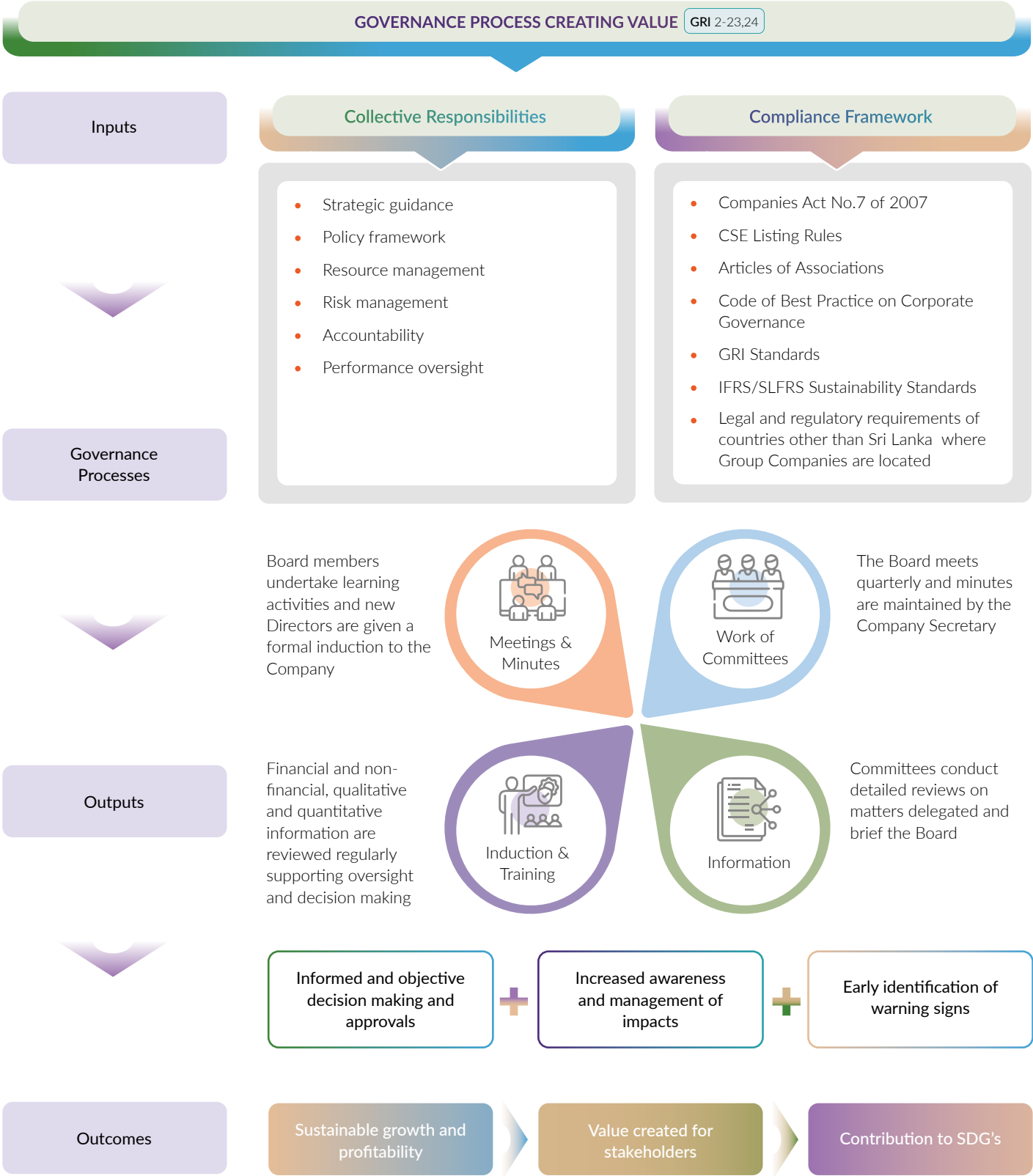
- Self Evaluations by the Board
- Evaluation of the CEO by the Board



### Policy Framework

- Rolling out the plan for publishing governance policies on corporate website

# CORPORATE GOVERNANCE



## COMPOSITION IS KEY





GRI 2-9, 17, 405-1

The Board comprises 15 Directors whose profiles are given on page 32 to 35. There are 7 Executive Directors including the

Chairman and the Managing Director. There are 8 Non-Executive Directors of whom 5 are independent and account for 1/3 of the Board in accordance with Section 9.8 of the CSE Listing Rules. The mix of skills, experience and perspectives ensures

that matters set before the Board are considered through multiple lenses, paving the way for objective decision making.

The collective strengths of the Board are summarised below.

	Business Focus Areas	Qualifications, skills and experience	No of Executive Directors	No of Non-Executive Directors	Total
	Financial reporting and management of liquidity, funding and working capital is a regulatory requirement and a prime concern of our investors and other stakeholders	Financial, accounting, investments and banking	2	5	7
	Our products have a broad range of applications and product and process innovation are key to growth	Product knowledge and understanding of key business applications	2	1	3
	Developing international markets is a strategic priority	Business development, marketing, sales	4	1	5
	Oversight of risks faced by the business including financial, operational, strategic, supply chain and sustainability risks and management of the same	Risk management, supply chain management and sustainability	2	5	7
	Compliance with legal and regulatory requirements as well as internal policy frameworks	Expertise in corporate governance, legal and regulatory matters, ESG	1	2	3

(Note that one Director may have multiple skills and therefore would tick more than one box.)

### A Balanced Board

Executive Directors  
(Including Chairman and MD)



Non-Independent  
Non-Executive Directors



Independent  
Non-Executive Directors



Gender  
Representation

73%



27%

Nationality

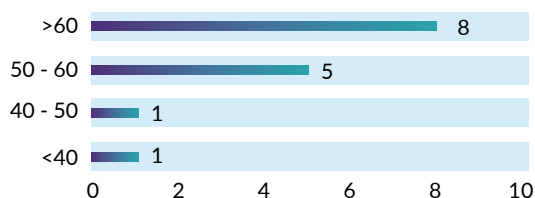
86%



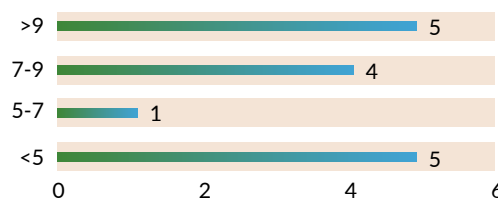
14%



### Age Diversity



### Tenure of Service



# CORPORATE GOVERNANCE

## NOMINATIONS & GOVERNANCE

GRI 2-10

The Nominations & Governance Committee assists the Group in finding suitable candidates for the Board as needed. The Committee evaluates the potential skills, competencies, experience and attributes, as well as the Board's overall composition and diversity. The main criterion is to select the best person for the Company's business needs who also meets the Board's independence and diversity skill requirements.

### FIT & PROPER CRITERIA / DETERMINING INDEPENDENCE

The criteria for assessing whether a Director is 'fit and proper' to discharge duties and independent as the case may be is set out in the CSE Listing Rules, section 9 and was followed by Haycarb during the year in its Board assessments. Self declarations were obtained from Directors during the year and duly assessed.

### APPOINTMENT, RETIREMENT AND RESIGNATIONS

Directors are appointed by the Board in accordance with the Articles of Association and they are reappointed by the shareholders at the Annual General Meeting. Board recommends suitable

candidates with the advice of the Nomination & Governance Committee. 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
- Whether such Director can be considered 'Independent' in accordance with the CSE Listing Rules

The Board has the power to appoint Directors to fill a 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 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 the Directors who are submitted

for election or re-election are given in the Notice of Meeting and their resume is provided in the Annual Report to enable shareholders to make an informed 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.

## SUB-COMMITTEES OF THE BOARD

GRI 2-13, 18

During the year, the Board established Nominations & Governance Committee, Remuneration Committee and Related Party Transactions Review Committee to aid in fulfilling its obligations in accordance with the recently introduced CSE Listing Rules, Section 9 on Corporate Governance. Before the formation of these three new committees, the respective committees of the parent company Hayleys PLC had been discharging the duties towards the Haycarb Board. The Company has its Audit Committee, responsible for overseeing financial reporting, risk management, internal controls, and assessing the work of both External and Internal Auditors, including the independence of the external Auditors. The composition and roles of these sub committees are summarised below.

Board Committee	Areas of Oversight	Composition	Further Information
Audit Committee	<ul style="list-style-type: none"> <li>Financial Reporting</li> <li>Internal Controls</li> <li>Internal Audits</li> <li>External Audit</li> </ul>	Comprises two Independent Non-Executive Directors and one Non - Executive Director	Report of the Audit Committee on page 226
Nominations & Governance Committee	<ul style="list-style-type: none"> <li>Appointment of Key Management Personnel / Directors</li> <li>Succession Planning</li> <li>Effectiveness of the Board and its Committees</li> </ul>	Comprises two Independent Non-Executive Directors and one Non-Executive Director	Report of the Nominations & Governance Committee on page 230
Remuneration Committee	<ul style="list-style-type: none"> <li>Remuneration policy for Key Management Personnel</li> <li>Goals and targets for Key Management Personnel</li> <li>Performance evaluation</li> </ul>	Comprises two Independent Non-Executive Directors and one Non-Executive Director	Report of the Remuneration Committee on page 229
Related Party Transactions Review Committee	Review of related party transactions	Comprises two Independent Non-Executive Directors and one Non-Executive Director	Report of Related Party Transactions Review Committee on page 225

## A FRAMEWORK FOR COMPLIANCE

GRI 2-27

The compliance framework has grown beyond regulatory compliance as the Group adopts best practice in line with its commitment to upholding high standards of governance. Accordingly, the Group added the SASB Standard for chemicals and the Recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD) during the year under review. No non-Compliance has been reported or legal actions taken during the year. The current compliance framework of the Group is set out below:



### Regulatory

- Companies Act No.7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Section 9 on the Corporate Governance Rules for listed Companies issued by the Colombo Stock Exchange (CSE)
- 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
- All legal and regulatory framework of countries where the Group Companies are operating.



### Voluntary Standards, Codes & Frameworks

- “Code of Best Practice on Corporate Governance 2023” issued by the Institute of Chartered Accountants of Sri Lanka
- Integrated Reporting Framework
- Global Reporting Initiative Standards
- Recommendations of the Taskforce on Climate Related Financial Disclosures
- IFRS Sustainability Standards/SLFRS Sustainability Standards
- Chemicals Sustainability Accounting Standard
- Requirements of Environmental & Social Certifications
- Requirements of Quality Standards / Certifications obtained.



### Internal Documents

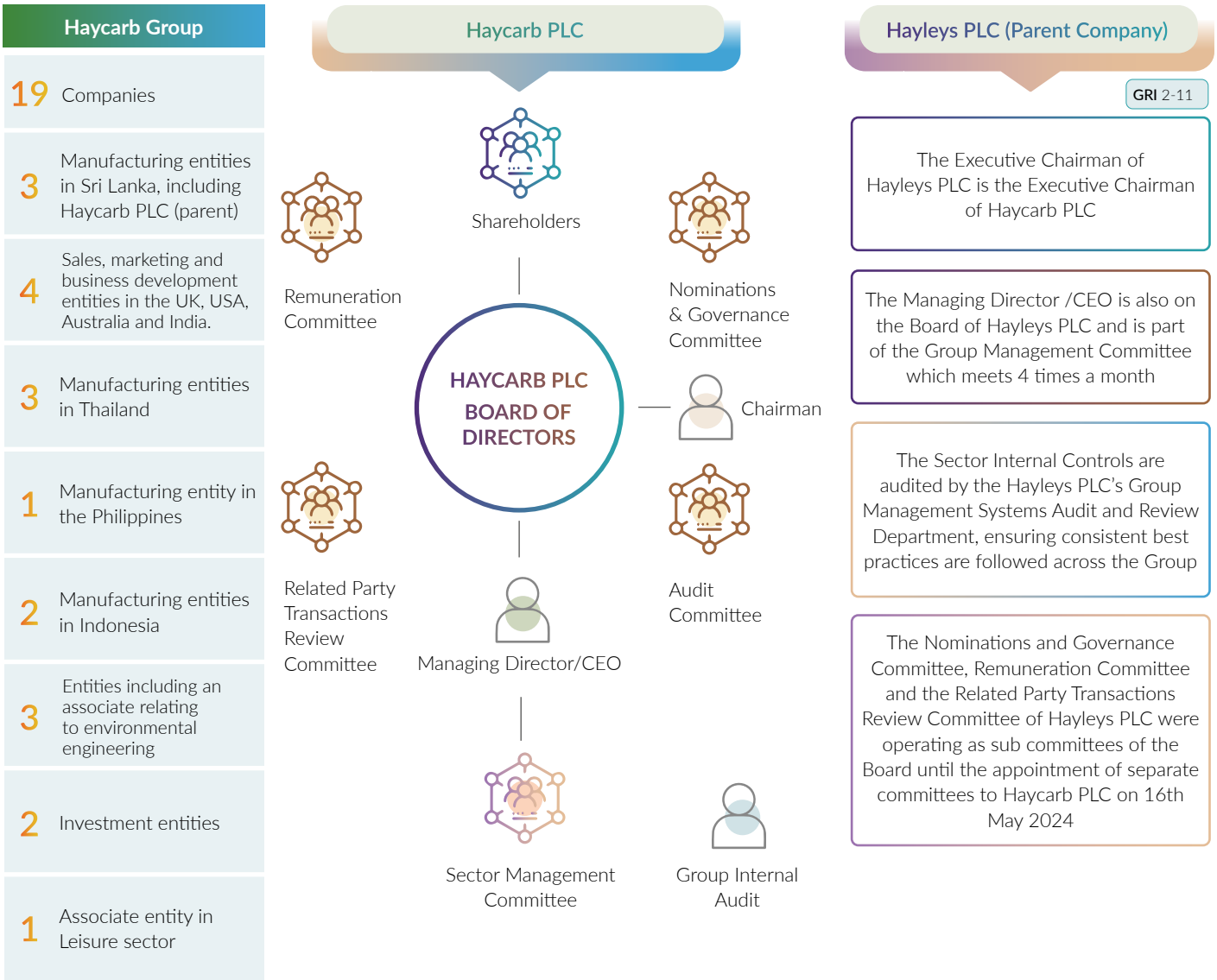
- Articles of Association
- Board Charter
- Hayleys Lifecode
- The Hayleys Way
- Activate - ESG Roadmap 2030
- Policies and Procedures
- Delegation of Authority Limits /SOPs



# CORPORATE GOVERNANCE

## A FIT FOR PURPOSE GOVERNANCE STRUCTURE GRI 2-9

The Group has 19 Companies including 17 subsidiaries and 2 associates. The governance structure of the Group facilitate the line of sight to the Board on the geographically diverse operations as set out alongside.



## ROLES AND RESPONSIBILITIES GRI 2-11 b, 12

### Chairman

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 MD.
- 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.

### Senior Independent Director (SID)

- Set corporate values facilitating an equitable balance between key stakeholder interests.
- Uphold high standards of ethics, integrity and support executive leadership whilst monitoring their conduct.
- Promote high standards of corporate governance and compliance.
- Meet with NEDs to facilitate discussion and communication of governance matters and communicate same to Chairman.
- Maintain sufficient contact with shareholders and be available in case they have concerns which cannot, or should not, be addressed by the Chairman or Executive Directors.
- Act on the results of any performance evaluation of the Chairman.

### Managing Director/Chief Executive Officer

Accountable for implementation of Haycarb PLC 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 organizational 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.

### OVERSIGHT OF SUBSIDIARIES

The following mechanisms facilitate oversight of the geographically diverse interests by the Board of Haycarb PLC:

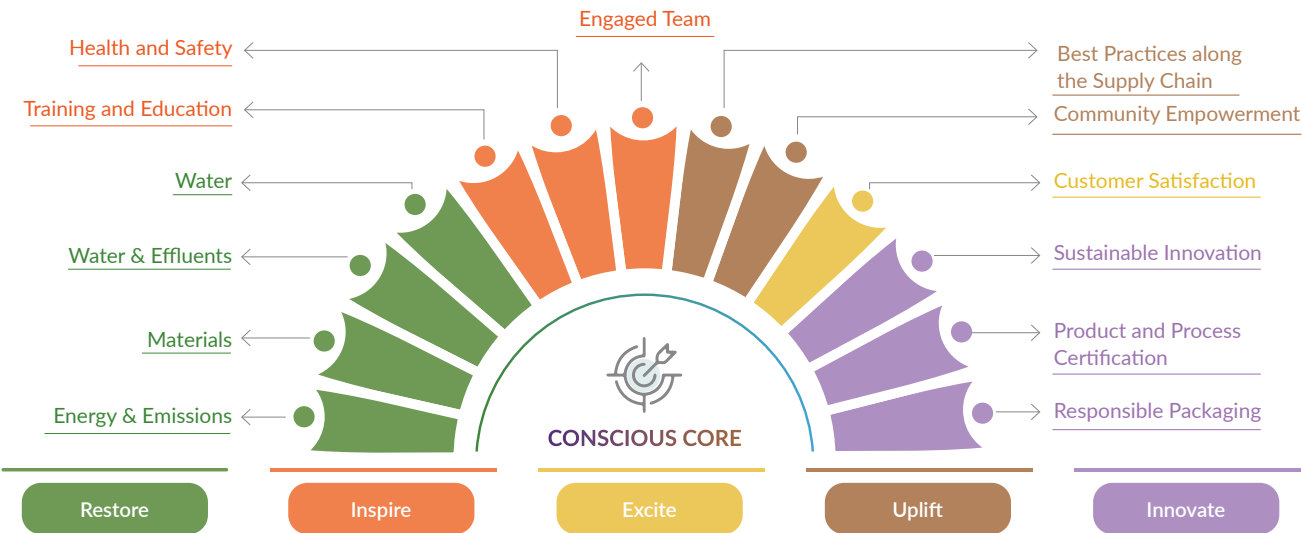
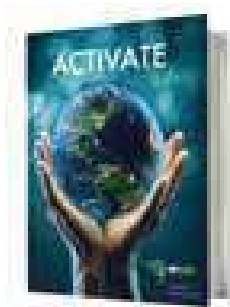
- The Chairman, the Managing Director and Mr. Sarath Ganegoda who is a Non-Executive Director of Haycarb PLC are also members of the Hayleys Group Management Committee and the Board which review the performance of Haycarb PLC.
- Parent company's Audit Committee communicates with the Audit Committee of the subsidiary providing a forum for Audit Committee members of Haycarb PLC to raise any matters of concern with the parent company's Audit Committee.
- Mr. Mohan Pandithage is the Chairman of all entities in the Group other than PT. Mapalus Makawanua Charcoal Industry and PT. Haycarb Palu Mitra where he holds the office of President Commissioner and President Director respectively.
- Mr. Rajitha Kariyawasan is on the Board of all Group entities except for one Associate company
- Mr. Sarath Ganegoda serves on the Boards of two entities of Australia and Indonesia and an Associate company in Sri Lanka.
- Ms. Jeevani Aberyratne is on the Board of all Group entities, except two associate entities.
- Mr. Brahman Balaratnarajah serves on the Boards of three entities in Sri Lanka, seven entities of Thailand, USA, Singapore, Philippines and Indonesia
- Mr. Ali Asgar Munaver Carderbhoy serves on the Board of one entity in Sri Lanka and six entities of Australia, India, Philippines, Singapore and Indonesia
- Mr. James Naylor serves on the Board of the UK entity.
- Mr. M.S.P. Udaya Kumara serves on the Board of one entity in Sri Lanka, five entities in USA, Philippines, Singapore and Indonesia.



# CORPORATE GOVERNANCE

## ESG GOVERNANCE GRI 2-12, 14, 23

Haycarb launched Activate, its own ESG Framework which builds on the Hayleys Lifecode to customize the same to meet our needs.



### READINESS FOR IFRS/SLFRS SUSTAINABILITY STANDARDS

Haycarb commenced its journey to report with IFRS as soon as they were launched, spending time and effort to understand the standards and build awareness of sustainability reporting within the Group. Accordingly, training was carried out for the entire leadership of the Group including the Executive Directors to ensure there is alignment of understanding and that every department understands their responsibilities with regard to sustainability reporting, underscoring that sustainability requires the active participation of every employee and stakeholder.

Governance and strategy pillars are in place and we are now focusing on the Risk Management aspect of sustainability reporting. Haycarb reported using the SASB for Chemicals which has the most similar industry description but observed that this is not a good fit as many of the sustainability issues in the standard are not relevant to the Group. Consequently, we are looking at GRI and will also explore the concepts of ESRS to determine the Group's SRROs and CRROs, to ensure the targets and metrics in place align with our business model and impacts across the value chain.



## ALIGNING FINANCIAL & ESG REPORTING BOUNDARIES

In order for us to minimise Group-wide business risks and safeguard the reputation of the Group as a responsible corporate citizen, the ESG Framework has been implemented across all locations with reporting on relevant material topics for the Group and sector. We firmly believe that every location that does not report on ESG information represents an unidentified and unassessed risk to the Haycarb Group.

## STRENGTHENING OVERSIGHT OF ESG IMPLEMENTATION

The Board is responsible for formulating the Group's ESG strategies, policies goals and targets. An ESG Steering Committee was established at the parent company Board level to ensure the roll out its ESG agenda across Group Companies.

The composition of the ESG Steering Committee is as follows:

- Chaired by the Managing Director

- Four Executive Directors including, Depute Managing Director, who heads the Sustainability Division and the Finance Director
- 7 members of the Corporate Management Team

The responsibilities of the ESG Steering Committee include the following:

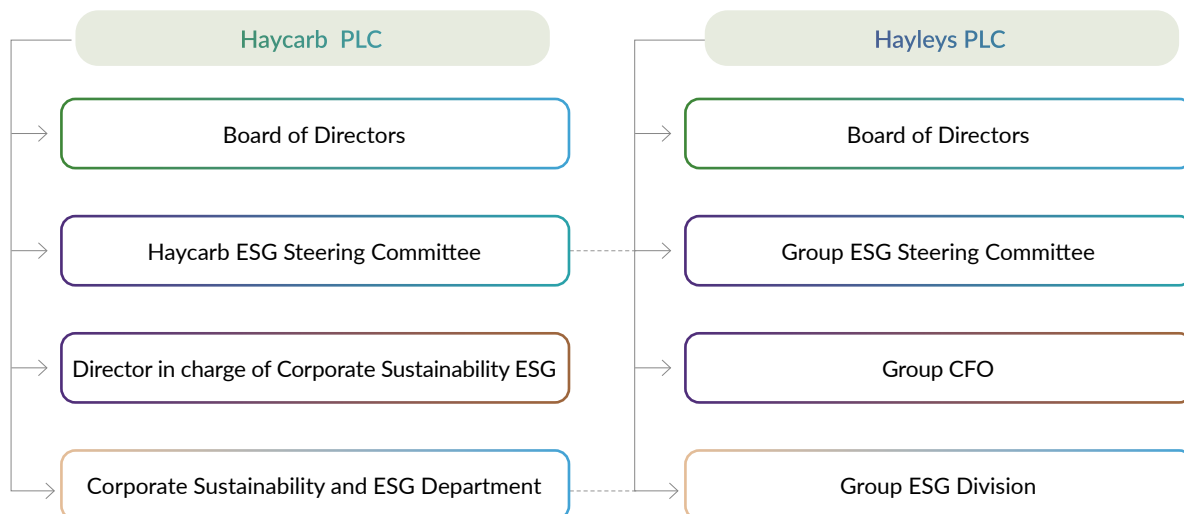
- Provide oversight and monitor the execution of Activate and the Hayleys Lifecode including progress against environmental, social and governance targets in the short, medium and long-term.
- Identify sustainability related risks and opportunities (SRROs) including climate related risks and opportunities (CRROs) and recommend the implementation of appropriate measures to effectively address these dynamics.
- Review and provide guidance on ESG related policies and programmes required to drive the Group's ESG Framework and strategy.

- Review and approve the Group's stakeholder engagement strategy which allows management to identify, understand and respond to stakeholders' legitimate concerns.
- Review emerging trends and issues in the ESG areas and assess potential impact on the Group.

The ESG Steering Committee held 3 meetings during the year to discharge its duties.

The committee is supported by the dedicated Corporate Sustainability & ESG Department of the Company.

## SUSTAINABILITY GOVERNANCE



# CORPORATE GOVERNANCE

## THE HAYLEYS WAY – CODE OF BUSINESS PRINCIPLES

The Board plays an integral role in shaping the Group's organizational culture through setting the right tone at the top and ensuring that behaviour of all internal stakeholders is aligned to the Group's core values. The Hayleys Way- serves as the Group's Internal Code of Conduct, explicitly setting out the behaviour expected from an employee and reinforcing the Group's organisational values.

The Group is committed to maintaining the highest degree of integrity, ethics and transparency in all its operations, which includes measures to prevent the risk of corruption. These measures include, monitoring of compliance to all relevant laws and regulations through the Internal Audit function, a clearly articulated and communicated whistleblowing policy and grievance mechanisms. In addition, the

Hayleys Way, the Group's Code of Conduct sets the tone for ethical behaviour across the 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 conducting 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.



## ANTI-BRIBERY & ANTI-CORRUPTION

The Hayleys bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption. The policy is applicable to the Board of Directors and all employees of Haycarb PLC and its subsidiaries and includes guidelines on gifts, hospitality and promotional expenses, facilitating payments, political contributions and donations, charitable donations, commission payments to third parties and partner due diligence among others.

The Group is in compliance to ISO 9001:2015 quality management system which requires the evaluation of external entities, that provide goods and services under contract as to their compliance on anti-corruption and anti-bribery policies. The Group is committed to compliance with anti-corruption laws of all the geographies it operates.

All new recruits receive training on the Group's Code of Conduct which includes Anti Bribery and Corruption provisions within three months of joining. Information on accessibility, anonymity, processes and the policies relating to the Anti-Bribery & Anti-Corruption are communicated to all employees including all the Directors through the intranet and other related/ adjacent trainings.

No confirmed incidents of corruption covering employees who were disciplined or dismissed for corruption, contracts and no contracts with business partners were terminated due to corruption. There were also no public legal cases regarding corruption during the year.



Scan the QR to view Anti Bribery Policy

## HUMAN RIGHTS

GRI 2-23

As a participant to the United Nations Global Compact, Haycarb has committed to its ten Principles of preserving Human Rights. Haycarb Group is abide by the Human Rights Policy implemented by its



## Hayleys Group is committed to conduct its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders

parent Hayleys PLC which aims to foster an organisational culture that embraces internationally recognised guidelines on human rights while eliminating the risk of human rights abuse.

Key aspects of the policy include the following:

- Fair treatment: Equality of opportunity and treatment for the purpose of eliminating discrimination
- Non-harassment: Creating an environment free of all forms of workplace harassment
- Abolishing child, forced and compulsory labour in both our operations and along our value chain in working with subcontractors and suppliers
- Freedom of Association and Collective Bargaining
- Promoting health and safety by providing appropriate safety measures and precautions at all locations

### WHISTLE BLOWING / GRIEVANCE MECHANISM

GRI 2-25, 26, 206-1

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. Information on accessibility, anonymity, processes and the policy relating to the whistle-blowing service is communicated to all employees.

### ANTI-COMPETITIVE BEHAVIOUR

There were no legal actions for anti-competitive behaviour, anti-trust and monopoly parties in 2023/24. Policies are set out in the Hayleys Lifecode and publicly available on the Hayleys corporate website.

### 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 a proposed contract with the Company other than those disclosed on note 33, page 314 to this report.

The 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 33 to the Financial Statements on page 314 and 315.

The Board determined that the total number of Board seats on public listed companies that can be held by a Director

is 20. The total number of Board seats (excluding directorship in Haycarb PLC and its subsidiaries and associates) held by each Director as at 31st March 2023 is given below. The Board is satisfied that all Directors allocate sufficient time to enable them to discharge their duties and responsibilities.

# CORPORATE GOVERNANCE

## DIRECTORSHIPS IN OTHER COMPANIES

Name of the 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	11	1	133	10
Mr. Rajitha Kariyawasan	Managing Director	3	-	16	-
Mr. Brahman Balaratnarajah	Deputy Managing Director	-	-	-	-
Mr. Sarath Ganegoda	Non-Executive Director	2	8	-	65*
Mr. Arjun Senaratna	Non-Executive Director	-	-	1	1
Mrs. Jeevani Abeyratne	Executive Director	-	-	-	-
Mr. M.S.P. Udaya Kumara	Executive Director	-	-	-	-
Mr. Ali Asgar Munaver Caderbhoy	Executive Director	-	-	-	-
Mr. James Naylor	Executive Director	-	-	-	-
Mr. Hisham Jamaldeen	Independent Non-Executive Director	1	3	34	6
Mrs. Shamalie Gunawardana	Independent Non-Executive Director	-	1	1	-
Ms. Brindhiini Perera	Non-Executive Director		10		5
Mrs. Anomi Wanigasekera (Appointed w.e.f. 3rd January 2024)	Independent Non-Executive Director	-	1	-	-
Mr. Nanda Fernando (Appointed w.e.f. 3rd January 2024)	Independent Non-Executive Director	-	3	-	-
Mr. Yohan Perera (Appointed w.e.f. 1st April 2024)	Independent Non-Executive Director	-	3	-	-

\*with two Alternative Directorships

## CONFLICT OF INTEREST

GRI 2-15

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 MD and the Company Secretary. These are made available to the Directors seven days 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 within two weeks of the Board meeting 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.

Name of the Director	Director Category	Date of Appointment	Board	Audit Committee
Mr. Mohan Pandithage	Chairman	01.01.2007	4/4	
Mr. Rajitha Kariyawasan	Managing Director	04.01.2010	4/4	
Mr. Brahman Balaratnarajah	Deputy Managing Director	01.04.2015	4/4	
Mr. Sarath Ganegoda	Non-Executive Director	01.11.2009	4/4	
Mr. A.M. Senaratna	Non-Executive Director	01.11.2005	3/4	4/4
Mrs. Jeevani Abeyratne	Executive Director	01.11.2009	4/4	
Mr. M.S.P. Udaya Kumara	Executive Director	15.02.2015	4/4	
Mr. Ali Asgar Munaver Caderbhoy	Executive Director	01.04.2016	4/4	
Mr. James Naylor	Executive Director	01.04.2016	4/4	
Mr. Hisham Jamaldeen	Independent Non-Executive Director	15.03.2017	2/4	
Mrs. Shamalie Gunawardana	Independent Non-Executive Director	01.03.2021	4/4	
Ms. Brindhiini Perera	Non-Executive Director	19.10.2022	3/4	
Mrs. Anomi Wanigasekera (Appointed w.e.f. 3rd January 2024)	Independent Non-Executive Director	03.01.2024	1/2	
Mr. Nanda Fernando (Appointed w.e.f. 3rd January 2024)	Independent Non-Executive Director	03.01.2024	2/2	2/2
Mr. Yohan Perera (Appointed w.e.f. 1st April 2024)	Independent Non-Executive Director	01.04.2024	1/1	1/1
Dr. Sarath Abayawardana (Resigned w.e.f. 31st December 2023) *	Independent Non-Executive Director	02.08.2011	2/2	2/2
Mr. Sujeewa Rajapakse (Resigned w.e.f. 1st April 2024) *	Independent Non-Executive Director	30.01.2013	3/3	3/3

\* The recently published Section 9 of the Listing Rules of the Colombo Stock Exchange stipulates that a director ceases to be considered independent upon completion of 9 years from the date of first appointment. Consequently, Mr. Sujeewa Rajapakse and Dr. Sarath Abayawardana resigned from the Board during the year having served as Independent Non-Executive Directors since 2013 and 2011 respectively.

# CORPORATE GOVERNANCE

## INDUCTION & TRAINING FOR DIRECTORS

On appointment, directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of a factory. 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/CEO

GRI 2-18

The Board assesses the performance of the MD/CEO annually in line with goals agreed at the beginning of the year with the Board. 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. The Remuneration Committee reviews and evaluates the performance of Managing Director of the Company. The committee comprises of two Independent Non-Executive Directors and one Non-Executive Director of which two are Independent. The committee met 3 times during the year.

## BOARD EFFECTIVENESS

The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors and committees through an annual self-evaluation of its own performance. The results of the evaluation are assimilated and submitted to the Chairman for discussion at a Board meeting.

## REMUNERATION

GRI 2-19 to 21

The Board is assisted by the Remuneration Committee of Haycarb 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 as agreed by the Board and the Managing Director/CEO which are then cascaded to direct reports and others below. Please refer page 229 for the Report of the Remuneration Committee and Terms of Reference.

The remuneration of the NED's except Hayleys Group Directors, 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 Remuneration Committee 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 is 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 2023 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 282 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 183. 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 Joint Message page 16 to 21
- Strategy and Resource Allocation on page 59 to 65
- Managing risks and Opportunities on page 66 to 83
- Capitals on page 102 to 176

The Board approved the quarterly reports prior to publication and dissemination to the public through the CSE and the corporate website within 45 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, has 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 page 220 to 223 (including the declaration that the company is a going concern)
- The Statement of Directors' Responsibility on page 224
- Report of the Auditors on page 250

## 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 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 2023/24 at the AGM held on 29th June

2023. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

## RISK GOVERNANCE

The Board holds ultimate responsibility for business risk management. The Board has adopted a framework for Risk Management and processes to identify, assess, monitor and manage risks. The Board has widened the responsibility of the Audit Committee to oversee the Risk Management process of the Company.

Reflecting the increase in complexities in the control environment, managing emerging risks was a key priority during the year. The Audit Committee played a virtual role in monitoring changes to the Company's risk landscape.

## IT AND CYBER SECURITY GOVERNANCE

Haycarb has established a robust governance structure to ensure the security of IT systems and manage technology and information assets. Evaluation of cyber security risks and mitigatory plans presented by the IT team is reviewed by the Audit Committee on a quarterly basis and escalated to the Board of Directors, depending on the risk and impact. Haycarb IT Division works in close collaboration with the Hayleys Group IT Division to ensure that best in industry practices is adopted to mitigate emerging threats. The Hayleys Group Head of IT is the Chief Information Officer (CISO) of the Hayleys Group. The company has adopted detailed IT Policies including Information Security Policies. Please refer to IT and Cyber Security Governance on page 135

## SUSTAINABILITY REPORTING GRI 2-16

Integration of ESG reporting into the Governance framework is set out above on page 186 . 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 102
Environment	Natural Capital	page 106
Labour Practices	Human Capital	page 140
Society	Social and Relationship Capital	page 154
Product Responsibility	Social and Relationship Capital	page 154
Shareholder Identification, Engagement and Effective Communication	Investor Relations	page 341



# CORPORATE GOVERNANCE

GRI 2-12

## RELATIONS WITH SHAREHOLDERS

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

## COMMUNICATION WITH SHAREHOLDERS

Haycarb engages shareholders are engaged 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 to the CSE which are disseminated to the general public via the 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 Chairman. Additionally, KMPs of the Group are also present assist the directors in this regard.

The Notice of the AGM and the Proxy forms are circulated to the shareholders 15 working days prior to the AGM. The annual report is uploaded to the Company website and forwarded to Colombo Stock Exchange at the same time. Shareholders who request

a printed copy of the Annual Report will be provided a copy. 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 issue, separately. 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 the CSE, soon after the conclusion of the AGM.

## COMPLIANCE WITH THE “CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE” ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

The Institute of Chartered Accountants of Sri Lanka issued a revised “Code of Best Practice on Corporate Governance” in December 2023, effective from 01st April 2024. The Haycarb Group has reviewed the “2023 Code” for further adoption, as applicable, and relevant to the Group. This section has presented Haycarb PLC’s compliance in line with the “Code of Best Practice on Corporate Governance 2023” issued by the Institute of Chartered Accountants of Sri Lanka.

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>SECTION I : THE COMPANY</b>			
<b>A</b>	<b>Directors</b>		
<b>A.1</b>	<b>The Board</b>		
A.1	The Board - direct, lead and control the Company	The Board comprises 15 directors of whom 7 are Executive and 8 are Non-Executive of whom 5 are Independent. 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.	Yes
A.1.1	The Regularity of Board meetings, structure and process of submitting information	<p>The Board meets quarterly with provision to meet more frequently if required. Attendance of meetings is given on page 191. Information for the meeting is provided to Board members in advance and typically include the following information:</p> <ul style="list-style-type: none"> <li>• Minutes of the previous Board meeting and any Committee meetings during the quarter under review.</li> <li>• Financial and operational information including progress on agreed Key Performance Indicators.</li> <li>• Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets.</li> <li>• Forecasted performance for the financial year.</li> <li>• A Risk Register including key business risks on strategic, operational, financials, investments, governance, Information Technology and System Security (ISS) aspects of the business. The Risk Register also include Sustainability Related Risks/Opportunities (SRROs) and Climate Related Risks/Opportunities (CRROs) affecting the business.</li> <li>• 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;</li> <li>• Report on number of calls to whistle blowing line or a confirmation that there were no calls recorded</li> <li>• Information on human resources and capital expenditure</li> <li>• Share trading of the Company and related party transactions by Key Management Personnel</li> <li>• Documents to which the Company seal has been affixed to</li> <li>• Resolutions on other matters referred to the Board</li> </ul>	Yes

# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
A.1.2	Roles and responsibilities of the Board	<p>The Board Charter sets out the responsibility of the Board. The Board is responsible to the shareholders for creating and delivering long term sustainable shareholder value through entrepreneurial leadership.</p> <p>The Board is responsible to:</p> <ul style="list-style-type: none"> <li>• Providing direction and guidance to the Company in the formulation of high-level medium and long-term strategies which are aimed at promoting the sustainable long-term success of the Company.</li> <li>• Appointing and reviewing the performance of the Chairman and Managing Director.</li> <li>• Ensure Executive Directors and Key Management Team possesses the skills, experience and knowledge to implement strategy effectively, with proper succession arrangements in place.</li> <li>• Reviewing, approving and monitoring annual corporate plans, corporate budget and capital expenditure.</li> <li>• Reviewing and approving major acquisitions, disposals and major investments by the management within their limits of authority.</li> <li>• Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management.</li> <li>• Ensure compliance with laws, regulations and ethical standards.</li> <li>• Ensure all stakeholder interests are considered in corporate decisions.</li> <li>• Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations.</li> <li>• Adequacy and the integrity of the Internal Control Systems over financial reporting and Management Information Systems are reviewed by the Board/Audit Committee.</li> <li>• Ensuring that Financial Statements are published quarterly and the Annual Report is published at the end of the financial year.</li> <li>• Determining any changes to the discretions/authorities delegated from the Board to the Key Management Team.</li> <li>• Approving any amendments to constitutional document.</li> <li>• Ensure the availability of Information Communication Technology (ICT) roadmap in line with business strategy.</li> <li>• Recognising sustainable business development and ESG risks and opportunities in corporate strategy, decisions and activities and consider the need for adopting integrated reporting.</li> </ul>	Yes
A.1.3	Act in accordance with laws and agreed to obtain independent professional advice	<p>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 coordinated by the Group Legal Department or Group Finance, as and when it is necessary.</p>	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
A.1.4	Access to the advice and services of the 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 Role of the Company Secretary is complied with the Schedule “A” and “A2” as described in the “Code of Best Practice on Corporate Governance 2023” issued by the Institute of Chartered Accountants of Sri Lanka.</p> <p>The Parent Company, Hayleys PLC has obtained insurance cover for the Board of Directors and Key Management Personnel in the Group which covers the Directors of the Haycarb Group as well.</p>	Yes
A.1.5	Independent Judgement	<p>Directors bring their independent judgment to bear on decisions taken by the Board on matters relating to strategy, performance, resource allocation, risk management, compliance and standards of business conduct.</p> <p>The composition facilitates a balance of power and effective participation by all Directors.</p> <p>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.</p>	Yes
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 for the meetings are provided for its members in advance giving sufficient time for review. 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>	Yes
A.1.7	Call for a resolution	Any Director can call for a resolution to be presented to the Board if deemed necessary.	Yes
A.1.8	Board induction and training, regularly review of training and development needs of the Directors	<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 organizations. Board members are also given insights into 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 into organization wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.</p>	Yes

# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>A.2</b>	<b>Chairman and Chief Executive Officer (CEO)</b>		
A.2	Chairman and Chief Executive Officer (CEO)	Functions of Chairman and Chief Executive Officer are separated facilitating a balance of power. The Chairman of the parent serves as the Chairman of Haycarb PLC while the Managing Director serves as the CEO.	Yes
<b>A.3</b>	<b>Chairman's Role</b>		
A.3.1	Chairman's role	<p>The role of the Chairman involves,</p> <ul style="list-style-type: none"> <li>• Conducting of Board meetings ensuring effective participation of both Executive and Non-Executive Directors. The Chairman plays a key role in preserving good Corporate Governance.</li> <li>• Approving the agenda for each meeting prepared in consultation with the Managing Director, other Directors and Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management, and compliance.</li> <li>• Sufficiently detailed information of matters included in the agenda be provided to the Directors on a timely manner.</li> <li>• Ensuring that all Directors are aware of their duties and responsibilities and the Board and Committee structure through which it will operate in discharging its responsibilities.</li> <li>• The effective participation of both Executive and Non-Executive Directors is secured and all Directors are encouraged to make an effective contribution within their respective capabilities.</li> <li>• Ensure the views of Directors on issues under considerations are ascertained and a record of such deliberations are reflected in the minutes.</li> <li>• All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda.</li> <li>• Maintaining the balance of power between Executive and Non-Executive Directors.</li> <li>• The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.</li> </ul>	Yes
<b>A.4</b>	<b>Financial Acumen</b>		
A.4	Availability of financial acumen	<p>The Board includes six (6) Chartered/Management/Certified Public Accountants who possess the necessary financial acumen.</p> <p>Members of the Board have ample experience in handling matters related to finance through leadership in numerous organizations across sectors. Hence the Board has sufficient financial acumen and knowledge to offer guidance on matters of finance.</p>	Yes
<b>A.5</b>	<b>Board Balance</b>		
A.5.1	Majority of Non-Executive Directors	<p>8 out of 15 Directors on the Board are Non-Executive Directors.</p> <p>The composition of the Executive and Non-Executive Directors (the latter are over one-third of the total number of Directors), satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The roles of the Chairman and the Managing Director are also segregated.</p>	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
A.5.2	Independent Non-Executive Directors	5 out of 8 Non-Executive Directors are independent. The Board has determined that 5 Independent Non-Executive Directors satisfy the criteria for “Independence” set out in the Listing Rules.	Yes
A.5.3	Director's independency	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.	Yes
A.5.4	Annual declaration by Non-Executive Directors	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by each Non-Executive Director based on the requirements of the Code as set out in schedule “C” of the “Best Practice on Corporate Governance 2023” issued by the Institute of Chartered Accountants of Sri Lanka.	Yes
A.5.5	Annual determination of independence of Directors	The Board determines the independence or non-independence of each Non-Executive Director on an annual basis, based on such an annual declaration made on decided criteria and other information available to the Board, based on the requirements of the Code as set out in A.5.5 of the “Best Practice on Corporate Governance 2023” issued by the Institute of Chartered Accountants of Sri Lanka.	Yes
A.5.6	Alternate Directors	There are no alternate Directors as at 31st March 2024.	Yes
A.5.7	Senior Independent Director (SID)	<p>The Chairperson is not the CEO of the Company, however he is not an Independent Director.</p> <p>In order to comply with section 9.6.3 of the CSE Listing Rules and “Best Practice on Corporate Governance 2023” issued by the Institute of Chartered Accountants of Sri Lanka”, the Company has appointed a Senior Independent Director (SID) with effect from 01st November 2023.</p> <p>Please refer page 232 to the statement by Senior Independent Director (SID) given in this report.</p>	Yes
A.5.8	Confidential discussions with SID	<p>The Senior Independent Director makes him self available for confidential discussions with other Directors who may have concerns if necessary.</p> <p>The Senior Independent Director make himself available to all meetings with majority, significant and minority shareholders and be made aware of their concerns by the Company Secretary.</p>	Yes
A.5.9	Meetings with Non-Executive Directors by the Chairman	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	Yes
A.5.10	Resolutions / recording of dissent in minutes	All matters of the Company are recorded in the Board minutes with sufficient details to enable a proper assessment to be made of the deliberation and any decisions taken at the meeting.	Yes

# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>A.6</b>	<b>Supply of Information</b>		
A.6.1 & A.6.2	Timely information to the Board.	<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 Board Meetings provided in advance to the Board/sub-committee meetings.</p> <p>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"> <li>• Formally documented minutes of discussions.</li> <li>• By clarifying matters from the Board Secretary.</li> <li>• Separate discussions at start of meeting regarding matters arising for the previous meeting.</li> <li>• The minutes of the meetings are provided to Directors within two weeks after the meeting date.</li> <li>• Archived minutes and Board papers accessible electronically at the convenience of the Directors.</li> </ul>	Yes
<b>A.7</b>	<b>Appointments to the Board; Nominations &amp; Governance Committee</b>		
A.7.1	Composition of Nominations & Governance Committee	<p>The Parent Company's Nominations &amp; Governance Committee functions as the Nominations &amp; Governance Committee of the Company and makes recommendations to the Board on all new Board appointments.</p> <p>The Company formally appointed its own Nominations &amp; Governance committee on 16th May 2024.</p>	Yes
A.7.2	Functions of the committee	<p>The Nominations &amp; Governance Committee annually assess 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>The findings of such assessment will take into account when new Board appointments are considered and when incumbent Directors come up for re-election, including a process to determine that such proposed Board appointees are "fit and proper".</p> <p>In assessment of Directors to the Board, the Company is compliant to the "fit and proper" assessment criteria detailed in schedule "D" of the "Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.</p>	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
A.7.3	Succession plan for Chief Executive Officer (CEO)	The Committee ensure that there is a succession plan for the CEO and for all Key Management Personnel and determine the training and development requirements for those identified.	Yes
A.7.4	Disclosure to Shareholders	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 published in the CSE website.	Yes
A.7.5	The Nominations & Governance Committee disclosure in Annual Report	The Nominations & Governance committee report given on page 230.	Yes
A.7.6	Terms of reference for Nominations & Governance Committee	Terms of reference for the Nominations & Governance Committee are in compliance to the schedule "E" of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.	Yes
<b>A.8</b>	<b>Re-election</b>		
A.8.1, A.8.2, A.8.3	Directors to submit themselves for Re-election	One third of the Directors retire at each AGM with those who have served the longest period after their last appointment/re-appointment. 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.	Yes
<b>A.9</b>	<b>Appraisal of Board Performance</b>		
A.9.1, A.9.2, A.9.3, A.9.4	Appraisal of Board & Committee performance	<p>The Chairman and Remuneration Committee are responsible for evaluating the performance of Executive Directors and Committees.</p> <p>The Board undertake an annual self-evaluation of its own performance, that of its Committees, Chairman, Non-Executive Directors &amp; Executive Directors.</p> <p>The outcome of these evaluations is made available to the Nominations &amp; Governance Committee.</p> <p>The Board has an established a process to review the participation, contribution and engagement of each Director at the time of re-election.</p>	Yes
<b>A.10</b>	<b>Disclosure of Information in Respect of Directors</b>		
A.10.1	Information relating to Directors	<ul style="list-style-type: none"> <li>• Profiles of Board members are given on Page 32 to 35.</li> <li>• The members' attendance for Board meetings are given on Page 191.</li> <li>• Membership of Subcommittees and attendance at Subcommittee meetings are given on page 225 to 231.</li> </ul>	Yes
<b>A.11</b>	<b>Appraisal of Chief Executive Officer (CEO)</b>		
A.11	Appraisal of Chief Executive Officer (CEO)	Prior to the commencement of each financial year, the Board in consultation with the Chief Executive Officer, set reasonable financial and nonfinancial targets which are in line with short, medium and long-term objectives of the Company, achievement of which should be ensured by the Chief Executive Officer. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chief Executive Officer is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.	Yes



# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>B</b>	<b>Directors' Remuneration</b>		
<b>B.1</b>	<b>Remuneration Procedure</b>		
B.1	Remuneration Procedure	The Parent Company's Remuneration Committee functions as the Remuneration Committee of the Company and determines the remuneration for Executive and Non-Executive Directors . The Company formally appointed its own Remuneration Committee on 16th May 2024 .	Yes
<b>B.2</b>	<b>Remuneration Committee</b>		
B.2.1,B.2.2, B.2.3,B.2.4, B.2.5, B.2.6, B.2.7,B.2.8, B.2.9, B.2.10, B.2.11, B.2.12,B.2.13, B.2.14,B.2.15, B.2.16	Remuneration Committee	<p>The Remuneration Committee report is given on page 229 which gives in detailed the duties and functions of the Committee. The Remuneration Committee report is in line with the schedule "I" of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.</p> <p>The Committee follows the guidelines given in schedule "G" of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka, in designing schemes of performance related remuneration.</p> <p>The Terms of reference of the Remuneration Committee is in line with the schedule "H" of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.</p>	Yes
<b>B.3</b>	<b>Disclosure of Remuneration</b>		
B.3.1, B.3.2	Disclosure of remuneration	<p>The Report of the Remuneration Committee on page 229 provides a statement on Remuneration Policy. The composition of the Committee, scope and number of meetings held are given in the Remuneration Committee report.</p> <p>The total for Directors' Remuneration is given on page 282</p>	Yes
<b>C</b>	<b>Relations with Shareholders</b>		
<b>C.1</b>	<b>Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings</b>		
C.1.1	Notice of AGM	<p>The Board uses the AGM to communicate with shareholders and encourage their participation.</p> <p>The notice and the agenda of the Annual General Meeting are sent to the shareholders 15 working days prior to the meeting. The Annual Report is published on the Company's website and CSE website.</p>	Yes
C.1.2	Separate resolution for substantially separate items	A separate resolution is proposed at an Annual General Meeting on each substantially separate item. Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements with the Independent Auditor's Report is considered as a separate resolution. A form of Proxy is provided with the Annual Report to all shareholders to direct their Proxy to vote.	Yes
C.1.3	Votes and use of Proxy	<p>The Company ensures that all valid proxy appointments received for General Meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the Company ensures that the records at the meeting are made available with Company Secretary on behalf of the Company. The level of proxies lodged on each resolution is conveyed to the Chairman.</p> <p>When, in the opinion of the Board, a significant proportion of votes have been cast against a resolution at any General Meeting, the Board takes steps to understand the reasons behind the vote results and determine if any actions are required.</p>	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
C.1.4	Answer questions at the Annual General Meeting (AGM)	The Chairman of the Board arranges the Chairman of the Audit Committee and the Senior Independent Director to be available to answer queries at the AGM when necessary.	Yes
C.1.5	A summary of the procedures governing voting at General Meetings	The Company Circulates, along with every notice of General Meeting, a summary of the procedures governing voting at General Meetings.	Yes
<b>C.2</b>	<b>Communication with Shareholders</b>		
C.2.1	Channel to reach all Shareholders of the Company	<p>The modes of communication between the Company and the shareholders are the Annual Reports, Interim Reports, Announcements made through the Colombo Stock Exchange, other press releases and Annual / Extraordinary General Meetings.</p> <p>Shareholders may raise concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the Company Website upon release to the Stock Exchange.</p> <p>The website also features news and latest updates of the Company. The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.</p> <p>The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.</p>	Yes
C.2.2, C.2.3	Implementation of the policy and methodology for communication with Shareholders	Annual Report and Financial Statement of the Company are available on the Company website enabling all shareholders to access the Annual Report and Financial Statements. However, a shareholder could be provided with a printed copy of the Annual Report if requested in writing to do so. A copy of the interim Financial Statements is released to the Colombo Stock Exchange and posted on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.	Yes
C.2.4	Disclosure of contact person	Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.	Yes
C.2.5	Major issues and concerns of Shareholders	All the major issues relating to shareholders are brought to the attention of the Board.	Yes
C.2.6	Person to be contacted with regard to Shareholders matters	The Company Secretary holds the responsibility to be contacted in relation to shareholders matters.	Yes
C.2.7	Process for responding to Shareholders matters	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM and Extra Ordinary General Meetings. The Board in conjunction with the Company Secretary formulates the process for addressing shareholders matters.	Yes

# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>C.3</b>	<b>Major and Material Transactions</b>		
C.3.1, C.3.2, C.3.3	Disclosure of material transactions	<p>Transactions, if any, which materially affect the Net Asset base of Haycarb PLC, will be disclosed in the Quarterly / Annual Financial Statements.</p> <p>During the year, there were no major transactions as defined by Section 185 (1),(2),(3) of the Companies Act No 07 of 2007 which materially affect the asset base of Haycarb PLC or consolidated Group asset base.</p> <p>The Company in addition complies with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission (SEC) and by the Colombo Stock Exchange (CSE) which are contained in the section 9.14 (Related Party Transactions) of the listing rules.</p>	Yes
<b>D</b>	<b>Accountability and Audit</b>		
<b>D.1</b>	<b>Financial and Business reporting (The Annual Report)</b>		
D.1.1, D.1.2	Balance and understandable assessment	<p>The Company has presented balanced and understandable Financial Statements which gives a true and fair view of the performance and financial position on a quarterly and annual basis.</p> <p>In the preparation of Financial Statements, the Company has complied with the requirements of the Companies Act No 07 of 2007 and requirements of Sri Lanka Financial Reporting Standards (SLFRS) and Securities and Exchange Commission.</p> <p>Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner.</p> <p>The Annual Report also conforms to the GRI Standards on Sustainability Reporting published by the Global Reporting Initiative, Integrated Reporting Framework published by the International Integrated Reporting Council and the SLFRS on sustainability reporting S1 and S2 in accordance with transitional relief.</p>	Yes
D.1.3	CEO's & CFO's approval on Financial Statements prior to Board approval	The Finance Director and two other Directors have signed the Financial Statements on behalf of the Board. Responsibilities of Board of Directors and Directors statement on internal controls are given in page 224 on this report.	Yes
D.1.4	The Directors' Report	<p>The Annual Report of the Board of Directors on the affairs of the Company is given on page 220 of this Annual Report which contains the following:</p> <ul style="list-style-type: none"> <li>• Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka.</li> <li>• Declaration by the Directors on all material interests in contracts involving the Company and has refraining from voting on matters in which they were materially interested.</li> <li>• Equitable treatment to shareholders.</li> <li>• Compliance with best practices of corporate governance.</li> <li>• Information relating to PPE has been given in note 13 to the Financial Statements.</li> <li>• Review of internal controls, risk management and reasonable assurance of effectiveness and adherence.</li> <li>• Going concern of the business.</li> </ul>	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
D.1.5	Statement of Directors responsibility and statement on internal controls and Auditor's Report	<p>The Statement of Directors Responsibilities for the Financial Statements is given in page 224.</p> <p>The Auditors' Report is available on page 250.</p>	Yes
D.1.6	Management Discussion and analysis	<p>The Management discussion and analysis has been structured based on the integrated reporting framework issued by International Integrated Reporting Council.</p> <p>Chairman's and Managing Director's Joint Message given in page 16 to 21 in this Report provides an analysis of the Group's performance during the financial year including industry structure and developments, risk management, opportunities and threats, financial performance, social and governance activities carried out by the Company and prospects for the future.</p>	Yes
D.1.7	Summon an EGM to notify serious loss of capital	In the event the net assets of the Company fall below 50% of the value of the Company's Stated Capital, the Directors will forthwith summon an Extraordinary General Meeting to notify shareholders' the remedial action being taken. However, such an event has not taken place since the adoption of the New Companies Act No 07 of 2007.	Yes
D.1.8	Related Party Transaction disclosure	<p>A process has been placed to capture related parties and related party transactions. The related party transactions are properly documented. The responsibility of keeping records of the related party transactions lies with the Company Secretary.</p> <p>The Company has adequately and accurately disclosed the related party transactions in page 314 to this report.</p>	Yes
<b>D.2</b>	<b>Risk Management and Internal Control</b>		
D.2.1, D.2.1.2, D.2.1.3, D.2.1.4, D.2.1.5, D.2.1.6, D.2.1.7	Framework for Risk Management	<p>The Board of Directors reserves the primary responsibility on business risk management.</p> <p>The Board has adopted a framework for Risk Management and the processes to identify, assess, monitor and manage risks. The Risk Framework is in line with the schedule "K" of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.</p> <p>The Board established the responsibility to the Audit Committee to oversee the Risk Management process of the Company. The Board ensures the Company has carried out a robust assessment of principle risks. The Risk Management Framework, processes and responsibilities are given on the page 323 to this report.</p> <p>The Audit Committee with its responsibility to oversee the Risk Management process has described its activities under Risk Management in the Audit Committee Report on page 226 to this report.</p>	Yes

# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
D.2.2, D.2.2.1, D.2.2.2, D.2.2.3, D.2.2.4	Monitoring sound system of Internal Control	<p>The Board is responsible for the Group's internal control and its effectiveness. Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls required, including financial, operational and compliance controls and risk management.</p> <p>The important procedures in place to discharge this responsibility are as follows,</p> <ul style="list-style-type: none"> <li>• The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.</li> <li>• The Audit Committee reviews the plans and activities of the Internal Audits and the Management Letters of External Auditors.</li> <li>• The Hayleys Group Management, Audit and System Review Department report on key control elements and procedures followed by the Haycarb Group that are selected according to the Annual Audit Plan.</li> <li>• The Board has established the responsibility to the Audit Committee to ensure carrying out the reviews of the process and effectiveness of internal controls.</li> <li>• The Board ensures its responsibilities in maintaining a sound system of Risk Management and Internal Controls are in line with the schedule "L" of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.</li> </ul>	Yes
<b>D.3</b>	<b>Audit Committee</b>		
D.3.1	Composition of Audit Committee	<p>The Audit Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director.</p> <p>The Committee is chaired by an Independent Non-Executive Director.</p> <p>Refer Audit Committee Report on page 226</p>	Yes
D.3.2	Audit Committee Terms of reference - The Committee's purpose, duties & responsibilities	Refer Audit Committee Report on page 226	Yes
D.3.3	Disclosures in Annual Report	Refer Audit Committee Report on page 226	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>D.4</b>	<b>Risk Committee</b>		
D.4	Risk Committee	<p>The Board of Directors reserve the primary responsibility on Business Risk Management.</p> <p>The Board has adopted a framework for Risk Management and the processes to identify, assess, monitor and manage risks. The Risk Framework is in line with the schedule “K” of the “Code of Best Practice on Corporate Governance 2023” issued by the Institute of Chartered Accountants of Sri Lanka.</p> <p>The Board has winded the responsibility of the Audit Committee to oversee the Risk Management process of the Company. The Board ensures the Company has carried out a robust assessment of principle risks. The Risk Management Framework, processes and responsibilities are given on the page 66 to this report.</p> <p>The Audit Committee with its responsibility to oversee the Risk Management process has described its activities under Risk Management in the Audit Committee Report on page 226 to this report.</p>	Yes
<b>D.5</b>	<b>Related Party Transactions Review Committee</b>		
D.5,D.5.1	Related Party Transactions	The Board ensures that the Company does not engage in transactions with “Related Parties” in a manner that would grant such parties “more favourable treatment” than that accorded to third parties in the normal course of business.	Yes
D.5.2	Related Party Transactions Review Committee	The Parent Company's Related Party Transactions Review Committee functions as the Related Party Transactions Review Committee of the Company. The Company formally appointed its own Related Party Transactions Review Committee on 16th May 2024 .	Yes
D.5.3	Terms of reference	Refer Related Party Transactions Review Committee Report on page 225	Yes
<b>D.6</b>	<b>Code of Business Conduct and Ethics</b>		
D.6	Code of Business Conduct and Ethics	The Directors, Members of the Senior Management Team and all employees are bound by the Code of Business Conduct and Ethics, applicable to the Hayleys Group the “Hayleys Way”. The Code consists of important topics like conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, fair & transparent procurement practices, corporate opportunities, confidentiality, fair dealing, protection & proper use of Company assets including information assets, sexual harassment, discrimination & abuse, compliance with laws, rules and regulations and encouraging the reporting of any illegal, fraudulent or unethical behaviour. The Board ensures the compliance with the code and non-compliance may reasons to go for disciplinary action.	Yes
D.6.1	Disclosure and compliance	The Directors and Key Management Personnel are in compliance to this code.	Yes
D.6.2	Process to identify and report price sensitive information	The Company has a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Yes
D.6.3	Shares purchased by directors and key management personnel	The Company has a policy and a process for monitoring, and disclosure of shares purchased by any Director and Key Management Personnel. Details of Directors share holdings are given in page 220 of the Annual Report of the Board of Directors on the affairs of the Company.	Yes

# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
D.6.4	Whistle Blowing Policy	The Company has established a procedure to deal with complaints received from employees, customers, suppliers and any other party in relation to non compliance with Companies Code of Business Conduct and Ethics.  The Company complied throughout the year.	Yes
D.6.5	Training on the Code of Business Conduct and Ethics	The Company conducts trainings on the code of conduct for new employees as part of induction training.	Yes
D.6.6	The process for company-wide dissemination of the policy	The Company has a process to disseminate the code, company-wide.	Yes
D.6.7	Affirmation of Code in the Annual Report by the Chairman	The Chairman affirms that he is not aware of any violation of any other provisions of the Code of Business Conduct and Ethics in the Annual Report.	Yes
D.7	Disclosure of adherence to Corporate Governance	The extent to which the Company adheres to established principles and practices of good Corporate Governance is disclosed in this report.	Yes
<b>SECTION II : SHAREHOLDERS</b>			
<b>E</b>	<b>Institutional Investors</b>		
<b>E.1</b>	<b>Shareholder voting</b>		
E.1	Shareholder voting	All investors are notified of the Annual General Meeting and all their views, comments and suggestions are encouraged. The Company maintains continuous dialogue with institutional investors, based on a mutual understanding of objectives. Impartiality is maintained on shareholder votes at the AGM based on individual holding and weightage. Shareholders are encouraged to participate of the AGM and vote on matters set before them.	Yes
E.2	Evaluation of governance disclosures	Institutional investors are encouraged to give due consideration to all relevant factors drawn to their attention when evaluating Companies' governance arrangement particularly in relation to Board structure and composition. All shareholders are provided sufficient information to facilitate and encourage effective shareholder participation including governance matters. Please refer Investor relations on Page 341.	Yes
<b>F</b>	<b>Other Investors</b>		
<b>F.1</b>	<b>Investing/ Divesting Decision</b>		
F.1	Investing/ Divesting decision	Individual shareholders, investing directly in shares of Company are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Company believes that the rational investors remain with the Company without divesting. There are no restrictions for investing or divesting in the Company shares.	Yes
<b>F.2</b>	<b>Shareholder Voting</b>		
F.2	Shareholder voting	All shareholders are encouraged to actively participate in the AGM and they have the independence of using their votes as they wish.	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>SECTION III : OTHER MATTERS</b>			
<b>G</b>	<b>Internet of Things and Cybersecurity</b>		
G.1	Identify connectivity and related cybersecurity 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.	Yes
G.2	Appoint a Chief Information Security Officer (CISO) and allocate budget to implementing a Cybersecurity Policy	<p>The Hayleys Group has a Chief Information Security Officer(CISO) and a cybersecurity policy has been implemented.</p> <p>The Company cybersecurity policy includes a robust cybersecurity risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting process, scope and regularity of an Information Communication Technology (ICT) audit, and the need for cybersecurity insurance.</p> <p>Please refer page 135 on IT and Cybersecurity governance.</p>	Yes
G.3	Include Cybersecurity on Board agenda	<p>It is a regular agenda item for the Board meetings.</p> <p>The matters taken up for the discussion on the Board meeting agenda includes</p> <ul style="list-style-type: none"> <li>• Potential cybersecurity risks in the company's business model</li> <li>• CISO's security strategy and status of the current projects</li> <li>• Compliance with the cybersecurity risk management process and incident reports</li> <li>• Findings and recommendations from independent reviewers</li> </ul>	Yes
G.4	Obtain Independent periodic review and assurance to review effectiveness of cybersecurity risk management	<p>A firm of external consultants were engaged to review the effectiveness of the Group's cybersecurity risk management.</p> <p>The Company is complying with the Schedule "O" contains a "board cybersecurity checklist" described in the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.</p>	Yes
G.5	Disclosures in Annual Report	<p>The Company disclose in the Annual Report, the process to identify and manage cybersecurity risks.</p> <p>Please refer page 135 on IT and cybersecurity governance.</p>	Yes
<b>H</b>	<b>Sustainability: ESG Risk and Opportunities</b>		
H.1, H.1.1	Board to consider Sustainability Related Risks and opportunities	<p>The Board is responsible for identifying and assessing the impact of Sustainability Related Risks and Opportunities (SRROs) and Climate Related Risks and Opportunities (CRROs) and oversee strategies designed to respond to such risks.</p> <p>The Board has established an ESG Steering Committee, and the Committee is headed the Managing Director. The Company established Sustainability and ESG division reporting to the Deputy Managing Director.</p> <p>Please refer page 75 to 78 for detailed emphasis of Company's sustainability strategy.</p>	Yes



# CORPORATE GOVERNANCE

Code Ref.	Requirement	Compliance and Implementation	Compliance
H.2, H.2.1	Consider views of stakeholders in managing sustainability related risks and opportunities	The Board and Key Management Personnel continuously engage with and consider views of the stakeholders to better understand and manage Company's Sustainability/ ESG Risks and Opportunities.	Yes
H.3, H.3.1, H.3.1.1, H.3.1.2	Establishment of a Governance Framework which includes Sustainability/ESG factors	<p>The Board address Sustainability factors through a process of environmental governance and social governance.</p> <ul style="list-style-type: none"> <li>• The Company follows an integrated approach on Environmental Governance that takes into consideration the direct and indirect economic, social, health and environmental implications on business strategies, plans, decisions and operations.</li> <li>• The Company also follows an integrated approach for social governance to engage with groups such as community, customers, employees, suppliers etc.</li> <li>• The Company launched its ESG Roadmap "ACTIVATE" embedding ESG drivers across all aspects of the Company's business strategy and operations.</li> <li>• The Deputy Managing Director oversea the implementation of the ESG roadmap 2030 circulated in "Activate".</li> <li>• The ESG Steering Committee led by the Director in charge of corporate sustainability and ESG was established to drive the formulation and implementation of the ESG Roadmap.</li> </ul> <p>Please refer page number 178 on Company's approach to sustainability governance.</p>	Yes
H.4, H.4.1, H.4.2, H.4.3	Structure for measuring on all pertinent aspects of sustainability using financial and non-financial measures	<ul style="list-style-type: none"> <li>• The Company has in place a system to capture ESG data from all of its operational locations.</li> <li>• The Company's ESG related data is consolidated within the Haycarb Corporate Sustainability and ESG Divisions and performance is reported to ESG steering committee, Management Team and to the Board of Directors. The Data also reported to Hayleys Group ESG Steering Committee and the Hayleys Group Management Committee. Please refer page 187.</li> </ul>	Yes
H.5.H.5.1, H.5.2, H.5.3, H.5.4	Annual Report to contain sufficient information on sustainability related risks and opportunities	Please refer on Page 75 to 78	Yes

Code Ref.	Requirement	Compliance and Implementation	Compliance
<b>I Special Considerations for Listed Entities</b>			
I.1, I.1.1, I.1.2, I.1.3, I.1.4	Establishment and Maintenance of Policies relating to governance and disclosures through Company's website	The policies pertaining to governance are being reviewed and revised prior to publishing them on the Company's website. This process is expected to finalise by 1st October 2024.	Yes
I.2, I.2.1	Policy on matters relating to the Board of Directors	The Company has established and maintained a formal policy governing the matters relating to the Board of Directors for items (a), (b), (c), (d), (e), (f), (g), (h), (i), (j) under I.2.1 of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.	Yes
I.2.2	Confirmation of Compliance	The Company confirms the compliance to policy on matters relating to Board of Directors referring to items (a), (b), (c), (d), (e), (f), (g), (h), (i), (j) Under I.2.1 of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.	Yes

# CORPORATE GOVERNANCE

## COMPLIANCE WITH THE “CONTINUING LISTING REQUIREMENTS” - SECTION 07 FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE

This section has presented Haycarb PLC's compliance in line with the “Continuing Listing Requirements” under the Section 07 issued by the Colombo Stock Exchange (CSE).

CSE Rule Ref.No	Requirement	Comment / Reference within the Report	Compliance Status
7.1	Dividend Payment - Announcement to the CSE	The Company make an immediate announcement to CSE upon authorizing a dividend distribution as described in Rule 7.1	Yes
7.4	Interim Financial Statements	The Company prepare and submit Interim Financial Statements to CSE, within the criteria described in Rule 7.4	Yes
7.5	Circulation of Annual Report	The Company ensure that the Annual Report is made available to all shareholders of the Company and given to CSE within relevant period described in section 7.5 from the close of the Financial Year.	Yes
7.6	Contents of Annual Report		
(i)	Names of persons who were Directors of the Company	Board of Directors - Page 32 to 35	Yes
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Group Profile - Page 346 to 349	Yes
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Investor Information - Page 341 to 343	Yes
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the minimum public holding requirement	Investor Information - Page 341 to 343	Yes
(v)	A statement of each Director's holding and CEO's holding in shares of the entity at the beginning and end of each financial year	Investor Information - Page 341 to 343	Yes
(vi)	Information pertaining to material foreseeable risk factors of the entity	Managing Risk and Opportunities - Page 66 to 83	Yes
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Page 84	Yes
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land/Building holdings and investment properties	Property Plant and Equipment - Page 286	Yes
(ix)	Number of shares representing the Entity's stated capital	Investor Information - Page 341 to 343	Yes
(x)	The distribution of shareholders under each class of securities and the percentage of their holdings	Investor Information - Page 341 to 343	Yes
(xi)	Financial ratios and market price information	Investor Information - Page 341 to 343	Yes

CSE Rule Ref.No	Requirement	Comment / Reference within the Report	Compliance Status
(xii)	Significant changes in the Group's Fixed Assets, and market value of land, if the value differs substantially from the book value	Property Plant and Equipment - Page 286	Yes
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable	-
(xiv)	Information in respect of Employee Share Ownership Schemes	Not Applicable	-
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Corporate Governance - Page 214 to 219	Yes
(xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited Financial Statements, whichever is lower	There were no related party transactions 5% of the total assets of the entity as per audited Financial Statements, whichever is lower	Yes
(xvii) to (xxi)	Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities, Infrastructure Bonds and/or Shariah Compliant Debt Securities listed on the CSE	Not Applicable	-
7.8	Disclosure of dealings by Directors and CEO	The Company make and announcement to the Exchange pertaining to the relevant interest/ changes in shares held by its Directors and CEO as described in Rule 7.8.	Yes
7.13	Minimum public holding	As a listed Company in the main board, the Company maintained the minimum public holding under specified criteria. Refer Investor Information on Page 341	Yes

# CORPORATE GOVERNANCE

## COMPLIANCE WITH COLOMBO STOCK EXCHANGE LISTING RULES - SECTION 09 ON CORPORATE GOVERNANCE

This section covers Haycarb PLC's extent of adherence to the requirements of the Section 09 on the Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange (CSE).

Code Ref:	Requirement	Extent of Compliance and Comments	Complied
<b>9.1</b>	<b>Applicability of Corporate Governance Rules</b>		
9.1.1 9.1.2 9.1.3	Extent of Compliance with Corporate Governance Rules	The extent of compliance with the Corporate Governance Section 09 of the listing rules issued by CSE is tabulated below.	Yes
<b>9.2</b>	<b>Policies</b>		
9.2.1	Availability of Policies	<p>The following policies which are mandated by the revised CSE listing rules are currently in place;</p> <ul style="list-style-type: none"> <li>• Policy on the matters relating to the Board of Directors</li> <li>• Policy on Board Committees</li> <li>• Policy on Corporate Governance, Nominations &amp; Re-election</li> <li>• Policy on Remuneration</li> <li>• Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities</li> <li>• Policy on Risk Management and Internal Controls</li> <li>• Policy on Relations with Shareholders and Investors</li> <li>• Policy on Environmental, Social and Governance Sustainability</li> <li>• Policy on Corporate Disclosures</li> <li>• Policy on Whistle Blowing</li> <li>• Policy on Anti-Bribery and Corruption</li> <li>• Policy on Control and Management of Company Assets and Shareholder Investments</li> </ul> <p>Haycarb's corporate website with regard to the main policies will be updated from effective date.</p>	Yes
9.2.2	Waivers and Exemptions	At present there are no waivers and exemptions applicable to the Company.	N/A
9.2.3	Disclosures in the Annual Report	Please refer section 9.2.1.	Yes
9.2.4	Availability of Policies to Shareholders	The Company will provide any of the above policies to its shareholders, upon a written request after the effective date.	Yes
<b>9.3</b>	<b>Board Committees</b>		
9.3.1	Establishment of Board Committees	<p>The Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee are in place.</p> <p>The Nominations Committee was renamed as Nominations &amp; Governance Committee to comply with the revised CSE listing rules.</p> <p>Refer Page 225 to 231</p>	Yes

Code Ref:	Requirement	Extent of Compliance and Comments	Complied
9.3.2	Board Composition, Responsibilities and Disclosures	The composition of all Committees are in line with the revised CSE listing rules. The Responsibilities of these committees are in line with the rule set out and required disclosures have been made.	Yes
9.3.3	Chairperson of Board Committees	The Chairperson of the Board is not the Chairperson for any of the Sub Committees.	Yes
<b>9.4</b>	<b>Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders</b>		
9.4.1	Record maintain	The Company Secretary maintains records of all resolutions and the following information of General Meetings. (The number of Shares in respect of which proxy appointments, number of votes in favour against and number of shares in respect of vote was directed to be abstained).	Yes
9.4.2	Communication and relation with Shareholders and Investors	The Company has an established policy on communication and relations with shareholders and investors.  The Company is in the process of revising the communication policy incorporating the provisions of the revised CSE listing rules for effective communication and relations with shareholders and investors.	Yes
<b>9.5</b>	<b>Policy on matters relating to the Board of Directors</b>		
9.5.1	Availability of policy on governing matters relating to Board of Directors	The requirements are currently captured in the Board Charter.	Yes
9.5.2	Disclosures in the Annual Report	The Company confirms the existence of policies governing the matters relating to Board of Directors.	Yes
<b>9.6</b>	<b>Chairperson and CEO</b>		
9.6.1	Chairperson and CEO	The Chairperson is not the CEO of the Company, also he is not an Independent Director.  In order to comply with section 9.6.3 of the Listing Rules, the Company has appointed a Senior Independent Director (SID) with effect from 01st November 2023.	Yes
9.6.2	Rationale for appointing of a Senior Independent Director (SID)	The Company made a market announcement on 03rd November 2023 highlighting the rationale for appointing of a Senior Independent Director (SID). The announcement was made within the stipulated time period as specified in Listing Rules.	Yes
9.6.3 (b) & (c)	Meetings by Senior Independent Director (SID)	The SID held separate meetings with the Non-Executive Directors without the presence of Executive Directors and Chairman, to discuss matters and concerns pertaining to the Company .	Yes
9.6.4	Disclosure of SID	Please refer to the statement by Senior Independent Director (SID) given in this report, refer to Page 232.	Yes

# CORPORATE GOVERNANCE

Code Ref:	Requirement	Extent of Compliance and Comments	Complied
<b>9.7</b>	<b>Fitness of Directors and CEOs</b>		
9.7.1 9.7.2	Appointment of "Fit and Proper" Persons	<p>The Board has a formal and transparent process in place for the succession and appointment of Directors.</p> <p>The Nominations &amp; Governance Committee processes and short-lists candidates and makes recommendations to the Board for approval. The attributes and experience required from potential appointees are identified and agreed prior to the search process, considering the combined knowledge, experience and diversity of the Board, in relation to the Companies strategic plans and any gaps thereof.</p> <p>The candidate's other directorships and commitments are also considered to ensure sufficient time to discharge their role effectively.</p> <p>All appointments are duly notified to CSE.</p>	Yes
9.7.3	Fit and Proper Assessment Criteria a) Honesty, integrity and reputation b) Competence and Capability c) Financial soundness	The assessment criteria detailed in the revised CSE listing rules have been incorporated into the annual declaration of the Directors.	Yes
9.7.4	Annual Declarations from Directors and CEO	The Directors have provided declarations, confirming that each of them has continuously satisfied the "fit and proper" assessment criteria set out in the CSE revised listing rules. These declarations to be made annually.	Yes
9.7.5	Disclosures in the Annual Report	Disclosures are made in the Annual Report of the Board of Directors given on page 220.	Yes
<b>9.8</b>	<b>Board Composition</b>		
9.8.1	Board at minimum to consist of Five (5) Directors	The Company is complied with the requirement. The Board of Directors of the Company consists of Fifteen (15) Directors as of 31st March 2024.	Yes
9.8.2	Minimum number of independent Directors (Minimum 2 or 1/3 of total number, whichever is higher)	<p>The Company is complied with the minimum number of Independent Directors.</p> <p>The Board of Directors of the Company consists of Five (5) Independent Directors as of 31st March 2024.</p>	Yes
9.8.3 9.8.4	Criteria for determining independence	The Company is complied with the criteria for determining independence of a Director.	Yes
9.8.5	Declarations	Annual Declaration was obtained from the Board of Directors incorporating the provisions made under the revised CSE listing rules as of 31st March 2024.	Yes
<b>9.9</b>	<b>Alternate Directors</b>		
9.9	Appointment of Alternate Directors	No Alternate Directors were appointed to represent Non-Executive Directors.	Yes
<b>9.10</b>	<b>Disclosures relating to Directors</b>		
9.10.1	Policy on the maximum number of Directorships	The Board Charter defines the maximum number of Directorships its Board members shall be permitted to hold. All the Directors are in compliance with this requirement.	Yes

Code Ref:	Requirement	Extent of Compliance and Comments	Complied
9.10.2	Appointment of new Director	The Company has made immediate market announcements on appointment of new Directors.	Yes
9.10.3	Changes to the Composition	The Company will make an immediate announcement regarding any changes to the composition of the Board Committees referred to Rule 9.3.	Yes
9.10.4	Disclosures in the Annual Report	<p>Please refer page 32 to 35 for profiles of Directors, names of Companies in which the Director serves in Directorships, names of committees in which the Director serves as Chairperson, the nature of Director's expertise.</p> <p>Please refer page 232 for statement by the Senior Independent Director.</p> <p>Please refer page 191 for details of meeting attendance.</p>	Yes
<b>9.11</b>	<b>Nominations &amp; Governance Committee</b>		
9.11.1	Availability of Nominations & Governance Committee	The Nominations Committee was renamed as the Nominations & Governance Committee with effect from 01st November 2023. During the year the Parent Company's Nominations & Governance Committee functions as the Nominations & Governance Committee of the Company. The Company formally appointed its own Nominations & Governance Committee on 16th May 2024 .	Yes
9.11.2	Appointment and re-election of Directors	The Committee follows a formal procedure in appointment and re-election of Directors.	Yes
9.11.3	Terms of Reference	The Committee has adopted a Term of Reference which defines the scope, authority and duties. Revised Terms of Reference in line with the CSE listing rules was approved on November 2023.	Yes
9.11.4 (1)	Composition - Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors	<p>The Company is in compliance throughout the year with the revised CSE listing rules.</p> <p>The committee comprises of two Independent Non Executive Directors and one Executive Director.</p>	Yes
9.11.4 (2)	Composition - Independent Director shall be appointed as the Chairperson of the Committee	An Independent Director functions as the Chairman of the Committee w.e.f 01st November 2023.	Yes
9.11.4 (3)	Composition - The Chairperson and the members of the Committee shall be identified in the Annual Report	The Chairman and the members of the Committee are identified in the Nominations & Governance Committee report given on page 230.	Yes
9.11.5	Functions	The functions of the Nominations & Governance Committee are given in the Nominations and Governance Committee report in page 230.	Yes
9.11.6	Disclosures in the Annual Report	The Disclosure requirements are covered in the Nominations & Governance Committee Report given on page 230.	Yes
<b>9.12</b>	<b>Remuneration Committee</b>		
9.12.1	Definition of Remuneration	<p>The Company has established a formal and transparent policy on remuneration.</p> <p>The remuneration is defined in terms of cash and non-cash benefits.</p>	Yes



# CORPORATE GOVERNANCE

Code Ref:	Requirement	Extent of Compliance and Comments	Complied
9.12.2	Remuneration Committee	The Parent Company's Remuneration Committee functions as the Remuneration Committee of the Company and determines the remuneration for Executive and Non - Executive Directors . The Company formally appointed its own Remuneration Committee on 16th May 2024.	Yes
9.12.3 9.12.4	Remuneration Policy - Executive Directors/ Non- Executive Directors	The remuneration Committee has established a formal and transparent procedure for fixing the Executive Directors' remuneration.  The remuneration of Non-Executive Directors is based on the principal of non-discriminatory pay practices ensuring their independence is not impaired.	Yes
9.12.5	Terms of Reference	The Committee has adopted a Terms of Reference which define the scope, authority and duties in compliance with the revised CSE listing rules.	Yes
9.12.6	Composition	The Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director.	Yes
9.12.7	Functions	The Company has documented the functions of the Committee in Terms of Reference. All functions are effectively discharged by the Committee.	Yes
9.12.8	Disclosures in the Annual Report	Disclosure requirements are covered in the Remuneration Committee Report given on page 229.	Yes
<b>9.13</b>	<b>Audit Committee</b>		
9.13.1	Audit and Risk Committees	The Company has established separate Committee to perform the Audit and Risk Functions.	Yes
9.13.2	Terms of Reference	The Committee has adopted a Terms of Reference which define the scope, authority and duties.	Yes
9.13.3	Composition	The Audit Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director. The Audit Committee met four times during the year. The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be Independent Directors.  The Managing Director and the Finance Director of the Company attend the Committee meeting by invitation.  The Chairman of the Audit Committee is a Senior Chartered Accountant.	Yes
9.13.4	Functions	The Functions of the Committee are effectively summarized in the Audit Committee Report on page 226.	Yes
9.13.5	Disclosures in the Annual Report	Please refer to the Audit Committee in page given 226.	Yes
<b>9.14</b>	<b>Related Party Transactions Review Committee</b>		
9.14.1	Availability of Related Party Transactions Review Committee	During the year ,the Related Party Transactions Review Committee of Hayleys PLC, functioned as the Committee of the Company. The Company appointed a separate Committee on 16th May 2024.	Yes
9.14.2 (1) & (2)	Composition	The Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director.	Yes
9.14.3	Functions	The Functions of the Committee are effectively summarized in the Related Party Committee Report on page 225.	Yes

Code Ref:	Requirement	Extent of Compliance and Comments	Complied
9.14.4	General requirements	The Committee met four (4) times during the financial year 2023/24.  The Committee members have adequate knowledge and expertise to assess all aspects of Related Party Transactions and where necessary allowed to obtain appropriate professional and expert advice from appropriately qualified persons.	Yes
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	The Committee takes into account the provision of the said CSE listing rules when reviewing related party transactions.	Yes
9.14.6	Shareholder Approval	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year.	Yes
9.14.7	Immediate Disclosures	A situation has not arisen where immediate disclosure is required to be made as per revised CSE listing rules.	Yes
9.14.8	Disclosures in the Annual Report	The Related Party Transactions are disclosed in note no. 33 of the Page 314.  Disclosure requirements are covered in the Related Party Transactions Review Committee Report given on page 225.	Yes
9.14.9	Acquisition and Disposal of assets from/to related parties	The Company has not acquired/disposed substantial assets from/to related parties.	Yes
9.14.10	Exempted Related Party Transactions	The provisions of the sections are considered when evaluating the Related Party Transactions by the Committee.	Yes
<b>9.16</b>	<b>Additional Disclosures</b>		
9.16	(i) Declaration of all material interest	Disclosure requirements are covered in the Annual Report of the Board of Directors given on page 220.	Yes
	(ii) Review of internal controls and compliance controls	Material non-compliance with any Law or Regulation has not arisen during the year 2023/24.	
	(iii) Compliance with laws, rules and regulations		
	(iv) Material Non-Compliances		

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

The Board of Directors of Haycarb PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and of the Group for the year ended 31st March 2024.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 ("the Companies Act") Listing Rules of the Colombo Stock Exchange (CSE), the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka 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 page 346 to 349 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 page 252.

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.

The Financial Statements were reviewed and approved by the Board of Directors on 16th May 2024.

## FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on page 252 to 259.

## AUDITOR'S REPORT

Auditor's Report on the Financial Statements is given on page 250 to 251.

## ACCOUNTING POLICIES

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on page 260 to 279. 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 33 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 shareholding 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 No.7 of 2007, maintains an

Interests Register. Particulars of entries in the Interests Register are detailed below.

Hayleys PLC holds 201,251,030 shares (67.73%) in Haycarb PLC. Mr. Mohan Pandithage, Mr. Sarath Ganegoda, Mr. Rajitha Kariyawasan and Mr. Yohan Perera are Directors of Hayleys PLC.

600,163 shares were purchased by Mr. Rajitha Kariyawasan, Managing Director (Executive Director) jointly with Mrs. K. H. S. Kariyawasan of Haycarb PLC during the year.

Mr. Yohan Perera held 2,500 shares of the Company as at the date of his appointment.

## DIRECTORS' SHAREHOLDINGS

Details relating to shareholdings of Directors are given below.

Name of the Director	As at 31/03/2024	As at 31/03/2023
Mr. Mohan Pandithage (Chairman)	23,790	23,790
Mr. Rajitha Kariyawasan* (Managing Director)	2,979,671	2,379,508
Mr. Brahman Balaratnarajah (Deputy Managing Director)	30,040	30,040
Mr. Sarath Ganegoda	73,150	73,150
Mr. Arjun Senaratna	-	-
Mrs. Jeevani Abeyratne	-	-
Mr. M.S.P. Udaya Kumara	4,620	4,620
Mr. Ali Asgar Munaver Caderbhoy	-	-
Mr. James Naylor	-	-
Mr. Hisham Jamaldeen	-	-
Mrs. Shamalie Gunawardana	-	-
Ms. Brindhiini Perera	-	-
Mrs. Anomi Wanigasekera (Appointed w.e.f. 3rd January 2024)	-	-
Mr. Nanda Fernando (Appointed w.e.f. 3rd January 2024)	-	-
Mr. Yohan Perera **(Appointed w.e.f. 1st April 2024)	2,500	-
Dr. Sarath Abayawardana (Resigned w.e.f. 31st December 2023)	-	-
Mr. Sujeewa Rajapakse (Resigned w.e.f. 1st April 2024)	-	-

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

## DIRECTORS' REMUNERATION

Executive Directors' Remuneration is determined within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2024 is Rs. 340,184,000 (2022/2023 - Rs. 341,821,500), 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 2024 is Rs. 10,800,000 (2022/2023 - Rs. 8,632,500), 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) Limited
- Puritas (Pvt) Limited
- Utracarb (Pvt) Limited

## DONATIONS GRI 415

The donations made during this year by the Company and the Group amounted to Rs. 21,624,000 and Rs. 34,078,000 respectively (2022/23 - Rs 14,914,000/- and Rs 22,830,000/-)

The Donations made by the Company and the Group are disclosed in Note 9.1 on page 282.

No donations were made for political purposes.

## DIRECTORATE

The names of the Directors who served during the year are given below and their brief profiles appear on page 32 to 35 of this report.

### Executive Directors

Mr. Mohan Pandithage (Chairman)  
Mr. Rajitha Kariyawasan (Managing Director)  
Mr. Brahman Balaratnarajah (Deputy Managing Director)  
Mrs. Jeevani Abeyratne  
Mr. M.S.P. Udaya Kumara  
Mr. Ali Asgar Munaver Caderbhoy  
Mr. James Naylor

### Non-Executive Directors

Mr. Sarath Ganegoda  
Mr. Arjun Senaratna  
Ms. Brindhiini Perera

### Independent Non-Executive Directors

Mr. Hisham Jamaldeen (Senior Independent Director)  
Mrs. Shamalie Gunawardana  
Mrs. Anomi Wanigasekera (appointed on 03rd January 2024)  
Mr. Nanda Fernando (appointed on 03rd January 2024)  
Mr. Yohan Perera (appointed on 01st April 2024)  
Dr. Sarath Abayawardana (resigned on 31st December 2023)  
Mr. Sujeewa Rajapakse (resigned on 01st April 2024)

With a view to improving the collective effectiveness and performance of the Board, Board and Sub-committee evaluations were carried out during the year, including an assessment of the systems and processes which are in place.

Mr. Nanda Fernando and Mrs. Anomi Wanigasekera were appointed to the Board with effect from 3rd January 2024 and Mr. Yohan Perera was appointed to the Board

with effect from 1st April 2024, in terms of Article 27(2) of the Articles of Association of the Company, Shareholders will be requested to re-elect them at the Annual General Meeting.

In terms of Article No. 29(1) of the Articles of Association of the Company, Mrs. Jeevani Abeyratne, Mr. Ali Asgar Munaver Caderbhoy and Mr. James Naylor 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. Mohan Pandithage and Mr. Arjun Senaratna and who are over seventy years of age, resolving that the age limit of seventy years stipulated in Section 210 of the Companies Act shall not apply to the aforesaid directors.

The Directors have provided declarations in terms of the Listing Rules on the fitness of Directors and CEO and the Board is satisfied that the Directors have continuously satisfied the 'fit and proper' criteria.

## BOARD SUBCOMMITTEES

Other than the Audit Committee of the Company, the Parent Company's Sub Committees acted as the Remuneration Committee, Nominations and Governance Committee and Related Party Transactions Review Committee of the Company during the Financial year. On 16th May 2024, the Company established separate Sub Committees responsible to the Board. Please refer to Sub Committee Reports given on page 225 to 231.

## RELATED PARTY TRANSACTIONS

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC and by Haycarb PLC subsequent to the constitution of the Company's own Related Party Transaction Review Committee. Accordingly, the Company is in compliance with Section 09 of the CSE Listing Rules Refer Related Party Transaction Review Committee Report on page 225.

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

## 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. 2,568,000 (2022/23 – Rs 2,214,000) and Rs. 4,545,000 (2022/23 – Rs 3,588,000) as audit fees by the Company and the group respectively. In addition, they were paid Rs.3,336,000 (2022/23 – Rs 1,941,000) and Rs.4,602,000 (2022/23 – Rs 3,132,000) by the Company and the Group, for non-audit related work, which consisted mainly of tax advisory services.

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

Messrs Ernst & Young, 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 authorize the directors to determine their remuneration is being proposed at the Annual General Meeting.

## GROUP REVENUE

The revenue of the Group was Rs. 43,179,205,000 (2022/23 – Rs.60,943,256,000) in the year under review. A detailed analysis of the Group's revenue is given in Note 06 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.41,646,596,000 (2022/23– Rs. 59,305,647,000). Trade between Group companies is conducted at fair market prices.

## PROFITS

The Group's profit before tax amounted to Rs. 6,113,254,000 (2022/23 – Rs 8,258,032,000). After a deducting Rs. 1,807,625,000. (2022/23 – Rs 1,752,544,000) for taxation, the profit was Rs. 4,305,629,000 (2022/23– Rs 6,505,488,000). When non-controlling interest of Rs. 561,700,000 (2022/23 – Rs 682,328,000) was deducted, the profit attributable to the equity holders of the Company was Rs. 3,743,929,000 (2022/23 – Rs 5,823,160,000).

## 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 2024 amount to Rs. 22,573,288,000 comprising Capital Reserves of Rs. 891,290,000 and Revenue Reserves of Rs. 21,681,998,000. Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

## DIVIDEND

The first interim dividend of Rs. 2.00 per share was paid to the shareholders on 20th October 2023. The second interim dividend of Rs. 2.00 per share was paid to the shareholders on 24th January 2024. The third interim dividend of Rs. 1.00 per share was paid to the shareholders on 29th April 2024.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act for all dividends paid. Solvency certificates were obtained from the Auditors in respect of the dividends paid.

## STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 224.

## CAPITAL EXPENDITURE

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 2,134,787,000 (2022/23 – Rs. 1,907,289,000) and Rs. 1,215,298,000 (2022/23– Rs 814,045,000) 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 287 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 38 to the Financial Statements.

## ESG RISK AND OPPORTUNITIES

The Company's business activities can have direct and indirect effects on the environment. It is the policy of the Company to conduct its activities in an environmentally responsible manner in order to keep adverse effects to a minimum and to ensure compliance with the relevant regulations.

## CORPORATE GOVERNANCE

The Company has complied with the revised Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange and the recommendations provided in the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance Report on page from 178 to 247 discusses this further.

Mr. Hisham Jamaldeen was appointed as the Senior Independent Director on 1st November 2023 in accordance with the Corporate Governance requirements. The Board was of the opinion that Mr. Mohan Pandithage should remain as the Executive Chairman of the Company due to his extensive experience, deep insights and domain knowledge evidenced through the leadership provided to the Group. Please refer the Senior Independent Director's Report on page 232

The Directors and the CEO satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. There were no non-compliances by any Director or CEO during the financial year.

The Directors have declared all material interests in contracts involving the Company and the Group and they refrain from voting on matters in which they have a material interest.

The Board has updated themselves with the applicable laws, rules and regulations and are aware of the changes to the Listing Rules and other regulatory requirements.

There has been no non-compliance with laws or regulations and the Directors to the best of their knowledge and belief confirm that the Company nor the Group have engaged in any activity that contravenes applicable laws and regulations. There have been no material fines imposed on the Company and the Group by the Government or any regulatory authority in any jurisdiction where the Group companies operate.

## INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records, reliability of financial information generated and cyber security.

All internal controls which include financial controls, operational and compliance controls and risk management have been

reviewed by the Board of Directors and they have obtained reasonable assurance of the effectiveness of the existing controls. The successful adherence to existing controls has been ascertained and improvements have been carried out where necessary. The Board is satisfied with the Group's adherence to and the effectiveness of these controls.

## POLICIES

The Company has adopted the policies established by the Parent Company on matters relating to the Board of Directors and Board Committees, Corporate Governance, Nominations and Re-election, Remuneration, Risk Management and Internal Control, Whistleblowing and Anti-Bribery and Corruption. 'The Hayleys Way' serves as the Internal Code of Business conduct and Ethics for all Directors, Key Management Personnel and other employees. The 'Hayleys Lifecode' includes a suite of environmental, social and governance related policies which are applicable across the Group. During the year the Company adopted own policies including "Activate" its ESG Roadmap 2030 in line with the ESG framework of Hayleys PLC. The Company is in the process of formulating the other required policies.

## 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 140.

## EXPOSURE TO RISK

The Group has a structured risk management process in place support its operations. The Audit Committee plays a major role in this process. The risk management section referred on page 66 to 83 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 mechanism such as Related Party Transactions Review Committee and regular interactions with shareholders to ensure the interests of the shareholders as a whole are safeguarded.

## SHARE INFORMATION

Information relating to earnings, dividends, net assets, market value per share and share trading is given on page 341.

## MAJOR SHAREHOLDINGS

The twenty major shareholders as at 31st March 2024 are given on page 341 in this Report.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 27th June 2024 at 9.00 a.m. at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10. The Notice of the Annual General Meeting appears on page 352.

For and on behalf of the Board,



**Mohan Pandithage**  
Chairman



**Rajitha Kariyawasan**  
Managing Director



**Hayleys Group Services (Private) Limited**  
Secretaries

No. 400, Deans Road  
Colombo 10

16th May 2024

# 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 (SLFRS/LKAS), 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 for all dividends paid. Auditors' solvency certificates have been obtained as required.

The External Auditors, Messrs Ernst & Young, Chartered Accountants who were re-appointed in terms 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 250 and 251 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 provided where relevant.

By Order of the Board,



**Hayleys Group Services (Private) Limited**  
Secretaries

16th May 2024



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Company formally appointed its own Related Party Transactions Review Committee on 16th May 2024. Until such time, the Related Party Transactions Review Committee of the Parent Company, Hayleys PLC functioned as the Committee to the Company.

## COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee of the parent company comprises, Dr. Harsha Cabral (Chairman), Mr. Aravinda Perera (Independent Non-Executive Directors) and Mr. Sarath Ganegoda (Executive Director).

The Committee of the Company, which was constituted on 16th May 2024, comprises, Mr. Yohan Perera (Chairman), Mr. Nanda Fernando (Independent Non-Executive Directors) and Mr. Sarath Ganegoda (Non-Executive Director).

## ATTENDANCE

### Committee Meetings of Hayleys PLC (Parent Company)

Name of the Member	Attendance
Dr. Harsha Cabral, PC – Chairman ***	4/4
Mr. Aravinda Perera ***	4/4
Mr. Sarath Ganegoda *	4/4

### Committee Meeting of Haycarb PLC

Name of the Member	Attendance
Mr. Yohan Perera - Chairman ***	1/1
Mr. Nanda Fernando ***	1/1
Mr. Sarath Ganegoda **	1/1

\*Executive Director

\*\*Non-Executive Director

\*\*\*Independent Non-Executive Director

The Chairman, Managing Director, Director Finance and any other officers as may be required by the Committee attend the meetings by invitation.

The Company Secretaries act as the Secretaries to the Committee and Minutes of Committee meetings are tabled at the Board meetings thereby providing the Directors access to the deliberations of the Committee.

## 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.

- To ensure that there is an adequate and effective process in place to capture information which is relevant to its review function.

## TASKS OF THE COMMITTEE

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

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

## DISCLOSURES

A detailed disclosure of all the related party transactions including recurrent and non-recurrent related party transactions which are required to be disclosed under Section 9.14.8 of the Listing Rules of the Colombo Stock Exchange has been made in note 33 to the financial statements given in page 314 to this report.

## DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 220 of this Annual Report.



**Yohan Perera**  
Chairman  
Related Party Transactions Review Committee

16th May 2024



# AUDIT COMMITTEE REPORT

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is appointed by and is responsible to the Board of Directors. The Committee Comprises two Independent Non-Executive Directors and one Non-Executive Director. The Committee is chaired by a senior Chartered Accountant.

- Mr. Yohan Perera\*\* (appointed as the Chairman on 01st April 2024)
- Mr. Nanda Fernando\*\* (appointed as a member on 08th January 2024)
- Mr. Arjun Senaratne\*
- Mr. Sujeewa Rajapakse\*\* (resigned and ceased to be the Chairman w.e.f. 01st April 2024)
- Dr. Sarath Abeywardena\*\* (resigned w.e.f. 31st December 2023)

\* Non-Executive Director

\*\*Independent Non-Executive Director

The profiles of Mr. Yohan Perera, Mr.Nanda Fernando and Mr.Arjun Senaratne are given on page 32 to 35 of this report.

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.

Other members of the Board of Directors, members of the Senior Management team of Haycarb PLC and the Head of Group Management Audit and System Review of Hayleys PLC were present at the meetings of the Committee where appropriate. The External Auditors are also invited to be present where relevant.

The Company Secretary acts as the secretary to the audit committee.

## CHARTER OF THE AUDIT COMMITTEE

The role and the responsibilities of the Audit Committee with its specific terms of reference are described in the Audit Committee Charter. The Audit Committee Charter is in line with the schedule "M" of the "Code of Best Practice on Corporate Governance 2023" issued by the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee Charter is periodically reviewed and revised with the concurrence of the Board of Directors to make sure that new developments relating to the function of the Committee are updated. The Charter of the Committee was last reviewed and approved by the Board in February 2024.

The "Rules on Corporate Governance" under the Listing Rules of the Colombo Stock Exchange and "Code of Best Practice on Corporate Governance" issued by Institute of Chartered Accountants of Sri Lanka in 2023, further regulate the composition, roles and functions of the Audit Committee.

## MEETINGS OF THE AUDIT COMMITTEE

The Committee meets as often as may be deemed necessary. The Committee had four formal meetings and the member attendance records are given below.

Name of the Member	Attendance
Mr. Yohan Perera** (appointed as the Chairman w.e.f. 1st April 2024)	1/1
Mr. Nanda Fernando** (appointed as a member w.e.f. 8th January 2024)	2/2
Mr. Arjun Senaratne*	4/4
Mr. Sujeewa Rajapakse** (resigned and ceased to be Chairman w.e.f. 1st April 2024)	3/3
Dr. Sarath Abeywardena** (resigned w.e.f. 31st December 2023)	2/2

\* Non-Executive Director

\*\* Independent Non-Executive Director

The proceedings of the Audit Committee are regularly reported to the Board of Directors. Audit committee meeting papers, including agenda, minutes and related reports and documents are circulated to the committee members in advance.

## THE AUTHORITY OF THE AUDIT COMMITTEE

- Recommend appointment, re-appointment, dismissal, service period and fees of the external auditor and internal audit service providers.
- The Audit Committee shall establish and maintain a direct communication channel with the external auditor.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non-audit services performed by the firm of external auditor and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the management as necessary to carry out the assigned duties.

## ACTIVITIES IN 2023/24

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

## FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the Group in the preparation and presentation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (ICASL), financial reporting requirements under the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange / Securities and Exchange Commission Act.

The Committee also reviewed the key judgements applied in the preparation of Consolidated Financial Statements, which are described in the relevant accounting policies and detailed Notes to the Financial Statements on page 260 to 330.

The Committee, in its evaluation of the financial reporting system, also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

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

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

The Committee recommended the Financial Statements to the Board for its deliberations and issuance.

## INTERNAL CONTROL SYSTEMS

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Hayleys Group Management Audit and Systems Review Department reports on key control elements and procedures followed by the Haycarb Group that are selected according to the Annual Audit Plan. The Annual Internal Audit Plan is approved by the Audit Committee and reviewed the progress on a quarterly basis in order to reflect the changing

business needs and to ensure new and emerging risks are considered. During the financial year 2023/24, six audits were performed. The Committee reviewed the findings and recommendations together with management's responses on the observations made by internal auditors and provided recommendations for improvement.

Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon.

The Committee appraised the independence of the Group Management Audit and Systems Review Department in the conduct of their assignments.

## RISK MANAGEMENT

While the Board of Directors reserve the primary responsibility on business risk management, the Board establishes the responsibility to the Audit Committee to oversee the risk management process of the Company.

The Audit Committee reviewed the Risk Register prepared and presented by the management of the company in each of its meetings.

The Risk Register include key business risks on strategic, operational, financial, investment, governance, information technology and system security (ISS) aspects of the business.

The Management also reported to the Audit Committee, matters pertaining to sustainability/ ESG, as part of sustainability reporting. The Committee reviewed Sustainability Related Risks/Opportunities (SRROs) and Climate Related Risks/ Opportunities (CRROs), affecting the business.

The Committee reviewed the Risk Management framework adopted by the company including processes, practices and responsibilities of managing the identified risks.

## 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 and Internal Controls 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 provides the opportunity to External Auditors to meet Audit Committee members independently, if necessary.

## APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young., continue as Auditors for the financial year ending 31st March 2025 after evaluating the scope, delivery of the audit, resources and the quality of the assurance initiatives taken during the year FY 2023/24.

The current Auditor Messrs Ernst & Young was initially appointed as External Auditor in 2010 and continues to hold that position at present. A partner rotation of the Auditors takes place periodically. A rotation of partner took place in financial year 2021/2022.

# AUDIT COMMITTEE REPORT

## COMPLIANCE

The Committee obtained representations from the management of the company on the adequacy of provisions made for possible liabilities and reviewed reports tabled by the Group companies certifying their compliance with relevant statutory requirements.

## ETHICS AND GOOD GOVERNANCE

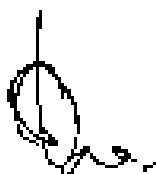
The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, Internal Code of Business Conduct and Ethics, the policy on Whistleblowing and Anti-Bribery and Corruption were put in place. The Policies were followed by educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

## SUPPORT TO THE COMMITTEE

The Committee received information and support from the Management during the year to enable it to carry out its duties and responsibilities effectively.

## EVALUATION OF THE COMMITTEE

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.



**Yohan Perera**

*Chairman- Audit Committee*

14th May 2024

# REMUNERATION COMMITTEE REPORT

The Company formally appointed its own Remuneration Committee on 16th May 2024. Until such time, the Remuneration Committee of the Parent Company Hayleys PLC functioned as the Committee to the Company.

## COMPOSITION OF THE COMMITTEE

The Remuneration Committee of the parent company comprises four Independent Non-Executive Directors, Dr. Harsha Cabral (Chairman), Mr. Aravinda Perera, Mr. Hisham Jamaldeen and Mr. Gamini Gunaratne (appointed to the Committee on 21st April 2023).

The Committee of the Company, which was constituted on 16th May 2024, comprises, Mr. Yohan Perera (Chairman), Mr. Nanda Fernando (Independent Non-Executive Directors) and Mr. Sarath Ganegoda (Non-Executive Director).

The members of the Committee are free from business, operational, personal or other relationships which may interfere with unbiased judgement.

## ATTENDANCE

### Committee Meetings of Hayleys PLC (Parent Company)

Name of the Member	Attendance
Dr. Harsha Cabral, PC – Chairman **	2/2
Mr. Aravinda Perera **	2/2
Mr. Hisham Jamaldeen **	2/2
Mr. Gamini Gunaratne **	1/1

### Committee Meeting of Haycarb PLC

Name of the Member	Attendance
Mr. Yohan Perera - Chairman **	1/1
Mr. Nanda Fernando **	1/1
Mr. Sarath Ganegoda *	1/1

\*Non-Executive Director

\*\*Independent Non-Executive Director

The Chairman assists the Committee by providing relevant information and participating in its analysis and deliberations.

The Remuneration Committee has well

defined Terms of Reference. The members of the Committee are Non-Executive Directors and are free from business, operational, personal or other relationships which may interfere with their independent, unbiased judgement.

## DUTIES OF THE REMUNERATION COMMITTEE

The Committee is responsible to the Board to determine the policy of the remuneration package of the Directors. The Committee evaluates, assesses 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 Managing Director, Executive Directors and the Members of the Senior Management Team.
- Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Company.
- Review information related to executive pay from time to time to ensure same is in par with the market/industry rates.
- Evaluate the performance of the Managing Director and Key Management Personnel against the predetermined targets and goals.
- Assess and recommending 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 of the Company/ Group is to attract, motivate and retain a highly qualified and experienced executive team, 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.

The remuneration packages which are linked to individual performances are aligned with the Companies/ Group's short term and long-term strategy.

All Non-Executive Directors (other than Directors who are employed by Hayleys PLC) receive a fee for serving on the Board and serving on sub-committees. They do not receive any performance related incentive payments.

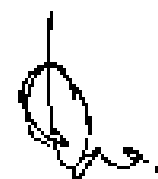
## ACTIVITIES IN 2023/2024

During the year the Committee reviewed the performance of the Managing Director, Executive Directors and Senior Management Team based on the targets set in the previous year and determined the bonus payable and the annual increments.

Reviewed Executives' compensation and implemented market corrections to Executives total compensation in line with the market median.

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.

The aggregate remuneration of the Executive and Non-Executive Directors for the Financial Year amounted to Rs. 350,984,000/-



**Yohan Perera**  
Chairman  
Remuneration Committee

16th May 2024

# NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

The Company formally appointed its own Nominations and Governance Committee on 16th May 2024. Until such time, the Nominations and Governance Committee of the Parent Company, Hayleys PLC functioned as the Committee to the Company.

(On 01st November 2023, in terms of the Corporate Governance Rules of the Colombo Stock Exchange, the Nominations Committee of the Parent Company was renamed as the Nominations and Governance Committee and the composition was changed to comply with Section 9.11.4 of the Listing Rules of the Colombo Stock Exchange).

## COMPOSITION OF THE COMMITTEE AND ATTENDANCE

The Composition and attendance of Nominations & Governance Committee of the parent company;

### During the period from 01.04.2023 to 01.11.2023

Name of the Member	Attendance
Mr. Mohan Pandithage - Chairman *	7/7
Dr. Harsha Cabral, PC ***	7/7
Mr. Aravinda Perera ***	7/7

### During the period from 01.11.2023 to 31.03.2024

Name of the Member	Attendance
Mr. Aravinda Perera - Chairman ***	4/4
Dr. Harsha Cabral, PC ***	4/4
Mr. Gamini Gunaratne ***	4/4

The Composition and attendance of Nominations & Governance Committee of Haycarb PLC;

The Committee of the Company, which was constituted on 16th May 2024, comprises, Mr. Yohan Perera (Chairman), Mr. Nanda Fernando (Independent Non-Executive Directors) and Mr. Sarath Ganegoda (Non-Executive Director).

Name of the Member	Attendance
Mr. Yohan Perera - Chairman ***	1/1
Mr. Nanda Fernando ***	1/1
Mr. Sarath Ganegoda **	1/1

\* Executive Director

\*\* Non-Executive Director

\*\*\*Independent Non-Executive Director

## DUTIES OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

- The Nominations and Governance Committee evaluates and recommends the appointment of Directors to the Board and Committees considering the required skills, experience and qualifications necessary.
- Consider and recommend (or not recommend) the re-election of current Directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the discharge of the Board's overall responsibilities and the number of Directorships held by the Director in other listed and unlisted companies and other principal commitments.
- Establish and maintain a formal and transparent procedure to evaluate, select and appoint / re appoint Directors of the Company.
- Establish and maintain a set of criteria for selection of Directors such as academic / professional qualifications, skills, experience and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.
- Establish and maintain a suitable process for the periodic evaluation of the performance of Board Directors and the CEO of the Company to ensure their responsibilities are satisfactorily discharged.

- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Develop succession plans for Board of Directors and Key Management Personnel.
- Review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules and other applicable regulatory requirements and industry best practices. Review and update the corporate governance policies/ framework in line with regulatory and legal developments relating to same.
- Receive reports from the Management on compliance of the corporate governance framework of the Company including the Company's compliance with provisions of the Securities and Exchange Commission Act, Listing Rules of the Colombo Stock Exchange and other applicable laws and reasons for any deviations or non-compliances.

## DISCLOSURE OF ACTIVITIES

The Board performance evaluation has been carried out and discussed at Board meetings. Any major issues relating to the Company are updated to the Independent Directors by the Chairman or Managing Director. Special Board meetings are called if the need arises to discuss an important or critical matter with the Board.

Newly appointed Directors are given an induction to the Company prior to their first Board meeting. The orientation programme includes inviting the Directors to the manufacturing facilities to gain an understanding of the operations of the Company and its subsidiaries. Requirements as per the Listing Rules and applicable rules and regulations are informed to the new Directors. Existing Directors are regularly updated with corporate governance requirements, Listing Rules and other applicable laws.

Non-Executive Directors have submitted declarations regarding their independence / non independence. The fitness and propriety of the Directors were examined.

## RE-APPOINTMENTS / RE- ELECTIONS

One Third (1/3) of the all the directors except the Managing Director who have been appointed to the Board since the last Annual General Meeting, retire by rotation in terms of the Articles of Association and being eligible submit themselves for re-election at the AGM.

Accordingly, the Committee has recommended to re-elect Mrs. Jeevani Abeyratne, Mr. Ali Asgar Munaver Caderbhoy, and Mr. James Naylor, to the Board at the Annual General Meeting to be held on 27th June 2024, based on their performance and the contribution made to achieve the objectives of the Board.

Mrs. Jeevani Abeyratne was appointed to the Board in November 2009, and last re-appointed as a Director in June 2021. Her directorships and other principal commitments are given in the profile on page 33.

Mr. Ali Asgar Munaver Caderbhoy was appointed to the Board in April 2016, and last re-appointed as a Director in June 2022. His other directorships and other principal commitments are given in the profile on page 33.

Mr. James Naylor was appointed to the Board in April 2016, and last re-appointed as a Director in June 2022. His other directorships and other principal commitments are given in the profile on page 33.


Directors, Mr. Nanda Fernando and Mrs. Anomi Wanigasekera who were appointed to the Board on 03rd January 2024 and Mr. Yohan Perera who was appointed on 1st April 2024 will come up for re-election

by the shareholders at the Annual General Meeting. Their profiles in page 34 and 35 set out their other principal commitments and directorships.

Due to the invaluable contribution made to the Board as a result of their many years of experience, industry knowledge and business acumen, the Committee has recommended to reappoint Mr. Arjun Senaratne and Mr. Mohan Pandithage who are over seventy years and who retire in terms of Section 210 of the Companies Act No. 7 of 2007.

None of the Directors who are being proposed for re-election or their family members, have any relationship with the Directors of the Company or shareholders having more than 10% of the shares of the Company.

The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in page 212 to 219.



**Yohan Perera**

*Chairman*

*Nominations and Governance Committee*

16th May 2024

# STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

Profile of Mr. Hisham Jamaldeen is given on page 33 of this report.

In order to comply with Section 9.6.3 of the Listing Rules of the Colombo Stock Exchange, the Board of Directors of the Company designated me as the Senior Independent Director (SID) of the Company with effect from 01st November 2023.

Section 9.6.3 of the Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka provide that in situations where the Chairman and CEO are the same person or where the Chairman is not an Independent Director, a Senior Independent Director (SID) shall be appointed. At Haycarb PLC although the Chairman is not the CEO, he is not an Independent Director.

## ROLE OF THE SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director (SID) provides guidance to the Chairman on matters of governance of the Company.

The role of the SID also provides emphasis to transparency on matters relating to governance and calls for a review of the effectiveness of the Board.

The SID makes himself available to any Director or any employee to have confidential discussions on the affairs of the Company should the need arise.

## ACTIVITIES DURING THE YEAR

In line with the regulatory requirements, I presided over the following meetings and exercised my voting rights where necessary.

Meetings were held with the Non-Executive Directors without the presence of the Executive Directors. At these meetings the performance of the Chairman and the Executive Directors were appraised.

A meeting was held with only the Independent Directors. Discussions were held on matters relating to the Company and the operations of the Board.

The outcome of these meetings together with recommendations were duly informed to the Chairman and the Board.

The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and making a positive impact on value creation.

I believe that I have fulfilled the obligations entrusted to the SID in accordance with the Corporate Governance guidelines.



**Hisham Jamaldeen**  
*Senior Independent Director*

16th May 2024



# INDEPENDENT ASSURANCE REPORT FOR THE GRI STANDARD



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: [eysl@lk.ey.com](mailto:eysl@lk.ey.com)  
[ey.com](http://ey.com)

## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYCARB PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT FY 2023/24

### Scope

We have been engaged by Haycarb PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Haycarb PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Haycarb PLC's (the "Entity's") Integrated Annual Report/ Annual Report/ Sustainability Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### Criteria applied by Haycarb PLC

In preparing the Subject Matter, Haycarb PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

### Haycarb PLC's responsibilities

Haycarb PLC's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that 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 subject matter, 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 Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Haycarb PLC on 1 May 2024. Those 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 Subject Matter 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 limited assurance conclusions.

### Our independence and quality management

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 (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Principals: T P M Ruberu FCMA FCCA MBA (US-J-SL), G B Gaudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS Msc - IT, V Shethiwal B.Com (Sp)

A member firm of Ernst & Young Global Limited



# INDEPENDENT ASSURANCE REPORT FOR THE GRI STANDARD

## Description of procedures performed

Procedures performed in a limited assurance engagement 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. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course

of our assurance engagement and requested changes wherever required.

- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

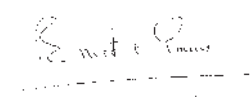
## Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

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

## Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Haycarb PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.



16th May 2024  
Colombo

# INDEPENDENT ASSURANCE REPORT FOR THE INTEGRATED ANNUAL REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: [eysi@lk.ey.com](mailto:eysi@lk.ey.com)  
[ey.com](http://ey.com)

## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYCARB PLC ON THE INTEGRATED ANNUAL REPORT 2023 /24

### Scope

We have been engaged by Haycarb PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Haycarb PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in Haycarb PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### Criteria applied by Haycarb PLC

In preparing the Subject Matter, Haycarb PLC applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining

whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

### Haycarb PLC's responsibilities

Haycarb PLC's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that 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 subject matter, 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 Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the Haycarb PLC on 1 May 2024. Those 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 Subject Matter 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 limited assurance conclusions.

### Our independence and quality management

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 (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Gaudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS Msc - IT, V Shethivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# INDEPENDENT ASSURANCE REPORT FOR THE INTEGRATED ANNUAL REPORT

## Description of procedures performed

Procedures performed in a limited assurance engagement 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. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.

- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organization's strategy and how the organization 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.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

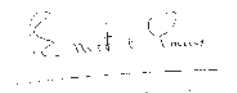
## Emphasis of matter

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

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

## Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Haycarb PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.



16th May 2024  
Colombo

# GRI CONTENT INDEX

Statement of use	Haycarb PLC has reported in accordance with the GRI Standards for the period for period 01st April 2023 to 31st March 2024					
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	105, 260				
	2-2 Entities included in the organization's sustainability reporting	3				
	2-3 Reporting period, frequency and contact point	3,6				
	2-4 Restatements of information	3				
	2-5 External assurance	6, 233-236				
	2-6 Activities, value chain and other business relationships	10,24,157, 161, 167				
	2-7 Employees	144-145				
	2-8 Workers who are not employees	144-145				
	2-9 Governance structure and composition	181, 184				
	2-10 Nomination and selection of the highest governance body	182				
	2-11 Chair of the highest governance body	184-185				
	2-12 Role of the highest governance body in overseeing the management of impacts	185-187,194				
	2-13 Delegation of responsibility for managing impacts	182				
	2-14 Role of the highest governance body in sustainability reporting	186-187				
	2-15 Conflicts of interest	190				
	2-16 Communication of critical concerns	193				
	2-17 Collective knowledge of the highest governance body	181				
	2-18 Evaluation of the performance of the highest governance body	182, 192				
	2-19 Remuneration policies	192				
	2-20 Process to determine remuneration	182, 192				
	2-21 Annual total compensation ratio	192	2-21 a, b, c	Confidentiality constraints	Confidential information of the company	

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT (S) OMITTED	REASON	EXPLANATION	
	2-22 Statement on sustainable development strategy	16				
	2-23 Policy commitments	109,180,186				
	2-24 Embedding policy commitments	180				
	2-25 Processes to remediate negative impacts	189				
	2-26 Mechanisms for seeking advice and raising concerns	189				
	2-27 Compliance with laws and regulations	183				
	2-28 Membership associations	167				
	2-29 Approach to stakeholder engagement	48				
	2-30 Collective bargaining agreements	151				
<b>Material topics</b>						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	84				
	3-2 List of material topics	84-87				
<b>Economic performance</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M5				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	15				
	201-2 Financial implications and other risks and opportunities due to climate change	66, 79-83				
	201-3 Defined benefit plan obligations and other retirement plans	272-273,306				
	201-4 Financial assistance received from government	-		Not applicable	We did not receive any significant financial assistance from a government	
<b>Market presence</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	152				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT (S) OMITTED	REASON	EXPLANATION	
	202-2 Proportion of senior management hired from the local community	145				
<b>Indirect economic impacts</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M5				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	165-166				
	203-2 Significant indirect economic impacts	165-166				
<b>Procurement practices</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	87 - M19				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	163				
<b>Anti-competitive behaviour</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M3				
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	189				
<b>Tax</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M3				
GRI 207: Tax 2019	207-1 Approach to tax	103				
	207-2 Tax governance, control, and risk management	103				
	207-3 Stakeholder engagement and management of concerns related to tax	103				
	207-4 Country-by-country reporting	103, 316				
<b>Materials</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M1				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	109-112				
	301-2 Recycled input materials used	109-112				
	301-3 Reclaimed products and their packaging materials	109-112				

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT (S) OMITTED	REASON	EXPLANATION	
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M11				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	113-114				
	302-2 Energy consumption outside of the organization	113-114				
	302-3 Energy intensity	113-114				
	302-4 Reduction of energy consumption	113-114				
	302-5 Reductions in energy requirements of products and services	113-114				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M7				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	124-126				
	303-2 Management of water discharge-related impacts	124-126				
	303-3 Water withdrawal	124-126				
	303-4 Water discharge	124-126				
	303-5 Water consumption	124-126				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	85-87				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-		Not applicable	We do not operate in such areas with high biodiversity value	
	304-2 Significant impacts of activities, products and services on biodiversity	128-129				
	304-3 Habitats protected or restored	-		Not applicable	We do not operate in such areas with high biodiversity value	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	-		Not applicable	We do not operate in such areas with high biodiversity value	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT (S) OMITTED	REASON	EXPLANATION	
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M10				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	115-116				
	305-2 Energy indirect (Scope 2) GHG emissions	115-116				
	305-3 Other indirect (Scope 3) GHG emissions	115-116				
	305-4 GHG emissions intensity	115-116				
	305-5 Reduction of GHG emissions	115-116				
	305-6 Emissions of ozone-depleting substances (ODS)	115-116				
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	115-116				
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	85-87				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	126-128				
	306-2 Management of significant waste-related impacts	126-128				
	306-3 Waste generated	126-128				
	306-4 Waste diverted from disposal	126-128				
	306-5 Waste directed to disposal	126-128				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	87 - M14				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	162				
	308-2 Negative environmental impacts in the supply chain and actions taken	110, 164				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	145				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	151-152				
	401-3 Parental leave	153				



# GRI CONTENT INDEX

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	86 - M8				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	151	402-1-b	Confidentiality constraints	Confidential information of the company	
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	146				
	403-2 Hazard identification, risk assessment, and incident investigation	146				
	403-3 Occupational health services	146-147				
	403-4 Worker participation, consultation, and communication on occupational health and safety	146				
	403-5 Worker training on occupational health and safety	148				
	403-6 Promotion of worker health	146-148				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	146-147				
	403-8 Workers covered by an occupational health and safety management system	146				
	403-9 Work-related injuries	146-147	403-9-iv,v	Confidentiality constraints	Confidential information of the company	
	403-10 Work-related ill health	146-147				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	87 - M16				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	149-150				
	404-2 Programs for upgrading employee skills and transition assistance programs	150				
	404-3 Percentage of employees receiving regular performance and career development reviews	150				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT (S) OMITTED	REASON	EXPLANATION	
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	144, 181				
	405-2 Ratio of basic salary and remuneration of women to men	153				
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	152				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
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	151				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	144-145, 161				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	161				
Security practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	149-150				

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT (S) OMITTED	REASON	EXPLANATION	
Rights of indigenous peoples						
GRI 3: Material Topics 2021	3-3 Management of material topics	86 - M8				
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	144-145				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	87 - M17				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	99-100, 165-166				
	413-2 Operations with significant actual and potential negative impacts on local communities	66-83				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	87 - M14				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	164				
	414-2 Negative social impacts in the supply chain and actions taken	164				
Public policy						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M3				
GRI 415: Public Policy 2016	415-1 Political contributions	221				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M2				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	159				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	159				

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	87 - M18				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	159				
	417-2 Incidents of non-compliance concerning product and service information and labeling	159				
	417-3 Incidents of non-compliance concerning marketing communications	159				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	85 - M2				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	135				

# SASB DISCLOSURE & INDEX

**TABLE: CHEMICAL STANDARD – SUSTAINABILITY DISCLOSURE TOPICS AND ACCOUNTING METRICS**

Topic	Accounting metrics	Unit of measure	Code	Disclosure/Page reference
Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions.	t CO <sub>2</sub> -eq Mn	RT-CH-110a.1	(1) Refer Page 115 to 116
	(2) Percentage covered under emissions-limiting regulations.	%		(2) Not applicable
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets.		RT-CH-110a.2	Refer Page 115 to 116
Air quality	Air emissions of the following pollutants: (1) NOX (excluding N <sub>2</sub> O), (2) SOX (3) Volatile organic compounds (VOCs) (4) Hazardous air pollutants (HAPs)	Mt	RT-CH-120a.1	Refer Page 115
Energy management	(1) Total energy consumed	GJ	RT-CH-130a.1	(1) Refer Page 113
	(2) Percentage grid electricity	%		(2) Refer Page 113
	(3) Percentage renewable,			(3) Refer Page 113
	(4) Total self-generated energy			(4) Refer Page 113
Water management	(1) Total water withdrawn,	m <sup>3</sup>	RT-CH-140a.1	(1) Refer Page 124 to 126
	(2) Total water consumed.			(2) Refer Page 124 to 126
	(3) Percentage of each in regions with High or Extremely High Baseline Water Stress	%		(3) 61% withdrawn from Sri Lanka, which is classified as a water stressed country by the Food and Agriculture Organisation, given a water withdrawal rate of 90.79%.
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations.	Number	RT-CH-140a.2	Refer Page 124 to 126
	Description of water management risks and discussion of strategies and practices to mitigate those risks.		RT-CH-140a.3	Refer Page 124 to 126
Hazardous waste management	Amount of hazardous waste generated, and percentage recycled	Mt %	RT-CH-150a.1	Refer Page 126 to 128
Community relations	Discussion of engagement processes to manage risks and opportunities associated with community interests.		RT-CH-210a.1	Refer Page 99 to 100, 165 to 166

Topic	Accounting metrics	Unit of measure	Code	Disclosure/Page reference
<b>Workforce Health &amp; Safety</b>	(1) Total recordable incident rate (TRIR)	Rate	RT-CH-320a.1	(1) Refer Page 148
	(2) Fatality rate for (a) direct employees (b) contract employees			(2) Refer Page 148
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks		RT-CH-320a.2	Refer Page 146
<b>Product Design for Use-phase Efficiency</b>	Revenue from products designed for use phase resource efficiency	Rs. Mn	RT-CH-410a.1	Refer Page 160
<b>Safety &amp; Environmental Stewardship of Chemicals</b>	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances,	Percentage (%) by revenue, Percentage (%)	RT-CH-410b.1	Refer Page 109 to 112
	(2) Percentage of such products that have undergone a hazard assessment.			
	Discussion of strategy to (1) manage chemicals of concern (2) develop alternatives with reduced human and/or environmental impact		RT-CH-410b.2	Refer Page 109 to 112
<b>Genetically Modified Organisms</b>	Percentage of products by revenue that contain genetically modified organisms (GMOs)	Percentage (%) by revenue	RT-CH-410c.1	Not applicable.
<b>Management of the Legal &amp; Regulatory Environment</b>	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry.		RT-CH-530a.1	Refer Page 106 to 129, 140 to 169
<b>Operational Safety, Emergency Preparedness &amp; Response</b>	(1) Process Safety Incidents Count (PSIC)	Number, Rate	RT-CH-540a.1	Refer Page 149
	(2) Process Safety Total Incident Rate (PSTIR)			
	(3) Process Safety Incident Severity Rate (PSISR)			
	Number of transport incidents	Number	RT-CH-540a.2	Refer Page 149
<b>Activity Metrics</b>				
<b>Production by reportable segment</b>	Production quantity - Activated Carbon	Mt	RT-CH-000.A	Refer Page 46

# FINANCIAL CALENDAR

01st Quarter Report	10th August 2023
02nd Quarter Report	10th November 2023
03rd Quarter Report	13th February 2024
04th Quarter Report	16th May 2024
Annual Report 2023/24	03th June 2024
51st Annual General Meeting	27th June 2024
1st Interim Dividend declared	27th September 2023
1st Interim Dividend paid	20th October 2023
2nd Interim Dividend declared	29th December 2023
2nd Interim Dividend paid	24th January 2024
3rd Interim Dividend declared	28th March 2024
3rd Interim Dividend paid	29th April 2024



# Elevating Strengths of Stakeholders

## FINANCIAL STATEMENTS

250 Independent Auditor's Report • 252 Statement of Profit or Loss • 253 Statement of Comprehensive Income  
254 Statement of Financial Position • 256 Statement of Changes in Equity • 258 Statement of Cash Flows  
260 Notes to the Consolidated Financial Statements



# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eysi@lk.ey.com  
ey.com

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAYCARB PLC

### Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Haycarb PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as of 31 March 2024, and the statement of profit or loss, 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 material accounting policy information.

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 of 31 March 2024, 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 for Professional Accountants 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
<b>Carrying value of inventories</b>  As at 31 March 2024, the carrying value of inventory amounted to Rs. 11.5 Bn net of provision of Rs. 0.51 Bn for slow moving and obsolete inventory as disclosed in Note 19 to the financial statements.  We considered the carrying value of inventories as a key audit matter due to <ul style="list-style-type: none"><li>the materiality of the reported inventory balance which represented 29% of the Group's total assets as of the reporting date; and</li><li>significant judgements applied by the management in the determination of cost and net realizable value of inventories which include judgements related to long-expiry and continued use of activated carbon and charcoal, and moisture level adjustments as disclosed in Notes 3.10, 5.8 and 19 to the financial statements.</li></ul>	<b>Our procedures included the following key procedures:</b> <ul style="list-style-type: none"><li>understood the process involved in the measurement of the inventories</li><li>observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported</li><li>evaluated the relevant key controls implemented by the management and assessed the reasonableness of moisture level adjustments made to raw materials and finished goods by observing moisture checks</li><li>assessed the reasonableness of judgements applied by management, especially in relation to the long-expiry and continued use of activated carbon and charcoal as well as in arriving at the net realizable value.</li></ul> <p>We also evaluated the adequacy of the disclosures in Notes 3.10, 5.8 and 19 to the financial statements.</p>

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

Principals: T P M Ruberu FCMA FCCA MBA (US-J-SL), G B Gaudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS Msc - IT, V Shaktihivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

### Other Information Included in the 2024 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 for the Financial Statements

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.

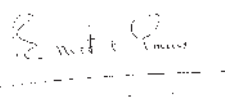
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.



16th May 2024  
Colombo

# STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Revenue	6	43,179,205	60,943,256	20,684,291	28,108,406
Cost of sales		(29,910,375)	(46,064,358)	(15,009,748)	(21,330,692)
<b>Gross profit</b>		<b>13,268,830</b>	<b>14,878,898</b>	<b>5,674,543</b>	<b>6,777,714</b>
Other operating income	7	178,045	200,630	1,405,202	2,393,150
Selling and distribution expenses		(367,249)	(550,508)	(133,186)	(121,483)
Administrative expenses		(6,558,529)	(6,254,737)	(3,066,987)	(2,573,152)
<b>Results from operating activities</b>		<b>6,521,097</b>	<b>8,274,283</b>	<b>3,879,572</b>	<b>6,476,229</b>
Finance income	8.1	1,392,835	3,392,719	829,913	2,161,436
Finance cost	8.2	(1,791,852)	(3,411,387)	(910,418)	(1,727,478)
Net finance income/(cost)	8	(399,017)	(18,668)	(80,505)	433,958
Share of profit/(loss) of equity accounted investees (net of tax)	17.1	(8,826)	2,417	-	-
<b>Profit before tax</b>	9	<b>6,113,254</b>	<b>8,258,032</b>	<b>3,799,067</b>	<b>6,910,187</b>
Tax expense	10	(1,807,625)	(1,752,544)	(818,793)	(697,740)
<b>Profit for the year</b>		<b>4,305,629</b>	<b>6,505,488</b>	<b>2,980,274</b>	<b>6,212,447</b>
<b>Profit attributable to:</b>					
Owners of the parent		3,743,929	5,823,160	2,980,274	6,212,447
Non-controlling interest		561,700	682,328	-	-
<b>Profit for the year</b>		<b>4,305,629</b>	<b>6,505,488</b>	<b>2,980,274</b>	<b>6,212,447</b>
<b>Earnings per share</b>					
Basic/Diluted earnings per share (Rs.)	11.1	12.60	19.60	10.03	20.91
Dividend per share (Rs.)	12			6.00	5.65

The notes to the Financial Statements on pages 260 to 330 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Profit for the year</b>		<b>4,305,629</b>	<b>6,505,488</b>	<b>2,980,274</b>	<b>6,212,447</b>
<b>Other comprehensive income</b>					
<b>Items that will be reclassified to statement of profit or loss in subsequent periods</b>					
Net exchange differences on translation of foreign operations		(1,575,017)	884,921	-	-
<b>Items that will not be reclassified to statement of profit or loss in subsequent periods</b>					
Actuarial losses on defined benefit obligations	27 (ii)	(239,962)	(47,461)	(237,100)	(34,828)
Net gain /(loss) on equity investments designated at fair value through OCI	21	109,856	(195,300)	109,856	(195,300)
Amalgamation reserve of Haycarb Value Added Products (Pvt) Ltd		-	-	-	68,290
Tax effect on other comprehensive income	10.4	71,667	(89,986)	71,130	(87,392)
<b>Total other comprehensive income/(loss) for the year (net of tax)</b>		<b>(1,633,456)</b>	<b>552,174</b>	<b>(56,114)</b>	<b>(249,230)</b>
<b>Total comprehensive income for the year (net of tax)</b>		<b>2,672,173</b>	<b>7,057,662</b>	<b>2,924,160</b>	<b>5,963,217</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		2,545,984	6,174,584	2,924,160	5,963,217
Non-controlling interests		126,189	883,078	-	-
		<b>2,672,173</b>	<b>7,057,662</b>	<b>2,924,160</b>	<b>5,963,217</b>

The notes to the Financial Statements on pages 260 to 330 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	10,838,262	10,214,282	5,261,582	4,365,959
Right-of-Use Assets	14.1	490,940	283,455	259,905	34,562
Intangible assets	15	347,380	289,399	121,796	87,219
Investments in subsidiaries	16.1	-	-	1,094,769	1,094,769
Investments in equity accounted investees	17	583,927	592,753	92,903	92,903
Non-current financial assets	21	1,285,225	1,184,666	1,237,388	1,127,532
Deferred tax assets	28.1	239,963	244,159	-	-
<b>Total non-current assets</b>		<b>13,785,697</b>	<b>12,808,714</b>	<b>8,068,343</b>	<b>6,802,944</b>
<b>Current assets</b>					
Inventories	19	11,506,658	13,986,769	4,470,465	5,106,565
Trade and other receivables	20	6,711,349	6,709,919	4,651,326	4,224,190
Amounts due from subsidiaries	18.3	-	-	989,239	649,391
Amounts due from other related parties	18.4	47,870	104,195	18,372	26,133
Amounts due from equity accounted investees	18.5	127,165	101,824	567	247
Other current assets	22	1,313,385	1,406,878	480,469	430,452
Cash in hand and at bank	23	6,722,126	5,072,892	3,679,709	2,077,492
<b>Total current assets</b>		<b>26,428,553</b>	<b>27,382,477</b>	<b>14,290,147</b>	<b>12,514,470</b>
<b>Total assets</b>		<b>40,214,250</b>	<b>40,191,191</b>	<b>22,358,490</b>	<b>19,317,414</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Stated capital	24	331,774	331,774	331,774	331,774
Capital reserves	25.1	891,290	891,290	520,097	520,097
Revenue reserves	25.2	21,681,998	20,918,757	13,008,591	11,867,174
<b>Total equity attributable to equity holders of the Company</b>		<b>22,905,062</b>	<b>22,141,821</b>	<b>13,860,462</b>	<b>12,719,045</b>
Non-controlling interest		2,792,786	3,070,745	-	-
<b>Total equity</b>		<b>25,697,848</b>	<b>25,212,566</b>	<b>13,860,462</b>	<b>12,719,045</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	26.1	253,719	140,194	66,111	135,461
Non current lease liability	14.2	416,518	206,177	218,763	-
Defined benefit obligations	27 (iii)	1,737,269	1,230,526	1,351,969	903,328
Deferred tax liabilities	28.2	192,185	136,709	125,541	85,673
<b>Total non-current liabilities</b>		<b>2,599,691</b>	<b>1,713,606</b>	<b>1,762,384</b>	<b>1,124,462</b>

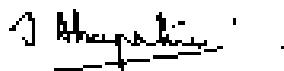
## STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Current liabilities</b>					
Trade and other payables	29	4,203,895	3,703,807	2,771,646	1,979,594
Other current liabilities	30	393,561	413,884	56,980	32,171
Amounts due to subsidiaries	18.1	-	-	81,604	110,869
Amounts due to other related parties	18.2	2,379,820	1,635,815	817,434	72,656
Income tax payable	31	731,423	645,285	384,505	209,673
Current portion of lease liability	14.2	85,960	86,718	41,507	41,615
Interest bearing loans and borrowings	26.2	4,122,052	6,779,510	2,581,968	3,027,329
<b>Total current liabilities</b>		<b>11,916,711</b>	<b>13,265,019</b>	<b>6,735,644</b>	<b>5,473,907</b>
<b>Total liabilities</b>		<b>14,516,402</b>	<b>14,978,625</b>	<b>8,498,028</b>	<b>6,598,369</b>
<b>Total equity and liabilities</b>		<b>40,214,250</b>	<b>40,191,191</b>	<b>22,358,490</b>	<b>19,317,414</b>

The notes to the Financial Statements on pages 260 to 330 form an integral part of these Financial Statements.

The Board of Directors are responsible for these financial statements.

I certify that the Financial Statements set out on pages 252 to 330 have been prepared in accordance with the Companies Act No: 07 of 2007.



**Jeevani Abeyratne**  
Director-Finance

Signed for and on behalf of the Board by,



**Mohan Pandithage**  
Chairman  
16th May 2024



**Rajitha Kariyawasan**  
Managing Director  
16th May 2024

# STATEMENT OF CHANGES IN EQUITY

Consolidated	Note	Attributable to equity holders of the parent							Non controlling interest	Total equity
		Stated capital	Capital reserves	Revenue Reserves				Total		
				Fair Value reserve of financial assets at FVOCI	Foreign currency translation reserves	General reserves	Retained earnings			
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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
Adjustment for surcharge tax levied under the surcharge tax Act No.14 of 2022		-	-	-	-	-	(525,957)	(525,957)	-	(525,957)
Adjusted balance as at 01st April 2022		331,774	994,758	1,282,171	4,013,781	519,353	10,504,149	17,645,986	2,648,637	20,294,623
Profit for the year		-	-	-	-	-	5,823,160	5,823,160	682,328	6,505,488
Other comprehensive income										
Net exchange difference on translation of foreign operations		-	-	-	673,853	-	-	673,853	211,068	884,921
Actuarial loss on defined benefit obligations	27 (ii)	-	-	-	-	-	(35,492)	(35,492)	(11,969)	(47,461)
Tax effect on other comprehensive income	10.4	-	(103,468)	-	-	-	11,831	(91,637)	1,651	(89,986)
Net loss on equity instruments designated at fairvalue through OCI	21	-	-	(195,300)	-	-	-	(195,300)	-	(195,300)
Total other comprehensive income for the year			(103,468)	(195,300)	673,853	-	(23,661)	351,424	200,750	552,174
Transactions with owners, recorded directly in equity										
Dividends to equity holders	29.1	-	-	-	-	-	(1,678,749)	(1,678,749)	(460,970)	(2,139,719)
Balance as at 31st March 2023		331,774	891,290	1,086,871	4,687,634	519,353	14,624,899	22,141,821	3,070,745	25,212,566
Profit for the year		-	-	-	-	-	3,743,929	3,743,929	561,700	4,305,629
Other comprehensive income										
Net exchange difference on translation of foreign operations		-	-	-	(1,143,430)	-	-	(1,143,430)	(431,587)	(1,575,017)
Actuarial loss on employee benefit obligations	27 (ii)	-	-	-	-	-	(235,064)	(235,064)	(4,898)	(239,962)
Tax effect on other comprehensive income	10.4	-	-	-	-	-	70,693	70,693	974	71,667
Net gain on equity instruments designated at fairvalue through OCI	21	-	-	109,856	-	-	-	109,856	-	109,856
Total other comprehensive income for the year		-	-	109,856	(1,143,430)	-	(164,371)	(1,197,945)	(435,511)	(1,633,456)
Transactions with owners, recorded directly in equity										
Dividends to equity holders	29.1	-	-	-	-	-	(1,782,743)	(1,782,743)	(404,148)	(2,186,891)
Balance as at 31st March 2024		331,774	891,290	1,196,727	3,544,204	519,353	16,421,714	22,905,062	2,792,786	25,697,848

- The General Reserves and Retained Earnings represent reserves available for distribution
- Revaluation reserves relates to the revaluation of land
- Fair value reserve consists of net unrealised gains/(losses) arising from fair valuation of equity investments designated at FVOCI, excluding the impact arising from impairment of assets.
- Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

# STATEMENT OF CHANGES IN EQUITY

Company	Note	Stated capital	Capital reserves	Revenue Reserve			Total equity
				General reserves	Fair Value reserve of financial assets at FVOCI	Retained earnings	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 31st March 2022</b>		331,774	549,647	519,353	1,282,171	6,117,849	8,800,794
Adjustment for surcharge tax levied under the surcharge tax Act No.14 of 2022		-	-	-	-	(366,217)	(366,217)
<b>Adjusted balance as at 01st April 2022</b>		331,774	549,647	519,353	1,282,171	5,751,632	8,434,577
Profit for the year		-	-	-	-	6,212,447	6,212,447
<b>Other comprehensive income</b>							
Amalgamation reserve of Haycarb Value Added Products (Pvt) Ltd		-	68,290	-	-	-	68,290
Actuarial loss on defined benefit obligations	27 (ii)	-	-	-	-	(34,828)	(34,828)
Tax effect on other comprehensive income	10.4	-	(97,840)	-	-	10,448	(87,392)
Net loss on equity instruments designated at fairvalue through OCI	21	-	-	-	(195,300)	-	(195,300)
<b>Total other comprehensive income for the year</b>		-	(29,550)	-	(195,300)	(24,380)	(249,230)
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	29.1	-	-	-	-	(1,678,749)	(1,678,749)
<b>Balance as at 31st March 2023</b>		331,774	520,097	519,353	1,086,871	10,260,950	12,719,045
Profit for the year		-	-	-	-	2,980,274	2,980,274
<b>Other comprehensive income</b>							
Actuarial loss on employee benefit obligations	27 (ii)	-	-	-	-	(237,100)	(237,100)
Tax effect on other comprehensive income	10.4	-	-	-	-	71,130	71,130
Net gain on equity instruments designated at fairvalue through OCI	21	-	-	-	109,856	-	109,856
<b>Total other comprehensive income for the year</b>		-	-	-	109,856	(165,970)	(56,114)
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	29.1	-	-	-	-	(1,782,743)	(1,782,743)
<b>Balance as at 31st March 2024</b>		331,774	520,097	519,353	1,196,727	11,292,511	13,860,462

- The General Reserves and Retained Earnings represent reserves available for distribution
- Revaluation reserves relates to the revaluation of land
- Fair value reserve consists of net unrealised gains/(losses) arising from fair valuation of equity investments designated at FVOCI, excluding the impact arising from impairment of assets.

The notes to the Financial Statements on pages 260 to 330 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	
		2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating activities					
Profit before tax from continuing operations		6,113,254	8,258,032	3,799,067	6,910,187
Adjustments for:					
Depreciation and impairment of property, plant and equipment	13.1/13.2	881,704	834,336	305,872	225,185
Amortisation of Right-of-Use Assets	14.1	97,649	64,616	35,939	34,564
Amortisation of intangible assets	15	22,389	15,681	21,962	12,883
(Gain)/loss on disposal of property, plant and equipment	7	9,057	16	13,803	(500)
Gain/(loss) on translation of foreign currencies		(387,334)	1,337,551	(300,593)	1,229,483
Exchange difference on translation of foreign operations		(965,363)	636,654	-	-
Finance income	8.1	(1,392,835)	(3,392,719)	(829,913)	(2,161,436)
Finance costs	8.2	1,791,852	3,411,387	910,418	1,727,478
Dividend income from subsidiaries	7	-	-	(1,198,812)	(2,124,581)
Share of profit/(loss) of equity accounted investees	17.1	8,826	(2,417)	-	-
Provision/write off of slow moving inventories	19	3,303	262,348	46,390	59,640
Provision /(reversal) for unrealized profit on inventories	19	(355,126)	595,605	-	-
Impairment loss on trade receivable	20.1	5,255	20,169	-	-
Provision for defined benefit obligations	27 (ii)	361,173	167,431	233,997	168,317
Cash generated from operations before working capital changes		6,193,804	12,208,690	3,038,130	6,081,220
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		97,433	1,331,869	(449,690)	1,189,976
(Increase)/decrease in amounts due from related parties		30,984	34,836	(332,407)	517,426
(Increase)/decrease in inventories		2,831,934	962,422	589,710	(99,414)
Increase/(decrease) in trade and other payables		364,688	236,599	701,784	264,310
Increase/(decrease) in amounts due to related parties		542,754	(399,275)	514,262	(43,509)
		10,061,597	14,375,141	4,061,789	7,910,009
Interest paid		(570,993)	(1,595,267)	(228,823)	(1,119,793)
Income tax paid	31	(1,575,434)	(1,976,015)	(560,426)	(838,774)
Surcharge tax paid		-	(525,957)	-	(366,217)
Employee benefit paid	27 (iv)	(38,336)	(155,948)	(22,456)	(131,319)
Net cash inflow from operating activities		7,876,834	10,121,954	3,250,084	5,453,906

## STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Investing activities</b>					
Proceeds from sale of property, plant and equipment		9,916	1,710	-	500
Purchase and construction of property, plant and equipment		(2,134,787)	(1,907,289)	(1,215,298)	(814,045)
Proceeds from long term loans and receivables	21	850	4,250	-	-
Purchase of intangible assets	15	(80,483)	(46,110)	(56,539)	(46,110)
Interest received	8.1	410,268	209,885	352,075	247,970
Dividends received	8.1	93,613	118,413	1,292,420	2,242,982
Amalgamation of a subsidiary		-	-	-	4,587
<b>Net cash flows from/ (used in) investing activities</b>		<b>(1,700,623)</b>	<b>(1,619,141)</b>	<b>372,658</b>	<b>1,635,884</b>
<b>Net cash inflow before financing activities</b>		<b>6,176,211</b>	<b>8,502,813</b>	<b>3,622,742</b>	<b>7,089,790</b>
<b>Financing activities</b>					
Proceeds from interest bearing borrowings	26.1	636,120	200,000	170,000	200,000
Repayment of interest bearing borrowings	26.1	(419,702)	(917,256)	(290,241)	(907,701)
Payments to lease creditors	14.2	(120,212)	(71,011)	(45,992)	(44,136)
Dividends paid to equity holders of the parent	29.1	(1,466,415)	(1,894,397)	(1,466,415)	(1,894,397)
Dividends paid to non-controlling interests		(404,148)	(460,970)	-	-
<b>Net cash flows used in financing activities</b>		<b>(1,774,357)</b>	<b>(3,143,634)</b>	<b>(1,632,648)</b>	<b>(2,646,234)</b>
Net increase/(decrease) in cash and cash equivalents		<b>4,401,854</b>	<b>5,359,179</b>	<b>1,990,094</b>	<b>4,443,556</b>
Cash and cash equivalents at the beginning of the year	23.2	<b>(1,546,029)</b>	<b>(6,905,208)</b>	<b>(790,704)</b>	<b>(5,234,260)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>23.2</b>	<b>2,855,825</b>	<b>(1,546,029)</b>	<b>1,199,390</b>	<b>(790,704)</b>
<b>Analysis of cash and cash equivalents as at 31st March</b>					
Cash in hand and bank balances	23.2	2,751,328	3,197,794	995,630	1,116,248
Short term deposits	23.2	3,970,798	1,875,098	2,684,079	961,244
		6,722,126	5,072,892	3,679,709	2,077,492
Bank overdrafts and short term loans		(3,866,301)	(6,618,921)	(2,480,319)	(2,868,196)
<b>Cash and cash equivalents</b>		<b>2,855,825</b>	<b>(1,546,029)</b>	<b>1,199,390</b>	<b>(790,704)</b>

The notes to the Financial Statements on pages 260 to 330 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 01. CORPORATE INFORMATION GRI 2-1

### 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. (Amalgamated with Haycarb PLC w.e.f. 28th December 2022), and Carbotels (Pvt) Ltd.] are incorporated and domiciled in Sri Lanka. The information on incorporation and principal activities of these companies are given on page 346 to 349 of the Annual Report.

### 1.2. Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31st March 2024 comprise “the Company” referring to Haycarb PLC as the holding Company and the “Group” referring to companies that have been consolidated therein together with the group's interest in equity accounted investees.

### 1.3. Nature of Operations and Principal Activities of the Company and the Group

Descriptions of the nature of operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on page 246 to 349 to the Financial Statements. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The parent undertaking and controlling party of the Company is Hayleys PLC.

### 1.4. Approval of Financial Statements

The Consolidated Financial Statements of Haycarb PLC and its subsidiaries (collectively, the Group) for the year ended 31st March 2024 were authorised for issue by the Directors on 16th May 2024.

### 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 Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

### 2.2 Basis of Measurement

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

- Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value.
- Employee benefit obligations which are determined based on actuarial valuations.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

### 2.3. Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is also the Company's functional and presentation currency. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 40 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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. Subsidiaries and equity-accounted investees are disclosed in Note 16 and 17 to the Financial Statements.

#### 3.1.1. Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- The contractual arrangement (s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting right.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are

included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### 3.1.2. Consolidation of Subsidiaries with Different Accounting Periods

The financial statements of all subsidiaries in the Group other than those mentioned in Note 41 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 equity accounted investee is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Statement of Profit or Loss reflects the Group's share of the results of operations of the equity accounted investees. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gain and loss resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Statement of Profit or Loss outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate.

The Financial Statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as "Share of profit or loss of equity-accounted investees" in the 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.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

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 Other Comprehensive Income 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 the Statement of Other Comprehensive Income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 the Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on this monetary items are also recognised in Other Comprehensive Income.

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 of which fair value gain or loss is recognised in OCI or the Statement of Profit or Loss are also recognized in OCI or statement of profit or loss respectively).

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

### 3.3.2. Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Sri Lanka Rupees at the rate of exchange prevailing at the reporting date and their Statements of Profit or Loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

### 3.3.3. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3.4. Fair Value Measurement

The Group measures financial instruments such as investments which are designated as Fair Value Through Other Comprehensive Income, financial assets at fair value through profit or Loss and derivatives; non-financial assets such as owner occupied lands, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

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

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

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

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 36
- Quantitative disclosures of fair value measurement hierarchy - Note 36.
- Property (land) under revaluation model - Note 36.
- Financial instruments (including those carried at amortised cost) - Note 36.

## 3.5. 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.

### 3.5.1. 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.

### 3.5.2. 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.

### 3.5.3. 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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 the Statement of Profit or Loss, the increase is recognised in the 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.

## 3.5.4. Subsequent Costs

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

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

## 3.5.5. 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 the Statement of Profit or Loss. Gain are not classified as revenue.

## 3.6.6. Depreciation

Depreciation is recognised in the 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.

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

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

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

## 3.6.7. Leases

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

### 3.6.7.1. Group as a Lessee

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

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

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

Description	Period
Buildings	5-10 years



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 3.11– 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.

## **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 the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment loss. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually if there are indicators of impairment.

## 3.7.6. Other Intangible Assets

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

## 3.7.7. Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the 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	Period
Softwares	5-10 years
Product development	5 years

## 3.8. Financial Instruments

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

### 3.8.1. Financial Assets

#### 3.8.1.1. Initial Recognition and Measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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:

- Financial assets at amortised cost (debt instruments)
  - Financial assets designated at fair value through OCI with recycling of cumulative gain and loss upon derecognition (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 fair value through profit or loss
- Financial Assets at amortised cost (Debt Instruments)

### **Financial assets at amortised (Debt instruments)**

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 the 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 at fair value through OCI (Debt instruments)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to Profit or Loss.

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

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

Gain and loss on these financial assets are never recycled to the Statement of Profit or Loss. Dividends are recognised as other income in the 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.

This category includes listed and non listed equity instruments.

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through Profit or Loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through Profit or Loss. Embedded derivatives are measured at fair value with changes in fair value recognised in Profit or Loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Profit or Loss category.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 36
- Debt instruments at fair value through OCI Note 36
- Trade receivables, including contract assets Note 19 and 20

For trade receivables and contract assets, the Group applies a simplified approach in calculating Expected Credit Loss (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);
- 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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **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.

### **3.8.2.2. Subsequent Measurement**

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

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

#### **Financial liabilities at amortised cost**

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 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 36 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 the 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 the 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 31st March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. Basis and assumptions for impairment test are given in Note 15.

## 3.12. Cash and Cash Equivalents

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

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

## 3.13. Employee Benefits GRI 201-3

### 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 GRI 201-3

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Length of each service (Years)	Number of month's salary for completed year of service
Up to 20	$\frac{1}{2}$
20 up to 25	$\frac{3}{4}$
25 up to 30	1
30 up to 35	$1 \frac{1}{4}$
Over 35	$1 \frac{1}{2}$

## 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 35 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 34 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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

## **Interest**

Interest income and expense are recognised in the 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 the 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.

## **Rental Income**

Rental income is recognised in the Statement of Profit or Loss as it accrues.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **Dividend**

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established.

## **Gain and Loss**

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

## **Other Income**

Other income is recognised on an accrual basis.

## **3.19. 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
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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 Statement of Profit or Loss. 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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

No significant impact resulted on the financial statements of the Group due to changes in Accounting Standards and disclosures during the year

### 4.6. Standards Issued but not yet Effective

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

#### 4.6.1. SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace 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 2026, 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. Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the

liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

#### 4.6.3. Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024

#### 4.6.4. Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

#### 4.6.5. International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. The assessment includes the existing and anticipated effects from present macro-economic conditions, the circumstances of the external environment, or are inconsistent with historical trends. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and the management do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

## 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

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 31st 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 36 to the Financial Statements.

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

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

## 5.6. Revaluation of Land

The Group measures lands which are recognised as property, plant and equipment at revalued amount with change in value

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 5.8. Valuation of Inventories

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

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

## 5.9. Provision for expected credit losses

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	Note	Consolidated		Company		
		2024	2023	2024	2023	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Sale of goods and Services						
Goods transferred at a point in time		57,427,904	83,672,313	20,684,291	28,108,406	
Services transferred over time		1,325,875	1,073,683	-	-	
		58,753,779	84,745,996	20,684,291	28,108,406	
Intra group revenue		(15,574,574)	(23,802,740)	-	-	
Total revenue from contracts with customers		6.2	43,179,205	60,943,256	20,684,291	28,108,406

### 6.1 Contract Balances

Contract assets of the Group relating to projects in progress amount to Rs. 293,142,000/- (2023 – Rs. 232,080,000/-) 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. 393,561,000/- (2023 – Rs. 413,884,000/-).

### 6.2 Geographical segment revenue by customer destination

For the year ended 31st March	Consolidated	
	2024 Rs. '000	2023 Rs. '000
Revenue outside Sri Lanka	41,646,596	59,305,647
Revenue in Sri Lanka	1,532,609	1,637,609
	43,179,205	60,943,256

## 7 OTHER OPERATING INCOME

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Export incentive income	5,470	6,092	-	-
Gain on disposal of property, plant and equipment	4,905	500	-	500
Loss on disposal of property, plant and equipment	(13,962)	(516)	(13,803)	-
Fees for marketing services	-	-	86,943	129,203
Sundry income	181,632	194,554	22,325	34,762
Rental income	-	-	11,217	14,055
Income from technical consultations	-	-	99,708	90,049
Dividend income from subsidiaries	-	-	1,198,812	2,124,581
	178,045	200,630	1,405,202	2,393,150



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 NET FINANCE INCOME/ (COST)

### 8.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Dividend income - quoted	91,546	118,253	91,546	118,401
- unquoted	2,067	160	2,062	-
Interest income on loans and receivables	410,268	209,885	352,075	247,970
Foreign exchange gain	888,954	3,064,421	384,230	1,795,065
<b>Total finance income</b>	<b>1,392,835</b>	<b>3,392,719</b>	<b>829,913</b>	<b>2,161,436</b>

### 8.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest cost - Short-term borrowings	406,077	1,470,808	64,326	995,445
- Long-term borrowings	164,916	124,767	164,497	124,348
Interest on lease liabilities	25,289	8,880	3,365	6,837
Foreign exchange loss	1,195,570	1,806,932	678,230	600,848
<b>Total finance costs</b>	<b>1,791,852</b>	<b>3,411,387</b>	<b>910,418</b>	<b>1,727,478</b>
<b>Net finance income/(cost)</b>	<b>(399,017)</b>	<b>(18,668)</b>	<b>(80,505)</b>	<b>433,958</b>

## 9 PROFIT BEFORE TAX

For the year ended 31st March	Consolidated	
	2024 Rs. '000	2023 Rs. '000
Parent	3,799,067	6,910,187
Subsidiaries	3,210,112	4,047,643
Equity accounted investees	(8,826)	2,417
	7,000,353	10,960,247
Unrealised profit on intra-group sales	355,126	(595,606)
Intra-group adjustments	(1,242,225)	(2,106,609)
	<b>6,113,254</b>	<b>8,258,032</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. PROFIT BEFORE TAX CONTD.

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

For the year ended 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Depreciation on property plant and equipment	13.1/13.2	881,704	834,336	305,872	225,185
Amortisation of Right-of-Use Assets	14.1	97,649	64,616	35,939	34,564
Amortisation of intangible assets	15	22,389	15,681	21,962	12,883
Directors' emoluments including Non-Executive Directors' consultation fees		350,984	350,454	282,935	277,449
Auditor's remuneration (fees and expenses)					
Ernst & Young		4,545	3,588	2,568	2,214
Others		44,466	38,748	-	-
Fees paid to Auditors for non-audit services					
Ernst & Young		4,602	3,132	3,336	1,941
Others		7,435	25,684	-	-
Donations		34,078	22,830	21,624	14,914
Provision/write off of slow moving inventories	19.1	3,303	262,348	46,390	59,640
Provision/ (reversal) for unrealised profits in inventories		(355,126)	595,605	-	-
Impairment of trade receivable	20.1	5,255	20,169	-	-
Staff training and development cost		11,321	7,354	9,338	4,898
Legal/litigation fees		8,611	19,179	5,277	2,623
Staff costs	9.1.1	5,235,341	4,688,809	2,367,495	2,081,594

#### 9.1.1 Staff costs

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Defined contribution plan cost	277,812	434,154	177,637	151,468
Defined benefit plan cost	361,173	167,432	233,997	168,317
Other staff cost	4,596,356	4,087,223	1,955,861	1,761,809
	5,235,341	4,688,809	2,367,495	2,081,594
<b>Number of employees at year end</b>	<b>1,933</b>	<b>1,880</b>	<b>1,016</b>	<b>998</b>

## 10 TAX EXPENSE

**10.1** The Company has used the tax rate introduced by the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022 for income and deferred taxation. Accordingly, tax rate of 30% has been used for income tax and deferred tax of all segments in Sri Lanka during the year. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income. Income tax rates used in 2022/23 were 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income in the first Six months and 30% in second Six months for all the sectors in Sri Lanka

Corporate taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10.2 Tax rates of non resident Companies

Company	Income tax rate
Eurocarb Products Ltd.	19%
Haycarb Holdings Australia (Pty) Ltd.	30%
Haycarb USA Inc.	30%
Carbokarn Co.Ltd.	20%
CK Regen Systems Co.Ltd.	20%
Shizuka Co.Ltd.	20%
PT Mapalus Makawanua Charcoal Industry	22%
PT Haycarb Palu Mitra	22%
Puricarb Pte.Ltd.	17%

Haycarb Holdings Bitung Ltd. is exempted for tax.

## 10.3 Tax Expense

For the year ended 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Sri Lanka taxes</b>					
Parent		732,841	1,033,865	732,841	1,033,865
Subsidiaries		26,735	174,983	-	-
		759,576	1,208,848	732,841	1,033,865
<b>Overseas taxes</b>					
Subsidiaries		764,672	861,304	-	-
		1,524,248	2,070,152	732,841	1,033,865
<b>Under/(over) provision in respect of previous years</b>					
Parent		(25,047)	(9,284)	(25,047)	(9,284)
Subsidiaries		(24,771)	30,642	-	-
	10.5	(49,818)	21,358	(25,047)	(9,284)
<b>Deferred taxation</b>					
Parent		110,999	(326,841)	110,999	(326,841)
Subsidiaries		14,645	(103,708)	-	-
	10.5	125,644	(430,549)	110,999	(326,841)
Tax on dividend income	10.5	207,551	91,583	-	-
Tax expense reported in the statement of profit or loss	10.5	1,807,625	1,752,544	818,793	697,740

## 10.4 Tax effect on other comprehensive income

Deferred tax related to items charged or credited directly to other comprehensive income during the year

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Tax effect of actuarial loss on defined benefit obligations	71,667	13,482	71,130	10,448
Tax effect on revaluation surplus	-	(103,468)	-	(97,840)
<b>Tax charged directly to other comprehensive income</b>	<b>71,667</b>	<b>(89,986)</b>	<b>71,130</b>	<b>(87,392)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 TAX EXPENSE CONTD.

### 10.5 Reconciliation of accounting profit to income tax expense

For the year ended 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Profit before tax		6,113,254	8,258,032	3,799,067	6,910,187
Share of profit of equity accounted investees	17.1	8,826	(2,417)	-	-
Consolidation adjustments		887,098	2,952,745	-	-
		7,009,178	11,208,360	3,799,067	6,910,187
Tax exempt income		(1,785,351)	(2,806,786)	(1,451,216)	(2,168,683)
Aggregated disallowable expenses		3,100,256	3,677,726	1,176,875	2,525,653
Aggregated allowable expenses		(1,976,089)	(1,677,984)	(1,443,439)	(1,435,164)
Tax losses brought forward		(95,106)	(81,657)	-	-
Other taxable income		402,408	695,043	361,516	673,811
Tax losses carried forward		103,531	95,106	-	-
<b>Taxable income</b>		<b>6,758,827</b>	<b>11,109,808</b>	<b>2,442,803</b>	<b>6,505,804</b>
Tax @ 14%		-	786,453	-	697,453
Tax @ 20%		199,072	267,966	-	-
Tax @ 22%		367,258	282,682	-	-
Tax @ 24%		-	58,221	-	54,266
Tax @ 30%		953,488	577,985	732,841	213,752
Tax at other rates		4,430	96,845	-	68,394
		1,524,248	2,070,152	732,841	1,033,865
Under/(over) provision in respect of previous year	10.3	(49,818)	21,358	(25,047)	(9,284)
Deferred tax charge/(reversal)	10.3	125,644	(430,549)	110,999	(326,841)
Tax on dividend income	10.3	207,551	91,583	-	-
<b>Tax expense for the year</b>		<b>1,807,625</b>	<b>1,752,544</b>	<b>818,793</b>	<b>697,740</b>
Effective tax rate		30%	21%	22%	10%

## 11 EARNINGS / NET ASSET PER SHARE

### 11.1 Earnings per Share

#### Basic Earnings per Share

The calculation of basic earnings per 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.

#### Diluted Earnings per Share

The calculation of diluted earnings per share is based on the net profit attributable to ordinary share holders of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic/diluted earnings per share calculated as follows;

For the year ended 31st March	Consolidated		Company	
	2024	2023	2024	2023
Profit attributable to ordinary shareholders of the parent (Rs.'000)	3,743,929	5,823,160	2,980,274	6,212,447
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.)	12.60	19.60	10.03	20.91

## 11.2 Net Assets per Share

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Net assets attributable to equity holders (Rs.'000)	22,905,062	22,141,821	13,860,462	12,719,045
Number of ordinary shares	297,123,750	297,123,750	297,123,750	297,123,750
Net assets per share (Rs.)	77.09	74.52	46.65	42.81

## 12 DIVIDENDS PER SHARE

For the year ended 31st March	2024 Rs. '000	2023 Rs. '000
Final dividend 2022/23 - Rs. 1.00/- per share (2021/22 - Rs. 0.40/- per share)	297,124	118,850
1st Interim dividend - Rs. 2.00/- per share (2022/23 - Rs. 2.75/- per share)	594,247	817,090
2nd Interim dividend - Rs. 2.00/- (2022/23 - Rs. 1.50/- per share)	594,248	445,685
3rd Interim dividend -Rs. 1.00/- (2022/23- Rs. 1.00/- per share)	297,124	297,124
	1,782,743	1,678,749
Dividends per ordinary share-Rs.	6.00	5.65
Dividends payout ratio	48%	29%

### 12.1 Compliance with Section 56 and 57 of Companies Act No. 07 of 2007

Compliance with Section 56 and 57 of Companies Act No. 07 of 2007	Dividend	Date of solvency approval date by Messrs EY Chartered Accountants
As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to recommending the dividends.	Final dividend 2022/23	A statement of solvency completed and duly signed by the Board of Directors and the certificate of solvency audited by Messrs Ernst & Young, Chartered Accountants obtained prior to payment of the dividends.
	1st interim dividend	
	2nd interim dividend	
	3rd interim dividend	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 PROPERTY, PLANT AND EQUIPMENT

### 13.1 Consolidated

	Freehold land	Freehold buildings	Machinery and equipment freehold	Vehicles	Furniture fittings and office equipment	Data processing equipment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation</b>							
<b>As at 31st March 2022</b>	1,976,291	2,605,031	9,422,993	348,693	344,056	107,258	14,804,322
Additions during the year	252,082	596,008	881,996	89,257	31,896	9,614	1,860,853
Disposals during the year	-	-	(3,441)	(9,200)	(2,250)	-	(14,891)
Effect of movement in exchange rates	34,411	124,081	464,764	12,017	21,442	-	656,715
<b>As at 31st March 2023</b>	2,262,784	3,325,120	10,766,312	440,767	395,144	116,872	17,306,999
Additions during the year	37,666	283,888	1,629,000	30,212	16,866	21,441	2,019,073
Disposals during the year	-	(1,230)	(132,084)	(19,491)	(14,189)	(7,738)	(174,732)
Effect of movement in exchange rates	(103,831)	(319,072)	(1,008,449)	(39,031)	(37,386)	-	(1,507,769)
<b>As at 31st March 2024</b>	2,196,619	3,288,706	11,254,779	412,457	360,435	130,575	17,643,571
<b>Accumulated Depreciation</b>							
<b>As at 31st March 2022</b>	-	890,396	6,100,888	218,526	256,051	84,869	7,550,730
Depreciation charge for the year	-	127,460	619,965	47,864	28,899	10,148	834,336
Disposals during the year	-	-	(2,687)	(9,200)	(1,278)	-	(13,165)
Effect of movement in exchange rates	-	56,947	327,848	8,982	15,567	-	409,344
<b>As at 31st March 2023</b>	-	1,074,803	7,046,014	266,172	299,239	95,017	8,781,245
Depreciation charge for the year	-	141,180	653,413	48,118	26,492	12,501	881,704
Disposals during the year	-	(241)	(116,949)	(17,110)	(13,831)	(7,628)	(155,759)
Effect of movement in exchange rates	-	(135,639)	(705,377)	(26,848)	(29,775)	-	(897,639)
<b>As at 31st March 2024</b>	-	1,080,103	6,877,101	270,332	282,125	99,890	8,609,551
<b>Provision for impairment</b>							
<b>As at 31st March 2024</b>	-	-	(25,543)	-	-	-	(25,543)
As at 31st March 2023	-	-	(25,543)	-	-	-	(25,543)
<b>Net book value</b>							
<b>As at 31st March 2024</b>	2,196,619	2,208,603	4,352,135	142,125	78,310	30,685	9,008,477
As at 31st March 2023	2,262,784	2,250,317	3,694,755	174,595	95,905	21,855	8,500,211
<b>Capital work-in-progress</b>							
<b>As at 31st March 2024</b>							1,829,785
As at 31st March 2023							1,714,071
<b>Carrying value</b>							
<b>As at 31st March 2024</b>	2,196,619	2,208,603	4,352,135	142,125	78,310	30,685	10,838,262
<b>As at 31st March 2023</b>	2,262,784	2,250,317	3,694,755	174,595	95,905	21,855	10,214,282

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31st March 2024 amounted to Rs.4,180,056,057/- (2023 - Rs.4,179,316,360/-).
- (b) Capital work-in-progress represents the amount of expenditure recognised under property, plant and equipment during the year of the construction of a capital asset.
- (c) On reassessment of fair value of the group's assets, it has been identified that there is no impairment of property, plant and equipment other than disclosed above which requires provision in the Financial Statements.
- (d) Freehold Land carried at re-valued amount:

Company	Location	Last revaluation date	Land extent	Number of buildings	Estimates for unobservable input per perch Avg. Level 3 Rs:'000	Carrying value as at 31st March 2024 freehold land Rs:'000	Cost as at 31st March 2024 Rs:'000
Haycarb PLC	Madampe Factory - Madampe	31.03.2022	30 A - 0R - 37.20P	18	53	260,891	124,254
	Badalgama Factory -Badalgama	31.03.2022	28 A - 0R - 12.80 P	23	67	300,495	154,561
	Heenagara Estate Kuliyaipitiya	31.03.2023	10 A	2	36	56,809	56,809
	Wewalduwa Stores - Wewalduwa	31.03.2022	2 A - 1R - 36.04 P	6	840	333,234	4,309
						951,429	339,933
Recogen (Pvt) Ltd	Badalgama Factory - Badalgama	31.03.2022	10 A - 3R - 15 P	5	67	115,501	21,701
Carbokarn Co. Ltd	Chonburi Province - Thailand	31.03.2022	15 A - 2R - 22P	22	145	362,386	193,083
Shizuka Co. Ltd.	Ratchburi Province - Thailand	31.03.2022	24 A - 2R - 19P	12	48	189,724	137,197
PT Mapalus Makawanua							
Charcoal Industry	Bitung City - Indonesia	31.03.2022	11A - 3R - 16P	8	218	413,745	167,043
PT Haycarb Palu Mitra	Palu City - Indonesia	31.03.2022	6A - 3R - 37.5P	18	147	163,834	90,537
						2,196,619	949,494

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 Rs:'000	Banks mortgaged to Rs:'000	Cost Rs:'000	Carrying value Rs:'000
<b>PT Mapalus Makawanua Charcoal Industry</b>	Land	BNI	167,043	413,745
	Building	BNI	276,928	129,267
<b>PT Haycarb Palu Mitra</b>	Land	HSBC (Indonesia)	90,537	163,834
	Building	HSBC (Indonesia)	350,986	202,122
	Machinery and tools	HSBC (Indonesia)	771,249	327,779

- (f) There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023/24. (2022/23 - Nil).
- (g) Land owned by the Group was revalued as at 31st March 2022 by independent Chartered Valuation Surveyors. The fair value of the land was determined based on transaction observed in the market, appropriately adjusted for differences in the nature, location or condition of the specific property.
- (h) There were no restrictions that existed on the title to the property, plant and equipment of the Group as at the reporting date.
- (i) During the Financial Year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 2,1345 million (2022/23 - Rs. 1,907 million on cash basis.
- (j) There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023/24. (2022/23 - Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 PROPERTY, PLANT AND EQUIPMENT

### 13.2 Company

	Freehold land	Freehold buildings	Machinery and equipment freehold	Vehicles	Furniture fittings and office equipment	Data processing equipment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation</b>							
<b>As at 31st March 2022</b>	835,486	730,439	2,440,225	130,077	75,731	90,080	4,302,038
Additions during the year	100,735	91,664	197,633	29,250	9,732	9,029	438,043
Disposals during the year	-	-	-	(9,200)	-	-	(9,200)
Transfer from amalgamation	-	103,627	407,405	-	151	158	511,341
<b>As at 31st March 2023</b>	936,221	925,730	3,045,263	150,127	85,614	99,267	5,242,222
Additions during the year	15,208	264,190	994,109	-	7,317	21,441	1,302,265
Disposals during the year	-	(1,230)	(87,729)	-	(1,797)	(2,818)	(93,574)
<b>As at 31st March 2024</b>	951,429	1,188,690	3,951,643	150,127	91,134	117,890	6,450,913
<b>Accumulated Depreciation</b>							
<b>As at 31st March 2022</b>	-	135,889	1,245,200	87,276	51,141	73,085	1,592,591
Depreciation charge for the year	-	15,645	182,130	14,420	4,772	8,218	225,185
Disposals during the year	-	-	-	(9,200)	-	-	(9,200)
Transfer from amalgamation	-	19,100	261,480	-	125	158	280,863
<b>As at 31st March 2023</b>	-	170,634	1,688,810	92,496	56,038	81,461	2,089,439
Depreciation charge for the year	-	22,215	247,184	20,451	5,232	10,790	305,872
Disposals during the year	-	(241)	(75,119)	-	(1,697)	(2,714)	(79,771)
<b>As at 31st March 2024</b>	-	192,608	1,860,875	112,947	59,573	89,537	2,315,540
<b>Impairment Provision</b>							
<b>As at 31st March 2024</b>	-	-	(25,543)	-	-	-	(25,543)
As at 31st March 2023	-	-	(25,543)	-	-	-	(25,543)
<b>Net book value</b>							
<b>As at 31st March 2024</b>	951,429	996,082	2,065,225	37,180	31,561	28,353	4,109,830
As at 31st March 2023	936,221	755,096	1,330,910	57,631	29,576	17,806	3,127,240
<b>Capital work-in-progress</b>							
<b>As at 31st March 2024</b>							1,151,752
As at 31st March 2023							1,238,719
<b>Carrying amount</b>							
<b>As at 31st March 2024</b>	951,429	996,082	2,065,225	37,180	31,561	28,353	5,261,582
As at 31st March 2023	936,221	755,096	1,330,910	57,631	29,576	17,806	4,365,959

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31 March 2024 amounted to Rs. 858,031,644/- (2023- Rs. 697,982,253/-).
- (b) There were no assets pledged by the Company as securities for facilities obtained from the Banks.
- (c) There were no restrictions that existed on the title to the property, plant and equipment of the Company as at the reporting date.
- (d) During the Financial Year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 1,215 million (2022/23 - Rs. 814 million on cash basis.
- (e) There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023/24. (2022/23 - Nil).

## 13.3 Valuation method of free hold lands

Valuation Technique	Significant Unobservable Inputs	Sensitivity of Fair Value Measurement to Inputs
<b>Market Comparable Method</b>		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, size, location or condition of the specific property	Market value of land (Price per perch) . Valuer has used range of prices for respective lands based on their recently transacted cost	Estimated fair value would increase/ (decrease) if the price per perch would increase/ (decrease).

## 14. RIGHT OF USE ASSETS / LEASE LIABILITIES

### 14.1 Rights of Use Assets

Leasehold Buildings As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Cost</b>				
At the beginning of the year	437,241	246,970	152,904	152,904
Additions during the year	323,548	261,167	261,282	-
Derecognition during the year	(198,672)	(59,193)	(152,904)	-
Effects of movements in exchange rates	(21,120)	(11,703)	-	-
At the end of the year	540,997	437,241	261,282	152,904
<b>Accumulated Amortisation</b>				
At the beginning of the year	153,786	141,100	118,342	83,778
Charge for the year	97,649	64,616	35,939	34,564
Derecognition during the year	(198,672)	(59,193)	(152,904)	-
Effects of movements in exchange rates	(2,706)	7,263	-	-
At the end of the year	50,057	153,786	1,377	118,342
Carrying amount at the end of the year	490,940	283,455	259,905	34,562



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. RIGHT OF USE ASSETS / LEASE LIABILITIES CONTD.

### 14.2 . Lease Liability

Leasehold Buildings As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Lease liability</b>				
At the beginning of the year	292,895	113,412	41,615	78,914
Additions during the year	323,548	261,467	261,282	-
Accretion of interest	25,289	9,188	3,365	6,837
Payments to lease creditors	(120,212)	(71,011)	(45,992)	(44,136)
Effect of movement in exchange rate	(19,042)	(20,161)	-	-
<b>At the end of the year</b>	<b>502,478</b>	<b>292,895</b>	<b>260,270</b>	<b>41,615</b>
Current portion of lease liability	85,960	86,718	41,507	41,615
Non-current portion of lease liability	416,518	206,177	218,763	-
<b>Total lease liabilities at the end of the year</b>	<b>502,478</b>	<b>292,895</b>	<b>260,270</b>	<b>41,615</b>

### 14.3 Amounts recognised in the statement of profit or loss

Leasehold Buildings As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Amortisation of Right-of-Use Assets	97,649	64,616	35,939	34,564
Accretion of interest	25,289	9,188	3,365	6,837
Total amount recognised in the statement of profit or loss	122,938	73,804	39,304	41,401

#### Aging analysis for lease liability

Consolidated	Total Rs.'000	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	Over 5 years Rs.'000
As at 31.03.2024	502,478	-	20,529	65,431	95,910	320,608	-
As at 31.03.2023	292,895	-	20,764	65,954	36,638	137,496	32,043

Company	Total Rs.'000	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	Over 5 years Rs.'000
As at 31.03.2024	260,270	-	9,950	31,557	46,365	172,398	-
As at 31.03.2023	41,615	-	9,981	31,634	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 INTANGIBLE ASSETS

	Consolidated				Company		
	Software	Goodwill on acquisition	Product development	Consolidated total	Software	Product development	Company total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>							
<b>As at 31st March 2022</b>	141,150	257,206	211,964	610,320	93,969	87,788	181,757
Additions during the year	11,396	-	34,714	46,110	11,396	34,714	46,110
Effect of movement in exchange rates	3,970	-	10,692	14,662	-	-	-
Transfer from amalgamation	-	-	-	-	4,562	-	4,562
<b>As at 31st March 2023</b>	156,516	257,206	257,370	671,092	109,927	122,502	232,429
Additions during the year	31,246	-	49,237	80,483	7,302	49,237	56,539
Derecognitions	(281)	-	-	(281)	-	-	-
Effect of movement in exchange rates	(3,694)	-	(18,110)	(21,804)	-	-	-
<b>As at 31st March 2024</b>	183,787	257,206	288,497	729,490	117,229	171,739	288,968
<b>Accumulated Amortisation</b>							
<b>As at 31st March 2022</b>	128,632	55,164	168,059	351,855	83,884	43,881	127,765
Amortisation for the year	5,850	-	9,831	15,681	3,052	9,831	12,883
Effect of movement in exchange rates	3,465	-	10,692	14,157	-	-	-
Transfer from amalgamation	-	-	-	-	4,562	-	4,562
<b>As at 31st March 2023</b>	137,947	55,164	188,582	381,693	91,498	53,712	145,210
Amortisation for the year	6,115	-	16,274	22,389	5,688	16,274	21,962
Derecognitions	(168)	-	-	(168)	-	-	-
Effect of movement in exchange rates	(3,694)	-	(18,110)	(21,804)	-	-	-
<b>As at 31st March 2024</b>	140,200	55,164	186,746	382,110	97,186	69,986	167,172
<b>Net book value</b>							
As at 31st March 2024	43,587	202,042	101,751	347,380	20,043	101,753	121,796
As at 31st March 2023	18,569	202,042	68,788	289,399	18,429	68,790	87,219

- (a) Intangible assets include fully depreciated assets, the cost of which as at 31 March 2024 amounted to Rs. 41,833,917/- (2023- Rs. 41,785,057/-).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 INTANGIBLE ASSETS CONTD.

### Goodwill

There were no permanent impairment of intangible assets that require a provisioning 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 6% 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.

### Product Development

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES

### 16.1 Company Investments in Subsidiaries

As at 31st March	Company Holding		No.of Shares		Cost	
	2024 %	2023 %	2024	2023	2024 Rs.'000	2023 Rs.'000
<b>Unquoted investments</b>						
Eurocarb Products Ltd.	100	100	100,000	100,000	4,064	4,064
Haycarb Holdings Australia (Pty) Ltd.	100	100	150,000	150,000	951	951
Puritas (Pvt) Ltd.	100	100	700,000	700,000	18,000	18,000
Haycarb USA Inc.	100	100	1,285,000	1,285,000	168,080	168,080
PT Mapalus Makawanua Charcoal Industry *	2	2	707	707	1,025	1,025
Carbokarn Co. Ltd	50	50	250,000	250,000	64,771	64,771
Recogen (Pvt) Ltd.	100	100	37,000,000	37,000,000	370,000	370,000
Haycarb Holdings Bitung Ltd.	100	100	1,400,000	1,400,000	141,736	141,736
Ultracarb (Pvt) Ltd.	100	100	25,000,000	25,000,000	250,000	250,000
PT.Haycarb Palu Mitra	60	60	1,290,000	1,290,000	168,268	168,268
Haycarb Activated Carbon (Pvt) Ltd.	100	100	336,797	336,797	7,874	7,874
Company investment in subsidiaries (at cost)					1,194,769	1,194,769
Provision for fall in value of investment in Recogen (Pvt) Ltd.					(100,000)	(100,000)
<b>Company investment in subsidiaries</b>					<b>1,094,769</b>	<b>1,094,769</b>

\*The remaining 98% of PT 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 INVESTMENTS IN SUBSIDIARIES CONTD.

### 16.2 Indirect Investments in Subsidiaries

As at 31st March		Effective Holding		No. of Shares		Value	
Investor	Investee	2024 %	2023 %	2024	2023	2024 Rs.'000	2023 Rs.'000
<b>Unquoted investments</b>							
Haycarb Holding Bitung Ltd.	PT Mapalus Makawanua Charcoal Industry	98	98	36,395	36,395	362,574	362,574
Carbokarn Co.Ltd	CK Regen Co.Ltd.	50	50	75,000	75,000	17,050	17,050
Carbokarn Co.Ltd	Shizuka Co. Ltd.	50	50	137,500	137,500	57,264	57,264
Puritas (Pvt) Ltd	Puricarb Pte Ltd.	100	100	50,000	50,000	6,638	6,638

The countries of incorporation and the principal activities of all the above companies in the group are given on pages 346 to 349

## 17 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

As at 31st March	Holding %	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Carbotels (Pvt) Ltd. (Note 17.1)	25.2	582,827	576,438	92,903	92,903
Lakdiyatha (Pvt) Ltd. (Note 17.1)	49.0	1,100	16,315	-	-
		583,927	592,753	92,903	92,903

### 17.1 Movement in equity accounted investees

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	16,315	24,923	576,438	565,413	592,753	590,336
Share of profit/(loss) of equity accounted investees(Note 17.2)	(15,215)	(8,608)	6,389	11,025	(8,826)	2,417
Balance at the end of the year	1,100	16,315	582,827	576,438	583,927	592,753

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17.2 Summarised Financials of Equity Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Statement of financial position</b>						
Non current asset	196,559	193,941	2,154,853	2,141,551	2,351,412	2,335,492
Current asset	47,905	49,022	180,590	160,456	228,495	209,478
<b>Total assets</b>	<b>244,464</b>	<b>242,963</b>	<b>2,335,443</b>	<b>2,302,007</b>	<b>2,579,907</b>	<b>2,544,970</b>
Non current liabilities	(32,160)	(74,540)	(21,738)	(13,150)	(53,898)	(87,690)
Current liabilities	(210,059)	(135,127)	(899)	(1,406)	(210,958)	(136,533)
<b>Total liabilities</b>	<b>(242,219)</b>	<b>(209,667)</b>	<b>(22,637)</b>	<b>(14,556)</b>	<b>(264,856)</b>	<b>(224,223)</b>
<b>Net Assets</b>	<b>2,245</b>	<b>33,296</b>	<b>2,312,806</b>	<b>2,287,451</b>	<b>2,315,051</b>	<b>2,320,747</b>
Group carrying amount of the investment	1,100	16,315	582,827	576,438	583,927	592,753
Revenue	36,274	39,519	-	-	36,274	39,519
Profit/ (loss) from continuing operation	(40,372)	(46,230)	34,729	52,415	(5,643)	6,185
Profit/ (loss) after tax	(31,050)	(17,567)	25,353	43,750	(5,697)	26,183
Total comprehensive income	(31,050)	(17,567)	25,353	43,750	(5,697)	26,183
Group share of profit for the year	(15,215)	(8,608)	6,389	11,025	(8,826)	2,417

## 18 RELATED PARTY DISCLOSURES

### 18.1 Amounts due to Subsidiaries

As at 31st March	Company	
	2024 Rs. '000	2023 Rs. '000
Haycarb USA Inc.	4,149	68,764
Eurocarb Products Ltd.	16,133	-
Haycarb Holdings Australia (Pty) Ltd.	28,490	11,824
Haycarb Holdings Bitung Ltd.	12,843	13,109
Puritas (Pvt) Ltd.	1,845	3,465
Recogen(Pvt) Ltd.	16,221	13,707
Ultracarb(Pvt) Ltd.	1,923	-
	<b>81,604</b>	<b>110,869</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 RELATED PARTY DISCLOSURES CONTD.

### 18.2 Amounts due to other related parties

As at 31st March	Relationship	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Hayleys PLC	Parent	272,152	58,433	238,803	46,940
Advantis Freight (Pvt) Ltd.	Affiliate	7,103	12,256	6,357	12,207
Advantis Projects & Engineering (Pvt) Ltd.	Affiliate	8,506	2,458	8,457	2,458
Chas P. Hayley & Company (Pvt) Ltd.	Affiliate	1,450	927	1,450	927
CEVA Logisitics Lanka (Pvt) Ltd.	Affiliate	3,783	-	3,783	-
Clarion Shipping (Pvt) Ltd.	Affiliate	401	-	401	-
Cosco Lanka (Pvt) Ltd.	Affiliate	186	-	186	-
Energynet (Pvt) Ltd.	Affiliate	7,474	-	6,662	-
Fentons Limited	Affiliate	536,251	117	536,251	-
Hayleys Advantis Ltd.	Affiliate	-	888	-	888
Hayleys Agriculture Holdings Limited	Affiliate	26	26	26	26
Hayleys Aventura (Pvt) Ltd.	Affiliate	4,130	-	4,130	-
Hayleys Business Solutions (Pvt) Ltd.	Affiliate	518	524	499	511
Hayleys Consumer Products Ltd.	Affiliate	16	16	-	-
Hayleys Fabric Solutions Ltd.	Affiliate	-	37	-	37
Hayleys Fibre PLC	Affiliate	122,925	7,454	-	-
Hayleys Lifesciences (Pvt) Ltd.	Affiliate	321	23	298	-
Hayleys Travels (Pvt) Ltd.	Affiliate	4,705	2,761	4,705	2,761
Kelani Valley Plantations PLC	Affiliate	63	-	-	-
Key Management Personnel - Carbokarn Co. Ltd. *	Affiliate	1,404,352	1,542,158	-	-
Logiwiz Ltd	Affiliate	519	687	519	8
Mabroc Teas (Pvt) Ltd.	Affiliate	-	291	-	291
Mountain Hawk (Pvt) Ltd	Affiliate	247	405	247	404
Mountain Hawk Express (Pvt) Ltd.	Affiliate	4,157	3,268	4,157	3,269
Singer (Sri Lanka) PLC	Affiliate	32	228	-	-
Sri Lanka Shipping Company Limited	Affiliate	503	-	503	-
The Kingsbury PLC	Affiliate	-	1,929	-	1,929
Toyo Cushion Lanka (Pvt) Ltd.	Affiliate	-	929	-	-
		2,379,820	1,635,815	817,434	72,656

\*Equity partners of the Carbokarn Group have provided loans to these companies for working capital requirements at the current market rates prevailing in Thailand, which is in the range of MLR (Thailand) - 1% per annum during the financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18.3 Amounts due from Subsidiaries

As at 31st March	Company	
	2024 Rs. '000	2023 Rs. '000
Puritas (Pvt) Ltd.	40,039	15,140
Haycarb Holdings Australia (Pty) Ltd.	101,700	194,497
Carbokarn Co. Ltd.	259,582	44,165
Eurocarb Products Ltd.	102,231	59,810
PT Mapalus Makawanua Charcoal Industry	1,308	5,903
Ultracarb (Pvt) Ltd.	315,302	226,454
Puricarb Pte Ltd	4	4
Recogen (Pvt) Ltd	78,936	102,525
PT Haycarb Palu Mitra	90,137	893
	<b>989,239</b>	<b>649,391</b>



# 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	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Hayleys PLC	Parent	292	2,199	-	-
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	95	99	-	-
Alco Industries (Pvt) Ltd.	Affiliate	194	194	-	-
Alumex PLC	Affiliate	498	498	-	-
Amaya Leisure PLC	Affiliate	-	17	-	-
Bonterra Ltd.	Affiliate	-	2,332	-	111
Chas P Hayley & Company (Pvt) Ltd.	Affiliate	16,038	54,192	-	551
Clarion Shipping (Pvt) Ltd.	Affiliate	9	12	-	-
CMA CGM Lanka (Pvt) Ltd.	Affiliate	8	-	-	-
Creative Polymats (Pvt) Ltd.	Affiliate	434	-	-	-
Diamond shipping services (Pvt) Ltd.	Affiliate	17	-	-	-
D P L Premier Gloves Ltd.	Affiliate	97	-	-	-
Dipped Products PLC	Affiliate	15,407	22,319	13,839	20,751
Fentons Limited	Affiliate	2,348	2,321	2,321	2,321
Haycolour (Pvt) Ltd.	Affiliate	162	-	-	-
Hayleys Advantis Ltd.	Affiliate	44	24	-	-
Hayleys Agriculture Holding Ltd.	Affiliate	139	115	-	-
Hayleys Aventura (Pvt) Ltd.	Affiliate	77	67	42	42
Hayleys Business Solutions (Pvt) Ltd.	Affiliate	15	138	-	-
Hayleys Consumer Products Ltd.	Affiliate	20	-	-	-
Hayleys Fibre PLC	Affiliate	692	7,651	600	255
Hayleys Free Zone Limited	Affiliate	99	94	-	-
Hayleys Travels (Pvt) Ltd.	Affiliate	11	11	-	-
IML Delivery Systems (Pvt) Ltd.	Affiliate	123	91	-	-
Kelani Valley Plantation PLC	Affiliate	230	21	-	-
Logiwiz Ltd	Affiliate	1,741	1,057	-	-
Martin Bauer Hayleys (Pvt) Ltd.	Affiliate	-	2,274	-	-
Mountain Hawk Express (Pvt) Ltd.	Affiliate	311	93	-	-
North South Lines (Pvt) Ltd.	Affiliate	12	-	-	-
Ocean Network Express Lanka (Pvt) Ltd.	Affiliate	40	-	-	-
Ravi Industries Ltd.	Affiliate	2,366	2,357	-	406
Rileys (Pvt) Ltd.	Affiliate	3,049	3,009	1,167	1,161
South Asia Textiles (Pvt) Ltd.	Affiliate	68	100	-	-
Singer ( Sri Lanka) PLC	Affiliate	2,419	1,958	-	-
Thalawakelle Tea Estates PLC	Affiliate	34	26	-	-
The Kingsbury PLC	Affiliate	216	216	-	-
Toyo Cushion Lanka (Pvt) Ltd.	Affiliate	550	550	403	403
Volanka (Pvt) Ltd.	Affiliate	-	154	-	132
Volanka Insurance Brokers (Pvt) Ltd.	Affiliate	15	6	-	-
		47,870	104,195	18,372	26,133

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18.5 Amounts due from equity accounted investees

As at 31st March	Relationship	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Lakdiyatha (Pvt) Ltd.	Associate	127,165	101,824	567	247
		127,165	101,824	567	247

## 19 INVENTORIES

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Raw materials and consumables		5,382,759	7,540,360	2,871,907	3,954,291
Finished and semi finished goods		7,384,883	8,120,278	1,806,425	1,313,751
Project in progress		293,142	232,080	-	-
Provision for unrealised profits		(1,047,096)	(1,402,222)	-	-
		12,013,688	14,490,496	4,678,332	5,268,042
Provision for write down of inventories	19.1	(507,030)	(503,727)	(207,867)	(161,477)
Total inventories at the lower of cost and net realisable value		11,506,658	13,986,769	4,470,465	5,106,565

### 19.1 Movement of provision for write down of inventories

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
At the beginning of the year	503,727	241,379	161,477	101,837
Provision for slow moving inventories	82,094	262,348	46,390	59,640
Write off during the year	(78,791)	-	-	-
At the end of the year	507,030	503,727	207,867	161,477

## 20 TRADE AND OTHER RECEIVABLES

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Trade receivables - External customers		6,860,503	6,859,479	2,034,983	1,079,454
- Inter company		-	-	2,583,516	3,117,570
Less: Provision for impairment on trade receivable	20.1	(181,981)	(176,726)	-	-
		6,678,522	6,682,753	4,618,499	4,197,024
Loans to employees		32,827	27,166	32,827	27,166
		6,711,349	6,709,919	4,651,326	4,224,190

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 TRADE AND OTHER RECEIVABLES CONTD.

### 20.1 Movement of provision for impairment on trade receivable

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
At the beginning of the year	176,726	156,557	-	-
Impairment loss of trade receivables	5,255	20,169	-	-
At the end of the year	181,981	176,726	-	-

### 20.2 The age analysis of trade receivables is as follows :

Consolidated	Total Rs.'000	Neither past due nor impaired Rs.'000	0-60 Days Rs.'000	61-120 Days Rs.'000	Above 120 Days Rs.'000
Balance as at 31st March 2024	6,860,503	5,328,137	1,118,180	71,025	343,161
Balance as at 31st March 2023	6,859,479	4,922,202	1,555,785	134,255	247,237

Company	Total Rs.'000	Neither past due nor impaired Rs.'000	0-60 Days Rs.'000	61-120 Days Rs.'000	Above 120 Days Rs.'000
Balance as at 31st March 2024	2,034,983	1,730,869	296,470	7,644	-
Balance as at 31st March 2023	1,079,454	825,804	237,913	15,737	-

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

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
At the beginning of the year	5,939	2,283	5,939	2,283
Granted during the year	4,150	5,046	4,150	5,046
	10,089	7,329	10,089	7,329
Repaid during the year	(1,783)	(1,390)	(1,783)	(1,390)
At the end of the year	8,306	5,939	8,306	5,939
Number of loans over Rs. 20,000/-	31	37	31	37

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 NON - CURRENT FINANCIAL ASSETS

As at 31st March	Note	Consolidated		Company	
		2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Equity investments designated at FVOCI					
Unquoted equity shares					
Quality Seed Co. Ltd.		490	490	490	490
Barrack Gold Corporation		193	193	-	-
Effect of movement in exchange rates		110	149	-	-
Carrying value at the year end		793	832	490	490
Quoted equity shares-Dipped Products PLC					
Fair value of quoted equity shares at the beginning of the year		1,127,042	1,322,342	1,127,042	1,322,342
Change in fair value		109,856	(195,300)	109,856	(195,300)
Fair value of quoted equity shares at the end of the year		21.1	1,236,898	1,127,042	1,236,898
Fair value of equity investments designated at FVOCI			1,237,691	1,127,874	1,237,388
1,127,532					
Financial assets at amortised cost					
Receivable from suppliers					
At the beginning of the year		56,792	55,707	-	-
Settlements during the year		(850)	(4,250)	-	-
Effect of movement in exchange rates		(8,408)	5,335	-	-
At the end of the year		47,534	56,792	-	-
Total other non-current financial assets		1,285,225	1,184,666	1,237,388	1,127,532

### 21.1 Market price and cost of investments in quoted shares

	No of shares	Market price per share	Market Value Rs.'000	Total cost Rs.'000
<b>Dipped Products PLC</b>				
As at 31st March 2024	40,687,460	Rs. 30.40	1,236,898	40,170
As at 31st March 2023	40,687,460	Rs. 27.70	1,127,042	40,170

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 OTHER CURRENT ASSETS

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Deposits and payments in advance	814,596	719,480	302,534	295,199
Other receivables	452,424	651,657	133,656	118,437
Tax recoverable	46,365	35,741	44,279	16,816
	1,313,385	1,406,878	480,469	430,452

## 23 CASH IN HAND AND AT BANK

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash in hand	17,677	12,847	14,419	9,148
Bank balances	2,733,651	3,184,947	981,211	1,107,100
Cash in hand and bank balances	2,751,328	3,197,794	995,630	1,116,248
Short-term deposits	3,970,798	1,875,098	2,684,079	961,244
	6,722,126	5,072,892	3,679,709	2,077,492

### 23.1 Currency wise analysis of cash in hand and at bank

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Sri Lankan Rupees	2,945,118	798,829	2,553,178	737,114
United States Dollars	2,295,540	2,646,098	989,569	1,315,794
Sterling pounds	49,124	53,303	27,807	13,126
Euro	127,396	12,874	109,155	11,458
Australian Dollars	69,439	128,162	-	-
Indonesian Rupiah	530,408	605,753	-	-
Thai Baht	594,651	762,095	-	-
Maldivian Rufiyaa	110,450	65,778	-	-
	6,722,126	5,072,892	3,679,709	2,077,492

Management of foreign currency risk is disclosed in Note no.37

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

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash in hand and at bank	2,751,328	3,197,794	995,630	1,116,248
Short-term deposits	3,970,798	1,875,098	2,684,079	961,244
Bank overdrafts and short term borrowings	(3,866,301)	(6,618,921)	(2,480,319)	(2,868,196)
<b>Cash and cash equivalents for the purpose of statement of cash flow</b>	<b>2,855,825</b>	<b>(1,546,029)</b>	<b>1,199,390</b>	<b>(790,704)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 STATED CAPITAL

Issued and fully-paid - ordinary shares

As at 31st March	Company	
	2024 Rs. '000	2023 Rs. '000
At the beginning of the year - 297,123,750 (1st April 2022 - 297,123,750)	331,774	331,774
At the end of the year - 297,123,750 (31 March 2023 - 297,123,750)	331,774	331,774

## 25 RESERVES

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Capital Reserves (Note. 25.1)	891,290	891,290	520,097	520,097
Revenue Reserves (Note. 25.2)	21,681,998	20,918,757	13,008,591	11,867,174

### 25.1 Capital Reserves - Attributable to equity holders of the parent

	Revaluation surplus Rs.'000	Reserve on amalgamation Rs.'000	Legal reserve Rs.'000	Total Rs.'000
<b>Consolidated</b>				
Balance as at 1st April 2022	962,332	25,885	6,541	994,758
Tax effect on revaluation surplus	(103,468)	-	-	(103,468)
<b>Balance as at 31st March 2023</b>	858,864	25,885	6,541	891,290
Tax effect on revaluation surplus	-	-	-	-
<b>Balance as at 31st March 2024</b>	858,864	25,885	6,541	891,290
<b>Company</b>				
Balance as at 1st April 2022	525,889	23,758	-	549,647
Amalgamation of Haycarb Value Added Products (Pvt) Ltd	-	68,290	-	68,290
Tax effect on revaluation surplus	(97,840)	-	-	(97,840)
<b>Balance as at 31st March 2023</b>	428,049	92,048	-	520,097
Tax effect on revaluation surplus	-	-	-	-
<b>Balance as at 31st March 2024</b>	428,049	92,048	-	520,097

- Legal reserve relates to a statutory reserve created under Carbokarn Co. Ltd. Thailand.
- Amalgamation reserve as at 01st April 2022 of Rs. 25,885,000/- in consolidated financial statements consists of Rs. 23,758,000/- created at the time of amalgamation of Deltacarb Ltd and Pelaco Ltd with Haycarb PLC in year 1999 and year 2004 respectively. Balance Rs. 2,127,000/- is attributable to amalgamation of PT Mapalus Makawanua Charcoal Industry in 2012.
- Amalgamation reserve in company financial statements recorded in 2022/23 is due to amalgamation of Haycarb Value Added Products (Pvt) Ltd with Haycarb PLC on 28th December 2022.
- 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 RESERVES CONTD.

### 25.2 Revenue Reserves

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Fair value reserve of financial assets at FVOCI	1,196,727	1,086,871	1,196,727	1,086,871
Foreign currency translation reserves	3,544,204	4,687,634	-	-
General reserves	519,353	519,353	519,353	519,353
<b>Retained Earnings</b>				
Haycarb PLC	11,292,511	10,260,950	11,292,511	10,260,950
Subsidiaries	4,662,679	3,888,599	-	-
Associates	466,524	475,350	-	-
	16,421,714	14,624,899	11,292,511	10,260,950
	21,681,998	20,918,757	13,008,591	11,867,174

#### Fair Value Reserve of Financial Assets at FVOCI

Fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income( FVOCI).

#### Foreign currency translation reserve

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

#### General Reserve

General reserve which is a revenue reserve represents the amounts set aside by the board of directors for general application.

## 26 INTEREST-BEARING LOANS AND BORROWINGS

### 26.1 Non - current portion of interest bearing loans and borrowings

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Non-current interest-bearing loans and borrowings</b>					
<b>Secured term loans</b>					
At the beginning of the year		300,783	982,583	294,594	967,029
Loans obtained during the year		636,120	200,000	170,000	200,000
Effect of movements in foreign exchange rates		(7,731)	35,456	(6,593)	35,266
		929,172	1,218,039	458,001	1,202,295
Repayments during the year		(419,702)	(917,256)	(290,241)	(907,701)
At the end of the year		509,470	300,783	167,760	294,594
Repayable within one year		(255,751)	(160,589)	(101,649)	(159,133)
Repayable after one year	26.3	253,719	140,194	66,111	135,461

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26.2 Current portion of interest bearing loans and borrowings

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Short-term interest bearing borrowings</b>				
Short-term loans	2,722,298	5,561,399	1,409,436	1,846,958
Bank overdrafts	1,144,003	1,057,522	1,070,883	1,021,238
<b>Short-term borrowings and bank overdraft</b>	<b>3,866,301</b>	<b>6,618,921</b>	<b>2,480,319</b>	<b>2,868,196</b>
Current portion of long term interest bearing borrowings	255,751	160,589	101,649	159,133
<b>Current portion of interest-bearing loans and borrowings</b>	<b>4,122,052</b>	<b>6,779,510</b>	<b>2,581,968</b>	<b>3,027,329</b>

### 26.3 Analysis of secured term loans by year of repayment

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31st March					
Repayable between 1-2 years from the year end		212,506	105,806	56,667	104,350
Repayable between 2-5 years from the year end		41,213	34,388	9,444	31,111
Total non-current borrowings	26.1	253,719	140,194	66,111	135,461



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 INTEREST-BEARING LOANS AND BORROWINGS CONTD.

### 26.4 Secured term loans repayable after one year

Company	Lender	Rate of interest and currency	31.03.2024 Rs. '000	31.03.2023 Rs. '000	Repayment terms	Security
Haycarb PLC	Standard Chartered Bank (1M LIBOR + 4.9%)	1 month - SOFR + 3% Currency - USD	-	49,350	60 equal monthly installments commencing from November 2019	None
	The Hongkong & Shanghai Banking Corporation Ltd	1 Month HSBC Bank cost of funds +3.2% Currency - USD	-	77,778	36 monthly installments	None
	The Hongkong & Shanghai Banking Corporation Ltd	1 Month HSBC Bank cost of funds +3% Currency - USD	-	8,333	16 monthly installments	None
	The Hongkong & Shanghai Banking Corporation Ltd	1 Month HSBC Bank cost of funds +3% * Currency - USD	66,111	-	16 monthly installments	None
Ultracarb (Pvt) Ltd.	The Hongkong & Shanghai Banking Corporation Ltd	1 Month HSBC Bank cost of funds +3% * Currency - USD	176,944	-	16 monthly installments	None
Haycarb Holding Australia Pte Ltd.	Power Torque Finance	2.95% Currency - AUD	2,715	4,733	48 equal monthly installments commencing from March 2022	
	Chattel Mortgage	7.89% Currency - AUD	7,949		48 equal monthly installments + final payment of AUD 27,279 commencing from June 2023	
Total secured term loans repayable after one year			253,719	140,194		

Fair value of the interest-bearing loans and borrowings of the Group Rs. 4,375,770,511/- (31 st March 2023-Rs. 6,919,703,500/-)  
Company Rs. 2,648,079,165/- (31st March 2022- Rs.3,162,790,444/-).

\* Loans granted under the green loan principles of HSBC

## 27 DEFINED BENEFIT OBLIGATIONS GRI 201-3

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
(i) Expenses recognised in the statement of profit or loss					
Current service cost	27 (iv)	172,143	33,686	73,420	53,442
Interest cost on defined benefit obligations	27 (iv)	189,030	133,745	160,577	114,875
The total expense recognised in administrative expenses in the statement of profit or loss	9.1.1	361,173	167,431	233,997	168,317
(ii) Actuarial gains and losses recognised directly in OCI	27 (iv)				
Actuarial loss recognised in OCI		239,962	47,461	237,100	34,828
		239,962	47,461	237,100	34,828

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
(iii) <b>Present value of defined benefit obligations</b>					
Present value of defined benefit obligations	27 (iv)	1,737,269	1,230,526	1,351,969	903,328
		1,737,269	1,230,526	1,351,969	903,328
(iv) <b>Movement of the provision for defined benefit obligations</b>					
At the beginning of the year		1,230,526	1,143,285	903,328	831,502
Interest cost	27 (i)	189,030	133,745	160,577	114,875
Current service cost	27 (i)	172,143	33,686	73,420	53,442
Benefits paid		(38,336)	(155,948)	(22,456)	(131,319)
Actuarial loss on defined benefit obligations	27 (ii)	239,962	47,461	237,100	34,828
Effect of movement in exchange rates		(56,056)	28,297	-	-
<b>At the end of the year</b>		1,737,269	1,230,526	1,351,969	903,328
<b>Legal Liability</b>		1,051,178	817,677	863,726	674,710

### 27.1 Actuarial assumptions

As at 31st March	Consolidated		Company	
	2024 %	2023 %	2024 %	2023 %
<b>Sri Lanka</b>				
Discount rate:	12.00	18.00	12.00	18.00
Salary escalation rate	11.00	16.00	11.00	16.00
<b>Indonesia</b>				
Discount rate:	10.00	7.43		
Salary escalation rate	8.50	8.50		
<b>Thailand</b>				
Discount rate:	2.75	3.26		
Salary escalation rate	2.5	3		

Assumptions regarding future mortality are based on the A1967/70 for staff/executive and A1949/52 for worker, issued by the institute of Actuaries, London.

The demographic assumptions underlying the valuation are with respect to retirement age early withdrawal from service and retirement on medical grounds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27 DEFINED BENEFIT OBLIGATIONS CONTD.

### 27.2 Distribution of the employee benefit obligations over future working lifetime

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Less than or equal to 1 Year	191,543	122,902	89,506	44,154
Over 1 year and less than or equal to 5 year	370,322	345,258	320,112	287,947
Over 5 year and less than or equal to 10 year	665,676	391,007	544,925	300,224
Over 10 years	509,728	371,359	397,426	271,003
	1,737,269	1,230,526	1,351,969	903,328

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 Actuary, Actuarial and Management Consultant (Pvt) Ltd. for Srilanka and Thailand entities and Kantor Konsultan Aktuaria Tubagus Syafrial & Ammn Nangasan for Indonesian entities as at 31st March 2024

### 27.3 Sensitivity Analysis - Salary Escalation rate/Discount rate

Values appearing in the Financial Statements are sensitive to the changes in the financial and non financial assumptions used.

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Present value of defined benefit obligation</b>				
One Percentage point increase ( + 1% ) in discount rate	1,612,090	1,165,591	1,248,368	840,614
One Percentage point decrease ( - 1% ) in discount rate	1,890,003	1,349,984	1,469,274	973,585
One Percentage point increase ( + 1% ) salary escalation rate	1,908,005	1,354,209	1,489,038	978,383
One Percentage point decrease ( - 1% ) salary escalation rate	1,594,655	1,160,603	1,229,895	835,468

## 28 DEFERRED TAX ASSETS / LIABILITIES

### 28.1 Deffered Tax Assets

As at 31st March	Note	Consolidated	
		2024 Rs. '000	2023 Rs. '000
At the beginning of the year		244,159	132,820
Origination and (reversal) of temporary differences		(4,196)	111,339
At the end of the year	28.1.2	239,963	244,159

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28.1.1 Deferred tax assets are attributable to the followings;

As at 31st March	Consolidated	
	2024 Rs. '000	2023 Rs. '000
<b>Consolidated</b>		
Property plant and equipment	(6,872)	(2,496)
Inventory provision	87,539	100,263
Debtor provision	51,213	49,005
Carried forward tax losses	5,835	-
Defined benefit obligations	97,796	89,770
Unrealised exchange gains/(losses)	3,602	5,742
Other items	850	1,875
Net deferred tax asset	239,963	244,159

## 28.1.2 Movement of deferred tax assets and the composition :

Consolidated Rs.'000	Balance as at 31.03.2023	Recognised in Statement of Profit or loss	Recognised in Other Comprehensive Income	Effect of movement in exchange rate	Balance as at 31.03.2024
Property plant and equipment	(2,496)	(4,376)	-	-	(6,872)
Inventory provision	100,263	(12,724)	-	-	87,539
Debtor provision	49,005	2,208	-	-	51,213
Carried forward tax losses	-	5,835	-	-	5,835
Defined benefit obligations	89,770	13,535	110	(5,619)	97,796
Unrealised exchange gains/(losses)	5,742	(2,140)	-	-	3,602
Other items	1,875	(1,025)	-	-	850
<b>Net deferred tax asset</b>	244,159	1,313	110	(5,619)	239,963

Consolidated Rs.'000	Balance as at 31.03.2022	Recognised in Statement of Profit or loss	Recognised in Other Comprehensive Income	Effect of movement in exchange rate	Balance as at 31.03.2023
Property plant and equipment	(2,242)	16	-	(270)	(2,496)
Inventory provision	26,043	74,220	-	-	100,263
Debtor provision	30,579	18,426	-	-	49,005
Carried forward tax losses	19,176	(19,176)	-	-	-
Defined benefit obligations	64,672	22,104	-	2,994	89,770
Unrealised exchange gains/(losses)	(6,159)	11,901	-	-	5,742
Other items	751	1,124	-	-	1,875
<b>Net deferred tax asset</b>	132,820	108,615	-	2,724	244,159

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 DEFERRED TAX ASSETS / LIABILITIES CONTD,

### 28.2 Deffered tax Liabilities

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
At the beginning of the year	136,709	368,658	85,673	294,955
Transfers on amalgamation	-	-	-	30,168
Origination and reversal of temporary differences	55,476	(231,949)	39,868	(239,450)
At the end of the year	192,185	136,709	125,541	85,673

#### 28.2.1 Differed tax liabilities are attributable to the followings;

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Property plant and equipment	(718,585)	(547,415)	(622,446)	(458,765)
Inventory provision	64,569	50,872	62,360	48,443
Carried forward tax losses	24,057	28,532	-	-
Defined benefit obligations	408,084	272,645	405,566	270,998
Unrealised exchange gains/(losses)	29,407	57,170	28,870	51,535
Other items	283	1,487	109	2,116
Net deferred tax liabilities	(192,185)	(136,709)	(125,541)	(85,673)

#### 28.2.2 Movement of deferred tax liabilities and the composition:

Consolidated Rs.'000	Balance as at 31st March 2023	Recognised in Statement of Profit or loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2024
<b>Consolidated</b>				
Property plant and equipment	(547,415)	(171,170)	-	(718,585)
Inventory provision	50,872	13,697	-	64,569
Carried forward tax losses	28,532	(4,475)	-	24,057
Defined benefit obligations	272,645	63,882	71,557	408,084
Unrealised exchange gains/(losses)	57,170	(27,763)	-	29,407
Other items	1,487	(1,204)	-	283
<b>Net deferred tax liabilities</b>	<b>(136,709)</b>	<b>(127,033)</b>	<b>71,557</b>	<b>(192,185)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated	Balance as at 31st March 2022	Recognised in Statement of Profit or loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2023
Rs.'000				
Property plant and equipment	(294,388)	(149,559)	(103,468)	(547,415)
Inventory provision	15,258	35,614	-	50,872
Carried forward tax losses	19,598	8,934	-	28,532
Defined benefit obligations	117,318	141,845	13,482	272,645
Unrealised exchange gains/(losses)	(227,966)	285,136	-	57,170
Other items	1,522	(35)	-	1,487
<b>Net deferred tax liabilities</b>	<b>(368,658)</b>	<b>321,935</b>	<b>(89,986)</b>	<b>(136,709)</b>

### 28.2.3 Movement of deferred tax liabilities and the composition:

Company	Balance as at 31st March 2023	Recognised in Statement of Profit or loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2024
Rs.'000				
Property, plant and equipment	(458,765)	(163,681)	-	(622,446)
Inventory provision	48,443	13,917	-	62,360
Defined benefit obligations	270,998	63,438	71,130	405,566
Unrealised exchange gains/(losses)	51,535	(22,665)	-	28,870
Other items	2,116	(2,007)	-	109
<b>Net deferred tax liabilities</b>	<b>(85,673)</b>	<b>(110,998)</b>	<b>71,130</b>	<b>(125,541)</b>

Company	Balance as at 31st March 2022	Recognised in Statement of Profit or loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2023
Rs.'000				
Property, plant and equipment	(210,685)	(150,240)	(97,840)	(458,765)
Inventory provision	14,257	34,186	-	48,443
Defined benefit obligations	116,410	144,140	10,448	270,998
Unrealised exchange gains/(losses)	(216,308)	267,843	-	51,535
Other items	1,371	745	-	2,116
<b>Net deferred tax liabilities</b>	<b>(294,955)</b>	<b>296,674</b>	<b>(87,392)</b>	<b>(85,673)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 TRADE AND OTHER PAYABLES

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Trade payables		1,351,339	991,941	672,506	321,230
Freight payables		669,787	692,610	593,678	612,430
Salaries and wages		631,291	634,164	602,032	602,032
Dividend payable	29.1	142,607	27,530	142,607	27,530
Accrued expenses and other payables		1,408,871	1,357,562	760,823	416,372
		4,203,895	3,703,807	2,771,646	1,979,594

### 29.1 Dividend Payable

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
At the beginning of the year				
Recognised under dividend payable	27,530	92,240	27,530	92,240
Recognised under related party	-	150,938	-	150,938
Declared during the year	1,782,743	1,678,749	1,782,743	1,678,749
Dividends paid to equity holders of the parent	(1,466,415)	(1,894,397)	(1,466,415)	(1,894,397)
<b>At the end of the year</b>	<b>343,858</b>	<b>27,530</b>	<b>343,858</b>	<b>27,530</b>
Recognised under related party	201,251	-	201,251	-
Recognised under dividend payable	142,607	27,530	142,607	27,530
	343,858	27,530	343,858	27,530

## 30 OTHER CURRENT LIABILITY

As at 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Payments received in advance	393,561	413,884	56,980	32,171
	393,561	413,884	56,980	32,171

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 INCOME TAX PAYABLE/(RECEIVABLE)

As at 31st March	Note	Consolidated		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
At the beginning of the year		609,544	377,592	192,857	(23,479)
Taxation on current year's profit	10.5	1,524,248	2,070,152	732,841	1,033,865
Tax on dividend	10.5	207,551	91,583	-	-
Under/(over) provision in respect of previous years	10.5	(49,818)	21,358	(25,047)	(9,284)
Transfer from amalgamation		-	-	-	30,529
Payments made during the year		(1,575,434)	(1,976,015)	(560,426)	(838,774)
Effect of movement in exchange rates		(31,033)	24,874	-	-
At the end of the year		685,058	609,544	340,225	192,857
Income tax recoverable at the end of the year	22	(46,365)	(35,741)	(44,279)	(16,816)
Income tax payable at the end of the year		731,423	645,285	384,505	209,673

## 32 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	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Revenue	8,865,578	11,744,024	2,096,744	2,825,090
Profit before tax	955,724	1,280,877	529,428	536,741
Cash flows from operating activities	150,859	852,044	443,277	289,434
Cash flows from investing activities	(247,066)	(475,188)	(84,843)	(8,660)
Cash flows from financing activities	(40,679)	(868,297)	(352,246)	(131,135)
Non-current assets	2,913,185	3,386,192	715,686	794,600
Current assets	4,250,634	4,235,757	837,848	1,113,833
<b>Total assets</b>	<b>7,163,819</b>	<b>7,621,949</b>	<b>1,553,534</b>	<b>1,908,433</b>
Non-current liabilities	243,650	227,344	23,497	19,921
Current liabilities	2,271,377	2,372,729	359,061	488,995
<b>Total liabilities</b>	<b>2,515,027</b>	<b>2,600,073</b>	<b>382,558</b>	<b>508,916</b>
Equity attributable to the owners of the company	2,324,396	2,510,938	702,586	839,710
Non-controlling interest	2,324,396	2,510,938	468,390	559,807
Non-controlling interest in %	50	50	40	40



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 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 346 to 349 Business segment classification is also given under Group companies.

- i) Companies within the Group engage in trading transactions under normal commercial terms and conditions. Outstanding current account balances at the year end are unsecured and charged with weighted average cost of debt rate. Settlements occur in cash.
- ii) Companies of Haycarb group have paid charges on office space and other services such as export shipping, secretarial, data processing, personnel administration and other functions obtained from Hayleys PLC.
- iii) Haycarb PLC provides factory space to its subsidiaries and charges rent. In addition, the Company incurs common expenses such as administration and personnel cost which are allocated to subsidiaries.
- iv) Transactions with Hayleys Advantis Ltd., Advantis Freight (Pvt) Ltd., Advantis Projects & Engineering (Pvt) Ltd, Air Global (Pvt) Ltd., Alco Industries (Pvt) Ltd., Alumex PLC, Amaya Leisure PLC, Chas P. Hayley Company (Pvt) Ltd., CEVA Logistics Lanka (Pvt) Ltd., Clarion Shipping (Pvt) Ltd., Cosco Lanka (Pvt) Ltd., Creative Polymats (Pvt) Ltd., D P L Universal Gloves Limited, Dipped Products PLC, Energynet (Pvt) Ltd., 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 Lifesciences (Pvt) Ltd., Hayleys Travels (Pvt) Ltd., Horana Plantations PLC, Kelani Valley Plantations PLC, Logiventures (Pvt) Ltd., Logiwiz (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., MIT Cargo (Pvt) Ltd., Mountain Hawk (Pvt) Ltd, Mountain Hawk Express (Pvt) Ltd., North South Lines (Pvt) Ltd., Pan Asia Bank PLC, Quality Seeds Co.Ltd., Ravi Industries (Pvt) Ltd., Rileys (Pvt) Ltd., Royal Ceramics PLC, Singer ( Sri Lanka) PLC, Singer Finance PLC, Sri Lanka Shipping Company Limited, Thalawakelle Tea Estates PLC, The Kingsburry PLC and Toyo Cushion Lanka (Pvt) Ltd. are given below under details of related party transactions with affiliates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Transactions with related parties

For the year ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Fully-owned subsidiaries</b>				
Sales of activated carbon	-	-	8,559,384	14,017,368
Sales of raw material and consumables	-	-	100,939	121,378
Purchase of raw material	-	-	31,828	101,021
Reimbursement of salaries/Bonus	-	-	333,183	311,710
Dividend income	-	-	770,238	1,683,261
Current account interest received	-	-	74,466	63,173
Rental income	-	-	14,080	13,346
Purchase of services	-	-	275,099	273,518
Income on services rendered	-	-	86,148	110,928
<b>Partly-owned subsidiaries</b>				
Sales of goods and services	-	-	10,906	6,751
Sale of raw material and consumables	-	-	15,952	62,215
Income from services provided	-	-	126,777	163,150
Dividend income	-	-	428,574	441,347
<b>Parent - Hayleys PLC</b>				
Services related expenses paid	707,109	516,971	671,563	475,689
Dividend paid	1,207,506	1,137,068	1,207,506	1,137,068
<b>Affiliates</b>				
Sales of goods and services	476,836	647,377	436,667	594,507
Purchase of goods and services	1,174,468	1,360,746	913,123	198,322
Dividend income	91,547	118,401	93,608	118,401
Interest expense	48	35,423	48	35,423
Loans obtained from/(repaid to) directors Carbokarn Co. Ltd.	(137,806)	(281,007)	-	-

### (v) (a) Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Group as per 31 st March 2024 audited Financial Statements, which required additional disclosures in financial statements under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

### (b) Recurrent Related Party Transactions

Recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2024 audited Financial Statements, which required additional disclosures in the financial statements under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission are disclosed below.

For the year ended 31st March	2024		2023	
	Value of transaction	Percentage of Gross Revenue	Value of transaction	Percentage of Gross Revenue
<b>Transactions with related parties</b>				
Sales of activated carbon from Haycarb PLC to Haycarb USA Inc.	6,134,284	14%	10,319,247	17%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 SEGMENT ANALYSIS GRI 207-4

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.

### 34.1 Business Segments

Turnover -Net For the Year Ended 31st March	External Rs. '000	Intra-group Rs '000	Consolidated	
			2024 Rs. '000	2023 Rs. '000
Activated carbon	41,659,615	15,537,177	57,196,792	83,427,165
Environmental engineering	1,519,590	37,397	1,556,987	1,318,831
	43,179,205	15,574,574	58,753,779	84,745,996
Intra-group sales			(15,574,574)	(23,802,740)
			43,179,205	60,943,256

### 34.2 Profit before tax

For the Year Ended 31st March	Consolidated	
	2024 Rs. '000	2023 Rs. '000
Activated carbon	6,065,714	8,499,656
Environmental engineering	56,366	(244,041)
Purification -associate	(15,215)	(8,608)
Leisure-associate	6,389	11,025
	6,113,254	8,258,032

### 34.3 Assets and liabilities

As at 31st March	Total assets		Provision for liabilities and charges		Trade and other payables	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Activated carbon	37,890,585	37,947,535	1,929,454	1,367,235	4,313,578	3,741,111
Environmental engineering	1,739,738	1,650,901	-	-	283,878	376,578
	39,630,323	39,598,436	1,929,454	1,367,235	4,597,456	4,117,689
Investment in associates and others	583,927	592,753				
	40,214,250	40,191,189				

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34.4 Capital expenditure and depreciation

For the Year Ended 31st March	Capital expenditure		Depreciation	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Activated carbon	2,132,084	1,900,464	987,259	900,435
Environmental engineering	2,703	6,825	14,483	14,198
	2,134,787	1,907,289	1,001,742	914,633

### 34.5 Cashflows from

For the Year Ended 31st March	2024		2023	
	Activated carbon	Environmental engineering	Activated carbon	Environmental engineering
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating activities	8,017,862	(141,028)	10,242,943	(120,989)
Investing activities	(1,677,827)	(22,796)	(1,616,588)	(2,553)
Financing activities	(1,757,928)	(16,429)	(3,119,317)	(24,317)
	4,582,107	(180,253)	5,507,038	(147,859)

### Geographical Segments

#### 34.6 Turnover -Net

For the Year Ended 31st March	External	Intra-group	Consolidated	
			2024	2023
	Rs. '000	Rs '000	Rs. '000	Rs. '000
USA	8,815,622	-	8,815,622	19,294,240
Europe	4,579,068	-	4,579,068	6,484,822
Australia	3,306,989	-	3,306,989	4,111,942
Sri Lanka	15,371,731	8,018,485	23,390,216	31,753,247
Thailand	7,341,034	3,373,929	10,714,963	13,552,953
Indonesia	3,764,761	4,182,160	7,946,921	9,548,792
	43,179,205	15,574,574	58,753,779	84,745,996
Intra-group sales			(15,574,574)	(23,802,740)
			43,179,205	60,943,256

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 SEGMENT ANALYSIS CONTD.

### 34.7 Profit before tax

For the Year Ended 31st March	Consolidated	
	2024 Rs. '000	2023 Rs. '000
USA	220,630	564,846
Europe	(156,458)	133,011
Australia	523,491	329,715
Sri Lanka	2,791,315	5,348,085
Thailand	955,724	1,280,887
Indonesia	1,466,838	1,179,121
	5,801,540	8,835,665
Consolidation adjustments	311,714	(577,633)
	6,113,254	8,258,032

### 34.8 Assets and liabilities

As at 31st March	Total assets		Non-interest bearing liabilities			
			Provision for liabilities and charges		Trade and other payables	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
USA	4,683,888	6,146,976	-	-	259,166	420,597
Europe	1,830,750	2,079,373	-	-	213,726	54,923
Australia	1,446,664	1,546,057	-	-	127,241	150,343
Sri Lanka	18,258,097	13,832,498	1,735,400	1,045,524	3,098,877	2,653,296
Thailand	7,968,850	8,362,656	182,852	177,654	536,450	611,796
Indonesia	5,442,074	7,630,876	194,054	144,057	361,996	226,736
	39,630,323	39,598,436	2,112,306	1,367,235	4,597,456	4,117,691
Investments in equity accounted investees	583,927	592,753				
	40,214,250	40,191,189				

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34.9 Capital expenditure and depreciation

For the Year Ended 31st March	Capital expenditure		Depreciation	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
USA	-	1,215	3,289	3,744
Europe	10,163	7,471	13,101	15,029
Australia	12,596	114	4,273	2,839
Sri Lanka	1,781,875	1,164,324	378,713	308,294
Thailand	214,526	554,143	430,195	385,040
Indonesia	115,627	180,022	149,782	184,005
	2,134,787	1,907,289	979,353	898,951

## 35 COMMITMENTS AND CONTINGENCIES

**Capital Expenditure Commitments.** The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2024, for, which no provision has been made in the Financial Statements amounts to Rs. 962,585,411/- (2022/23 – Rs. 381,923,911/-) for the Group and Rs. 560,783,525/- (Rs. 2022/23 – Rs. 259,067,398/- for the Company. Capital expenditure approved by the Directors but not contracted for was Rs. 195,582,972/- (2022/23 – Rs. 380,165,324/-) for the Group and Rs. 83,990,000/- (2022/23 – Rs. 105,925,500/-) for the Company.

### Contingent Liabilities

The contingent liability as at 31st March 2024 on guarantees given by Haycarb Group to third parties amounted to Rs. 5,532,997,390/- (2022/23 – Rs. 7,876,928,434/-). Of this sum, Rs. 7,527,596,870/- (2022/23 – Rs. 7,123,509,891/-) relates to facilities obtained by subsidiaries

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 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	Note	Carrying Amount		Fair Value	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Financial Assets</b>					
Equity instruments designated at fairvalue through OCI					
- Quoted equity shares		1,236,898	1,127,042	1,236,898	1,127,042
- Unquoted equity shares		793	832	793	832
<b>Total</b>	21	1,237,691	1,127,874	1,237,691	1,127,874
<b>Financial assets at amortised cost</b>					
- Trade receivables	20.1	6,678,522	6,682,753	6,678,522	6,682,753
- Loans to employees	20.1	32,827	27,166	32,827	27,166
- Amounts due from other related parties	18.4	47,870	104,195	47,870	104,195
- Amounts due from equity accounted investees	18.5	127,165	101,824	127,165	101,824
- Cash and short term deposits	23	6,722,126	5,072,892	6,722,126	5,072,892
<b>Total</b>		13,608,510	11,988,830	13,608,510	11,988,830
<b>Non-Financial Assets</b>					
Freehold land	13.1	2,196,619	2,262,784	2,196,619	2,262,784
<b>Total</b>		2,196,619	2,262,784	2,196,619	2,262,784
<b>Financial Liabilities</b>					
Interest-bearing loans and borrowings					
- Lease liabilities	14.2	502,478	292,895	502,478	292,895
- Long term loans	26.1	509,470	300,783	509,470	300,783
- Short term loans and bank overdraft	26.2	3,866,301	6,618,921	3,866,301	6,618,921
Trade and other payables	29	4,203,895	3,703,807	4,203,895	3,703,807
Amounts due to other related parties	18.2	2,379,820	1,635,815	2,379,820	1,635,815
<b>Total</b>		11,461,964	12,552,221	11,461,964	12,552,221

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Company	Note	Carrying Amount		Fair Value	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Financial Assets</b>					
Equity instruments designated at fairvalue through OCI					
- Quoted equity shares		1,236,898	1,127,042	1,236,898	1,127,042
- Unquoted equity shares		490	490	490	490
<b>Total</b>	21	<b>1,237,388</b>	<b>1,127,532</b>	<b>1,237,388</b>	<b>1,127,532</b>
<b>Financial assets at amortised cost</b>					
- Trade receivables	20.1	4,618,499	4,197,024	4,618,499	4,197,024
- Loans to employees	20.1	32,827	27,166	32,827	27,166
- Amounts due from subsidiaries	18.3	989,239	649,391	989,239	649,391
- Amounts due from other related parties	18.4	18,372	26,133	18,372	26,133
- Amounts due from equity accounted investees	18.5	567	247	567	247
- Cash and short term deposits	23	3,679,709	2,077,492	3,679,709	2,077,492
<b>Total</b>		<b>9,339,213</b>	<b>6,977,453</b>	<b>9,339,213</b>	<b>6,977,453</b>
<b>Non-Financial Assets</b>					
Freehold land	13.2	951,429	936,221	951,429	936,221
<b>Total</b>		<b>951,429</b>	<b>936,221</b>	<b>951,429</b>	<b>936,221</b>
<b>Financial Liabilities</b>					
Interest-bearing loans and borrowings					
- Lease liabilities	14.2	260,270	41,615	260,270	41,615
- Long term loans	26.1	167,760	294,594	167,760	294,594
- Short term loans and bank overdraft	26.2	2,480,319	2,868,196	2,480,319	2,868,196
Trade and other payables	29	2,771,646	1,979,594	2,771,646	1,979,594
Amounts due to subsidiaries	18.1	81,604	110,869	81,604	110,869
Amounts due to other related parties	18.2	817,434	72,656	817,434	72,656
<b>Total</b>		<b>6,579,033</b>	<b>5,367,524</b>	<b>6,579,033</b>	<b>5,367,524</b>

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.

The methods and assumptions used to estimate fair value of freehold land are disclosed in Note 13.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 FAIR VALUE MEASUREMENT CONTD.

### 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.

As at 31st March 2024 the Group/Company held the following financial assets carried at fair value in the Statement of Financial Position.

### Assets Measured at Fair Value

As at 31st March 2024 Rs.'000	Note	Consolidated				Company			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair value through OCI									
Quoted equity shares	21	1,236,898	-	-	1,236,898	1,236,898	-	-	1,236,898
Unquoted equity shares	21	-	-	793	793	-	-	490	490
Property, plant and equipment									
Freehold land	13.1	-	-	2,196,619	2,196,619	-	-	951,429	951,429

During the reporting period ended 31st March 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 31st March 2023 the Group/Company held the following financial assets carried at fair value in the Statement of Financial Position.

### Assets Measured at Fair Value

As at 31st March 2023 Rs.'000	Note	Consolidated				Company			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair value through OCI									
Quoted equity shares	21	1,127,042	-	-	1,127,042	1,127,042	-	-	1,127,042
Unquoted equity shares	21	-	-	832	832	-	-	490	490
Property, plant and equipment									
Freehold land	13.1	-	-	2,262,784	2,262,784	-	-	936,221	936,221

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 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 assests 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.

As at 31st March 2024	Note	Non current financial assests	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total
Rs. '000							
<b>Consolidated</b>							
Short term deposits	23	-	-	-	3,970,798	-	3,970,798
Loans to employees	20	-	-	32,827	-	-	32,827
Equity shares - Unquoted	21	793	-	-	-	-	793
- Quoted	21	1,236,898	-	-	-	-	1,236,898
Trade receivables	20	-	-	6,678,522	-	-	6,678,522
Financial assets at amortised cost	21	47,534	-	-	-	-	47,534
Amounts due from other related parties	18.4	-	-	-	-	47,870	47,870
Amounts due from equity accounted investees	18.5	-	-	-	-	127,165	127,165
Cash in hand and at bank	23	-	2,751,328	-	-	-	2,751,328
Total credit risk exposure		1,285,225	2,751,328	6,711,349	3,970,798	175,035	14,893,735

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 FINANCIAL RISK MANAGEMENT CONTD.

As at 31st March 2023 Rs. '000	Note	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total
<b>Consolidated</b>							
Short term deposits	23	-	-	-	1,875,098	-	1,875,098
Loans to employees	20	-	-	27,166	-	-	27,166
Equity shares - Unquoted	21	832	-	-	-	-	832
- Quoted	21	1,127,874	-	-	-	-	1,127,874
Trade and other receivables	20	-	-	6,682,753	-	-	6,682,753
Financial assets at amortised cost	21	56,792	-	-	-	-	56,792
Amounts due from related parties	18.4	-	-	-	-	104,195	104,195
Amounts due from equity accounted investees	18.5	-	-	-	-	101,824	101,824
Cash in hand and at bank	23	-	3,197,794	-	-	-	3,197,794
Total credit risk exposure		1,185,498	3,197,794	6,709,919	1,875,098	206,019	13,174,328

As at 31st March 2024 Rs. '000	Note	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total
<b>Company</b>							
Short term deposits	23	-	-	-	2,684,079	-	2,684,079
Loans to employees	20	-	-	32,827	-	-	32,827
Equity shares - Unquoted	21	490	-	-	-	-	490
- Quoted	21	1,236,898	-	-	-	-	1,236,898
Trade receivables	20	-	-	4,618,499	-	-	4,618,499
Amounts due from subsidiaries	18.3	-	-	-	-	989,239	989,239
Amounts due from other related parties	18.4	-	-	-	-	18,372	18,372
Amounts due from equity accounted investees	18.5	-	-	-	-	567	567
Cash in hand and at bank	23	-	995,630	-	-	-	995,630
Total credit risk exposure		1,237,388	995,630	4,651,326	2,684,079	1,008,178	10,576,601

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31st March 2023	Note	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							
<b>Company</b>							
Short term deposits	23	-	-	-	961,244	-	961,244
Loans to employees	20	-	-	27,166	-	-	27,166
Equity shares - Unquoted	21	490	-	-	-	-	490
- Quoted	21	1,127,042	-	-	-	-	1,127,042
Trade and other receivables	20	-	-	4,197,024	-	-	4,197,024
Amounts due from subsidiaries	18.3	-	-	-	-	649,391	649,391
Amounts due from other related parties	18.4	-	-	-	-	26,133	26,133
Amounts due from equity accounted investees	18.5	-	-	-	-	247	247
Cash in hand and at bank	23	-	1,116,248	-	-	-	1,116,248
Total credit risk exposure		1,127,532	1,116,248	4,224,190	961,244	675,771	8,104,985

## 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 and other sales wherever appropriate.

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.

The Group effort is to maintain a diversified customer portfolio across different industries and geographical territories, with the objective of mitigating credit risk. This is achieved through a continuous process of evaluation and monitoring, conducted by the customer management unit. Credit limits are determined based on the financial capabilities of each customer. Furthermore, provisions are established and reserves are created to cover anticipated credit losses against receivables. This approach ensures a robust and effective risk management strategy.

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	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Sri Lankan Rupees	462,827	267,145	403	78,061
Australian Dollar	93,136	303,219	-	-
Sterling Pound	23,954	42,044	67,453	90,090
Euro	310,666	259,644	176,206	168,415
United States Dollar	4,540,520	4,362,583	4,374,437	3,860,459
Thai Baht	407,373	486,975	-	-
Maldivian Rupiah	84,604	223,860	-	-
Indonesian Rupiah	755,441	737,282	-	-
	6,678,522	6,682,752	4,618,499	4,197,025

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 FINANCIAL RISK MANAGEMENT CONTD.

### 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. Aligning with policies the Group has invested the excess funds diversifying among government securities, investment funds, licensed commercial banks local and international minimising the risk.

### Cash in banks and short term deposits

The Group held cash in bank and shortterm deposits of Rs. 6,704,449/- at 31st March 2024 (Rs. 5,060,045,000 at 31st March 2023), in recognised commercial banks, investments funds approved by the Central/Federal Bank and/or Monetary Authority of the relevant country and government securities.

### 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 Group Treasury monitors the cash flows in subsidiary and Group level and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the expose to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and group level by funding the long term investment with long term loans. Short term investments are funded using short term loans. Group has been successful in arranging short term funding from overseas for overseas entities, which reduces its dependency on domestic market for working capital.

The monthly liquidity position is monitored by the Hayleys group treasury. All liquidity policies and procedures are subject to review and approval by Board of Directors.

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 2024	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
<b>Consolidated</b>						
Interest bearing loans and borrowings	1,144,003	2,171,422	806,627	253,719	-	4,375,771
Lease liability	-	20,529	65,431	416,518	-	502,478
Trade and other payables	631,291	1,408,871	2,163,733	-	-	4,203,895
	1,775,294	3,600,822	3,035,791	670,237	-	9,082,144
<b>As at 31st March 2023</b>	<b>On demand Rs.'000</b>	<b>Less than 3 months Rs.'000</b>	<b>3 to 12 months Rs.'000</b>	<b>1 to 5 years Rs.'000</b>	<b>&gt; 5 years Rs.'000</b>	<b>Total Rs.'000</b>
<b>Consolidated</b>						
Interest bearing loans and borrowings	1,057,522	1,907,329	3,814,659	140,194	-	6,919,704
Lease liability	-	21,680	65,039	206,176	-	292,895
Trade and other payables	634,164	1,357,562	1,712,081	-	-	3,703,807
	1,691,686	3,286,571	5,591,779	346,370	-	10,916,406

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31st March 2024	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
<b>Company</b>						
Interest bearing loans and borrowings	1,070,883	1,409,436	101,649	66,111	-	2,648,079
Lease liability	-	9,951	31,556	218,763	-	260,270
Trade and other payables	602,032	760,823	1,408,791	-	-	2,771,646
	1,672,915	2,180,210	1,541,996	284,874	-	5,679,995

As at 31st March 2023	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
<b>Company</b>						
Interest bearing loans and borrowings	1,021,238	159,133	1,846,958	135,461	-	3,162,790
Lease liability	4,317	8,945	28,353	-	-	41,615
Trade and other payables	429,562	1,033,660	516,372	-	-	1,979,594
	1,455,117	1,201,738	2,391,683	135,461	-	5,183,999

## 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 2024.

The sensitivity analysis 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 analysis exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

- 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 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 FINANCIAL RISK MANAGEMENT CONTD.

### 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. Prudent management of working capital facilities with a proper mix between LKR and USD borrowings to manage cost of 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	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Increase in borrowing rates by 100 basis points	(43,758)	(69,197)	(26,481)	(31,628)
Decrease in borrowing rates by 100 basis points	43,758	69,197	26,481	31,628

### 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, Maldivian 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 using forwards contracts wherever applicable.

### Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant of the Group's and Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and Company's exposure to foreign currency changes for all other currencies other than below are not material.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31st March	Increase/ (Decrease)	Effect on Profit before Tax			
		Consolidated		Company	
		2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
US Dollar	10%	214,704	159,401	184,381	162,930
	-10%	(214,704)	(159,401)	(184,381)	(162,930)
Thai Baht	10%	48,212	65,190	-	-
	-10%	(48,212)	(65,190)	-	-
Indonesian Rupiah	10%	62,331	(113,004)	-	-
	-10%	(62,331)	113,004	-	-
GBP	10%	(12,385)	4,654	9,806	10,322
	-10%	12,385	(4,654)	(9,806)	(10,322)
Australian Dollar	10%	10,966	30,423	-	-
	-10%	(10,966)	(30,423)	-	-
Euro	10%	39,759	23,441	29,711	17,987
	-10%	(39,759)	(23,441)	(29,711)	(17,987)
Maldivian Rupiah	10%	19,505	26,188	-	-
	-10%	(19,505)	(26,188)	-	-

## Equity price risk

The Group does not engage in equity trading other than holding of equity shares as a strategic investments on long term basis. Equity shares are assed at fair value using valuation techniques of fair value hierarchy.

## 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 and the level of dividends to ordinary shareholders.

The Group has not given any collateral as at 31st March 2024 other than those disclosed in Note 13

The gearing ratio at the reporting date was as follows:

As at 31st March	Consolidated		Company	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest bearing borrowings -external	4,375,771	6,919,704	2,648,079	3,162,790
Interest bearing borrowings -related party	1,404,352	1,542,158	-	-
Total equity	25,697,848	25,212,566	13,860,462	12,719,045
Total equity and debt	31,477,971	33,674,428	16,508,541	15,881,835
Gearing ratio percentage (%)	18%	25%	16%	20%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

## 39 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		Year End	
	2024	2023	2024	2023
US Dollar	316.540	360.163	299.875	329.000
Australian Dollar	207.681	246.010	195.578	220.891
Pound Sterling	397.958	434.146	378.712	407.499
Thai Baht	8.982	10.203	8.227	9.657
Indonesian Rupiah	0.0206	0.0239	0.0189	0.0220
Euro	343.561	375.259	324.495	358.577
Indian rupee	3.823	4.472	3.597	4.002

## 40 FUNCTIONAL CURRENCY

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

Company	Company
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	Indian rupee
Haycarb Philippines Corporation	Philippine peso
Haycarb Singapore Pte.Ltd.	United States Dollar

## 41 COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The Financial Statements of Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., Shizuka Co. Ltd., Thailand, Haycarb Holdings Australia (Pty) Ltd., Australia, Haycarb USA, USA and PT Mapalus Makawanua Charcoal Industry, PT Haycarb Palu Mitra, Indonesia which has financial year end as 31st December.

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

# STATEMENT OF GROUP VALUE ADDED

## GROUP VALUE ADDED

As at 31st March	2024 Rs. '000	2023 Rs. '000
Revenue	43,179,205	60,943,256
Other operating income	178,045	200,630
	43,357,250	61,143,886
Cost of materials & services brought in	(29,252,194)	(43,279,972)
Value added	14,105,056	17,863,914

## DISTRIBUTION OF VALUE ADDED

As at 31st March	Consolidated			
	%	2024 Rs. '000	%	2023 Rs. '000
To Employees as remuneration	38	5,475,303	27	4,736,270
To Government revenue				
Sri Lanka	9	1,206,306	10	1,756,193
Overseas	12	1,627,493	12	2,197,847
To Providers of Capital	8	1,132,693	13	2,277,595
-Interest on Borrowings		570,993		1,595,267
-Minority Interest		561,700		682,328
To Shareholders as Dividends	13	1,782,743	9	1,678,749
Retained in the business	20	2,880,518	29	5,217,260
-Depreciation		1,001,742		898,952
-Profit retained		1,878,776		4,318,308
	100	14,105,056	100	17,863,914

# TEN YEAR FINANCIAL REVIEW

Year ended 31st March	10 year compound growth (%)	2024 Rs. '000	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Trading Results</b>						
Group Turnover	15%	43,179,205	60,943,256	33,160,474	25,484,559	22,822,743
Profit before taxation	19%	6,113,254	8,258,032	4,655,988	4,490,262	2,175,806
Group taxation	28%	(1,807,625)	(1,752,544)	(934,848)	(923,755)	(409,762)
Profit after taxation	17%	4,305,629	6,505,488	3,721,140	3,566,507	1,766,044
Minority Interest	18%	(561,700)	(682,328)	(433,586)	(519,673)	(207,448)
Profit attributable to equity holders of the parent	17%	3,743,929	5,823,160	3,287,554	3,046,834	1,558,596
<b>Balance Sheet</b>						
Share capital	0%	331,774	331,774	331,774	331,774	331,774
Capital reserves	9%	891,290	891,290	994,758	686,284	675,744
Revenue reserves	18%	21,681,998	20,918,757	16,845,411	12,383,079	8,313,697
Minority interest	20%	2,792,786	3,070,745	2,648,637	1,751,304	1,335,444
	17%	25,697,848	25,212,566	20,820,580	15,152,441	10,656,659
Property plant and equipment, investments and non-current assets	12%	13,438,317	12,519,315	11,103,590	9,198,546	6,672,299
Intangible assets	3%	347,380	289,399	258,465	233,141	226,873
Current assets	18%	26,428,553	27,382,477	28,650,022	15,961,230	12,546,480
Current liabilities	14%	(11,916,711)	(13,265,019)	(16,948,351)	(8,662,229)	(7,733,503)
Provisions and creditors due after one year	11%	(2,599,691)	(1,713,606)	(2,243,146)	(1,578,247)	(1,055,490)
	17%	25,697,848	25,212,566	20,820,580	15,152,441	10,656,659
<b>Ratios &amp; Statistics</b>						
Return on shareholders' equity (%)		16%	26%	18%	23%	17%
Dividend (Rs.'000)	26%	1,782,743	1,678,749	831,946	1,099,358	445,686
Dividend PER share	26%	6.00	5.65	2.80	3.70	1.50
Annual sales growth index (Base - 2014)		418%	589%	321%	246%	221%
Earnings per share at year end * (Rs.)	17%	12.60	19.60	11.06	10.25	5.25
Net assets per share at year end * (Rs.)	17%	77.09	74.52	60.80	44.55	31.37
Market price per share at year end (Rs.)	16%	76.50	56.30	50.20	93.00	160.00
Price earning ratio		6.07	2.87	4.54	9.07	3.05
Current ratio (Times)		2.22	2.06	1.69	1.84	1.62
Liquidity ratio (Times)		1.66	1.56	0.76	1.07	0.76

Figures in brackets indicate deductions.

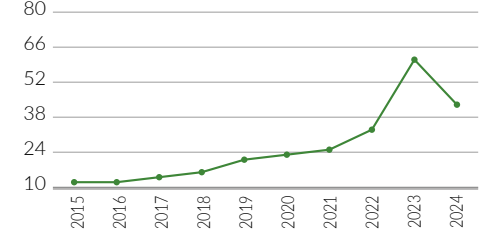
\* All previous year calculations are adjusted to the share sub division of 1:10 that took place on 10th February 2021 for comparison purpose.

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

	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000
	20,917,945	15,518,079	13,553,576	11,705,825	11,933,848
	1,352,898	926,423	1,189,535	1,119,078	1,070,336
	(271,196)	(152,799)	(249,735)	(220,910)	(196,404)
	1,081,702	773,624	939,800	898,168	873,932
	(126,291)	(101,260)	(135,436)	(216,950)	(178,947)
	955,411	672,364	804,364	681,218	694,985
	331,774	331,774	331,774	331,774	331,774
	675,744	648,703	717,597	570,848	570,848
	7,242,868	6,447,363	5,696,455	5,013,363	4,800,584
	1,102,415	909,771	776,762	710,435	590,724
	9,352,801	8,337,611	7,522,588	6,626,420	6,293,930
	6,412,662	6,105,545	5,953,584	5,161,474	5,059,453
	248,504	285,856	279,201	263,598	260,903
	12,313,966	8,891,056	8,002,701	7,204,985	5,696,413
	(8,802,222)	(6,041,736)	(5,808,013)	(5,244,079)	(3,923,488)
	(820,109)	(903,110)	(904,885)	(759,558)	(799,351)
	9,352,801	8,337,611	7,522,588	6,626,420	6,293,930
	12%	9%	12%	12%	12%
	237,699	178,274	178,274	178,274	178,274
	0.80	0.60	0.60	0.60	0.60
	202%	150%	131%	113%	115%
	3.22	2.26	2.71	2.29	2.34
	27.77	25.00	22.70	19.91	19.19
	127.00	120.00	151.00	160.00	183.00
	3.95	4.08	5.58	6.98	7.82
	1.40	1.47	1.38	1.37	1.45
	0.93	0.80	0.77	0.70	0.68

### Group Revenue

(Rs. Bn)



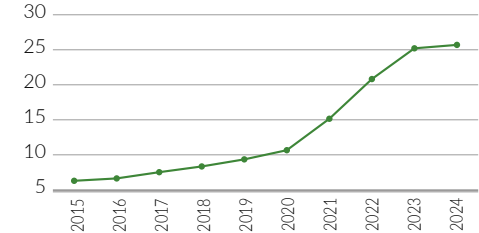
### Profit Before Tax

(Rs. Bn)



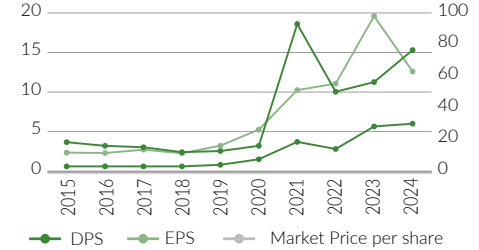
### Net Assets

(Rs. Bn)



### Investor Ratio

(DPS/EPS)



# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## STATEMENT OF PROFIT OR LOSS FOR INFORMATION PURPOSE ONLY

For the year ended 31st March	Consolidated		Company	
	Audited	Audited	Audited	Audited
	2024 USD '000	2023 USD '000	2024 USD '000	2023 USD '000
Revenue	136,410	169,210	65,345	78,044
Cost of sales	(94,492)	(127,899)	(47,418)	(59,225)
<b>Gross profit</b>	<b>41,918</b>	<b>41,311</b>	<b>17,927</b>	<b>18,819</b>
Other operating income	562	557	4,439	6,645
Selling and distribution expenses	(1,160)	(1,528)	(421)	(337)
Administrative expenses	(20,719)	(17,366)	(9,689)	(7,144)
<b>Results from operating activities</b>	<b>20,601</b>	<b>22,974</b>	<b>12,256</b>	<b>17,983</b>
Finance income	4,400	9,420	2,622	6,001
Finance cost	(5,661)	(9,472)	(2,876)	(4,796)
Net Finance cost	(1,261)	(52)	(254)	1,205
Share of profit of equity accounted investees (net of tax)	(28)	7	-	-
<b>Profit before tax</b>	<b>19,312</b>	<b>22,929</b>	<b>12,002</b>	<b>19,188</b>
Tax expense	(5,711)	(4,866)	(2,587)	(1,937)
<b>Profit for the year</b>	<b>13,601</b>	<b>18,063</b>	<b>9,415</b>	<b>17,251</b>
<b>Attributable to:</b>				
Equity holders of the parent	11,826	16,169	9,415	17,251
Non-controlling interest	1,775	1,894	-	-
<b>Profit for the year</b>	<b>13,601</b>	<b>18,063</b>	<b>9,415</b>	<b>17,251</b>
<b>Earnings per share</b>				
Basic/Diluted earnings per share (Rs.)	0.040	0.054	0.032	0.058
Dividend per share (Rs.)	0.019	0.016	0.019	0.016

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS

The above should be read together with the Auditors opinion and the notes to the Financial Statements.

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

As at 31st March	Consolidated		Company	
	2024 USD '000	2023 USD '000	2024 USD '000	2023 USD '000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	36,143	31,046	17,546	13,270
Right-of-use assets	1,637	862	867	105
Intangible assets	1,158	880	406	265
Investments in subsidiaries	-	-	3,651	3,328
Investment in equity accounted investees	1,947	1,802	310	282
Other non-current financial assets	4,286	3,601	4,126	3,428
Deferred tax assets	800	742	-	-
<b>Total non-current assets</b>	<b>45,971</b>	<b>38,933</b>	<b>26,906</b>	<b>20,678</b>
<b>Current assets</b>				
Inventories	38,372	42,513	14,908	15,522
Trade and other receivables	22,380	20,395	15,511	12,839
Amounts due from subsidiaries	-	-	3,299	1,974
Amounts due from other related parties	160	317	61	79
Amounts due from equity accounted investees	424	309	2	1
Other current assets	4,380	4,276	1,602	1,308
Cash in hand and at bank	22,416	15,419	12,271	6,315
<b>Total current assets</b>	<b>88,132</b>	<b>83,229</b>	<b>47,654</b>	<b>38,038</b>
<b>Total assets</b>	<b>134,103</b>	<b>122,162</b>	<b>74,560</b>	<b>58,716</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Stated capital	1,129	11,258	1,129	1,129
Capital reserves	2,972	2,709	1,734	1,581
Revenue reserves	72,281	63,462	43,358	35,950
<b>Total equity attributable to equity holders of the Company</b>	<b>76,382</b>	<b>67,300</b>	<b>46,221</b>	<b>38,660</b>
Non-controlling interests	9,313	9,334	-	-
<b>Total equity</b>	<b>85,695</b>	<b>76,634</b>	<b>46,221</b>	<b>38,660</b>
<b>Non-current liabilities</b>				
Interest bearing loans & borrowings	846	426	220	412
Non Current Lease liability	1,389	627	730	-
Defined benefit obligations	5,793	3,740	4,508	2,746
Deferred tax liabilities	641	416	419	260
<b>Total non-current liabilities</b>	<b>8,669</b>	<b>5,209</b>	<b>5,877</b>	<b>3,418</b>

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

As at 31st March	Consolidated		Company	
	2024 USD '000	2023 USD '000	2024 USD '000	2023 USD '000
<b>Current liabilities</b>				
Trade and other payables	14,019	11,258	9,244	6,017
Other current Liabilities	1,312	1,258	190	98
Amounts due to subsidiaries	-	-	272	337
Amounts due to other related parties	7,936	4,972	2,726	221
Income tax payable	2,439	1,961	1,282	637
Current Lease liability	287	264	138	126
Interest bearing loans & borrowings	13,746	20,606	8,610	9,202
<b>Total current liabilities</b>	<b>39,739</b>	<b>40,319</b>	<b>22,462</b>	<b>16,638</b>
<b>Total liabilities</b>	<b>48,408</b>	<b>45,528</b>	<b>28,339</b>	<b>20,056</b>
<b>Total equity and liabilities</b>	<b>134,103</b>	<b>122,162</b>	<b>74,560</b>	<b>58,716</b>

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS

The above should be read together with the Auditors opinion and the notes to the Financial Statements.

# HORIZONTAL AND VERTICAL ANALYSIS

## STATEMENT OF PROFIT OR LOSS - HORIZONTAL ANALYSIS - Consolidated

For the year ended 31st March	2024		2023		2022		2021		2020
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
Revenue	43,179,205	-29%	60,943,256	84%	33,160,474	30%	25,484,559	12%	22,822,743
Cost of sales	(29,910,375)	-35%	(46,064,358)	78%	(25,942,668)	45%	(17,947,691)	3%	(17,432,984)
<b>Gross profit</b>	<b>13,268,830</b>	<b>-11%</b>	<b>14,878,898</b>	<b>106%</b>	<b>7,217,806</b>	<b>-4%</b>	<b>7,536,868</b>	<b>40%</b>	<b>5,389,759</b>
Other operating income	178,045	-11%	200,630	-20%	249,988	165%	94,287	-19%	115,901
Selling and distribution expenses	(367,249)	-33%	(550,508)	111%	(260,576)	18%	(219,930)	12%	(196,827)
Administrative expenses	(6,558,529)	5%	(6,254,737)	52%	(4,128,162)	39%	(2,975,521)	6%	(2,807,214)
<b>Results from operating activities</b>	<b>6,521,097</b>	<b>-21%</b>	<b>8,274,283</b>	<b>169%</b>	<b>3,079,056</b>	<b>-31%</b>	<b>4,435,704</b>	<b>77%</b>	<b>2,501,619</b>
Finance income	1,392,835	-59%	3,392,719	46%	2,321,003	523%	372,789	60%	233,131
Finance cost	(1,791,852)	-47%	(3,411,387)	372%	(722,727)	123%	(324,030)	-42%	(555,699)
Net finance income/(cost)	(399,017)	2037%	(18,668)	-101%	1,598,276	3178%	48,759	-115%	(322,568)
Share of profit of equity accounted investees (net of tax)	(8,826)	-465%	2,417	-111%	(21,344)	-468%	5,799	-279%	(3,245)
<b>Profit before tax</b>	<b>6,113,254</b>	<b>-26%</b>	<b>8,258,032</b>	<b>77%</b>	<b>4,655,988</b>	<b>4%</b>	<b>4,490,262</b>	<b>106%</b>	<b>2,175,806</b>
Tax expense	(1,807,625)	3%	(1,752,544)	87%	(934,848)	1%	(923,755)	125%	(409,762)
Profit for the year	4,305,629	-34%	6,505,488	75%	3,721,140	4%	3,566,507	102%	1,766,044

## STATEMENT OF PROFIT OR LOSS - VERTICAL ANALYSIS Consolidated

For the year ended 31st March	2024		2023		2022		2021		2020
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
Revenue	43,179,205	100%	60,943,256	100%	33,160,474	100%	25,484,559	100%	22,822,743
Cost of sales	(29,910,375)	-69%	(46,064,358)	-76%	(25,942,668)	-78%	(17,947,691)	-70%	(17,432,984)
<b>Gross profit</b>	<b>13,268,830</b>	<b>31%</b>	<b>14,878,898</b>	<b>24%</b>	<b>7,217,806</b>	<b>22%</b>	<b>7,536,868</b>	<b>30%</b>	<b>5,389,759</b>
Other operating income	178,045	0%	200,630	0%	249,988	1%	94,287	0%	115,901
Selling and distribution expenses	(367,249)	-1%	(550,508)	-1%	(260,576)	-1%	(219,930)	-1%	(196,827)
Administrative expenses	(6,558,529)	-15%	(6,254,737)	-10%	(4,128,162)	-12%	(2,975,521)	-12%	(2,807,214)
<b>Results from operating activities</b>	<b>6,521,097</b>	<b>15%</b>	<b>8,274,283</b>	<b>14%</b>	<b>3,079,056</b>	<b>9%</b>	<b>4,435,704</b>	<b>17%</b>	<b>2,501,619</b>
Finance income	1,392,835	3%	3,392,719	6%	2,321,003	7%	372,789	1%	233,131
Finance cost	(1,791,852)	-4%	(3,411,387)	-6%	(722,727)	-2%	(324,030)	-1%	(555,699)
Net finance income/(cost)	(399,017)	-1%	(18,668)	0%	1,598,276	5%	48,759	0%	(322,568)
Share of profit of equity accounted investees (net of tax)	(8,826)	0%	2,417	0%	(21,344)	0%	5,799	0%	(3,245)
<b>Profit before tax</b>	<b>6,113,254</b>	<b>14%</b>	<b>8,258,032</b>	<b>14%</b>	<b>4,655,988</b>	<b>14%</b>	<b>4,490,262</b>	<b>18%</b>	<b>2,175,806</b>
Tax expense	(1,807,625)	-4%	(1,752,544)	-3%	(934,848)	-3%	(923,755)	-4%	(409,762)
Profit for the year	4,305,629	10%	6,505,488	11%	3,721,140	11%	3,566,507	14%	1,766,044



# HORIZONTAL AND VERTICAL ANALYSIS

## STATEMENT OF FINANCIAL POSITION - HORIZONTAL ANALYSIS

### Consolidated

As at 31st March	2024		2023		2022		2021		2020
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
<b>Assets</b>									
<b>Non-current assets</b>									
Property, plant and equipment	10,838,262	6%	10,214,282	15%	8,895,684	38%	6,424,329	15%	5,609,128
Right-of-use assets	490,940	73%	283,455	168%	105,870	-35%	163,849	25%	130,614
Intangible assets	347,380	20%	289,399	12%	258,465	11%	233,141	3%	226,873
Investments in equity accounted investees	583,927	-1%	592,753	0%	590,336	-4%	615,302	1%	609,503
Other non-current financial assets	1,285,225	8%	1,184,666	-14%	1,378,880	-29%	1,932,662	606%	273,825
Deferred tax assets	239,963	-2%	244,159	84%	132,820	113%	62,403	27%	49,229
<b>Total non-current assets</b>	<b>13,785,697</b>	<b>8%</b>	<b>12,808,714</b>	<b>13%</b>	<b>11,362,055</b>	<b>20%</b>	<b>9,431,686</b>	<b>37%</b>	<b>6,899,172</b>
<b>Current assets</b>									
Inventories	11,506,658	-18%	13,986,769	-12%	15,807,144	83%	8,621,022	29%	6,674,679
Trade and other receivables	6,711,349	0%	6,709,919	-21%	8,473,480	96%	4,316,402	5%	4,109,050
Amounts due from other related parties	47,870	-54%	104,195	-41%	177,244	1063%	15,242	-10%	16,887
Amounts due from equity accounted investees	127,165	25%	101,824	60%	63,611	67%	38,090	174%	13,881
Other current assets	1,313,385	-7%	1,406,878	39%	1,010,819	59%	634,841	8%	586,852
Cash in hand and at bank	6,722,126	33%	5,072,892	63%	3,117,724	33%	2,335,633	104%	1,145,131
<b>Total current assets</b>	<b>26,428,553</b>	<b>-3%</b>	<b>27,382,477</b>	<b>-4%</b>	<b>28,650,022</b>	<b>79%</b>	<b>15,961,230</b>	<b>27%</b>	<b>12,546,480</b>
<b>Total assets</b>	<b>40,214,250</b>	<b>0%</b>	<b>40,191,191</b>	<b>0%</b>	<b>40,012,077</b>	<b>58%</b>	<b>25,392,916</b>	<b>31%</b>	<b>19,445,652</b>
<b>Equity and liabilities</b>									
<b>Equity</b>									
Stated capital	331,774	0%	331,774	0%	331,774	0%	331,774	0%	331,774
Capital reserves	891,290	0%	891,290	-10%	994,758	45%	686,284	2%	675,744
Revenue reserves	21,681,998	4%	20,918,757	24%	16,845,411	36%	12,383,079	49%	8,313,697
<b>Total equity attributable to equity holders of the Company</b>	<b>22,905,062</b>	<b>3%</b>	<b>22,141,821</b>	<b>22%</b>	<b>18,171,943</b>	<b>36%</b>	<b>13,401,137</b>	<b>44%</b>	<b>9,321,215</b>
Non-controlling interest	2,792,786	-9%	3,070,745	16%	2,648,637	51%	1,751,304	31%	1,335,444
<b>Total equity</b>	<b>25,697,848</b>	<b>2%</b>	<b>25,212,566</b>	<b>21%</b>	<b>20,820,580</b>	<b>37%</b>	<b>15,152,441</b>	<b>42%</b>	<b>10,656,659</b>
<b>Non-current liabilities</b>									
Interest bearing loans and borrowings	253,719	81%	140,194	-79%	677,152	45%	467,591	211%	150,340
Non current lease liability	416,518	102%	206,177	281%	54,051	-52%	112,674	14%	98,969
Defined benefit obligations	1,737,269	41%	1,230,526	8%	1,143,285	33%	858,505	32%	648,202
Deferred tax liabilities	192,185	41%	136,709	-63%	368,658	164%	139,477	-12%	157,979
<b>Total non-current liabilities</b>	<b>2,599,691</b>	<b>52%</b>	<b>1,713,606</b>	<b>-24%</b>	<b>2,243,146</b>	<b>42%</b>	<b>1,578,247</b>	<b>50%</b>	<b>1,055,490</b>
<b>Current liabilities</b>									
Trade and other payables	4,203,895	14%	3,703,807	9%	3,398,755	80%	1,886,784	-13%	2,156,971
Other current liabilities	393,561	-5%	413,884	-24%	547,047	2%	538,498	9%	494,134
Amounts due to other related parties	2,379,820	45%	1,635,815	-25%	2,186,028	74%	1,256,334	-33%	1,875,289
Income tax payable	731,423	13%	645,285	50%	428,797	-29%	600,524	163%	228,424
Current lease liability	85,960	-1%	86,718	46%	59,361	-6%	63,206	50%	42,259
Interest bearing loans and borrowings	4,122,052	-39%	6,779,510	-34%	10,328,363	139%	4,316,882	47%	2,936,426
<b>Total current liabilities</b>	<b>11,916,711</b>	<b>-10%</b>	<b>13,265,019</b>	<b>-22%</b>	<b>16,948,351</b>	<b>96%</b>	<b>8,662,228</b>	<b>12%</b>	<b>7,733,503</b>
<b>Total liabilities</b>	<b>14,516,402</b>	<b>-3%</b>	<b>14,978,625</b>	<b>-22%</b>	<b>19,191,497</b>	<b>87%</b>	<b>10,240,475</b>	<b>17%</b>	<b>8,788,993</b>
<b>Total equity and liabilities</b>	<b>40,214,250</b>	<b>0%</b>	<b>40,191,191</b>	<b>0%</b>	<b>40,012,077</b>	<b>58%</b>	<b>25,392,916</b>	<b>31%</b>	<b>19,445,652</b>

# HORIZONTAL AND VERTICAL ANALYSIS

## STATEMENT OF FINANCIAL POSITION - VERTICAL ANALYSIS

### Consolidated

As at 31st March	2024		2023		2022		2021		2020
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
<b>Assets</b>									
<b>Non-current assets</b>									
Property, plant and equipment	10,838,262	27%	10,214,282	25%	8,895,684	22%	6,424,329	25%	5,609,128
Right-of-use assets	490,940	1%	283,455	1%	105,870	0%	163,849	1%	130,614
Intangible assets	347,380	1%	289,399	1%	258,465	1%	233,141	1%	226,873
Investments in equity accounted investees	583,927	1%	592,753	1%	590,336	1%	615,302	2%	609,503
Other non-current financial assets	1,285,225	3%	1,184,666	3%	1,378,880	3%	1,932,662	8%	273,825
Deferred tax assets	239,963	1%	244,159	1%	132,820	0%	62,403	0%	49,229
<b>Total non-current assets</b>	<b>13,785,697</b>	<b>34%</b>	<b>12,808,714</b>	<b>32%</b>	<b>11,362,055</b>	<b>28%</b>	<b>9,431,686</b>	<b>37%</b>	<b>6,899,172</b>
<b>Current assets</b>									
Inventories	11,506,658	29%	13,986,769	35%	15,807,144	40%	8,621,022	34%	6,674,679
Trade and other receivables	6,711,349	17%	6,709,919	17%	8,473,480	21%	4,316,402	17%	4,109,050
Amounts due from other related parties	47,870	0%	104,195	0%	177,244	0%	15,242	0%	16,887
Amounts due from equity accounted investees	127,165	0%	101,824	0%	63,611	0%	38,090	0%	13,881
Other current assets	1,313,385	3%	1,406,878	4%	1,010,819	3%	634,841	3%	586,852
Cash in hand and at bank	6,722,126	17%	5,072,892	13%	3,117,724	8%	2,335,633	9%	1,145,131
<b>Total current assets</b>	<b>26,428,553</b>	<b>66%</b>	<b>27,382,477</b>	<b>68%</b>	<b>28,650,022</b>	<b>72%</b>	<b>15,961,230</b>	<b>63%</b>	<b>12,546,480</b>
<b>Total assets</b>	<b>40,214,250</b>	<b>100%</b>	<b>40,191,191</b>	<b>100%</b>	<b>40,012,077</b>	<b>100%</b>	<b>25,392,916</b>	<b>100%</b>	<b>19,445,652</b>
<b>Equity and liabilities</b>									
<b>Equity</b>									
Stated capital	331,774	1%	331,774	1%	331,774	1%	331,774	1%	331,774
Capital reserves	891,290	2%	891,290	2%	994,758	2%	686,284	3%	675,744
Revenue reserves	21,681,998	54%	20,918,757	52%	16,845,411	42%	12,383,079	49%	8,313,697
Total equity attributable to equity holders of the Company	22,905,062	57%	22,141,821	55%	18,171,943	45%	13,401,137	53%	9,321,215
Non-controlling interest	2,792,786	7%	3,070,745	8%	2,648,637	7%	1,751,304	7%	1,335,444
<b>Total equity</b>	<b>25,697,848</b>	<b>64%</b>	<b>25,212,566</b>	<b>63%</b>	<b>20,820,580</b>	<b>52%</b>	<b>15,152,441</b>	<b>60%</b>	<b>10,656,659</b>
<b>Non-current liabilities</b>									
Interest bearing loans and borrowings	253,719	1%	140,194	0%	677,152	2%	467,591	2%	150,340
Non current lease liability	416,518	1%	206,177	1%	54,051	0%	112,674	0%	98,969
Defined benefit obligations	1,737,269	4%	1,230,526	3%	1,143,285	3%	858,505	3%	648,202
Deferred tax liabilities	192,185	0%	136,709	0%	368,658	1%	139,477	1%	157,979
<b>Total non-current liabilities</b>	<b>2,599,691</b>	<b>6%</b>	<b>1,713,606</b>	<b>4%</b>	<b>2,243,146</b>	<b>6%</b>	<b>1,578,247</b>	<b>6%</b>	<b>1,055,490</b>
<b>Current liabilities</b>									
Trade and other payables	4,203,895	10%	3,703,807	9%	3,398,755	8%	1,886,784	7%	2,156,971
Other current liabilities	393,561	1%	413,884	1%	547,047	1%	538,498	2%	494,134
Amounts due to other related parties	2,379,820	6%	1,635,815	4%	2,186,028	5%	1,256,334	5%	1,875,289
Income tax payable	731,423	2%	645,285	2%	428,797	1%	600,524	2%	228,424
Current lease liability	85,960	0%	86,718	0%	59,361	0%	63,206	0%	42,259
Interest bearing loans and borrowings	4,122,052	10%	6,779,510	17%	10,328,363	26%	4,316,882	17%	2,936,426
<b>Total current liabilities</b>	<b>11,916,711</b>	<b>30%</b>	<b>13,265,019</b>	<b>33%</b>	<b>16,948,351</b>	<b>42%</b>	<b>8,662,228</b>	<b>34%</b>	<b>7,733,503</b>
<b>Total liabilities</b>	<b>14,516,402</b>	<b>36%</b>	<b>14,978,625</b>	<b>37%</b>	<b>19,191,497</b>	<b>48%</b>	<b>10,240,475</b>	<b>40%</b>	<b>8,788,993</b>
<b>Total equity and liabilities</b>	<b>40,214,250</b>	<b>100%</b>	<b>40,191,191</b>	<b>100%</b>	<b>40,012,077</b>	<b>100%</b>	<b>25,392,916</b>	<b>100%</b>	<b>19,445,652</b>

# HISTORY OF DIVIDENDS AND SCRIP ISSUES

Year ended 31st March	Issue	Basis	No.of shares Rs.'000	Cum.No.of shares Rs.'000	Dividend	Dividend Rs.'000
1975	-	-	-	125	-	-
1976	Right issue (at Rs.10)	02:05	50	175	5%	88
1977	-	-	-	175	15%	263
1978	Right issue (at Rs.10)	-	67	242	15%	375
1979	Right issue (at Rs.10)	-	133	375	15%	600
1980	Right issue (at Rs.10)	-	271	646	15%	1,050
1981	Right issue (at Rs.10)	-	460	1,105	18%	2,013
1982	Right issue (at Rs.10)	-	382	1,487	20%	3,000
1983	Right issue (at Rs.10)	-	432	1,920	0%	-
1984	Right issue (at Rs.10)	-	527	2,446	25%	5,750
1985	Right issue (at Rs.10)	-	554	3,000	20%	6,000
1986	Right issue (at Rs.10)	01:06	500	3,500	30%	9,750
1987	Right issue (at Rs.10)	-	935	4,435	50%	19,500
1988	Right issue (at Rs.10)	-	65	4,500	33%	14,850
1989	Script Issue	01:03	1,500	6,000	50%	30,000
1990	Script Issue	1:03	1,500	7,500	45%	33,750
1991	Script Issue	01:05	1,500	9,000	35%	31,500
1992	Script Issue	01:06	1,500	10,500	30%	31,500
1993	-	-	-	10,500	25%	26,250
1994	Issued to employees	01:10	1,050	11,550	25%	28,875
1995	-	-	-	11,550	25%	28,875
1996	Script Issue	01:05	2,310	13,860	35%	48,510
1997	Script Issue	01:05	2,772	16,632	35%	58,212
1998	Script Issue	01:06	2,772	19,404	30%	58,212
1999	Script Issue	01:06	3,234	22,638	30%	67,914
2000	-	-	-	22,638	35%	79,233
2001	Script Issue	01:06	3,773	26,411	40%	105,644
2002	-	-	-	29,712	Rs.3.00 p.s	89,137
2003	-	-	-	29,712	Rs.3.00 p.s	89,137
2004	-	-	-	29,712	Rs.1.50 p.s	44,569
2005	-	-	-	29,712	Rs.1.50 p.s	44,569
2006	-	-	-	29,712	-	-
2007	-	-	-	29,712	Rs.1.00 p.s	29,712
2008	-	-	-	29,712	Rs.2.50 p.s	74,282
2009	-	-	-	29,712	Rs.2.75 p.s	81,709
2010	-	-	-	29,712	Rs.5.00 p.s	148,562
2011	-	-	-	29,712	Rs.5.00 p.s	148,562
2012	-	-	-	29,712	Rs.5.50 p.s	163,418
2013	-	-	-	29,712	Rs.7.00 p.s	207,986
2014	-	-	-	29,712	Rs.6.00 p.s	178,274
2015	-	-	-	29,712	Rs.6.00 p.s	178,274
2016	-	-	-	29,712	Rs.6.00 p.s	178,274
2017	-	-	-	29,712	Rs.6.00 p.s	178,274
2018	-	-	-	29,712	Rs.6.00 p.s	178,274
2019	-	-	-	29,712	Rs.8.00 p.s	237,699
2020	-	-	-	29,712	Rs.15.00 p.s	445,686
2021	Share Split	01:10	-	297,124	Rs.3.70 p.s	1,099,358
2022	-	-	-	297,124	Rs.2.80 p.s	831,946
2023	-	-	-	297,124	Rs.5.65 p.s	1,678,749
2024	-	-	-	297,124	Rs.6.00 p.s	1,782,743

# INVESTOR INFORMATION

## 1. STOCK EXCHANGE LISTING

The Interim Financial Statements for the fourth quarter ended 31st March 2024, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

## 2. SHAREHOLDERS

Haycarb PLC - Ordinary Shareholders as at 31st March 2024.

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	4139	1,250,881	0.42	14	4,789	0.00	4,153	1,255,670	0.42
1,001 _ 10,000	2311	9,005,436	3.03	28	162,422	0.05	2,339	9,167,858	3.08
10,001 _ 100,000	730	21,918,164	7.38	14	376,651	0.13	744	22,294,815	7.51
100,001 _ 1,000,000	109	26,184,804	8.81	7	2,046,910	0.69	116	28,231,714	9.50
OVER 1,000,000	9	228,240,907	76.82	3	7,932,786	2.67	12	236,173,693	79.49
<b>TOTAL</b>	<b>7,298</b>	<b>286,600,192</b>	<b>96.46</b>	<b>66</b>	<b>10,523,558</b>	<b>3.54</b>	<b>7,364</b>	<b>297,123,750</b>	<b>100.00</b>

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	%
<b>Category</b>									
Individuals	6,925	58,352,216	19.64	61	9,337,878	3.14	6,986	67,690,094	22.78
Institutions	373	228,247,976	76.82	5	1,185,680	0.40	378	229,433,656	77.22
<b>TOTAL</b>	<b>7,298</b>	<b>286,600,192</b>	<b>96.46</b>	<b>66</b>	<b>10,523,558</b>	<b>3.54</b>	<b>7,364</b>	<b>297,123,750</b>	<b>100.00</b>

As at 31st March 2024, there were 7,364 (31st March 2023 - 7,977) registered shareholders.

## 3. MARKET VALUE

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

As at 31st March	2024		2023	
Highest Price	Rs. 79.10	3/12/24	Rs. 80.00	9/20/22
Lowest Price	Rs. 51.80	5/30/23	Rs. 40.00	4/27/22
Closing Price	Rs. 76.50	3/28/24	Rs. 56.30	3/31/23
No. of Transactions	16,258		22,383	
No. of shares traded	17,891,683		22,294,453	
Value of shares traded (Rs.)	1,245,585,637		1,412,145,330	

# INVESTOR INFORMATION

## 4. QUARTERLY FINANCIAL DATA

	Q1		Q2		Q3		Q4	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	10,215,398	15,041,682	21,606,508	33,386,078	32,307,132	48,092,894	43,179,205	60,943,256
Profit before tax	1,060,275	3,685,067	2,579,520	5,635,888	4,556,189	7,319,468	6,113,254	8,258,032
Tax expense	294,582	661,558	749,025	1,193,081	1,269,341	1,698,292	1,807,625	1,752,544
Profit after tax	765,693	3,023,509	1,830,495	4,442,807	3,286,848	5,621,176	4,305,629	6,505,488
Profit attributable to equity holders of the parent	631,176	2,890,190	1,590,282	4,091,292	2,870,262	5,002,312	3,743,929	5,823,160
Profit attributable to non-controlling interest	134,517	133,319	240,213	351,515	416,586	618,863	561,700	682,328
Total comprehensive income for the period, net of tax	(130,578)	4,620,754	1,301,609	6,293,283	3,021,216	7,371,377	2,672,173	7,057,662
Non current assets	12,459,005	11,901,298	12,731,828	12,511,614	13,191,897	12,596,594	13,785,697	12,808,714
Current assets	25,847,478	37,837,721	25,282,116	36,744,461	26,292,672	30,924,079	26,428,553	27,382,477
Total equity	24,784,864	24,796,527	25,540,230	25,651,967	26,665,590	26,231,534	25,697,848	25,212,566
Non current liabilities	2,138,727	2,245,490	2,156,799	1,976,500	2,142,010	1,699,806	2,599,691	1,713,606
Current liabilities	11,382,892	22,697,002	10,316,915	21,627,608	10,676,969	15,589,332	11,916,711	13,265,019

## 5. TOP 20 SHAREHOLDERS

Name of the Shareholder		No. of Shares as at 31/03/2024	%	No. of Shares as at 31/03/2023	%
1	Hayleys PLC No. 3 Share Investment Account	201,251,030	67.73	201,251,030	67.73
2	Employee's Provident Fund	13,230,763	4.45	13,230,763	4.45
3	Mr. T. Ueda	4,824,200	1.62	4,126,014	1.39
4	Dr. D. Jayantha	4,077,600	1.37	3,630,000	1.22
5	Mr. H.S.R. Kariyawasan/Mrs. K.H.S. Kariyawasan	2,979,671	1.00	2,379,508	0.80
6	Mrs. J.K.P. Singh	1,878,586	0.63	2,000,000	0.67
7	Mr. S. Rameshan	1,649,680	0.56	1,649,680	0.56
8	Mrs. J.N. Ambani	1,530,000	0.51	1,530,000	0.51
9	Mr. Z.G. Carimjee	1,350,000	0.45	1,350,000	0.45
10	Mr. H.S. Gill	1,230,000	0.41	1,230,000	0.41
11	Employees Trust Fund Board	1,167,287	0.39	1,546,470	0.52
12	Mrs. S. Vasudevan/Mr. S. Vasudevan	1,004,876	0.34	945,120	0.32
13	DFCC Bank A/c 1	1,000,000	0.34	500,000	0.17
14	Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	779,835	0.26	-	-
15	Miss. M.P. Radhakrishnan	778,443	0.26	740,100	0.25
16	Miss A. Radhakrishnan	760,000	0.26	740,000	0.25
17	Mr. A.A. Thakshann	710,780	0.24	710,780	0.24
18	Harnam Holdings SDN BHD	710,000	0.24	770,000	0.26
19	Mr. R. Maheswaran	700,010	0.24	700,010	0.24
20	Mr. W.K.G.N. Perera	700,000	0.24	700,000	0.24
SUBTOTAL		242,312,761	81.55		
OTHERS		54,810,989	18.45		
TOTAL		297,123,750	100.00		

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

Name of the Shareholder	As at 31/03/2024	As at 31/03/2023
Mr. A.M. Pandithage	23,790	23,790
Mr. H.S.R. Kariyawasan*	2,979,671	2,379,508
Mr. B. Balaratnarajah	30,040	30,040
Mr. S.C. Ganegoda	73,150	73,150
Mr. A.M. Senaratna	-	-
Mrs. M.J.A.S. Abeyratne	-	-
Mr. M.S.P. Udaya Kumara	4,620	4,620
Mr. A.A.M. Caderbhoy	-	-
Mr. J.D. Naylor	-	-
Mr. H. Jamaldeen	-	-
Mrs. H.M.N.S. Gunawardana	-	-
Ms. K.A.D.B. Perera	-	-
Mrs. A.I. Wanigasekera (Appointed w.e.f. 3rd January 2024)	-	-
Mr. M.N.R. Fernando (Appointed w.e.f. 3rd January 2024)	-	-
Mr. P.Y.S. Perera (Appointed w.e.f. 1st April 2024)	2,500	-
Mr. S.A.K. Abayawardana (Resigned w.e.f. 31st December 2023)	-	-
Mr. S. Rajapakse (Resigned w.e.f. 1st April 2024)	-	-
	<b>3,113,771</b>	<b>2,511,108</b>

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

## 7. PUBLIC HOLDING

Public Holding	As at 31st March 2024
Market Capitalization as at 31st March 2024 Rs.	22,729,966,875.00
Public holding percentage of the Company (%)	31.22
Float-adjusted market capitalization Rs.	7,096,295,658.38

The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2024, was 31.22% (2023- 31.42%) held by 7358 ordinary shareholder (2023 - 7971).

The Company complies with option 3 of the Listing Rules 7.13.1 (i) (a) – which requires 7.5% Public Holding.

# COUNTRY REPORT

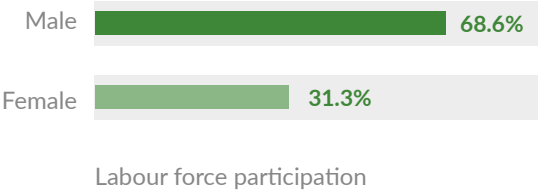
Swift and decisive policy interventions by the GoSL and CBSL helped steer Sri Lanka out of its deepest economic crisis in 2022, achieving stability and paving the way for recovery. While the economy is positioned for continued recovery and a course towards long term sustainable growth, this is largely contingent on its commitment to ambitious reforms and economic adjustments outlined in the IMF's Extended Funds Facility programme. A snapshot of the Sri Lanka's economic performance in 2023 is given below.



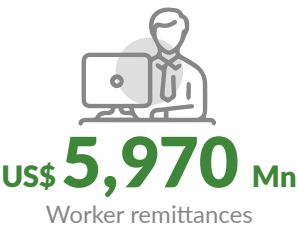
## Gross Domestic Product



## LABOUR FORCE AND UNEMPLOYMENT



## EXTERNAL SECTOR



## DEBT AND INFLATION

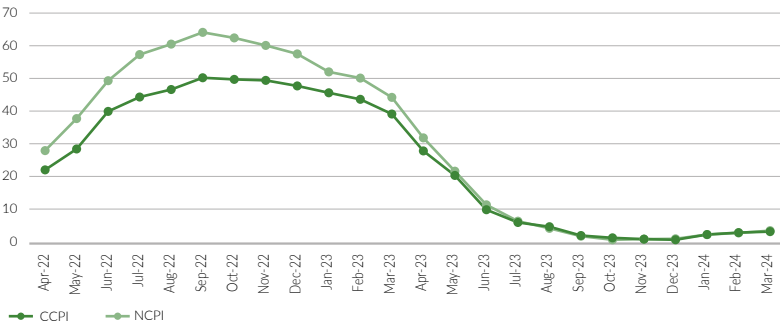


**Rs.29,145 Bn**  
Public debt

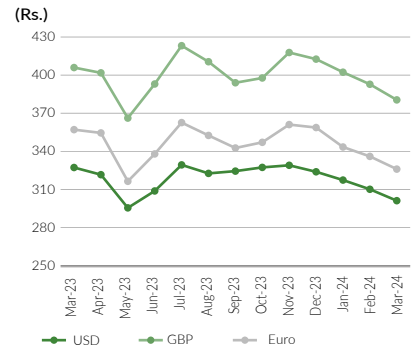


**4%**  
Inflation

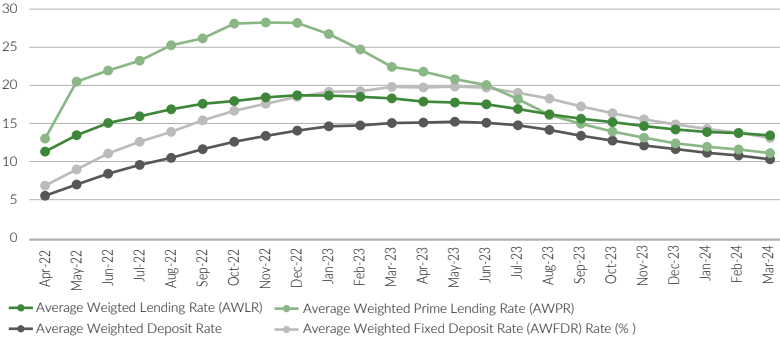
### Inflation (%)



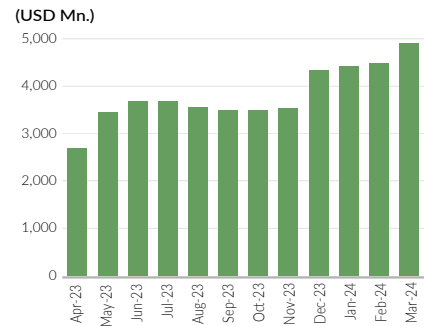
### Exchange Rate Movement (Rs.)



### Interest Rates (%)



### Foreign Exchange Reserves (USD Mn.)





# GROUP PROFILE

	Incorporation	Stated/Share Capital	Group Interest
<b>HAYCARB PLC</b> Manufacturing and Marketing of Activated Carbon			Parent Company
<b>EUROCARB PRODUCTS LTD.</b> Distributors of Activated Carbon Products and Technology in Europe	1986 in UK (Bristol, England)	£ 100,000	100% (Subsidiary)
<b>HAYCARB HOLDINGS AUSTRALIA (PTY) LTD.</b> Distributors of Activated Carbon Products and Technology in Australia	1989 in Australia (Victoria, Australia)	AUD 150,000	100% (Subsidiary)
<b>CARBOKARN CO. LTD.</b> Manufacture and Sale of Activated Carbon	1993 in Thailand (Bangkok, Thailand)	THB 50,000,000	50% (Subsidiary)
<b>CK REGEN SYSTEMS CO. LTD.</b> Regeneration of Spent Carbon	2002 in Thailand (Bangkok, Thailand)	THB 15,000,000	50% (Subsidiary)
<b>HAYCARB USA INC.</b> 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)
<b>PURITAS (PVT) LTD.</b> Environmental Engineering	1995 in Sri Lanka	Rs. 18,000,000	100% (Subsidiary)
<b>RECOGEN (PVT) LTD.</b> Charcoal Making and Power Generation	1997 in Sri Lanka	Rs. 370,000,000	100% (Subsidiary)
<b>PT MAPALUS MAKAWANUA CHARCOAL INDUSTRY</b> Manufacture and Sale of Activated Carbon	1985 in Indonesia (Bitung, Indonesia)	IDR. 37,102,000,000	100% (Subsidiary)
<b>HAYCARB HOLDINGS BITUNG LTD.</b> Investment	2005 in British Virgin Islands	USD 1,400,000	100% (Subsidiary)
<b>CARBOTELS (PVT) LTD.</b> Investor in Tourist Resorts	1991 in Sri Lanka	Rs. 368,665,000	25.2% (Associate)
<b>ULTRACARB (PVT) LTD.</b> Manufacture and Sale of Value Added Activated Carbon	2010 in Sri Lanka	Rs. 250,000,000	100% (Subsidiary)
<b>LAKDIYATHA (PVT) LTD.</b> Sewage and Wastewater Treatment Plant	2011 in Sri Lanka	Rs. 50,000,000	49% (Associate)
<b>SHIZUKA CO. LTD.</b> Manufacture and Sale of Activated Carbon	2012 in Thailand (Ratchaburi Province, Thailand)	THB 20,000,000	50% (Subsidiary)
<b>PT HAYCARB PALU MITRA</b> Manufacture and Sale of Activated Carbon	2012 in Indonesia (Palu, Indonesia)	IDR 20,508,850,000	60% (Subsidiary)

Directors		
A.M. Pandithage (Chairman)	Dr. S.A.K. Abayawardana (Resigned from 31st December 2023)	Ms. H.M.N.S. Gunawardana
H.S.R. Kariyawasan (Managing Director)	S. Rajapakse (Resigned from 01st April 2024)	Ms. K.A.D.B. Perera
B. Balaratnarajah (Deputy Managing Director)	M.S.P. Udaya Kumara	Ms. A I Wanigasekara (Appointed w.e.f. 03rd January 2024)
A.M. Senaratna	A.A.M. Caderbhoy	M N R Fernando (Appointed w.e.f. 03rd January 2024)
S.C. Ganegoda	J.D. Naylor	P Y S Perera (Appointed w.e.f. 01st April 2024)
Ms. M.J.A.S. Abeyratne	M.H. Jamaldeen	
A.M. Pandithage (Chairman)	H.S.R. Kariyawasan	Ms. K.A.D.B Perera
J.D. Naylor (Managing Director)	R. Bittel	Ms. M.J.A.S. Abeyratne
A.M. Pandithage (Chairman)	M. Marques	L.R.M.R.A.L Karunaratne
H.S.R. Kariyawasan	B.P.R. Liyanage (Resigned from 01st April 2024)	A.A.M. Caderbhoy
Ms. M.J.A.S. Abeyratne	S.C. Ganegoda	
A.M. Pandithage (Chairman)	B. Karnchanabatr	Ms. C. Karnchanabatr
P. Kanchanabatr (Managing Director)	K. Karnchanabatr	Ms. M.J.A.S. Abeyratne
H.S.R. Kariyawasan	Y.P.A.S. Pathirathna	B. Balaratnarajah
		T. Karnchanabatr
A.M. Pandithage (Chairman)	K. Karnchanabatr	Ms. M.J.A.S. Abeyratne
P. Kanchanabatr (Managing Director)	Y.P.A.S. Pathirathna	B. Balaratnarajah
H.S.R. Kariyawasan	Ms. C. Karnchanabatr	T. Karnchanabatr
B. Karnchanabatr		
A.M. Pandithage (Chairman)	Y.P.A.S. Pathirathna	M S P Udaya Kumara
H.S.R. Kariyawasan	A.M. Senaratne	L.R.M.R.A.L Karunaratne
Ms. M.J.A.S. Abeyratne	B. Balaratnarajah	Chris Rosauer
A.M. Pandithage (Chairman)	Ms. M.J.A.S. Abeyratne	B. Balaratnarajah
H.S.R. Kariyawasan	I.A.S.L. Athukorala	M.L. Wickramasinghe
A.M. Pandithage (Chairman)	A.R. De Silva (Resigned from 15th January 2024)	Ms. M J A S Abeyratne (Appointed w. e. f. 01st December 2023)
H.S.R. Kariyawasan	B. Balaratnarajah	
A.M. Pandithage	B. Balaratnarajah	Ms. M.J.A.S Abeyratne
(President Commissioner)	M.S.P. Udaya Kumara	L.R.M.R.A.L Karunaratne
S.C. Ganegoda (Vice-President Commissioner)	A.A.M. Caderbhoy	G.M.G Gunawardena
H.S.R. Kariyawasan (President Director)	R. Mapahena	
A.M. Pandithage (Chairman)	H.S.R. Kariyawasan	
A.M. Senaratna	Ms. M.J.A.S. Abeyratne	
A.M. Pandithage (Chairman)		
S.C. Ganegoda		
A.M. Pandithage (Chairman)	B. Balaratnarajah	
H.S.R. Kariyawasan	M.S.P. Udaya Kumara	
Ms. M.J.A.S. Abeyratne	A.A.M. Caderbhoy	
A.M. Pandithage	G. Dourdin	
H.S.R. Kariyawasan	S.R. Singh	
L. Teague		
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	
J. Yauri (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. Karman

# GROUP PROFILE

	Incorporation	Stated/Share Capital	Group Interest
<b>PURICARB (PTE.) LTD.</b> Engineering Consultancy Services	2014 in Singapore	USD 50,001	100% (Subsidiary)
<b>HAYCARB ACTIVATED CARBON (PVT) LTD.</b> Business Development	2017 in India	INR 3,367,970	100% (Subsidiary)
<b>HAYCARB SINGAPORE PTE LTD</b> Investment and Marketing	2024 in Singapore		100% (Subsidiary)
<b>HAYCARB PHILIPPINES CORPORATION</b> Manufacturing and Marketing of Activated Carbon	2024 in Singapore		100% (Subsidiary)

Directors			
A.M. Pandithage (Chairman)	Ms. M.J.A.S. Abeyratne		
H.S.R. Kariyawasan	Wong Yong Fei		
A.M. Pandithage (Chairman)			
H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne	Elindram Srinivasulu	
A.A.M. Caderbhoy			
A.M. Pandithage (Chairman)	Ms. M.J.A.S. Abeyratne	Wong Yong Fei	
H S R Kariyawasan (Managing Director)	A A M Caderbhoy		
B Balaratnarajah (Deputy Managing Director)	M S P Udaya Kumara		
A.M. Pandithage (Chairman)	Ms. M.J.A.S. Abeyratne	Ronald D. Policarpio	
H S R Kariyawasan (Managing Director)	A A M Caderbhoy		
B Balaratnarajah (Deputy Managing Director)	M S P Udaya Kumara		

# GLOSSARY OF FINANCIAL TERMS

## Actuarial Gains and Losses

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

## Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life

## Capital Employed

Shareholders' funds plus non-controlling interests and interest bearing borrowings.

## Cash Equivalents

Liquid investments with original maturity periods of three months or less.

## Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## Current Ratio

Current assets divided by current liabilities. A measure of liquidity

## Current Service Cost

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

## Deferred Taxation

The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

## Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

## Dividend Payout

Dividend per share as a percentage of the earnings per share. Dividend Yield Dividend per share as a percentage of the market price. A measure of return on investment.

## Dividend Yield

Dividend per share as a percentage of the market price. A measure of return on investment.

## DPS

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends declared during the year by the number of outstanding ordinary shares issued.

## EBIT

Earnings Before Interest and Tax.

## EBITDA

Earnings before interest expense, tax, depreciation and amortization (includes other operating income). Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees but excludes exchange gains or losses on its foreign currency denominated debt and cash.

## Effective Tax Rate

Income tax expense divided by profit before tax.

## EPS

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

## Equity

The value of an asset after all the liabilities or debts have been paid.

## Fair Value

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.

## Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

## Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

## Financial Liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

## Gearing

Proportion of total interest-bearing borrowings to capital employed.

## Interest Cover

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

## Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

## Market Capitalization

Number of shares in issue multiplied by the market value of a share at the reported date.

## Net Assets Per Share

Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation

## Non-controlling Interest

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

## Other comprehensive income

An entry that is generally found in the shareholders' equity section of the balance sheet.

## Price Earnings Ratio

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

## Return on Capital employed

Profit before tax and net finance cost divided by average capital employed.

## Segments

Constituent business units grouped in terms of similarity of operations and location.

## Value Addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

## Working Capital

Capital required to finance day-to-day operations, computed as the excess of current assets over current liabilities.

# 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

Bank of China

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,

Rotunda Towers,

No: 109, Galle Road,

Colombo 03, Sri Lanka.

## **Parent Company**

Hayleys PLC

## **Accounting Year End**

31st March

Designed & produced by

**emagewise**

Digital Plates & Printing by  
Softwave Printing and Packaging (Pvt) Ltd

# NOTICE OF ANNUAL GENERAL MEETING

## HAYCARB PLC

Company Registration No. PQ 59

**NOTICE IS HEREBY GIVEN THAT THE FIFTY FIRST ANNUAL GENERAL MEETING OF HAYCARB PLC** will be held on Thursday, 27th June 2024 at 9.00 a.m. at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 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 2024, with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. M.N.R. Fernando, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
3. To re-elect as a Director Mrs. A.I. Wanigasekera, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. P.Y.S. Perera, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
5. To re-elect as a Director Mrs. M.J.A.S. Abeyratne, 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. 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.
7. 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.
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.

### Ordinary Resolution

'That, Mr. Arjun Michael Senaratna, who has attained the age of seventy four years be and is hereby re-appointed as 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 him.'

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.

### Ordinary Resolution

'That, Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy three years be and is hereby re-appointed as 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 him.'

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 2024/25 and to authorise the Directors to determine their remuneration.

By Order of the Board,

**HAYCARB PLC**



**HAYLEYS GROUP SERVICES (PRIVATE) LIMITED**  
Secretaries

Colombo.  
31st May 2024

### Notes to shareholders:

1. The Annual Report of the Company for 2023/24 is available on the corporate website [www.haycarb.com](http://www.haycarb.com) and on the Colombo Stock Exchange website - [www.cse.lk](http://www.cse.lk).
2. 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 the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form-Annexure A' to the office of the Secretaries.

# FORM OF PROXY

**HAYCARB PLC**  
Company Registration No. PQ 59

I/We ..... full name of Shareholder

NIC No./Reg. No. of Shareholder .....

of ..... being Shareholder/Shareholders

of **HAYCARB PLC** hereby appoint:

..... full name of proxyholder

NIC No of proxyholder .....

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

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Fifty First Annual General Meeting of the Company to be held on Thursday, 27th June 2024 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2024, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director Mr. M.N.R. Fernando, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mrs. A.I. Wanigasekera, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Mr. P.Y.S. Perera, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a Director Mrs. M.J.A.S. Abeyratne, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect as a Director Mr. A.A.M. Caderbhoy, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect as a Director Mr. J.D. Naylor, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint Mr. A.M. Senaratna, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.	<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 2024/25 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of .....2024.

.....  
Signature of Shareholder

(Instructions are given overleaf)



# FORM OF PROXY

## Instructions:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. 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.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Proxy Form must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. 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.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

## NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

[illegible]



