Haycarb PLC

Annual Report 2017/18

HAYCARB

Activated carbon solutions

Resilience

Haycarb PLC is a globally renowned Company with over four decades of experience as one of the world's leading suppliers of coconut shell derived activated carbon. Our production facilities in international locations in addition to those in Sri Lanka, allow the Company to deploy a balanced product portfolio serving specialised applications to some of the world renowned brand names.

We have the capacity, potential and financial strength to evolve even further across the value chain. Our leading position in the industry and core competencies in the manufacturing of high quality activated carbon supported by the environmental engineering arm has enabled us to withstand the test of time over our extended history.

Whilst these qualities aptly portray Haycarb PLC...they also define the resilience we have built on our strong foundation.

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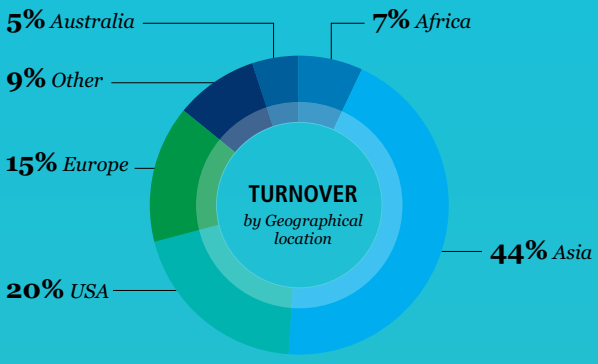
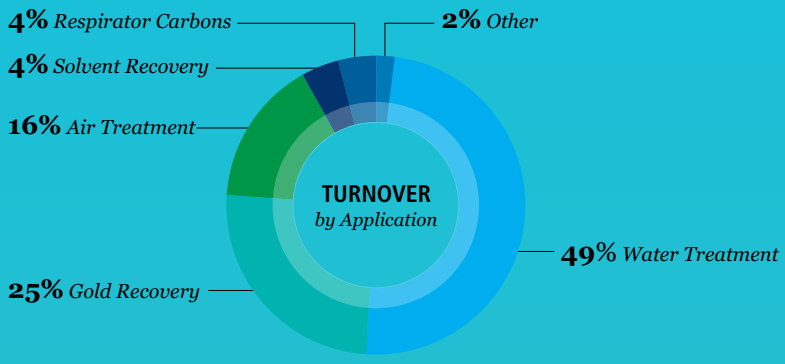
Global Presence





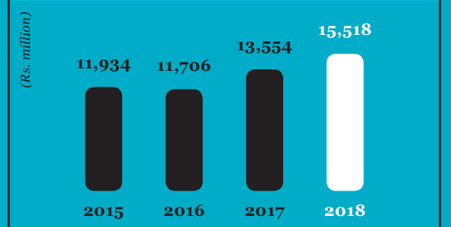
50,000 tons per annum

Activated Carbon supply capacity

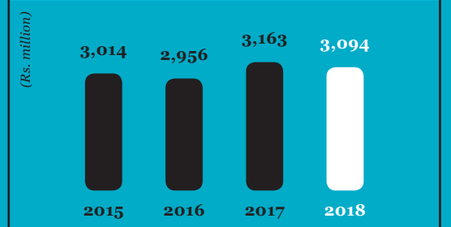
Key Performance Indicators

STATEMENT OF INCOME

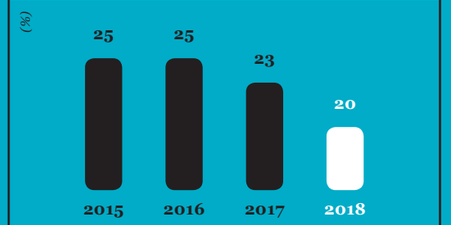
Revenue



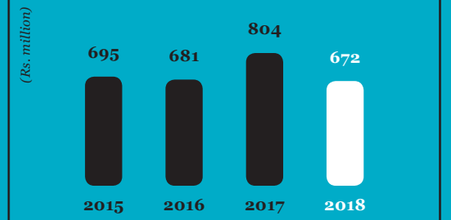
Gross Profit



Gross Profit Margin

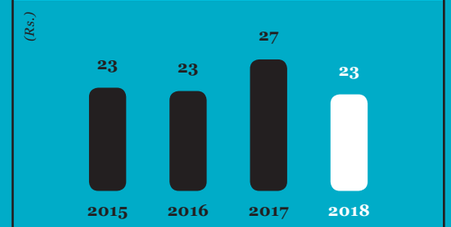


Profit Attributable to Equity Shareholders

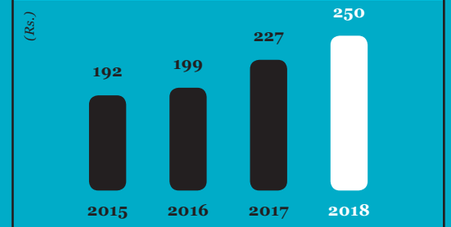


RETURN TO SHAREHOLDERS

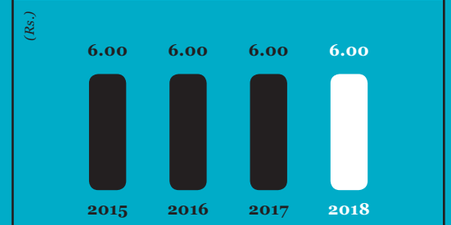
EPS



NAV Per Share

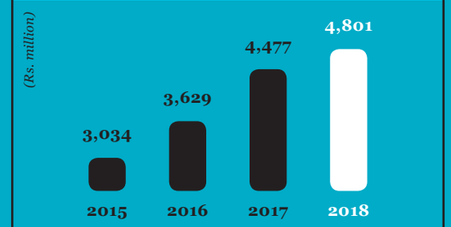


DPS

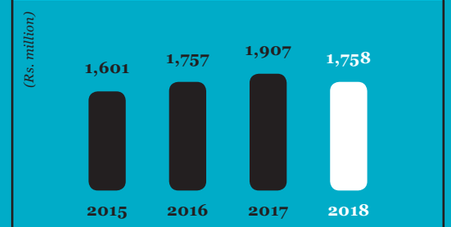


CASH FLOWS

Cumulative Investment in CAPEX

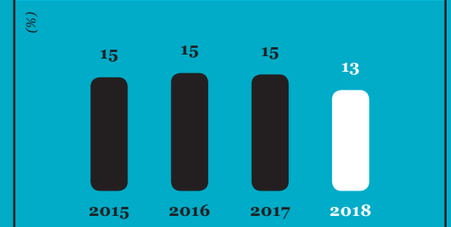


Operating Cash Flow

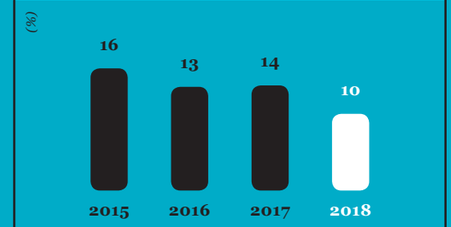


RATIOS

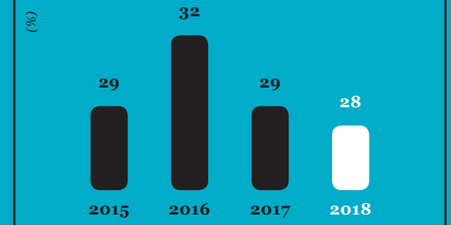
Overheads Cost to Revenue Ratio



ROCE

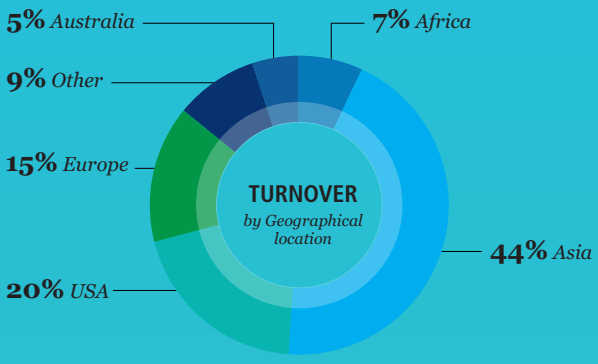


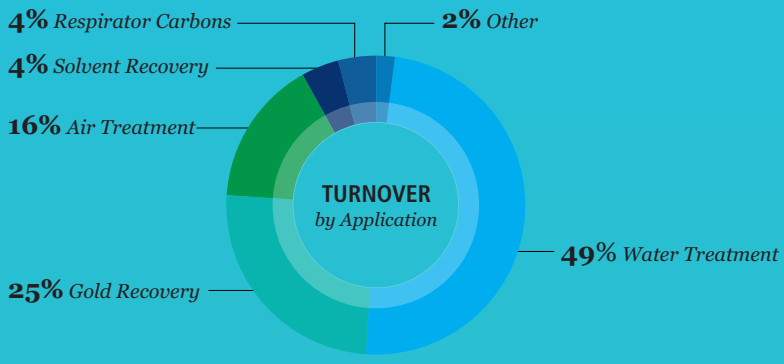
Gearing Ratio



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

Global Presence





50,000 tons per annum

Activated Carbon supply capacity

A carefully structured strategic plan has guided the Company towards sustained growth this year. In following its path towards achieving desired outcomes, we were very proactive in positioning our products in emerging markets. At the same time, we reinforced our status in developed markets, particularly in key application and customer segments. The Company further expanded its Environmental Engineering business to achieve selective regional presence and growth in water/wastewater treatment systems, while focusing on large scale infrastructure projects in Sri Lanka.

The Company sustained momentum in developing key markets through the upgrade of technology and quality systems of our manufacturing plants. Another resultant positive from this was seen in our ability to maintain our positioning as customer-centric industry leaders. A vibrant approach and effort in the areas of Research and Development, Marketing and Business Development and Manufacturing Technologies resulted in a range of new, innovative, high-value products, which enhanced as well as expanded our existing portfolio. These products include special grades of Chloramine Removal Carbon, Cabin Air Carbon, Heavy Metal Removal Carbon, Super Capacitor Carbon and Respirator Carbons.

We furthered our drive towards sustainability embarking on projects to reduce fossil fuel usage in all our manufacturing facilities, via facilitating of the operation of vertical kilns for environmental friendly charcoaling in Thailand and the expansion of the Haritha Angara project in Sri Lanka. Our flagship Corporate Social Responsibility initiative "Puritas *Sath Diyawara*" provides much needed purified drinking water to villages afflicted by Chronic Kidney Disease.

By continuing to focus on our core product portfolio, implementing lean initiatives, adopting new technology and machinery, successfully enhancing capacity and aggressively expanding our market reach whilst enlarging our footprint in the Environmental Engineering business segment, we were able to maintain our position as a world leader in the manufacture of coconut shell-based activated carbon and a highly credible provider of innovative purification solutions.

Strategy

4/ Joint Statement from the Chairman and the Managing Director

12/ Financial Review

18/ Corporate Social Responsibility

Joint Statement from the Chairman and the Managing Director

Mohan Pandithage
Chairman

"The Group revenue grew by 14% to Rs. 15,518 million in spite of severe shortages and turbulence in the raw materials supply chain of its coconut shell-based activated carbon business, demonstrating the strength and versatility of Haycarb as a leader in this industry."

Rajitha Kariyawasan
Managing Director

We are pleased to present the Annual Report of Haycarb PLC for the financial year 2017/18. The Group revenue grew by 14% to Rs. 15,518 million in spite of severe shortages and turbulence in the raw materials supply chain of its coconut shell-based activated carbon business, demonstrating the strength and versatility of Haycarb as a leader in this industry. The Group's Environmental Engineering Business Puritas posted a significant profit growth of 37% to Rs. 401 million, indicating its potential to be a large player in the region.

REVIEW OF OPERATIONS

Financial Performance

Haycarb Group recorded a turnover of Rs. 15,518 million while the profit before and after tax stood at Rs. 926 million and Rs. 774 million respectively for the financial year. The earnings per share was Rs. 22.63 while net assets per share increased by 10% to Rs. 249.99.

Considering the creditable performance of the Company and future prospects, the Board of Directors has recommended a first and final dividend of Rs. 6/- per share.

Activated Carbon Operation

The revenue from activated carbon operations grew by 15% to Rs. 14,156 million mainly due to the increase in sales volumes by 10%. However, the profit before tax attributable to the activated carbon segment declined by 42% to Rs. 508 million as the net margins were severely affected by the shortages and the resultant cost increases of raw material that is more fully described below.

The strong demand and growth for activated carbon globally including the recovery of demand for gold carbon ensured that Haycarb's order books remained full through the year under review. Haycarb's growth in volumes through productivity improvements that included reduction of by-products and optimising plant utilisation in a period of short supply of the raw material, resulted in increasing efficiencies and showcases the strength of its manufacturing and charcoal procurement network which is spread across key coconut producing countries in Asia. The increase in sales helped to mitigate the negative impact of increasing cost structures that could not be fully passed on to customers.

The drought conditions that prevailed in 2016 and 2017 resulted in shortages of raw materials in India and Sri Lanka during the second half of the financial year. Charcoal procurement cost in Sri Lanka increased by an unprecedented 45% over the last six months of the financial year. The average cost of procurement escalated further as the Company was compelled to import raw materials at higher prices from India to bridge the short supply situation in Sri Lanka and to continue to service its valued customers. Simultaneously in Thailand, shortages in raw material supplies continued to erode charcoal inventory levels compelling the Company to purchase raw materials at higher prices. In Indonesia, after two consecutive years of raw material shortages that caused losses to the Company, the coconut crops continued to improve through the financial year and charcoal production gained near normalcy by the end of the fiscal year. However the shortage of raw material during the first part of the year, and the severe competition from exporters of charcoal, who were active in this market due to shortages in other locations, prevented reductions in the charcoal trading prices in Indonesia.

In this background, Haycarb had to negotiate price revisions to pass on the cost increases to the customers. However, the additional expenditure on raw material during the year was not fully compensated, because of the slow acceptance of price revisions by the global markets in the initial rounds of negotiations and the time lag for effecting the price changes due to the existence of pre-accepted orders and long-term contract commitments. In the interest of medium- term protection of the business, Haycarb selectively shielded customers from the turbulence in the supply chain in order to mitigate the panic in the distribution chain by rolling out the price revisions with caution.

The Company dedicated resources to further broad-base the charcoal supply network in all locations that it operates in, whilst providing financial and technical assistance to construct and operate environment-friendly charcoal pits in Sri Lanka under the *Haritha Angara* initiative and the Vertical Charcoaling Kilns in Thailand.

There were notable successes in product and market development initiatives that facilitated entry in to new market segments in line with the strategy of improving the product mix to reflect a higher percentage of value added carbons. Significant progress was made in applications such as high capacity formaldehyde removal carbons, high capacitance EDLC carbons and developing enhanced capacity Chloramine removal carbons.

The R&D teams continue to focus on process improvements and introducing new products that will enhance the product and end application offering of the Group. In order to mitigate the effects of shortage of coconut shell-based charcoal, the Company has conducted successful trials to activate and validate non-coconut based activated carbon products to expand its product portfolio and offering to customers.

The appreciation of the Thai Baht against US Dollars impacted the profitability of exports from Carbokarn Group in Thailand which had a significant impact on the bottom line.

Limitations on raw material availability compelled Carbokarn Company Ltd. and Shizuka Ltd., in Thailand to rationalise kiln utilisation, while the shortages resulted in increased cost of purchase of the raw material. CK Regen Systems profits were impacted by price reductions offered to retain market share in the face of increasing competition even though a better product mix helped improve margins.

The Indonesian Sector continued to make losses for the second consecutive year as the charcoal prices peaked in October 2017 coupled with inability to fully pass the price increases to customers. The situation worsened as charcoal shortages resulted in kiln underutilisation leading to under absorption of fixed costs contributing to further erosion of profits. However, the initiatives to reduce costs and overheads together with capacity building that validated the Indonesian Production facilities for the supply of a higher value adding product mix helped to mitigate the losses. The normalisation of coconut crops and charcoal supplies is expected to ease the pressure on profit margins next year in this sector, even though the Company does not expect to see a reduction in the charcoal prices in this location.

Across all manufacturing locations, productivity improvement projects that were carried out under the Lean platform in order to improve efficiencies and reduce costs produced notable results and added considerable savings to the bottom line. Haycarb manufacturing function continuously reviews and strengthens the Quality Assurance and Quality Management Systems as a key strategic initiative to stay on top of its value chain. The manufacturing locations have embraced 5S and Lean practices as a way of life while priority is given to Safety, Health and Environmental practices and improve sustainability with the active participation of all employees. During the year, the Company was certified for Good Manufacturing Practices

(GMP), HACCP and ISO 22000:2005 from SGS, which will facilitate the positioning of Haycarb products in high value added product segments in human consumption and pharmaceutical applications.

Environmental Engineering

Puritas (Pvt.) Ltd. concluded the year recording a healthy profit before tax of Rs. 401.9 million, signifying an increase of 37% compared to the previous year. Puritas specialises in water and waste water purification systems across a wide range of industries and small to large scale Government infrastructure projects in Sri Lanka and in the Maldives. The Company has a strong collaboration with Veolia Water, a leading water treatment company based in France to participate in medium and large water treatment projects, that is yielding significant synergies whilst improving top and bottom lines.

The activated carbon end products including carbon layered protective face masks manufactured and marketed by Puritas also recorded a satisfactory growth during the financial year.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Social Empowerment

Puritas *Sath Diyawara*, the CSR Initiative done in partnership with different business sectors of its Parent Company Hayleys PLC currently provides 160,000 litres of safe drinking water daily to over 33,000 persons across 19 villages at risk of chronic kidney disease in the Central and North Central Provinces of Sri Lanka. This flagship CSR initiative won the prestigious Energy Globe World Award 2017 for Water Category and the CSR Gold Award of JASTECA 2018 (Japan-Sri Lanka Technical and Cultural Association).

The extension of Puritas *Sath Diyawara* water projects, the "Going Beyond" initiative of the Hayleys Group that was led and coordinated by Puritas contributed annual school books and other essential requirements to over 2,400 school children spread across 10 schools with the objective of creating a conducive and uninterrupted environment to primary and secondary education of children in farming communities.

Health

Haycarb donates medical grade activated carbon to the National Hospitals of Sri Lanka through the Ministry of Health for the treatment of patients who have ingested poisonous substances. This initiative helps to save many lives year on year.

"Puritas strategy to achieve enhanced growth in the short to medium term is based on its proven technical know-how and customer service track record that has established the Company as a trusted purification solutions provider in the region. This will be leveraged to grow its business portfolio in Sri Lanka and Maldives where it has successfully executed purification projects for both the Government and private sectors."

Environment

One hundred and twenty environmental-friendly charcoaling pits currently manufacture nearly 2,000 MT of charcoal per month under the *Haritha Angara* initiative, promoted by Haycarb Sri Lanka to introduce environment-friendly charcoaling methodology through financial and technical assistance to selected suppliers. Carbokarn continued to invest in the improvement of the 26 vertical charcoaling kilns that were installed to promote environmental charcoaling facility in Thailand. Haycarb's flagship Green Charcoaling project, Recogen continues to contribute significantly in reducing carbon foot print in the industry at a large scale.

Haycarb continued to reduce its carbon foot print in its manufacturing facilities in initiatives that ranged from usage of waste heat for charcoal and carbon drying in Thailand and Sri Lanka, water reduction initiatives and reduction of electricity usage through rationalisation of machinery and optimising usage of natural daylight during the year under review.

WAY FORWARD

Outlook

The Company remains confident of its position of strength and stability in the activated carbon industry, regeneration services and the environment engineering segment to continue the growth platform in the background of continued emphasis placed on environmental sustainability standards and regulations globally.

Activated Carbon Operations

In the short term, Haycarb will carefully manage the supply chain networks to ensure uninterrupted deliveries at competitive market rates to its valued customers. It will also continue to leverage on its manufacturing excellence to ensure quality and timely delivery on the one hand whilst deploying its R&D, technical and engineering teams to develop new products, improve processes and promote sustainable manufacturing practices.

Strong supply networks with the ability to source coconut shell charcoal at competitive price levels remains one of the key drivers of success of the activated carbon industry. Whilst Haycarb continues to promote environmental-friendly charcoaling in Sri Lanka and Thailand, it will introduce more Collection and Granulation centres in Indonesia with the objective of improving the quality and quantity of raw material intake. The Company is targeting to build sufficient safety stocks of charcoal at correct price and supply points to ensure supply security to support its sales growth globally.

Haycarb will continue to expand its manufacturing and sourcing foot print in other key coconut producing countries as a strategic initiative to build its capacity. Haycarb is exploring opportunities to increase its total activated carbon volumes by a further 10,000 MT annually in the medium term and will further strengthen the networks established to source activated carbon for value addition. It will further expand the product range in coal and wood carbons on selected application segments.

We are working with a number of key customer accounts and distributors for standard and value added carbons to increase the market share in the USA. The Haycarb USA team has been strengthened and supported through centralized marketing and customer service teams to achieve the growth targets in this important market. New business development initiatives that have achieved creditable growth in new markets such as Russia and CIS countries, China, South America and West Africa that enabled Haycarb to withstand shifts in traditional market segments will be supported and nurtured for further growth. New product development will continue to be an area of focus with Eurocarb and Haycarb USA targeting to expand human consumption carbons, particularly for the cosmetics industry, whilst Haycarb will further strengthen its position in the specialised activated carbons for the Energy Storage segment.

Expansion of the business offering to include activated carbon of alternate sources of raw material with the successes already secured in its development efforts will be pursued with more emphasis, going forward.

Haycarb continues to look for opportunities to expand its regeneration services model in Thailand and in other geographies. Haycarb is also in the process of formulating an entry strategy to carbon services segment and alternative distribution channels in developed markets with special focus on USA and Europe in the medium to long term. Diversification and forward integration strategies will be a key to stabilise and solidify the growth of the activated carbon segment of the purification sector.

Environmental Engineering

Puritas strategy to achieve enhanced growth in the short to medium term is based on its proven technical know-how and customer service track record that has established the Company as a trusted purification solutions provider in the region. This will be leveraged to grow its business portfolio in Sri Lanka and Maldives where it has successfully executed purification projects for both the Government and private sectors. Puritas has also invested in expanding its business in

the region with considerable work done in Myanmar, Laos and Seychelles being key new markets identified for the Sector.

The Company continues to manufacture and market activated carbon end products including industrial and home protective face masks and odour removal products, periodically introducing new product lines and designs to maintain and grow the market.

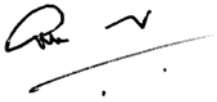
The strategic collaboration with Veolia Water, is expected to provide further opportunities to participate in large scale water and waste water purification projects in the future.

Corporate Social Responsibility

Haycarb Group is committed to sustainable business practices and social responsibility as a way of life and continues to foster triple bottom line business principles for a sustainable business model. The Company will continue to invest in green charcoaling methodologies alongside other initiatives for reducing the carbon footprint of the operations.

APPRECIATION

We place on record our sincere appreciation to our staff at all levels across the Group companies for their unstinted support and performance in a year where we faced very difficult external challenges. Our colleagues on the Board join us in thanking our valued customers, business partners, shareholders and suppliers for their support and loyalty during the period under review.



Mohan Pandithage
Chairman

Rajitha Kariyawasan
Managing Director

11th May 2018

"The Company remains confident of its position of strength and stability in the activated carbon industry, regeneration services and the environment engineering segment to continue the growth platform in the background of continued emphasis placed on environmental sustainability standards and regulations globally."

Strong and Stable

Our key parameters reflect the stability that pervades all areas of enterprise.

Haycarb operates in a stable market with steady growth.

Demand for activated carbon globally is expected to rise 6.0% annually to 1.9 million metric tons in 2020. Global demand is primarily driven by improved drinking water treatment, increasing motor vehicle ownership rates, and rising manufacturing and environmental standards supported by the continued implementation of environmental regulations in the US, Canada, Western Europe, and Japan. A shift in the global demand is also visible, led by China and other developing countries in the Asia/Pacific and Africa/Mideast regions joining in the traditional high-demand markets.*

Haycarb is well positioned to supply this fuelling demand equipped with a strong production and supply network and capitalise on this growth opportunity.

** Source: Freedonia Market Report 2016*

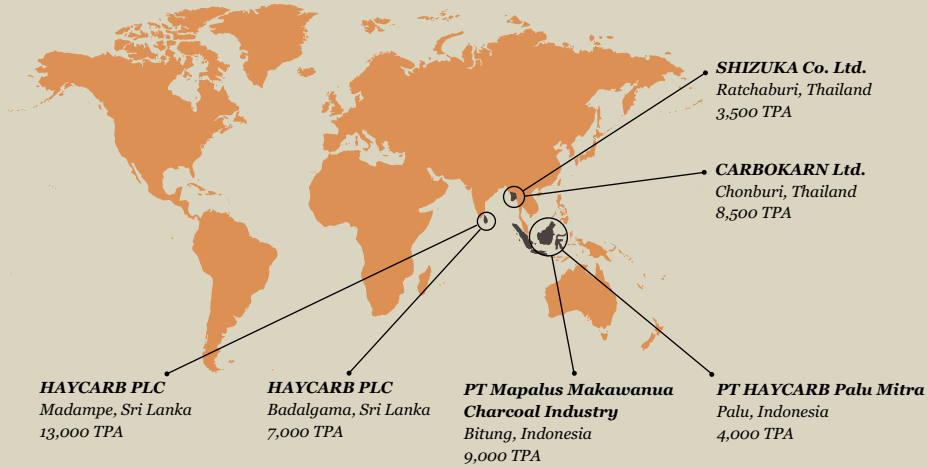
WORLD ACTIVATED CARBON DEMAND

(Thousand metric tons)

Region	*2010*	*2015*	*2020*	*% Annual Growth*	
				2010 - 2015	*2015 - 2020*
North America	311.5	418.0	522.0	6.1	4.5
Western Europe	189.0	216.5	271.0	2.8	4.6
Asia/Pacific	353.8	504.0	738.0	7.3	7.9
Central and South America	87.8	101.5	127.0	2.9	4.6
Eastern Europe	77.1	105.0	138.0	6.4	5.6
Africa/Middle East	60.8	85.0	114.0	6.9	6.0

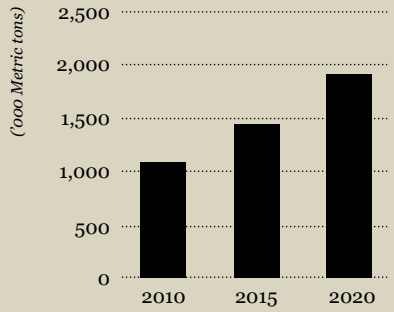
Source: Freedonia Market Report 2016

Global Manufacturing Locations



TPA - Tons Per Annum

World Activated Carbon Demand over 10 years



Annual Growth Rate: CAGR 9.4% From 2016-2021

Source: Freedonia Market Report 2016

Our Certifications

ISO CERTIFICATIONS

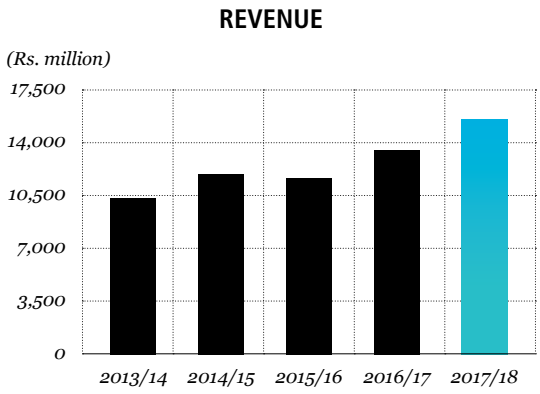
Facility	*Certification*
Haycarb PLC, Sri Lanka	ISO 9001:2015
Haycarb PLC, Sri Lanka	ISO 14001:2015
Haycarb PLC, Sri Lanka	ISO 22000:2005
Puritas (Pvt) Ltd., Sri Lanka	ISO 9001:2015
Carbokarn Co. Ltd., Thailand	ISO 9001:2015
CK Regen Systems Co. Ltd., Thailand	ISO 9001:2015
Shizuka Co. Ltd., Thailand	ISO 9001:2015
PT Mapalus Makawanua Charcoal Industry, Indonesia	ISO 9001:2015
PT Haycarb Palu Mitra, Indonesia	ISO 9001:2015

OTHER ACCREDITATIONS

Company	*Certification/Compliance*
Haycarb PLC, Sri Lanka	Good Manufacturing Practices (GMP)
Haycarb PLC, Sri Lanka	Hazard Analysis and Critical Control Point (HACCP) Codex Alimentarius
Haycarb PLC, Sri Lanka	Water Quality Association Sustainability Certification
Haycarb PLC, Sri Lanka	NSF 42
Haycarb PLC, Sri Lanka	NSF 61
Haycarb PLC, Sri Lanka	Prop 61 Compliance
Eurocarb Products Ltd., UK	REACH Compliance
Haycarb PLC, Sri Lanka	Food Chemical Codex (FCC) Compliance
Haycarb PLC, Sri Lanka	Haal Certification
Haycarb PLC, Sri Lanka	Kosher Certification

Financial Review

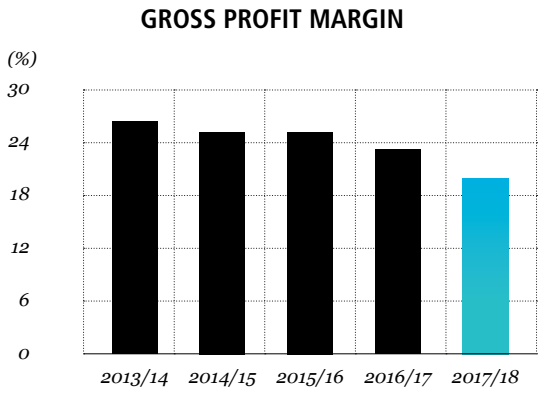
TURNOVER



The Haycarb Group recorded a significant increase in revenue of 14% to Rs. 15.5 billion (2016/17 – Rs. 13.5 billion). When discounted for the depreciation of the reporting currency, revenue has grown by 11% in USD terms.

The revenue of Activated Carbon operations grew by 15% due to the increases in sales volumes by 10% and expansion of the market base in terms of both geographical and application segments together with increases in product prices that were implemented to recover increases in raw material cost.
The Environmental engineering sector recorded a growth of 8% over the last year attributable to increase in water and waste water treatment projects in Sri Lanka and the region.

GROUP PROFITABILITY

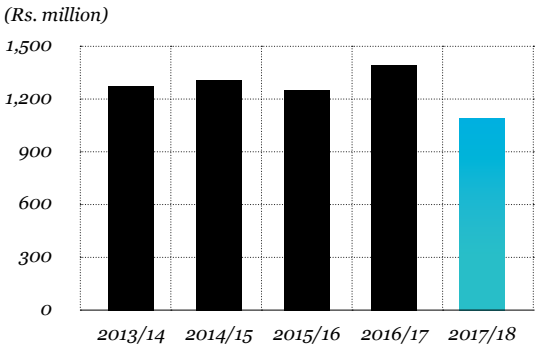


Despite the increase in the turnover, the Group Profit margin eroded by 3% compared to 2016/17. The gross margins were impacted by the shortage of charcoal in Sri Lanka in the second half of the year resulting in steep escalation of charcoal procurement cost locally, further compounded by increases in importation of raw material at higher costs to Sri Lanka to offset the local shortages. Shortages of raw material in Thailand was also experienced in the year under review. The escalation of cost in raw material could not be fully recovered during the financial year, due to the time lag between increase in cost and implementing product price increases to customers.

The acute shortage of charcoal in Indonesia that resulted in escalation of raw material costs and underutilisation of capacity continued during the first three quarters of the year. Even though the crop production of Indonesia recovered towards the end of the year cost of charcoal remained high due to shortages experienced elsewhere.

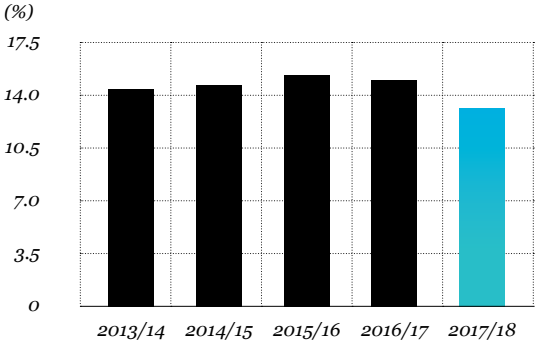
On a macroeconomic context the appreciation of the Thai Baht affected the export revenue streams and the gross margins of Thailand operations. These negative conditions were mitigated to some extent through R & D and marketing initiatives that developed and commercialised a number of new value added products and the continued focus on lean initiatives that improved productivity and efficiency of manufacturing operations.

EBIT



Haycarb Group reported a profit before tax of Rs. 926 million (2016/17 – Rs. 1,189 million) and earnings before interest and tax of Rs. 1,108 million (2016/17 – Rs. 1,397 million)

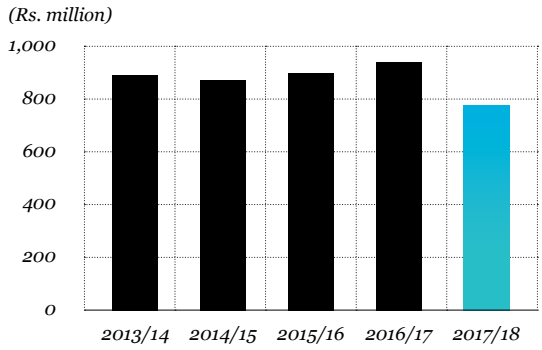
OVERHEADS COST TO REVENUE



The overhead cost to revenue ratio improved to 13% during the year under review as the Company contained the general overhead costs whilst increasing sales.

The interest cost for the year under review was Rs. 187.9 million (2016/17 – Rs. 201.3 million). The interest cost declined by 6% compared to FY 2016/17 despite the increase in interest rates and the borrowings being maintained at similar levels as last year. The savings were achieved through reduction of higher cost long term borrowings, due to the lower capital expenditure and the use of internally generated funds to finance the significant increases in working capital.

PROFIT AFTER TAX



The Other Income presents a decrease of 88% compared to the previous year as 2016/17 included a claim settlement under a trade agreement.

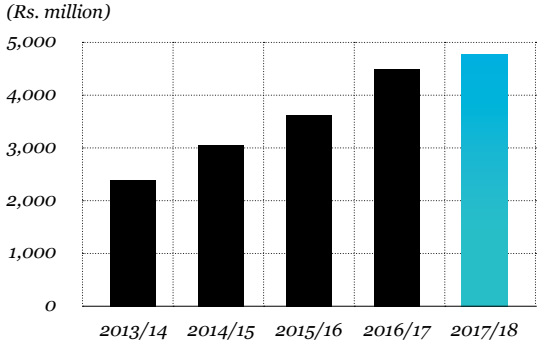
The profit after tax decreased by 18% to Rs. 774 million for the year under review. (2016/17 – Rs. 940 million)

WORKING CAPITAL MANAGEMENT

Haycarb Group has maintained the current asset ratio at 1.5 times. The net operating cash flow before working capital changes reduced by 9% to Rs. 1.7 billion whilst the significant increase in raw material and finished goods inventory values stemming from the increase in raw material costs and the increase in trade debtors in line with the growth in revenue resulted in decreasing the net operating cash flow to Rs. 93 million.

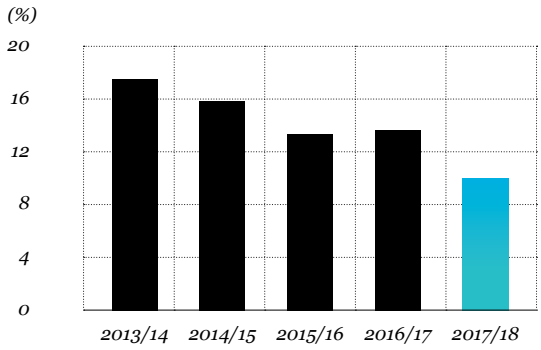
ASSET DEPLOYMENT

CUMULATIVE INVESTMENT IN CAPEX – 5 YEARS



Over the last 5 years Haycarb has invested approximately Rs. 2.4 billion in property, plant and equipment which helped the Company to maintain its leading position in the activated carbon industry. Haycarb Group increased its manufacturing capacity from 37,000 to 45,000 MT per annum during the same period whilst enhancing and upgrading technology and value addition facilities. During the year under review the Group's capital expenditure was Rs. 324 million (2016/17 – Rs. 846 million).

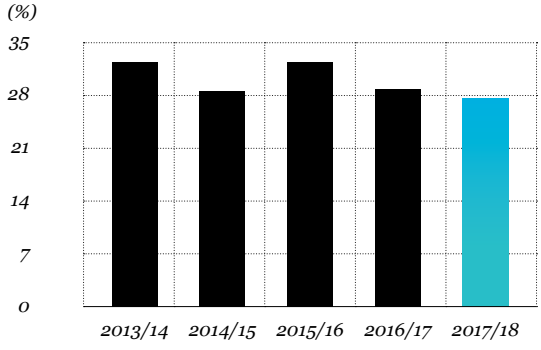
RETURN ON CAPITAL EMPLOYED (ROCE)



ROCE decreased to 10% during the year under review, mainly due to the lower profitability recorded in the activated carbon segment driven by losses in Indonesia and the increase in raw material prices in Sri Lanka and Thailand. However, the Group was able to offset the losses to some extent with profit generated by the Environmental engineering sector. The recovery of Indonesia sector and the effect of price increases negotiated in line with cost escalations, together with product and process development initiatives, are expected to improve returns in the coming year.

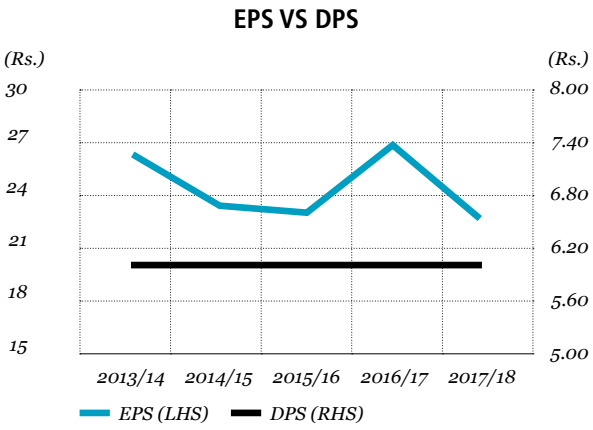
GEARING POSITION

GEARING



Group borrowings increased marginally from Rs. 3 billion to Rs. 3.2 billion. In spite of the above, the gearing ratio improved to 28% from 29% due to the increase in shareholder equity that funded the increases in working capital.

SHAREHOLDER VALUE CREATION



The earnings per share reduced by 16% to Rs. 22.63 compared to FY 2016/17 due to the decrease in the Group profitability. The dividend payout ratio is 29%. The total dividend payout over the last five years amounted to Rs. 891 million. The net asset per share presents an increase from Rs. 227.04 to Rs. 249.99.

Note 1 – The Financial Statements of Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., Shizuka Co. Ltd., Thailand, Haycarb Holdings Australia (Pty) Ltd., Australia, Haycarb USA, PT Mapalus Makawanua Charcoal Industry, PT Haycarb Palu Mitra, Indonesia and Haycarb Holdings Bitung Ltd., British Virgin Islands, which have been drawn up to 31st December was consolidated in accordance with LKAS 27 in the Financial Statements for the year ended 31st March 2014. It was decided to bring these companies into the same financial period which ends 31st March from the financial year 2014/15 in accordance with the SLFRS 10, which requires Parent and subsidiaries to have same reporting dates for consolidation. Due to this change, consolidated Financial Statements for the period ended 31st March 2015 contained 15 months results of these companies.

Strong growth through diversification

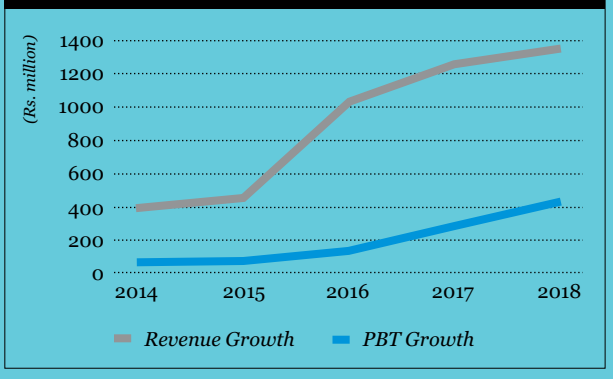
The real value generated through integration immensely enhance and contribute to overall sustainability.

Our diversification strategy has been led by our environmental engineering arm, Puritas (Pvt) Ltd., which is renowned for providing water and wastewater treatment solutions in Sri Lanka, The Republic of Maldives, Thailand and Indonesia. It is the exclusive representative of Veolia Water Technologies (the world's leading water and wastewater treatment service provider) in Sri Lanka and The Republic of Maldives.

Puritas, established in 1995, has been continually fuelling our growth over its 23 years of existence through strengthening its presence within the industry in different market segments, establishing themselves as a leader in environmental engineering sphere mainly focusing on water and wastewater treatment services in the region. Its expansion in Maldives has now grown into developing water and wastewater treatment infrastructure solutions in the inhabited islands. Puritas has also ventured into consumer product segment by introducing a range of activated carbon related consumer products such as face masks and odour removal products to the local and international markets.

Activated carbon based face masks designed for motorcycle riders

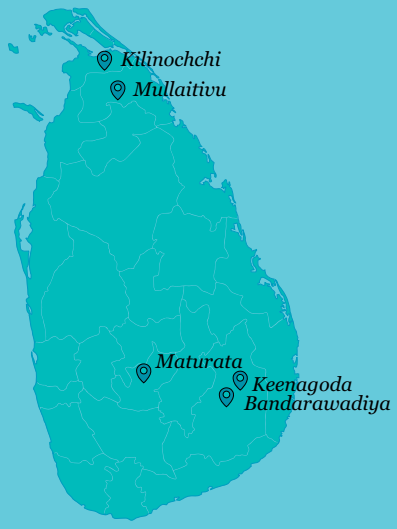
Revenue and PBT growth over the past 5 years



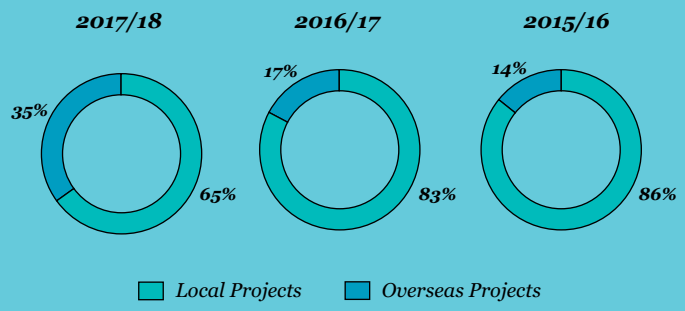
Water Supply and Sanitation Improvement Project (WASSIP)

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

Project Locations



Local and Overseas Projects



Key Highlights of Puritas' WASSIP Projects

Funded by World Bank

5 Projects in progress (including 3 Rural Water Supply Schemes)

7,292 beneficiaries through the water supply schemes in 2 districts

On-going Infrastructure Development Projects in Maldives

1. Sewerage System in Adh.Omadhoo

State:	Alifu Dhaalu Atoll
Network Length:	5,750 m
Client:	Ministry of Environment and Energy
Project Duration:	12 Months
Project Status:	Ongoing

2. Sewerage System in Adh.Hanyaameedhoo

State:	Alifu Dhaalu Atoll
Network Length:	3,800 m
Client:	Ministry of Environment and Energy
Project Duration:	12 Months
Project Status:	Ongoing

3. Sewerage System in F.Feeali

State:	Faafu Atoll
Network Length:	4,200 m
Client:	Ministry of Environment and Energy
Project Duration:	12 Months
Project Status:	Ongoing

4. Sewerage System in R.Maakurathu

State:	Raa Atoll
Network Length:	8,000 m
Client:	Ministry of Environment and Energy
Project Duration:	12 Months
Project Status:	Ongoing

5. Sewerage System in L.Maavah

State:	Laamu Atoll
Network Length:	7,500 m
Client:	Ministry of Environment and Energy
Project Duration:	12 Months
Project Status:	Ongoing

6. Sewerage System in K.Kaashidhoo

State:	Kaafu Atoll
Network Length:	25,800 m
Client:	Ministry of Environment and Energy
Project Duration:	12 Months
Project Status:	Ongoing

PURITAS සත් දියවර

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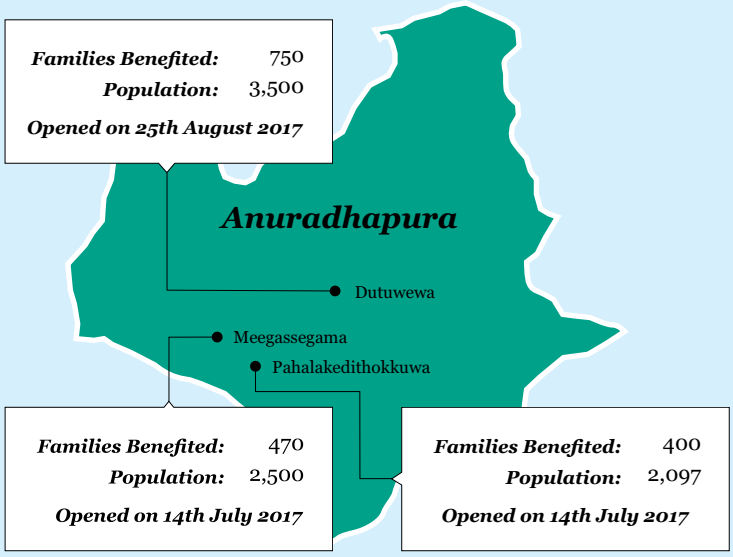
Puritas *Sath Diyawara* is an initiative providing clean drinking water for people in Northern and North Central Provinces, aiming at eradicating Chronic Kidney Disease (CKD). The initiative is Hayley's Group's flagship CSR project and different sectors of the Group have contributed to reach more villages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

NEWLY OPENED PROJECTS IN 2017/18



Highlights of Puritas Sath Diyawara

33,593
Number of People Served

7,990
Number of Families Benefited

160,000
Litres of purified water/Day

19
Number of Villages Catered

1,162
Number of CKD Patients Benefited

16
Number of Projects

Energy Globe Awards 2017 - Winner, Water Category

JASTECA (Japan Sri Lanka Technical and Cultural Association) Ian Dias Abeysinghe CSR - Sustainability Awards 2017 - Winner, Gold Award

Going beyond...

Rs. 4.5 million Investment

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

10
Number of Schools Catered

2,462
Number of Children Served

10
Number of Villages Catered

14
Different items in one pack on average

Haritha Angara

Haritha Angara is a community service project initiated by Haycarb which started in 2014 to empower our local charocal suppliers to adopt pollution free charcoaling in Sri Lanka. The programme encourages converting traditional open pit charcoaling sites to environment-friendly manufacturing which eliminates the release of harmful gaseous emissions such as Carbon Dioxide (CO_2), Methane and smoke to the environment, which are otherwise emitted during the traditional charcoaling process. Haycarb provides technical support and interest free, long-term loans to build new pits with combustion chambers and improve existing pits. This initiative has been wholeheartedly embraced by our suppliers, which is now continuing on its successful 4th year.

PROGRESS OF *HARITHA ANGARA* DURING 2017/18

Number of new suppliers supported	45
Total investment	Rs. 29.05 million

Environment-friendly charcoaling pit

Vertical Charcoaling Kilns in Thailand

The concept of promoting environment-friendly charcoaling was extended to Thailand through the Vertical Charcoaling Kilns project which commenced in 2015. Designed and built by Carbokarn Company Ltd. and Haycarb in-house engineering teams, the project has currently installed 26 vertical charcoaling kilns in Ratchaburi, Thailand with the capacity to manufacture 75 MT of charcoal per day. Carbokarn plans to broad base the environment-friendly charcoaling kilns to other locations in Thailand in the future.

Haycarb PLC maintains exemplary governance, sustainability and ethics within its core and its every strategy and action is informed by these fundamentals.

Governance and Compliance

22/ Board of Directors

26/ Management Team

27/ Corporate Governance

36/ Annual Report of the Board of Directors on the Affairs of the Company

40/ Statement of Directors' Responsibility

41/ Related Party Transactions Review Committee Report

42/ Audit Committee Report

Board of Directors

MOHAN PANDITHAGE

Chairman and Chief Executive

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

Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ships' Agents.

RAJITHA KARIYAWASAN

Joined Haycarb and appointed to the Board in January 2010. Has overall responsibility for the Purification sector as the Managing Director of Haycarb PLC. Appointed to the Hayleys Group Management Committee in February 2010 and to the Hayleys Board in June 2010. Also the Managing Director of Hayleys Eco Solutions Sector and a Director of Dipped Products PLC.

Holds a B.Sc. in Engineering (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia. Before joining Hayleys, held the position of Director/General Manager of Ansell Lanka (Pvt) Ltd. Served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama.

DHAMMIKA PERERA

Appointed to the Board in November 2009. He is a quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality and Hydropower generation. He has nearly thirty years of experience in building formidable businesses through unmatched strategic foresight.

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

ARJUN SENARATNA

Appointed to the Board in November 2005. Currently resides in Canada and provides services to companies globally. Previously held senior positions with Amsterdam based TNT/TPG; as a Member of the Global Business Development Board, Vice-President Acquisitions, Vice-President and General Manager TNT Logistics North America and President designate TNT Indonesia. Has been in senior/strategic roles with Celestica (former IBM Manufacturing), Ryder, Rockwell International, Canada Steamship Lines and Pepsi Cola. Holds a Bachelor of Science (BSc) from the University of Ceylon and is a Chartered Public Accountant CPA, CMA Canada.

SARATH GANEGODA

Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in 2007. Appointed to the Hayleys Board in September 2009 and to the Haycarb Board in November 2009.

Fellow Member of The 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 and the Fentons Group.

MRS. JEEVANI ABEYRATNE

Served as the Chief Financial Officer of Haycarb Group from 2007 and was appointed to the Board in November 2009. Member of the Chartered Institute of Management Accountants (CIMA) – UK and holds a Master's in Law (LLM) from University of West London. Prior to joining Haycarb, served as the Technical Manager of CIMA (Sri Lanka Division) and as Group Finance Manager of Dipped Products PLC.

DR. SARATH ABAYAWARDANA

Appointed to the Board in August 2011. A professional Engineer, with a Ph.D. in Chemical Engineering from the University of London, he is a fellow of the Institution of Engineers Sri Lanka as well as the Institution of Chemical Engineers London, and was felicitated in 2011 with the "Excellence in Engineering" Award.

Had an extensive career at Unilever Sri Lanka including international postings, and finally as the National Technical Director and a Board Member. Headed the Sri Lanka Programme of the International Water Management Institute (IWMI) as a Senior International Researcher, and also acted as the Director of their Global Research Division. Was a consultant to the ADB project on Technical Education Development, and a key facilitator in developing the National Science and Technology Policy for the National Science and Technology Commission. He then worked as the Director/CEO, and a Board Member of the National Science Foundation of Sri Lanka, the primary state institution supporting Science and Technology development in the country, and recently retired as a Programme Director at the Co-ordinating Secretariat for Science, Technology and Innovation. Has held numerous Governing Board positions both in the public and the private sector institutions.

SUJEEWA RAJAPAKSE

Appointed to the Board in January 2013. Managing Partner of BDO Partners, a firm of Chartered Accountants. Fellow of The Institute of Chartered Accountants of Sri Lanka and holds a Masters in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Past President of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Serves as a Non-Executive Independent Director of Softlogic Life Insurance PLC, Dipped Products PLC, Hayleys Agriculture Holdings Ltd. and Hayleys Global Beverages (Pvt) Ltd.

M.S.P. UDAYA KUMARA

Appointed to the Board in February 2015. Holds a B.Sc. (Hons.) First Class Degree from the University of Sri 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 Control functions of Haycarb Group.

BRAHMAN BALARATNARAJAH

Appointed to the Board in April 2015. Holds a Mechanical Engineering Degree (First Class) from the National Institute of Technology in India and is an Alumnus of the Indian Institute of Management, Ahmadabad. He is also a member of the American Society of Mechanical Engineers.

Joined Haycarb in 1996 as a Maintenance Engineer, and the Haycarb Engineering Project Team in 1998 and appointed General Manager in 2010. He has headed the Recogen Operation from 2004 to 2010 and currently is responsible for Engineering Projects and Manufacturing operations of Haycarb Group.

MS. SHARMILA RAGUNATHAN

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

ALI ASGAR MUNAVER CADERBHOY

Appointed to the Board in 2016. Holds a Master of Arts (Hons.) in Economics and Management from the University of Aberdeen (UK).

Joined Haycarb PLC in 1997 as a Management Trainee and was appointed General Manager Business Development for the Haycarb Group in 2010. He has led a number of new projects, including the Recogen Charcoal and Power Generation Venture, acquisition and operation of PT MMCI (Indonesia) and setting up of PT Haycarb Palu Mitra (Indonesia). Mr. Caderbhoy currently heads the Business Develpoment Division of Haycarb Group focusing on developing new markets, distribution channels and lines of business.

JAMES NAYLOR

Appointed to the Board in 2016. Holds a B.Sc. in Physics and Astrophysics from the University of Birmingham and holds a Certificate in Company Direction from the Institute of Directors (UK).

Joined Eurocarb Products Ltd., (UK) as the Commercial Director/Chief Operating Officer in 2008. Prior to his appointment he has held senior marketing positions in Avon Rubber PLC and Scott Safety. Mr. Naylor is a former Board Director of the International Society for Respiratory Protection and also a former Board Member of the Industry Group NBC UK. He was appointed as the Managing Director of Eurocarb Products Ltd., in 2010.

MS. YOGADINUSHA BHASKARAN

(Alternate Director to Mr. Dhammika Perera)

Ms. Yogadinusha Bhaskaran is a Financial and Accounting professional currently serving as the Chief Executive Officer of Vallibel One PLC. She also presently serves on the Board of Delmege Ltd. as a Director, LB Finance PLC as a Non-Executive Director and Chairperson of Audit Committee, Hayleys Fabric PLC, Haycarb PLC and Dipped Products PLC as Alternate Director to Mr. Dhammika Perera.

Ms. Yogadinusha Bhaskaran has previously worked as a Financial Controller with several Australian companies in Melbourne for a number of years. She has in the past served as the Assistant General Manager (Finance and Planning) at Pan Asia Banking Corporation PLC.

She is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and an Associate Member of the Institute of Bankers, Sri Lanka.

HISHAM JAMALDEEN

Appointed to the Board in March 2017. A finance professional with over 15 years of wide-ranging experience as a commercial property investor and advisor. He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a Degree in Engineering and Business from the University of Warwick, UK. He is the Founder/Managing Director of Steradian Capital Investments (Pvt) Ltd., responsible for Financing, Corporate Structurers, Acquisitions and Development.

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

Management Team

HAYCARB (SRI LANKA)

Executive Directors

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

Deputy General Managers

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

Divisional Managers

P.S. Suraweera	–	Project Engineering and Operations [Puritas (Pvt) Ltd.]
W.M.A.C.N. Perera	–	Raw Material Procurement & Warehouse Operations
I.A.S.L. Athukorala	–	R&D/Process Improvement [Puritas (Pvt) Ltd.]
C.J.G.M. Korale	–	Engineering Projects
J.D. Shishira	–	Research and Development
N.U. Samaranayake	–	Research and Development
P.M.S.M. Ranasinghe	–	Quality Assurance
W.G. A.P. Gamage	–	Factory Manager (Madampe)
P.D.D.M. Krishantha	–	Human Resource Management
A.D. Kularatne	–	Engineering Procurement

Departmental Managers

P.S. Liyanaarachchi	–	Customer Management
L.P.S. Seneviratne	–	Engineering Projects
C.R. Kobbekaduwe	–	Customer Management
L.I. Adhihetty	–	Business Development
M.L. Wickramasinghe	–	Project Engineering & Purification [Puritas (Pvt) Ltd.]
H.H.B. Senanayake	–	Business Development [Puritas (Pvt) Ltd.]
L.A. Wickramasekara	–	Charcoal & Shell Procurement
H.S. Kumara	–	Production (Badalgama)
D.M. Senaratne	–	Engineering Projects
U.A.N.D. Rupasinghe	–	Production (Madampe)
M.S.L. Moraes	–	Production Planning
R.M.G. Ranathunga	–	Engineering Maintenance (Badalgama)
A.G.L. Kokila	–	Project Engineering, Civil & Structural [Puritas (Pvt) Ltd.]
Ms. R.C. Jayawardena	–	Information Technology
P.A. A.U. Pathiraja	–	Finance

OVERSEAS SUBSIDIARIES

Marketing

Eurocarb Products Ltd.

J.D. Naylor	–	Managing Director
R. Bittel	–	Director Sales
S. Pickford	–	Operations Manager

Haycarb Holdings Australia (Pty) Ltd.

M. Marques	–	Director/Chief Operating Officer
B.P.R. Liyanage	–	Director Operations

Haycarb USA Inc.

A.S. Pathirathna	–	Vice President

Manufacturing

Carbokarn Co. Ltd.

P. Karnchanabatr	–	Managing Director
B. Karnchanabatr	–	Deputy Managing Director
K. Karnchanabatr	–	Director
T. Karnchanabatr	–	Director (Local Sales and Marketing)
W.P.J.K. Wickramasinghe	–	General Manager
Ms. C. Techatipmanee	–	Finance Manager
Ms. Y. Singhapoom	–	Accounting Manager
U.S.S. Udugampala	–	Manager - Quality Assurance
K.U.S. Warnajith	–	Plant Manager (Shizuka Co. Ltd.)

PT Mapalus Makawanua Charcoal Industry

P.T.R. Dharshana	–	General Manager
Ms. T. Ente	–	Administration Manager
R.K.L. Jinasiri	–	Manager-Engineering Maintenance

PT Haycarb Palu Mitra

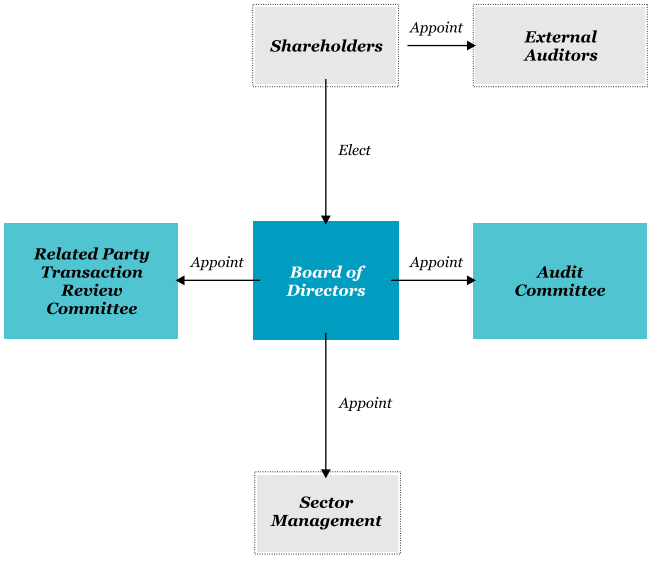
N.G.C.B. Dharmadasa	–	Factory Manager

Corporate Governance

The Corporate Governance framework at Haycarb is designed to support the Company in its efforts to create and foster sustainable value for all its stakeholders. The framework facilitates effective engagement with the stakeholders in an environment that lays emphasis on its core values. The Company emphasises the need for transparency and accountability in all its dealings in order to protect the interests of the stakeholders. Haycarb PLC is committed to defining, following and practicing good corporate governance practices within a framework that upholds highest standards of ethical conduct, business integrity and sustainability. The term "Corporate Governance" encompasses the entirety of principles, structures, processes and practices aimed at safeguarding the sustainable interests of the Company and its stakeholders.

The company is a subsidiary of Hayleys PLC and is the holding company of Haycarb Group. The principal business of the Haycarb Group is given in page 122.

The Corporate Governance framework outlines the key components of Haycarb's governance framework and provide Directors and management with a clear road map of their respective responsibilities. The Board of Directors gives highest priority to the Corporate Governance framework by proactively and continuously implementing, improving and disclosing best corporate governance practices and guidelines. These guidelines are updated on a regular basis and indicate clearly matters that require review, advice and approval of the Board and Committees. The governance framework is depicted in the following diagram:



The Related Parties Transactions Review Committee of the parent company, Hayleys PLC acts as the Related Parties Transactions Review Committee for Haycarb PLC as well and the members of the Committee are given in page 41. of this Report.

The corporate governance practices adopted and practiced by Haycarb, with reference to the Code of Best Practice on Corporate Governance published jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, the Companies Act No. 07 of 2007 and developing best practice is detailed below.

BOARD RESPONSIBILITY

The Board of Directors is responsible for the Group's performance and governance. In discharging its stewardship function, the Board is collectively responsible for upholding and ensuring the highest standards of corporate governance across the Company.

The Board is responsible to –

(a) Provide direction and guidance to the Company.

(b) Enhance shareholder value.

(c) Fiduciary duty to protect the assets of the Company.

(d) Ensure all stakeholder interests are considered in corporate decisions.

(e) Formulate and communicate business policy and strategy to assure sustained growth and to monitor its implementation within a framework of sustainable business development.

(f) Approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set.

(g) Ensure Executive Directors have the skills, experience and knowledge to implement strategy effectively, and adopt Key Management Personnel succession strategy.

(h) Ensure effective remuneration, reward and recognition policies are in place to help employees give of their best.

(i) Promote an organisational culture that encourages ethical conduct.

(j) Set and communicate values and standards, with adequate attention being paid to accounting policies and practices.

(k) Ensure effective information, control, risk management and audit systems are in place.

(l) Ensure effective systems are in place for business continuity.

(m) Ensure compliance with laws, regulations and ethical standards.

(n) Review and approve annual budgets, major capital expenditure and monitor performance.

(o) Adopt annual and interim results before publication.

(p) Exercise accountability to shareholders and relevant stakeholders.

In discharging their duties, the directors –

- Bring independent judgement to bear and consider foremost the interests of the Company as a whole.
- Stay abreast of developments in Management practice, the world and domestic economy and other matters relevant to the Company.
- May convey concerns to the Chairman, or to a Non-Executive Director, if and when a need arises.
- May, where necessary and with the concurrence of the Chairman, consult and consider inputs from "experts" in relevant areas.
- Declare their interests in contracts under discussion at a Board meeting, and refrain from participating in such discussion.
- Possessing "price-sensitive" information concerning the Company do not trade in the Company's shares until such information has been adequately disseminated in the market.

Composition and attendance at meetings

As at 31st March 2018, the Board comprised fourteen Directors; six Non-Executive Directors and eight Executive Directors. The names of these Directors are given on page 28 and a short profile of each is given in page 22 to 25 of this Annual Report. The details of Directors' shareholding and directorates in other companies are given in pages 119 and 122 to 123 respectively.

The Board meets quarterly as a matter of routine and additional meetings are held where necessary. During the year the Board met four times and attendance at these meetings are given below:

Name of Director	Executive/ Non-Executive	Attendance
Mr. Mohan Pandithage (Chairman)	Executive	4/4
Mr. Rajitha Kariyawasan (Managing Director)	Executive	4/4
Mr. Dhammika Perera	Non-Executive	1/4
Mr. Arjun Senaratna*	Independent Non-Executive	4/4
Mr. Sarath Ganegoda	Non-Executive	3/4
Ms. Jeevani Abeyratne	Executive	4/4
Dr. Sarath Abayawardana	Independent Non-Executive	4/4
Mr. Sujeewa Rajapakse	Independent Non-Executive	3/4
Mr. M.S.P. Udaya Kumara	Executive	3/4
Mr. Brahman Balaratnarajah	Executive	4/4
Mr. Ali Asgar Munaver Caderbhoy	Executive	4/4
Ms. Sharmila Ragunathan	Executive	4/4
Mr. James Naylor**	Executive	4/4
Ms. Yogadinusha Bhaskaran*** (alternate to Mr. Dhammika Perera)		3/4
Mr. Hisham Jamaldeen	Independent Non-Executive	4/4

** Mr. Senaratna participated in these meetings via conference call facility.*
*** Mr. Naylor participated in three of these meetings via conference call facility.*
**** Ms. Bhaskaran attended three meetings to represented Mr. Dhammika Perera as his alternate.*

Company Secretary

The Company Secretary is responsible for coordination of all Board business including minutes, agendas, communication with regulatory bodies and all statutory and other filings. The services and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary is responsible for monitoring compliance with the Board's procedures and advising the Board on all governance matters and keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to individual Directors and collectively to the Board.

Supply of Information

The Board is provided with appropriate and timely information. The Directors are provided with quarterly reports on performance, minutes of Committee meetings and such other reports and documents as necessary. In addition to the standard information additional ad hoc information and analysis are made available to the Directors on request. The Chairman ensures that all Directors are adequately briefed on issues arising at meetings.

The Chairman's Role

The Chairman is responsible for the efficient conduct of Board meetings and ensures effective participation of both Executive and Non-Executive Directors. The Chairman plays a key role in preserving good Corporate Governance. He maintains close contact with all Directors and holds informal meetings with Non-Executive Directors as and when necessary. The present Chairman of the Company is also the Chairman of Hayleys PLC. Executive authority is vested in the Managing Director. The distinction between the position of Chairman and officers wielding executive powers ensure balance of powers and authority.

FINANCIAL ACUMEN

The Board of Directors, collectively have experience in all business sectors in which Haycarb operates and are supported by relevant academic and professional qualifications. There are five Chartered/Management/ Certified Public Accountants on the Board as noted below:

Mr. Rajitha Kariyawasan

Mr. Arjun Senaratna

Mr. Sarath Ganegoda

Ms. Jeevani Abeyratne

Mr. Sujeewa Rajapakse

Board Balance

The composition of Executive, Non-Executive and Independent Non-Executive Directors satisfies the requirements set down in the listing rules of the CSE. Four of the six Non-Executive Directors are independent. The Board is of the opinion that Mr. M.H. Jamaldeen has the capability to conduct himself in an independent and impartial manner on matters deliberated by the Board and his independence will not be affected by his spouse, Mrs. J. Jamaldeen being a Director of the Kingsbury PLC, a Subsidiary of Hayleys PLC.

The Board believes the independence of Mr. A.M. Senaratna is not compromised by being a Board member for more than nine years.

The balance of Executive and Independent Non-Executive directors on the Board ensures no individual Director or small group of Directors dominate Board discussion and decision making.

Remuneration Committee

The Remuneration Committee is constituted as per the Guidelines of the Listing Rules of the CSE. The Remuneration Committee of Hayleys PLC, the Parent Company acts as the Committee and is responsible to overlook the aspects of remuneration of the Company.

The Remuneration Committee of Hayleys PLC consists of the following Non-Executive Directors:

Dr. H. Cabral, PC-Chairman (Independent Non-Executive)

Mr. Dhammika Perera – Member (Non-Executive)

Mr. M.H. Jamaldeen – Member (Non-Executive)

Mr. M.Y.A. Perera – Member (Non-Executive)

Remuneration Procedure

The remuneration policy is based on the need to attract and retain leaders who have the capacity to deliver business priorities aligned with the interests of the shareholders.

The Remuneration Committee recommends the remuneration payable to the Managing Director and Executive Directors and sets the guidelines for the remuneration of the Management staff of the Group. The Board makes the final determination after considering such recommendations and the performance of the senior staff.

Disclosure of Remuneration

The Directors remuneration is disclosed in Note 8.2 to the Financial Statements that appears in this Annual Report.

Haycarb Group consists of 14 subsidiaries and two associates. These companies, their core business and the names of their Directors appear on pages 122 and 123 of this Report.

The Board has in place an organisational structure detailing lines of reporting and appropriate limits of authority for different processes for each business unit. There are established procedures for budgeting and planning, investment evaluation and monitoring, performance review and other information and reporting systems to monitor Group's businesses.

The Board has delegated the primary executive authority to the Managing Director and Executive Directors to achieve the strategic objectives of the Group. This authority is exercised within the framework of ethical and sustainable business practices and good corporate governance practices. The processes established by the Board demands compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community.

Relations with Shareholders and Constructive use of Annual General Meeting (AGM)

The Notice of Meeting containing the agenda and instructions on voting, including appointment of proxies is enclosed with this Annual Report.

The active participation of shareholders at the AGM is encouraged. A copy of the Annual Report including Financial Statements, Notice of Meeting and the Form of Proxy are sent to shareholders 15 days prior to the date of the AGM as required by the statute in order to provide the opportunity to all the shareholders to attend the AGM.The Board clarifies and responds to concerns of shareholders over the content of Annual Report and other matters of importance to shareholders. At the AGM the shareholders adopt the Audited Financial Statements for the year.

The shareholders are provided with Quarterly Financial Statements. This is the principal communication with shareholders and other stakeholders during the year. These reports are also provided to the Colombo Stock Exchange. Shareholders may bring up their concerns as appropriate with the Managing Director or the Company Secretary as appropriate.

The Board strives to enhance shareholder value and provide a total return in excess of the market return. The Board policy is to distribute a reasonable dividend to the shareholders whilst considering funding requirements of future capital expenditure and new projects.

Major and Material Transactions

In compliance with the requirements of the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations as applicable, Directors should disclose to shareholders all proposed material transactions which if entered in to would materially alter the consolidated Group net asset base.

There were no major transactions as defined by Section 185 of the companies Act No. 07 of 2007 nor major and material transactions as defined in Section c 3 of the Code of Best Practice on Corporate Governance.

Internal Control

The Board of Directors is responsible for the Group's system of internal financial controls. The system is designed to safeguard assets against unauthorised use or disposition, to ensure that accurate records are maintained and reliable financial information is generated. The system covers all controls including financial and operational control, compliance and risk management. These controls are designed to provide reasonable but not absolute assurance regarding the prevention and detection of errors and irregularities.

In addition to the internal resources, the Group engages the internal audit resources of its Parent Hayleys PLC to carry out the internal audits and review its systems.

The important procedures in place are as follows:

- The Directors are responsible for the establishment and for reviewing the effectiveness of, the Company's system of internal controls including financial controls appropriate for the operation within the overall Group policies.
- The Board reviews the strategies of the divisions and constituent companies. Annual budgeting and regular forecasting processes are in place and the Directors review performance.
- The Board has established policies in areas of investment and treasury management and does not permit employment of complex financial risk management mechanisms.
- The Group is subjected to regular internal audits and system reviews.

- The Audit Committee reviews the plans and activities of the internal audits and interim issues memorandum and the management letters of External Auditors.
- The Group carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment.

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts.

Audit Committee

The Audit Committee comprises three Non-Executive Independent Directors and is chaired by a senior Chartered Accountant. The Chairman and Finance Director of Hayleys PLC and the Managing Director and Finance Director of Haycarb PLC attend its meetings by invitation. Other Executive Directors and Auditors attend the meeting as and when required. The Audit Committee plays a key role to help the Group balance conformance and performance.

The Audit Committee has been delegated the responsibility of reviewing the Group's internal controls. It has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Group and its internal and external audits. The Committee reviewed the Financial Statements, internal control procedures, accounting policies, compliance with accounting standards and other relevant laws and regulations, emerging accounting issues and other related functions that the Board required. It reviews the adequacy of systems for compliance with relevant legal, regulatory and ethical requirements. The Audit Committee recommends the appointment and the fees of External Auditors, having considered their independence.

The Audit Committee's report including names of the members of the Audit Committee appears on pages 42 to 43 of this Report.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee of Hayleys PLC, function as the Committee for the Company in terms of Section 9.2.3 of the Listing Rules of the Colombo Stock Exchange. The Committee comprises two Non-Executive Independent Directors and an Executive Director of the Parent Company.

The overarching objective of the terms of reference of the Committee is to ensure that the interests of the shareholders as a whole are taken in to account when entering in to related party transactions.

The Committee:

- Reviewed all proposed related party transactions either prior to the transaction being entered into or where the transaction is expressed to be conditional to such review, prior to the completion of the transaction,
- Monitored the related party transactions to ensure that they are transacted on normal commercial terms and
- Made recommendations to the Board where necessary.

The Related Party Transactions Review Committee's report including names of the members of the Committee appears on page 41 of this Report.

Financial and Business Reporting

The Board places emphasis on complete disclosure of both financial and non-financial information within the bounds of commercial reality and the early adoption of sound reporting practices. Due care is exercised with respect to price sensitive information.

The Annual Report includes descriptive non-financial content through which we attempt to provide stakeholders with information in order to assist them to make more informative and balanced decisions.

The Statement of Directors Responsibilities for the preparation of Financial Statements are given in page 40 of this Report.

Management Review

There is an ongoing process to identify, evaluate and manage significant risks. The review of performance during the year and the review of potential risks and mitigatory actions instituted is reported in the Joint Report of the Chairman and the Managing Director given in pages 4 to 9 of this Report.

IT Governance

The Company pays close attention to bringing the IT systems in line with its strategies and objectives. Upgrading of the IT systems are undertaken based on the assessments of business requirements. The IT function is supported by dedicated IT staff and the services of the Hayleys Group IT Team.

IT Value and Alignment

Investment in IT projects and systems are made after consideration is given to their suitability to the related projects. Further aspects such as cost savings, improved customer satisfaction, timely information and the balance between cost of investment and scale of operations are also taken into account when these decisions are taken.

Cyber Security and IT Risk Management

Risks associated with cyber security and Information Technology are assessed in the process of risk management. Use of licensed software, close monitoring of internet usage and mail server operations and regular update of antivirus and firewall software are some of the practices in place. The Company's IT policy includes guidance on password security, internet usage and electronic communication. In addition, special awareness sessions have been organised to create awareness on cyber security.

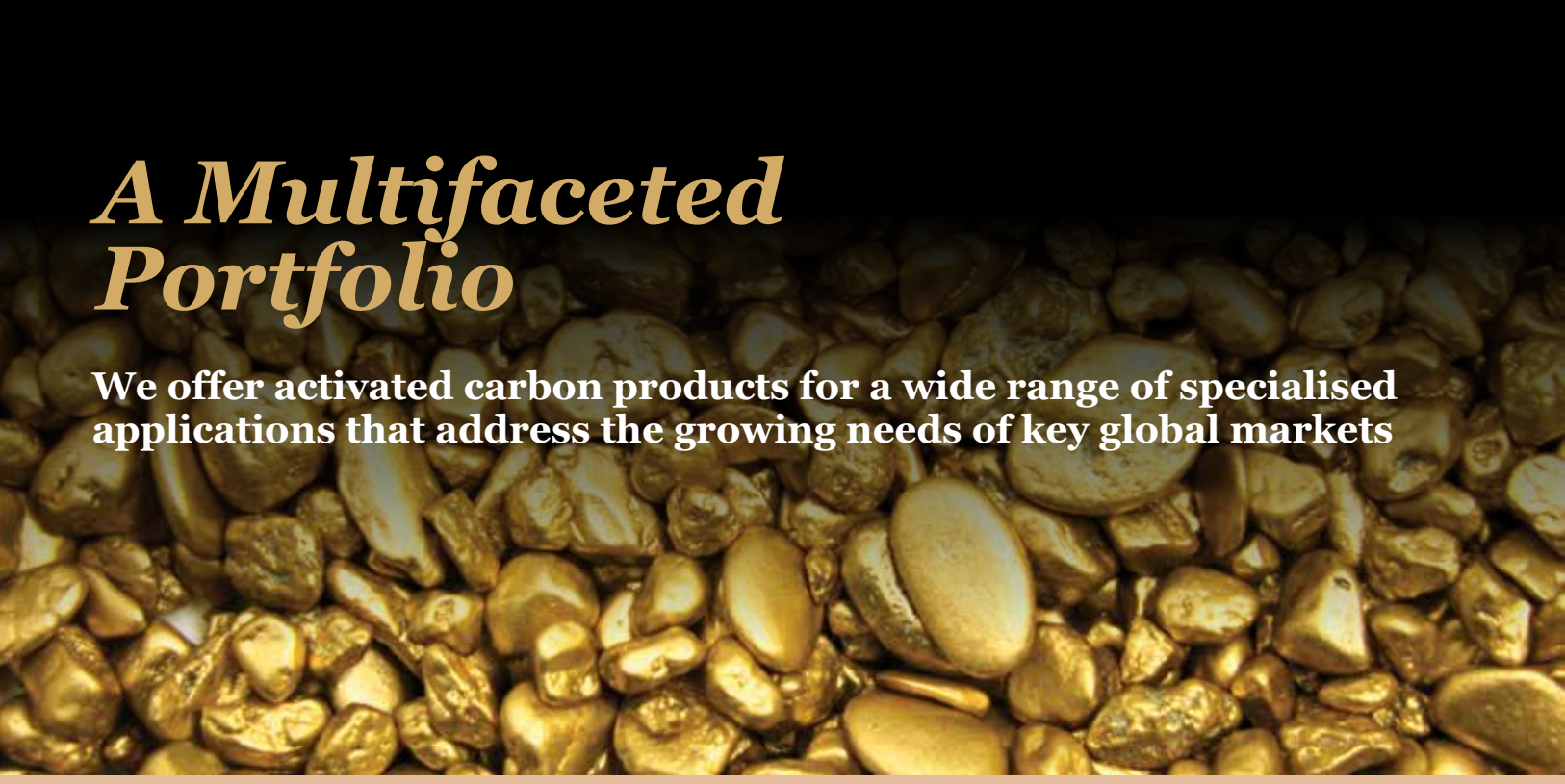
Level of compliance with Section 7.10 of the CSE Listing Rules on Corporate Governance is given in the following table:

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10 (a/b)	Compliance	Compliance with Corporate Government Rules	Compliant.	
7.10.1 (a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Compliant.	Six of fourteen Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher shall be independent	Compliant.	Four of the six Non-Executive Directors are independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director shall submit a declaration of independence/Non-independence in the prescribed format	Compliant.	All Independent Non-Executive Directors have submitted signed confirmations of their independence
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant.	Please refer page 37
7.10.3 (b)	Disclosure relating to Directors	In the event a Director does not qualify as independent against the criteria, but if the Board is of the opinion that the Director is nevertheless independent, the Board shall specify the criteria not met and the basis of its determination	Compliant.	Please refer page 29
7.10.3 (c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of Expertise	Compliant.	Please refer page 22 to 25
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Compliant.	Résumés of all new Directors appointed during the year are submitted to the CSE
7.10.5 (a)	Remuneration Committee	The Board of Directors should set up a Remuneration Committee with a Non-Executive Director as the Chairman	Compliant.	Please refer to page 29
7.10.5 (c)	Remuneration Committee	The names of the members of the Remuneration Committee is given on page 29	Compliant.	Please refer page 29
7.10.6 (a)	Audit Committee composition	The listed company shall have an Audit Committee comprising Non-Executive-Directors	Compliant.	The names of the members of the Audit Committee are stated on page 42
		The Chairman or one member of the Audit Committee should be a member of a recognised professional accounting body	Compliant.	The Chairman of the Audit Committee is a Senior Chartered Accountant
7.10.6 (c)	Audit Committee disclosure	The names of the Directors comprising the Audit Committee to be disclosed	Compliant.	Please refer page 42
		The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance by the entity.	Compliant.	Please refer page 42 to 43
		The Committee shall make a determination of the independence of the Auditors and shall disclose the basis of such determination.	Compliant.	Please refer page 43
7.13.1	Minimum Public Holding	As a listed Company in main board, the Company maintained the minimum public holding under specified criteria.	Compliant.	Please refer page 119

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

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2.1 and 9.2.3	Related Party Transactions Review Committee	All Related Party Transactions to be reviewed by the "Related Party Transactions Review Committee".	Compliant.	The functions of the Committee are stated in the Related Party Transactions Review Committee report on page 41
		If the Parent Company and the Subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the Parent Company may be permitted to function as such Committee of the Subsidiary.		The Committee of the Parent Company functions as the Committee of the Company.
9.2.2	Composition	02 Independent Non-Executive Directors and one Executive Director	Complaint.	As above
9.2.4	Related Party Transactions Review Committee meetings	Shall meet once a calendar year	Complaint.	Refer Committee report on page 41
9.3.2 (a)	Related Party Transactions Review Committee disclosure in the Annual Report	Non-recurrent Related Party Transactions – If aggregate value exceeds 10% of the equity or 5% total assets whichever is lower.	Compliant.	None
9.3.2 (b)		Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts	Compliant.	None
9.3.2 (c)	Related Party Transactions Review Committee disclosures	Names of the Directors	Compliant.	Refer Committee report on page 41
		A statement to the effect that the Committee has reviewed the transactions	Compliant.	Refer Committee report on page 41
		The policies and procedures adopted by the Committee	Compliant.	Refer Committee report on page 41
		The number of times the Committee has met during the year	Compliant.	Refer Committee report on page 41
		Report by the Related Party Transactions Review Committee	Compliant.	Page 41
9.3.2 (d)		A declaration by the Board of Directors as an affirmative statement of the compliance with the rules pertaining to related party transactions	Compliant.	Page 36

A Multifaceted Portfolio



We offer activated carbon products for a wide range of specialised applications that address the growing needs of key global markets

Air ***Water*** ***Energy*** ***Foods and Beverages*** ***Specialty*** ***Gold***

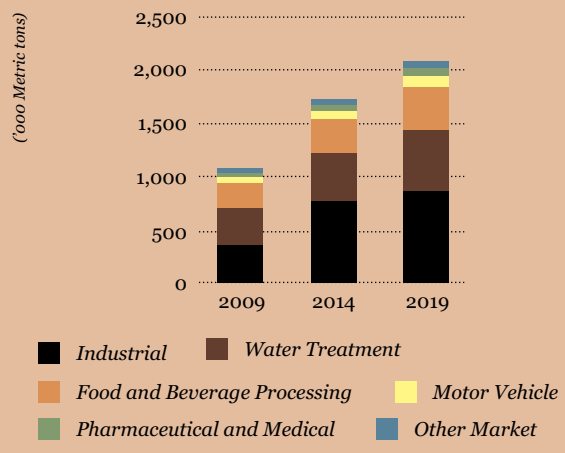
Au

Demand for coconut shell activated carbon is currently at an all-time high. The increase in demand has been favourable for us to gain many customer accounts and further strengthen our brand in the global market through our globally spread marketing network, supported by our marketing subsidiaries in USA, UK and Australia. We have continuously and vigorously extended ourselves to provide the best possible service and product to our customers to meet their stringent requirements. The demand is fueled by the fact that coconut shell carbon does not have a substitute in the market and certain applications demand these specialist characteristics of the product. For example, coconut shell activated carbon has distinctive characteristics that prove advantageous in gold recovery. We have used these special characteristics to develop products that are suitable for a range of diverse applications from water and air purification to precious metal recovery, decolorising and energy storage.

We supply a superior service to our customers matching their exact product requirements, supporting a range of applications through our diverse product portfolio of 6 specialist categories. It is further strengthened by the superior know-how and application knowledge supported by in-house R&D capabilities.

We value and take pride in the long-standing customer relationships we have built and won in our 45 years of existence.

World Activated Carbon Demand by Application



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

The Directors of Haycarb PLC present their Annual Report together with the Audited Financial Statements of the Company and of the Group for the year ended 31st March 2018.

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW OF THE YEAR

The principal activities of the Group and its Management Team are shown on pages 122 to 123 respectively of this Report. The Joint Statement from the Chairman and the Managing Director describes the Group's affairs and mention important events of the year. The results for the year are set out in the Consolidated Income Statement on page 50.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 50 to 115.

Auditor's Report

Auditors' Report on the Financial Statements is given on page 46 to 49.

Accounting Policies

The accounting policies adopted by the Company and its Subsidiaries in the preparation of the Financial Statements are given on pages 57 to 76. There were no changes in the accounting policies adopted.

Interests Register

The Company, in compliance with the Companies Act No.07 of 2007, maintains an Interests Register. Particulars of entries in the Interests Register are detailed below.

Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested. Note 30 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' Interests in Shares

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

Directors' Shareholdings

Details relating to shareholdings of Directors are given on page 119.

Directors' Remuneration

Executive Directors' Remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2018 is Rs. 147,854,000 (2016/17 - Rs. 151,410,000/-), which includes the value of perquisites granted to them as part of their term of service. The total remuneration of Non-Executive Directors for the year ended 31st March 2018 is Rs. 4,060,000/- (2016/17 – Rs.3,830,000/-), determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Insurance and Indemnity

The Company is covered by Directors and Officers (D & O) cover of the Parent Company, Hayleys PLC with a limit on liability of the cover of USD 5 million and a premium of Rs. 5.5 million per annum.

Related Party Transactions

The Board of Directors has given the following statement in respect of the related party transactions:

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC and are in compliance with the Section 09 of the CSE Listing Rules.

The Committee met Four (04) times in the financial year 2017/18.

Attendance

Meetings held on 17th May 2017, 4th August 2017, 2nd November 2017 and 7th February 2018.

	Meetings
Dr. H. Cabral**	4/4
Mr. M.Y.A. Perera**	4/4
Mr. S.C. Ganegoda*	1/4

**Executive*
***Independent Non-Executive*

Subsidiaries

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

Recogen (Pvt) Ltd.

Puritas (Pvt) Ltd.

Utracarb (Pvt) Ltd.

Haycarb Value Added Products (Pvt) Ltd.

Donations

The donations made by the Company and the Group are disclosed in Note 8.2 on page 79.

At the last Annual General Meeting shareholders approved a sum not exceeding Rs. 1,500,000/- in respect of donations. The donations given during the year amounted to Rs. 1,866,100/- (2016/17 – Rs. 1,720,025/-). The ratification by the shareholders of the excess amount of Rs. 366,100/- made as donations for 2017/18 will be sought at the Annual General Meeting.

No donations were made for political purpose.

Directorate

The names of the Directors who served during the year are given below and their brief profiles appear on pages 22 and 25 of this report:

Mr. A.M. Pandithage (Chairman)

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

Mr. Dhammika Perera*

Mr. A.M. Senaratna**

Mr. S.C. Ganegoda*

Mrs. M.J.A.S. Abeyratne

Dr. S.A.K. Abayawardana**

Mr. S. Rajapakse**

Mr. M.S.P. Udaya Kumara

Mr. B. Balaratnarajah

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

Ms. S.S. Ragunathan

Mr. A.A.M. Caderbhoy

Mr. J.D. Naylor

Mr. M.H. Jamaldeen**

**Non-Executive Directors*
***Independent Non-Executive Directors*

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

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for re-election of Dr. S.A.K. Abayawardana, who is 71 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

The Directors of the Subsidiaries are given on pages 122 and 123.

Auditors

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

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 1,829,000/- (2016/17 – Rs. 1,594,000/-) and Rs. 2,870,000/- (2016/17 – Rs. 2,637,000/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 1,692,000/- (2016/17 – Rs. 1,496,000/-) and Rs. 5,115,000/- (2016/17 – Rs. 2,097,000/-) by the Company and the Group, for non-audit related work, which consisted mainly of tax advisory services.

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

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

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

Group Revenue

The revenue of the Group was Rs. 15,518,079,000/- (2016/17 – Rs. 13,553,576,000/-) in the year under review. A detailed analysis of the Group's revenue is given in Note 5 to the Financial Statements.

The Group's revenue from international trade, which includes the revenue of overseas Subsidiaries in addition to exports from Sri Lanka amounted to Rs. 14,603,454,000/- (2016/17 – Rs. 13,061,448,000/-. Trade between Group companies are conducted at fair market prices.

Profits

The Group's profit before tax amounted to Rs. 926,423,000/- (2016/17 – Rs. 1,189,535,000/-). After a deducting Rs. 152,799,000/- (2016/17 – Rs. 249,735,000/-) for taxation, the profit was Rs. 773,624,000/- (2016/17 – 939,800,000/-. When non-controlling interest of Rs. 101,260,000/- (2016/17 – Rs. 135,436,000/- was deducted, the profit attributable to the equity holders of the Company was Rs. 672,364,000/- (2016/17 – Rs. 804,364,000/-).

Stated Capital and Reserves

The stated capital of the Company, consisting of 29,712,375 ordinary shares, amounts to Rs. 331,774,000/-. There was no change in stated capital during the year.

Total Group reserves as at 31st March 2018 amount to Rs. 7,096,066,000/- comprising Capital Reserves of Rs. 648,703,000/- and Revenue Reserves of Rs. 6,447,363,000/-. The Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Dividend

The Board of Directors has recommended the payment of a first and final dividend of Rs. 6/- per share for 2017/18 subject to the approval of the shareholders at the oncoming AGM.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007. A Solvency Certificate from the Auditors has been sought in respect of the first and final dividend proposed.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 40.

Capital Expenditure

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 324,816,000/- (2016/17 – Rs. 847,996,000/-) and Rs. 145,317,000/- (2016/17 – Rs. 493,452,000/-) respectively. Information relating to movements in property, plant and equipment is given in Note 12 to the Financial Statements.

Market Value of Properties

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers and are carried at fair value. The most recent revaluations in respect of the Group were carried out as at 31st March 2017.

Details of revaluations, carrying values and market values are provided in Note 12 to the Financial Statements. The statement on the value of real estate on page 84 gives details of freehold land held by the Group.

Events after the Reporting Period

No circumstances have arisen since the reporting date that would require adjustments, other than those disclosed in Note 34 to the Financial Statements.

Going Concern

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

Shareholders

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

Share Information

Information relating to earnings, dividends, net asset, market value per share and share trading is given on page 117 and 120.

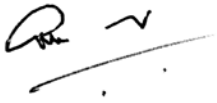
Major Shareholdings

The twenty major shareholders as at 31st March 2018 are given on page 118 in this Report.

Annual General Meeting

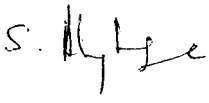
The Annual General Meeting will be held at No. 400, Deans Road, Colombo 10, Sri Lanka at 10.00am. on 28th June 2018. The Notice of the Annual General Meeting appears on page 125.

For and on behalf of the Board,



A.M. Pandithage
Chairman

H.S.R. Kariyawasan
Managing Director



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

11th May 2018

Statement of Directors' Responsibility

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) and 153 (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRSs/LKASs). The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Group, and in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

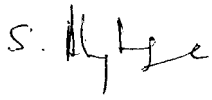
The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for first and final dividend proposed and the Solvency Certificate has been sought from the Auditors in this respect.

The External Auditors, Messrs Ernst & Young, are deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 46 to 49 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the end of financial year have been paid or where relevant, provided for.

By Order of the Board,



Hayleys Group Services (Pvt) Ltd.
Secretaries

11th May 2018

Related Party Transactions Review Committee Report

The Related Party Transaction Review Committee of Hayleys PLC, the Parent Company functions as the Committee of the Company in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director and the members are as follows:

Dr. H. Cabral**, PC – Chairman

Mr. M.Y.A. Perera**

Mr. S.C. Ganegoda*

*** Independent Non-Executive*
**Executive*

Attendance

Committee met – four times during the Financial Year 2017/18.

Meetings were held on 17th May 2017, 4th August 2017, 2nd November 2017 and 7th February 2018.

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M.Y.A. Perera	4/4
Mr. S.C. Ganegoda	1/4

The Duties of the Committee

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

Task of the Committee

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

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

Dr. Harsha Cabral, PC.
Chairman

Related Party Transactions Review Committee of Hayleys PLC

16th May 2018

Audit Committee Report

Composition and Role

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

The role of the Audit Committee with its specific terms of reference is described in the Corporate Governance Report on page 31.

The Committee meets as often as may be deemed necessary. The Audit Committee met four times during the year and the members attendance records are given below:

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

** Mr. Arjun Senaratna Participated in the meetings through teleconference facility.*

A brief profile of each member is given on pages 22 to 25 of this Report. Their individual and collective financial knowledge, business acumen and the independence of the Committee are brought to bear on their deliberations and decisions on matters that come within the Committee's purview.

Other members of the Board of Directors, members of the Senior Management Team of Haycarb PLC and members of the Hayleys PLC Finance and Internal Audit Team were present at the meetings of the Committee where appropriate. The External Auditors are also invited to be present where relevant. The proceedings of the Audit Committee are regularly reported to the Board.

Activities

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 in order to assess reliability of the process, consistency of accounting policies and their compliance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Committee also reviewed the key judgements applied in the preparation of the Consolidated Financial Statements, which are described in the relevant accounting policies and detailed Notes to the Financial Statements on pages 57 to 115. The Company has in place internal control and risk management systems in relation to financial reporting process for preparation of Financial Statements. The Audit Committee obtained Statements of Compliance from the Business Unit Heads where appropriate. Having reviewed the financial reporting system, the Committee is satisfied that the system complies in all material respects with the regulatory and statutory requirements.

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

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

Internal Control Systems

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

The Annual Internal Audit Plan is approved by the Audit Committee and reviewed on a quarterly basis in order to reflect the changing business needs and to ensure new and emerging risks are considered. During the year under review the services of the Hayleys PLC Internal Audit Division was used to audit processes covering production, procurement and sales among others. The key business processes involving Haycarb Group is reported to the Audit Committee for review and formulation of action plans for the ensuing year.

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

Risk Management

The Committee reviewed the risk management process and discussed the inherent risks faced by the business. The risk management framework which includes risks and mitigatory plans is presented and reviewed at Audit Committee meetings.

External Audit

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

The Committee reviews annually the appointment of the External Auditor and makes recommendations to the Board accordingly. The Committee also reviewed the nature and value of non-audit services the External Auditors had undertaken, in order to ensure that it did not compromise their independence.

The Audit Committee recommended to the Board that Messrs. Ernst and Young be reappointed as External Auditors for the ensuing financial year subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

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

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

S. Rajapakse
Chairman
Audit Committee

9th May 2018

Financial Calendar

Quarter ended 30th June 2017	3rd August 2017
Quarter ended 30th September 2017	1st November 2017
Quarter ended 31st December 2017	8th February 2018
Quarter ended 1st March 2018	11th May 2018
Annual Report	4th June 2018
Forty-Fifth Annual General Meeting	28th June 2018
First and Final Dividend declared	11th May 2018
First and Final Dividend Payable	9th July 2018

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51/ Statements of Comprehensive Income

52/ Statements of Financial Position

53/ Statements of Changes in Equity

55/ Statements of Cash Flow

57/ Notes to the Consolidated Financial Statements

Independent Auditor's Report

Building a better working world

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

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@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 at 31 March 2018, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Significant balances in foreign subsidiaries Haycarb PLC is a group which includes ten foreign subsidiaries, operating in Indonesia, Thailand, Singapore, USA, Europe and Australia. These overseas subsidiaries are audited by non-EY auditors and certain elements in these subsidiary financial statements are significant to the consolidated financial statements for the year ended 31 March 2018. Geographical dispersion of the operations and magnitude of subsidiaries' contribution to the group together with the involvement of non-EY auditors increase the complexity as group auditor to obtain an appropriate level of audit evidences.	During our audit we have specifically focused on risks in relation to those significant balances in foreign subsidiaries and we have extended our involvement in audit work performed by the non-EY component auditors as below; • We have involved component auditors to specifically address certain risks and attention areas defined at group level, by requiring all teams to complete specific risk-based questionnaires and detailed audit programs in order to ensure a consistent approach in areas that were deemed most relevant from a group audit perspective. • We visited the component auditor (in Thailand and Indonesia) and reviewed the working papers of component auditors, discussed with engagement partners and team members. • We visited the factory premises of Shizuka Co. Ltd. in Thailand during our visit to component auditors in order to obtain a better understanding of their business operations and processes. The contribution from the foreign subsidiaries to the Group balances are disclosed in Note 33 – Segment Analysis in the consolidated financial statements.
Assessment of the carrying value of Goodwill Under SLFRSs, the Group is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the balance of Rs. 202 million as of 31 March 2018 is material to the financial statements. In addition, management's assessment process is complex and involves significant judgement and is based on assumptions, specifically discount rates and business growth rates, which are affected by expected future market or economic conditions, particularly those in Thailand and Indonesia.	Our audit procedures in relation to the assessment of the carrying value of Goodwill included the following, among others; • We involved our internal valuation experts to assist us in evaluating – the reasonableness of key assumptions such as discount rates, revenue growth rates and – appropriateness of the model that calculates future cash flows. • We assessed whether the future cash flows, are consistent with the strategic plan approved by the Board of Directors and other relevant developments in the businesses of respective cash generating units. • We also assessed the adequacy of the disclosures in the financial statements with regard to the model and assumptions as disclosed in Note 13 in the consolidated financial statements.

Other information included in the 2018 Annual Report

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

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

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

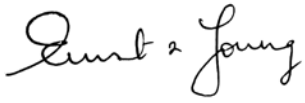
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1420.



11 May 2018

Colombo

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Income Statement

For the year ended 31st March	Note	Consolidated		Company	
		Audited 2018 Rs. '000	Audited 2017 Rs. '000	Audited 2018 Rs. '000	Audited 2017 Rs. '000
Revenue	5	15,518,079	13,553,576	6,368,778	5,384,273
Cost of sales		(12,424,085)	(10,390,116)	(5,253,081)	(4,183,282)
Gross profit		3,093,994	3,163,460	1,115,697	1,200,991
Other operating income	6	29,969	245,624	335,884	536,535
Selling and distribution expenses		(154,270)	(159,370)	(29,014)	(36,879)
Administrative expenses		(1,879,251)	(1,881,444)	(779,520)	(783,658)
Results from operating activities		1,090,442	1,368,270	643,047	916,989
Finance income	7.1	120,379	124,117	124,458	136,123
Finance cost	7.2	(302,273)	(331,929)	(113,282)	(190,325)
Net Finance cost		(181,894)	(207,812)	11,176	(54,202)
Share of profit of equity accounted investees (net of tax)		17,875	29,077	–	–
Profit before income tax	8	926,423	1,189,535	654,223	862,787
Income tax expense	9	(152,799)	(249,735)	(47,469)	(43,637)
Profit for the year		773,624	939,800	606,754	819,150
Attributable to:					
Equity holders of the Company		672,364	804,364	606,754	819,150
Non-controlling interest		101,260	135,436	–	–
Profit for the year		773,624	939,800	606,754	819,150
Earnings per share					
Basic earnings per share (Rs.)	10.1	22.63	27.07	20.42	27.57
Dividend per share (Rs.)	11	6.00	6.00	6.00	6.00

The Notes to the Financial Statements on pages 57 to 115 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Comprehensive Income

For the year ended 31st March	Notes	Consolidated		Company	
		Audited 2018 Rs. '000	Audited 2017 Rs. '000	**Audited 2018 Rs. '000**	Audited 2017 Rs. '000
Profit for the year		**773,624**	939,800	**606,754**	819,150
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net exchange differences on translation of foreign entities		**221,557**	144,277	**–**	–
Net gain/(loss) on available-for-sale financial assets	19	**38,652**	12,206	**38,652**	12,206
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains and (losses) on defined benefit plans	25	**(29,386)**	(39,547)	**(27,211)**	(33,502)
Revaluation of land	12	**–**	152,667	**–**	101,902
Tax effect on other comprehensive income adjustments		**(65,009)**	4,046	**(50,494)**	4,020
Movement in reserve in equity accounted investee	14.1	**11,381**	11,581	**–**	–
Other comprehensive income (loss) for the year (net of tax)		**177,195**	285,230	**(39,053)**	84,626
Total comprehensive income for the year (net of tax)		**950,819**	**1,225,030**	**567,701**	**903,776**
Attributable to:					
Equity holders of the parent		**771,151**	1,036,167	**567,701**	903,776
Non-controlling interests		**179,668**	188,863	**–**	–
		950,819	1,225,030	**567,701**	903,776

The Notes to the Financial Statements on pages 57 to 115 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Notes	Consolidated Audited 2018 Rs. '000	Consolidated Audited 2017 Rs. '000	Company Audited 2018 Rs. '000	Company Audited 2017 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	12	5,121,193	5,100,579	1,787,642	1,769,256
Intangible assets	13	285,856	279,201	27,095	28,961
Investments in subsidiaries	16	–	–	1,486,895	1,486,895
Investment in equity accounted investees	14	516,926	489,528	92,903	92,903
Non-current receivables from subsidiaries	15.3	–	–	134,386	122,386
Other non-current financial assets	19	385,875	346,546	348,366	309,714
Deferred tax assets	26.1	81,551	16,930	–	–
Total non-current assets		6,391,401	6,232,784	3,877,287	3,810,115
Current assets					
Inventories	17	4,085,980	3,476,290	1,282,321	1,168,900
Trade and other receivables	18	3,279,716	2,921,321	1,165,886	1,187,417
Amounts due from subsidiaries	15.3	–	–	1,096,498	1,104,469
Amounts due from other related parties	15.4	17,106	12,911	–	–
Amounts due from equity accounted investees	15.5	26,386	9,673	1,574	4,042
Other current assets	20	590,862	319,643	269,983	86,300
Cash in hand and at bank	21	891,006	1,262,863	206,165	68,501
Total current assets		8,891,056	8,002,701	4,022,427	3,619,629
Total assets		15,282,457	14,235,485	7,899,714	7,429,744
Equity and liabilities					
Equity					
Stated capital	22	331,774	331,774	331,774	331,774
Capital reserves	23.1	648,703	717,597	356,919	411,155
Revenue reserves	23.2	6,447,363	5,696,455	4,202,121	3,669,321
Equity attributable to equity holders of the Company		7,427,840	6,745,826	4,890,814	4,412,250
Non-controlling interests		909,771	776,762	–	–
Total equity		8,337,611	7,522,588	4,890,814	4,412,250
Non-current liabilities					
Interest-bearing loans and borrowings	24.1	219,487	437,580	123,821	206,178
Employee benefit obligations	25	464,424	365,672	387,455	306,231
Deferred tax liabilities	26.2	219,199	101,633	117,630	37,909
Total non-current liabilities		903,110	904,885	628,906	550,318
Current liabilities					
Trade and other payables	27	1,747,701	1,720,147	364,765	345,849
Interest-bearing loans and borrowings	24.2	2,944,623	2,610,893	1,762,861	1,769,004
Other current liabilities	28	195,192	202,733	33,742	8,201
Amounts due to subsidiaries	15.1	–	–	169,754	274,502
Amounts due to other related parties	15.2	1,066,820	1,179,017	48,872	63,088
Income tax payable		87,400	95,222	–	6,532
Total current liabilities		6,041,736	5,808,012	2,379,994	2,467,176
Total liabilities		6,944,846	6,712,897	3,008,900	3,017,494
Total equity and liabilities		15,282,457	14,235,485	7,899,714	7,429,744

I certify that the Financial Statements set out on pages 50 to 115 have been prepared in accordance with the Companies Act No. 07 of 2007.

Jeevani Abeyratne
Director – Finance

The Notes to the Financial Statements on pages 57 to 115 form an integral part of these Financial Statements.
Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board,

Mohan Pandithage
Chairman
11th May 2018

Rajitha Kariyawasan
Managing Director
11th May 2018

Statement of Changes in Equity

Consolidated

	Attributable to equity holders of the parent								
			Other Reserves						
	Stated capital	Capital reserves	Available-for-sale reserve	Exchange fluctuation on reserve	General reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March 2016	331,774	570,848	256,848	319,111	519,353	3,918,051	5,915,985	710,435	6,626,420
Profit for the period	–	–	–	–	–	804,364	804,364	135,436	939,800
Translation of foreign entities	–	–	–	94,493	–	–	94,493	49,784	144,277
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	–	(37,272)	(37,272)	(2,275)	(39,547)
Income tax on other comprehensive income	–	–	–	–	–	4,046	4,046	–	4,046
Revaluation during the year	–	146,749		–	–	–	146,749	5,918	152,667
Movement in reserves of equity accounted investees	–	–	–	–	–	11,581	11,581	–	11,581
Net gain on available-for-sale financial assets	–	–	12,206	–	–	–	12,206	–	12,206
Other comprehensive income for the period	–	146,749	12,206	94,493	–	(21,645)	231,803	53,427	285,230
Dividends	–	–	–	–	–	(207,986)	(207,986)	(122,536)	(330,522)
Recovery for the period	–	–	–	–	–	1,660	1,660	–	1,660
Balance as at 31st March 2017	331,774	717,597	269,054	413,604	519,353	4,494,444	6,745,826	776,762	7,522,588
Profit for the period	–	–	–	–	–	672,364	672,364	101,260	773,624
Revaluation of land	–	–	–	–	–	–	–	–	–
Translation of foreign entities	–	–	–	142,376	–	–	142,376	79,181	221,557
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	–	(28,620)	(28,620)	(766)	(29,386)
Income tax on other comprehensive income	–	(68,894)	–	–	–	3,892	(65,002)	(7)	(65,009)
Movement in reserves of equity accounted investees	–	–	–	–	–	11,381	11,381	–	11,381
Net gain on available-for-sale financial assets	–	–	38,652	–	–	–	38,652	–	38,652
Other comprehensive income for the period	–	(68,894)	38,652	142,376	–	(13,347)	98,787	78,408	177,195
Dividends	–	–	–	–	–	(89,137)	(89,137)	(46,659)	(135,796)
Balance as at 31st March 2018	**331,774**	**648,703**	**307,706**	**555,980**	**519,353**	**5,064,324**	**7,427,840**	**909,771**	**8,337,611**

Company

	Stated capital Rs. '000	Capital reserves Rs. '000	General reserve Rs. '000	Available-for-sale reserve Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 31st March 2016	331,774	309,253	519,353	256,848	2,297,572	3,714,800
Profit for the year	–	–	–	–	819,150	819,150
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	(33,502)	(33,502)
Income tax on other comprehensive income	–	–	–	–	4,020	4,020
Net gain on available-for-sale financial asset	–	–	–	12,206	–	12,206
Revaluation during the year	–	101,902	–	–	–	101,902
Other comprehensive income for the period	–	101,902	–	12,206	(29,482)	84,626
Dividends	–	–	–	–	(207,986)	(207,986)
Recovery for the period	–	–	–	–	1,660	1,660
Balance as at 31st March 2017	331,774	411,155	519,353	269,054	2,880,914	4,412,250
Profit for the year	–	–	–	–	606,754	606,754
Actuarial gains and (losses) on defined benefit plans	–	–	–	–	(27,211)	(27,211)
Income tax on other comprehensive income	–	(54,236)	–	–	3,742	(50,494)
Net gain on available-for-sale financial assets	–	–	–	38,652	–	38,652
Other comprehensive income for the period	–	(54,236)	–	38,652	(23,469)	(39,053)
Dividends	–	–	–	–	(89,137)	(89,137)
Balance as at 31st March 2018	**331,774**	**356,919**	**519,353**	**307,706**	**3,375,062**	**4,890,814**

The Notes to the Financial Statements on pages 57 to 115 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31st March	Notes	Consolidated 2018 Rs. '000	Consolidated 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Operating activities					
Profit before tax		926,423	1,189,535	654,223	862,787
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	12	426,255	364,074	126,931	105,829
Amortisation of intangible assets	13	32,749	33,470	9,979	15,616
Revaluation loss/(Gain) charged to income statement	6	–	(2,260)	–	–
(Gain)/loss on disposal of property, plant and equipment	6	1	(2,567)	–	(1,328)
(Gain)/loss on translation of foreign currencies		2,742	30,265	33,197	(7,398)
Exchange difference on translation of foreign entities		99,488	29,274	–	–
Finance income	7.1	(120,379)	(124,117)	(124,458)	(136,123)
Finance cost	7.2	302,273	331,929	113,282	190,325
Dividend income - subsidiaries	6	–	–	(209,626)	(369,517)
Share of profit of an associate	14..1	(17,875)	(29,077)	–	–
Provision for slow moving inventory	17	17,990	6,096	12,175	3,052
Provision for unrealised profit on inventories	17	10,810	22,411	–	–
Provision for bad and doubtful debts	18	3,527	10,890	–	–
Provision for employee benefit obligation	25	74,189	48,048	60,172	35,673
Cash generated from operations before working capital changes		1,758,193	1,907,970	675,875	698,916
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		(590,283)	(124,125)	(162,152)	(70,852)
(Increase)/decrease in amounts receivable from related parties		(20,908)	13,221	(1,561)	(418,389)
(Increase)/decrease in inventories		(638,492)	20,746	(125,595)	132,881
Increase/(decrease) in trade and other payabales		47,632	445,677	72,076	12,082
Increase/(decrease) in amounts due to related parties		(51,822)	225,416	(58,589)	160,329
		504,320	2,488,905	400,054	514,967
Interest paid		(187,952)	(201,345)	(76,703)	(73,439)
Income tax paid		(215,543)	(196,096)	(24,774)	(18,437)
Employee benefit paid	25	(7,522)	(12,680)	(6,159)	(12,411)
Net cash flows from operating activities		93,303	2,078,784	292,418	410,680

For the year ended 31st March	Notes	Consolidated 2018 Rs. '000	Consolidated 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Investing activities					
Proceeds from sale of property, plant and equipment		15	9,310	–	4,652
Purchase of property, plant and equipment		(324,816)	(847,996)	(145,317)	(493,451)
Purchase/Construction of asset available-for-sale		–	(3,917)	–	–
Proceeds from long-term loans and receivables	19	4,221	–	–	–
Acquisition of intangible assets	13	(39,404)	(44,999)	(8,113)	(17,784)
Interest received		3,583	3,926	50,831	43,927
Dividend received from equity accounted investees		1,858	9,107	1,858	8,137
Other dividends received		10,315	8,212	218,083	369,592
Net cash flows from/(used in) investing activities		(344,228)	(866,357)	117,342	(84,927)
Net cash inflow/(outflow) before financing activities		(250,925)	1,212,427	409,760	325,753
Financing activities					
Proceeds from borrowings	24	–	523,322	–	218,835
Repayment of borrowings	24	(437,506)	(460,600)	(259,549)	(256,919)
Dividends paid to equity holders of the parent		(177,132)	(169,986)	(177,132)	(169,986)
Dividends paid to non-controlling interests		(46,659)	(122,536)	–	–
Net cash flows from/(used in) financing activities		(661,297)	(229,800)	(436,681)	(208,070)
Net increase/(decrease) in cash and cash equivalents		(912,222)	982,627	(26,921)	117,683
Cash and cash equivalents at the beginning of period		(918,052)	(1,900,679)	(1,445,651)	(1,563,334)
Cash and cash equivalents at the end of period		(1,830,274)	(918,052)	(1,472,572)	(1,445,651)
Analysis of cash and cash equivalents as at 31st March					
Bank and cash balances	21	822,755	1,211,194	203,694	66,095
Short-term deposits		68,251	51,669	2,471	2,406
		891,006	1,262,863	206,165	68,501
Bank overdrafts and short-term loans		(2,721,280)	(2,180,915)	(1,678,737)	(1,514,152)
Cash and cash equivalents		(1,830,274)	(918,052)	(1,472,572)	(1,445,651)

The Notes to the Financial Statements on pages 57 to 115 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

All companies in the Group are limited liability companies and of the seventeen companies, seven [viz., Haycarb PLC, Puritas (Pvt) Ltd., Recogen (Pvt) Ltd., Ultracarb (Pvt) Ltd., Lakdiyatha (Pvt) Ltd., Haycarb Value Added Products (Pvt) Ltd. and Carbotels (Pvt) Ltd.] are incorporated and domiciled in Sri Lanka. The information on incorporation and principal activities of these companies are given on page 122 of the Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Haycarb PLC, as at and for the year ended 31st March 2018 encompasses the Company, its Subsidiaries (together referred to as the "Group") and the Group's interest in Equity Accounted Investees (Associates and Joint Ventures).

1.3 Nature of Operations and Principal Activities of the Company and the Group

Descriptions of the nature of operations and principal activities of the Company, its Subsidiaries and Equity Accounted Investees are given on pages 122 and 123 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 2018 were authorised for issue by the Directors on 11th May 2018.

1.5 Responsibility for Financial Statements

The responsibility of the Directors' in relation to the Financial Statements, is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka, 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 available-for-sale financial assets which are measured at fair value.

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 parent company's functional and presentation currency. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 36 to the Financial Statements.

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

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

2.5 Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

3. BASIS OF CONSOLIDATION

Subsidiaries and Equity accounted investees are disclosed in Notes 14 and 16 to the Financial Statements.

3.1 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 when it has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee.

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting right.

The Group reassesses 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.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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 the Income Statement. Any investment retained is recognised at fair value.

3.1.1 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed and included in administrative expenses.

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 – "Financial Instruments: Recognition and Measurement", is measured at fair value with the changes in fair value recognised in the Income Statement in accordance with LKAS 39. Other contingent consideration that is not within the scope of LKAS 39 is measured at fair value at each reporting date with changes in fair value recognised in Income Statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in Income Statement.

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

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

3.1.2 Non-Controlling Interests

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.

3.1.3 Equity Accounted Investees (Investment in Associates)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The Income Statement reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognises the loss as "Share of profit/(loss) of an equity accounted investees" in the Income Statement.

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

3.1.4 Transactions Eliminated on Consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

3.1.5 Foreign Currency

3.1.5.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates applicable on the dates of the transaction first qualifies for recognition.

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

3.1.5.2 Foreign Operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lankan Rupee are translated into Sri Lankan Rupees as follows:

- assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition are translated to Sri Lankan Rupees at the exchange rate prevailing at the reporting date;
- income and expenses are translated at the average exchange rates for the period.

The exchange differences arising on translation for Consolidation are recognised in Other Comprehensive Income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the Income Statement as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to the Income Statement.

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

3.1.6 Consolidation of Subsidiaries with Different Accounting Periods

The Financial Statements of all subsidiaries in the Group other than those mentioned in Note 37 to the Financial Statements are prepared for a common financial year, which ends on 31st March.

The subsidiaries with 31st December financial year ends prepare for Consolidation purpose, additional financial information as of the same date as the Financial Statements of the parent.

3.1.7 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 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

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

3.1.8 Fair Value Measurement

The Group measures financial instruments such as available-for-sale, derivatives and non-financial assets such as owner occupied lands, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions — Note 19
- Property (land) under revaluation model — Note 12
- Financial instruments (including those carried at amortised cost) — Note 19

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

3.2 Assets

3.2.1 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.

3.2.1.1 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.

3.2.1.2 Basis of Measurement

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

3.2.1.3 Owned Assets

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

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

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land dose not differ materially from its carrying amount and is undertaken by professionally qualified independent 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 Income Statement, the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.2.1.4 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 Income Statement as incurred.

3.2.1.5 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Income Statement. Gains are not classified as revenue.

3.2.1.6 Depreciation

Depreciation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, in reflecting the expected pattern of consumption of the future economic benefits embodied in the asset.

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

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.

3.2.1.7 Leased Assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

3.2.1.8 Group as a Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a Finance Lease,

Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Income Statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

3.2.2 Intangible Assets

3.2.2.1 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.

3.2.2.2 Basis of Measurement

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

3.2.2.3 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 a finite useful life is 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 accounted for by changing 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 Income Statement in the expense category consistent with the function of the intangible assets.

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

3.2.2.4 Derecognition of Intangible Assets

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

3.2.2.5 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 to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually if there are indicators of impairment.

3.2.2.6 Other Intangible Assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3.2.2.7 Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Income Statement as incurred.

3.2.2.8 Amortisation

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

Softwares	- 5-10 years
Product developments	- 5 years

3.3 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.

3.3.1 Financial Assets

3.3.1.1 Initial Recognition and Measurement

Financial assets classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, amounts due from subsidiaries, amounts due from equity accounted investees, quoted and unquoted financial instruments and derivative financial instruments which are classified as loans and receivables and available-for-sale financial assets.

3.3.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets

Financial Assets at Fair Value Through Profit or Loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by LKAS 39. 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 finance income or finance costs in the Income Statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement. Reassessment only occurs if there is 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.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in other expenses for receivables.

Held-to-Maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold till maturity and which are not designated as fair value through profit or loss or available for sale. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

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 income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

Available-for-Sale Financial Assets
Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the Income Statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to the Income Statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Income Statement.

A sale or a reclassification of more than an insignificant amount of held-to-maturity investments will result in the reclassification of all held to maturity investments as available for sale, and would prevent the Group from carrying investment securities as held-to maturity for the current and following two years. However, sales and reclassification in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of the interest would not have a significant effect on the financial asset's fair value;
- Sales or reclassifications after the Group has collected substantially all the asset's original principle; and
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

3.3.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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 asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

3.3.1.4 Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists is one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.3.1.4.1 Financial Assets Carried at Amortised Aost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Income Statement.

3.3.1.4.2 Available-for-Sale Financial Assets

For available-for-sale financial assets, the Group assesses at each reporting date, whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from Other Comprehensive Income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairment are recognised directly in Other Comprehensive Income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

3.3.2 Financial Liabilities

3.3.2.1 Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, amounts due to equity accounted investees categorised under loans and receivables.

3.3.2.2 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 includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. 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 Income Statement.

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 LKAS 39 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

Financial Guarantee Contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.3.2.3 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 Income Statement.

3.3.3 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

3.3.4 Derivative Financial Instruments

3.3.4.1 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Income Statement.

3.3.5 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19 to the Financial Statements.

3.3.6 Inventories

Inventories are measured 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.
- Project in progress consists of labour and other cost of personnel directly engaged in providing the service, including supervisory personnel and attributable overheads.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

3.3.7 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. A long-term growth rate is calculated and applied to project future cash flows after the tenth year.

Impairment losses of continuing operations are recognised in the Income Statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

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

3.3.8 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 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.

3.4 Liabilities and Provisions

3.4.1 Employee Benefits

3.4.1.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

3.4.1.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – 'Employee benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 25. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, 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. For companies based in Sri Lanka, this liability is computed on the following basis:

Length of each service (Years)	No. of month's salary for completed year of service
Up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
Over 35	1 ½

For subsidiaries overseas, the legal liability is computed in accordance with legislation applicable in respective countries.

3.4.2 Recognition of Actuarial Gains or Losses

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

3.4.3 Short-Term Benefits

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

3.4.4 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 Income Statement net of any reimbursement.

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

3.4.5 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the Note 31 to the Financial Statements.

3.4.6 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.

3.5 Income Statement

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

3.5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obliger in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of Goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Rendering of Services
Revenue from services rendered is recognised in Income Statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Rental Income
Rental income is recognised in Income Statement as it accrues.

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

Commission
When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the commission earned by the Group.

Grants
Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in Income Statement on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Gains and Losses
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 Income Statement.

Other Income
Other income is recognised on an accrual basis.

3.5.2 Expenses

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

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

3.5.2.1 Operating Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.5.2.2 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

3.5.2.3 Finance Income and Finance Cost

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in the Income Statement. Interest income is recognised as it accrues in the Income Statement.

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

Finance income and finance cost are reported separately.

3.5.3 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Income Statement except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

3.5.3.1 Current Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.5.3.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

3.5.3.3 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.

3.6 General

3.6.1 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.

3.6.2 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.

3.6.3 Statement of Cash Flows

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

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

3.6.4 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman and the Board to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3.6.5 Changes in Accounting Policies and Disclosures

There were no significant changes in accounting policies and the accounting policies adopted are consistent with those of the previous financial year. Amendments to existing accounting standards effective from 1st January 2017 are stated below:

LKAS 7 – Statement of Cash Flows

The amendment requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly an entity shall disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates
- changes in fair values; and
- other changes.

LKAS 12 – Income Taxes

When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, the entity shall consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

If tax law imposes no such restrictions, entity may assess the deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Further, the amendment requires an entity to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences, when evaluating whether the entity will have sufficient taxable profit in future periods. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

According to the amendment introduced, the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. For example, when an asset is measured at fair value, the entity shall consider whether there is sufficient evidence to conclude that it is probable that the entity will recover the asset for more than its carrying amount.

The Group did not have a material impact from the above amendment during the year ended 31st March 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments 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 judgments 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes.

4.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

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

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.3.7. The basis of determining the recoverable amounts of cash-generating units and key assumptions used are given in Note 13 to the Financial Statements. Any change in these assumptions will impact the carrying amount of cash-generating units.

4.3 Taxation

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

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

4.4 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 25 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

4. 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 12 and 13 to the Financial Statements.

4.6 Revaluation of Land

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

4.7 Consolidation of Entities with the Group Holds 50% of the Voting Rights

Group holds 50% of the issued share capital of Carbokarn Co. 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 CK, it is considered as a subsidiary for financial reporting after due consideration of the agreements with partners and the current operating arrangement.

4.8 Standards Issued But Not Yet Effective

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

SLFRS 9 – Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement". SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date.

Revenue of the Group is generated through the sale of goods and the rendering of services. In preparation for SLFRS 15, the Group has reviewed its contracts with customers and have identified the following:

- Sales contracts of Purification sector relating to sales of goods are predominantly designed to have a single performance obligation. Such contracts are not expected to have a significant impact on the Group's profit or loss and the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

- Environmental Engineering sector do have contracts with customers relating to the arrangements which are presently accounted for in accordance with LKAS 11 - Construction Contracts. Such contracts do have multiple performance obligations which are discharged over a period of time. The Group is presently in the process of reviewing such contracts in determining whether the adoption of SLFRS 15 could significantly affect the timing that revenue is recognised.

SLFRS - 16 Leases

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

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

The new Standard requires a lessee to:

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

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

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

The following amendments and improvements are not expected to have a significant impact on the Company's/ Group's Financial Statements.

- Amendments to LKAS 28 - "Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures"
- SLFRS 2 - "Classification and Measurement of Share-based Payment Transactions" - Amendments to SLFRS 2
- Applying SLFRS 9 - "Financial Instruments" with SLFRS 4 – "Insurance Contracts" - Amendments to SLFRS 4
- Amendments to SLFRS 9 - "Prepayment Features with Negative Compensation"
- IFRIC Interpretation 22 - "Foreign Currency Transactions and Advance Consideration"
- IFRIC Interpretation 23 - "Uncertainty over Income Tax Treatment"

5. REVENUE

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Sale of goods				
Haycarb PLC	**6,368,778**	5,384,273	**6,368,778**	5,384,273
Subsidiaries	**14,069,655**	12,703,601	**–**	–
	20,438,433	18,087,874	**6,368,778**	5,384,273
Intra-group sales	**(4,920,354)**	(4,534,298)	**–**	–
	15,518,079	13,553,576	**6,368,778**	5,384,273

6. OTHER OPERATING INCOME

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Government grants	**2,640**	3,741	**–**	–
Net gain on disposal of property, plant and equipment	**(1)**	2,567	**–**	1,328
Claim settlement under trade agreement	**–**	191,798	**–**	–
Fees for marketing services	**–**	93	**42,348**	40,434
Sundry income	**20,144**	38,045	**6,264**	15,065
Reversal of impairment loss on property, plant and equipment	**–**	2,260	**–**	–
Rental income	**–**	–	**7,817**	8,032
Income from technical consultations	**7,186**	7,120	**69,829**	102,159
Dividend income – subsidiaries	**–**	–	**209,626**	369,517
	29,969	245,624	**335,884**	536,535

7. NET FINANCE COST

7.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Dividend income – quoted	**10,183**	8,138	**10,183**	8,138
– unquoted	**132**	74	**132**	74
Interest income on loans and receivables	**3,583**	3,926	**50,831**	43,927
Gain on translation of foreign currency	**106,481**	111,979	**63,312**	83,984
Total finance income	**120,379**	124,117	**124,458**	136,123

7.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Interest cost – Short-term borrowings	128,680	132,008	64,748	54,439
– Long-term borrowings	59,272	69,337	11,955	19,000
Loss on translation of foreign currency	114,321	130,584	36,579	116,886
Total finance cost	302,273	331,929	113,282	190,325
Net finance cost	(181,894)	(207,812)	11,176	(54,202)

8. PROFIT BEFORE INCOME TAX

8.1

For the year ended 31st March	Consolidated	
	2018 Rs. '000	2017 Rs. '000
Haycarb PLC	654,223	862,787
Subsidiaries	472,481	694,069
Equity accounted investees	17,875	29,077
	1,144,579	1,585,933
Unrealised profit on intra-group sales	(10,810)	(22,410)
Intra-group adjustments	(207,346)	(373,988)
	926,423	1,189,535

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

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Depreciation on property, plant and equipment	**426,255**	364,073	**126,931**	105,829
Directors' emoluments including Non-Executive Directors' consultation fees	**151,914**	155,240	**111,868**	120,330
Auditor's remuneration (fees and expenses)				
Ernst & Young	**2,870**	2,637	**1,829**	1,594
Others	**9,756**	8,043	**–**	–
Fees paid to Auditors for non-audit work				
Ernst & Young	**5,115**	2,097	**1,692**	1,496
Others	**857**	1,123	**–**	–
Donations	**3,521**	5,016	**1,866**	1,720
Provision for slow moving inventories	**17,990**	6,096	**12,175**	3,052
Provision of unrealised profits in inventories	**10,810**	22,411	**–**	–
Provision/(reversal) for bad and doubtful debts	**3,527**	10,890	**–**	–
Staff training and development	**1,272**	3,144	**961**	1,286
Legal/litigation fees	**6,738**	2,656	**1,316**	448
Staff costs (Note 8.2.1)	**1,561,741**	1,411,737	**661,111**	593,246

8.2.1 Staff Costs

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Defined contribution plan cost	**108,389**	101,594	**92,866**	81,229
Defined benefit plan cost	**74,189**	48,048	**60,172**	35,673
Other staff cost	**1,379,163**	1,262,095	**508,073**	476,344
	1,561,741	1,411,737	**661,111**	593,246
Number of employees at year end	**1,411**	1,321	**772**	743

9. INCOME TAX EXPENSE

9.1 In terms of Section 51 and 52 of the Inland Revenue Act No. 10 of 2006 as amended, qualified export profits enjoy a concessionary rate of tax at 12%.

The corporate rate of tax applicable to Haycarb PLC and other local companies within the Group, excluding those which enjoy a concessionary rate of tax as referred to below is 28%.

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

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

The oversees companies, namely Eurocarb Products Ltd., Haycarb Holding Australia (Pvt) Ltd., Haycarb USA Inc., Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., and PT Mapalus Makawanua Charcoal industry and PT Haycarb Palu Mitra are liable to tax at 20%, 30%, 34%, 20%, 20%, 25% and 25% respectively.

Haycarb Holdings Bitung Ltd. is exempt from tax.

9.2 Income Tax Expense

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Sri Lanka taxes				
Haycarb PLC	**40,529**	46,335	**40,529**	46,335
Subsidiaries	**59,508**	49,018	**–**	–
	100,037	95,353	**40,529**	46,335
Overseas taxes				
Subsidiaries	**68,132**	107,862	**–**	–
	168,169	203,215	**40,529**	46,335
Under/(Over) provision in respect of previous years				
Haycarb PLC	**(22,288)**	(10,683)	**(22,288)**	(10,683)
Subsidiaries	**(264)**	2,772		–
	(22,552)	(7,911)	**(22,288)**	(10,683)
Deferred taxation				
Haycarb PLC	**79,721**	3,965	**79,721**	3,965
Subsidiaries	**(26,776)**	18,618	**–**	–
	52,945	22,583	**79,721**	3,965
Tax on dividend income	**19,243**	27,802	**–**	–
Total income tax provisions	**217,806**	245,689	**97,962**	39,617
Tax on other comprehensive income	**(65,007)**	4,046	**(50,493)**	4,020
	152,799	249,735	**47,469**	43,637

9.3 Tax Reconciliation Statement

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Profit before tax	**926,423**	1,189,535	**654,223**	862,787
Share of profit of equity accounted investees	**(17,875)**	(29,077)	**–**	–
Consolidation adjustments	**218,156**	396,398	**–**	–
	1,126,704	1,556,856	**654,223**	862,787
Tax exempt income	**(443,796)**	(528,962)	**(247,180)**	(385,308)
Disallowable expenses	**519,935**	657,520	**202,649**	241,553
Allowable expenses	**(489,160)**	(484,638)	**(256,071)**	(332,904)
Tax losses brought forward	**(175,621)**	(267,537)	**–**	–
Tax losses carried forward	**291,715**	175,621	**–**	–
Taxable profit	**829,777**	1,108,860	**353,621**	386,128
Tax @ 12%	**44,861**	53,405	**40,293**	**46,335**
Tax @ 28%	**55,176**	28,808	**236**	–
Tax at other rates	**68,132**	121,002	**–**	–
	168,169	203,215	**40,529**	46,335
Under/(over) provision in previous year	**(22,552)**	(7,910)	**(22,288)**	(10,682)
Deferred tax charge/(credit)	**(12,062)**	26,628	**29,228**	7,984
Tax on dividend income	**19,243**	27,802	**–**	–
Tax expense for the year	**152,799**	249,735	**47,469**	43,637

10. EARNINGS/NET ASSETS PER SHARE

10.1 Earnings per Share

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

For the year ended 31st March	Consolidated		Company	
	2018	2017	**2018**	2017
Profit attributable to ordinary shareholders (Rs.'000)	**672,364**	804,364	**606,754**	819,150
Weighted average number of ordinary shares *	**29,712,375**	29,712,375	**29,712,375**	29,712,375
Basic earnings per ordinary share (Rs.)	**22.63**	27.07	**20.42**	27.57

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

10.2 Net Assets per Share

	Consolidated		Company	
As at 31st March	2018	2017	2018	2017
Net assets attributable to ordinary shareholders (Rs.'000)	7,427,840	6,745,826	4,890,814	4,412,250
Number of ordinary shares	29,712,375	29,712,375	29,712,375	29,712,375
Net assets per share (Rs.)	249.99	227.04	164.61	148.50

11. DIVIDENDS PER SHARE

For the year ended 31st March	2018 Rs. '000	2017 Rs. '000
(Interim dividend - 2016/17 – Rs. 3/- per share)	–	89,137
(2nd interim dividend - 2016/17 - Rs. 3/- per share)	–	89,137
1st and final proposed Rs. 6/- per share	178,274	–
	178,274	178,274
Dividend per ordinary share - Rs.	6	6
Dividend payout ratio (%)	29	22

The Directors have recommended a Rs.6/- per share final dividend payment for the year ended 31st March 2018 to be approved at the Annual General Meeting on the 28th June 2018. In compliance with Sri Lanka Accounting Standard LKAS 10 - "Events after the Reporting Period" the final dividend recommended is not recognised as a liability in the Financial Statements as at 31st March 2018.

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Consolidated

	Freehold land Rs. '000	Freehold buildings Rs. '000	Machinery and equipment freehold Rs. '000	Vehicles Rs. '000	Furniture fittings and office equipment Rs. '000	Data processing equipment Rs. '000	Total Rs. '000
Cost or valuation							
At 1st April 2016	728,989	1,198,010	4,152,637	143,194	127,029	65,250	6,415,108
Additions	122,443	105,692	423,581	29,333	25,196	5,830	712,075
Disposals	–	–	(16,748)	(6,381)	(7,453)	–	(30,582)
Revaluations	154,926	–	–	–	–	–	154,926
Transfer*	–	–	–	–	–	(4,282)	(4,282)
Effect of movement in exchange rate	13,293	45,283	145,872	3,888	3,109	–	211,445
At 31st March 2017	1,019,651	1,348,985	4,705,342	170,034	147,881	66,798	7,458,690
Additions	12,408	56,567	391,780	8,157	11,998	3,327	484,237
Disposals	–	–	(1,578)	–	(163)	–	(1,741)
Transfer*	10,060	(10,060)	–	–	–	–	–
Effect of movement in exchange rate	26,885	56,826	168,542	4,895	7,671	–	264,819
At 1st April 2018	1,069,004	1,452,318	5,264,086	183,086	167,387	70,125	8,206,005

	Freehold land Rs. '000	Freehold buildings Rs. '000	Machinery and equipment freehold Rs. '000	Vehicles Rs. '000	Furniture fittings and office equipment Rs. '000	Data processing equipment Rs. '000	Total Rs. '000
Depreciation and impairment							
At 1st April 2016	–	241,708	1,994,172	40,760	73,259	53,962	2,403,860
Depreciation charge for the year	–	37,822	286,475	22,883	13,236	3,658	364,074
Disposals	–	–	(11,220)	(5,578)	(7,041)	–	(23,839)
Transfer*	–	–	–	–	–	(208)	(208)
Effect of movement in exchange rate	–	16,792	75,767	2,216	1,667	–	96,442
At 31st March 2017	–	296,322	2,345,194	60,282	81,121	57,412	2,840,329
Depreciation charge for the year	–	48,761	336,037	22,038	15,558	3,861	426,255
Disposals	–	–	(1,563)	–	(162)	–	(1,725)
Effect of movement in exchange rate	–	19,057	116,173	3,084	4,436	–	142,750
At 31st March 2018	–	364,140	2,795,841	85,404	100,953	61,273	3,407,609
Capital work-in-progress							
At 31st March 2018	–	–	–	–	–	–	348,339
At 31st March 2017	–	–	–	–	–	–	507,760
Impairment Provision							
At 31st March 2018	–	–	(25,543)	–	–	–	(25,543)
At 31st March 2017	–	–	(25,543)	–	–	–	(25,543)
Net book value							
At 31st March 2018	1,069,004	1,088,178	2,442,702	97,682	66,434	8,852	5,121,193
At 31st March 2017	1,019,651	1,052,663	2,334,605	109,753	66,761	9,387	5,100,579

(a) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2018 amounted to Rs. 1,359,820,000/- (2017 - 1,212,650,000/-).

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

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

(d) Freehold Land carried at revalued amount:

Company	Location	Last revaluation date	Land extent	Number of building	Unobservable input per perch Avg. Rs.	Carrying value as at 31st March 2018 freehold land Rs. '000	Cost as at 31st March 2018 Rs. '000
Haycarb PLC	Madampe Factory – Madampe	31.03.2017	30 A - 1R - 39.85 P	14	33,212	168,643	86,366
	Badalgama Factory – Badalgama	31.03.2017	23 A - 2R - 18.36 P	19	41,552	159,172	72,743
	Wewalduwa Stores – Wewalduwa	31.03.2017	2 A - 1R - 32.04 P	6	568,819	223,000	4,309
						550,815	163,418
Recogen (Pvt) Ltd.	Badalgama Factory – Badalgama	31.03.2017	10 A - 3R - 15 P	4	45,000	78,000	11,390
Carbokarn Co. Ltd.	Chonburi Province – Thailand	31.03.2017	15 A - 2R - 22P	20	61,520	153,922	93,288
Shizuka Co. Ltd.	Ratchburi Province – Thailand	31.03.2017	24 A - 2R - 19P	12	26,279	103,512	78,305
PT Mapalus Makawanua Charcoal Industry	Bitung City – Indonesia	31.03.2017	8A - 3R - 28P	8	78,048	111,452	47,933
PT Haycarb Palu Mitra	Palu City – Indonesia	31.03.2017	6A - 3R - 37.5P	18	40,330	71,303	65,342
						1,069,004	459,676

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

Fair value hierarchy - Land measured at fair value	**2018 Rs. '000**	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value	**1,069,004**	–	–	1,069,004

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

During the reporting period ended 31st March 2018, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

Company	Details of assets	Banks mortaged to	Cost Rs. '000
PT Mapalus Makawanuva	Land and building	Panin BNI	168,547
PT Haycarb Palu Mitra	Land and building	HSBC (Indonesia)	231,514
	Machinery and tools	HSBC (Indonesia)	281,880

12.2 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
Cost or valuation							
At 1st April 2016	341,620	377,233	1,006,217	63,370	50,542	55,050	1,894,032
Additions	86,680	63,461	235,954	19,165	3,530	3,797	412,587
Disposals	–	–	(7,313)	–	–	–	(7,313)
Revaluations	101,902	–	–	–	–	–	101,902
At 31st March 2017	530,202	440,694	1,234,858	82,535	54,072	58,847	2,401,208
Additions	10,553	22,795	176,752	529	2,213	1,660	214,502
Transfer*	10,060	(10,060)	–	–	–	–	–
At 31st March 2018	**550,815**	**453,429**	**1,411,610**	**83,064**	**56,285**	**60,507**	**2,615,710**
Depreciation and impairment							
At 1st April 2016	–	77,223	583,227	7,548	27,031	49,740	744,768
Depreciation charge for the year	–	7,758	75,609	15,998	3,601	2,863	105,829
Disposals	–	–	(3,989)	–	–	–	(3,989)
At 31st March 2017	–	84,981	654,847	23,546	30,632	52,603	846,608
Depreciation charge for the year	–	8,734	95,334	16,656	3,615	2,592	126,931
At 31st March 2018	**–**	**93,715**	**750,181**	**40,202**	**34,247**	**55,195**	**973,539**
Capital work-in-progress							
At 31st March 2018	**–**	**–**	**–**	**–**	**–**	**–**	**171,014**
At 31st March 2017	–	–	–	–	–	–	240,199
Impairment Provision							
At 31st March 2018	**–**	**–**	**(25,543)**	**–**	**–**	**–**	**(25,543)**
At 31st March 2017	–	–	(25,543)	–	–	–	(25,543)
Net book value							
At 31st March 2018	**550,815**	**359,714**	**635,886**	**42,862**	**22,038**	**5,312**	**1,787,642**
At 31st March 2017	530,202	355,713	554,468	58,989	23,440	6,244	1,769,256

(a) Property, plant and equipment include fully-depreciated assets, the cost of which as at 31st March 2018 amounted to Rs. 460,322,884/- (2016/17 – Rs. 388,145,215/-).

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

13. INTANGIBLE ASSETS

	Consolidated				Company		
	Software Rs. '000	Goodwill on acquisition Rs. '000	Product development Rs. '000	Group total Rs. '000	Software Rs. '000	Product development Rs. '000	Company total Rs. '000
Cost							
At 1st April 2016	86,516	257,206	52,427	396,149	81,051	17,180	98,231
Additions	518	–	44,481	44,999	72	17,712	17,784
Transfer	4,282	–	–	4,282	–	–	–
At 31st March 2017	91,316	257,206	96,908	445,430	81,123	34,892	116,015
Additions	18,158	–	21,246	39,404	613	7,500	8,113
At 31st March 2018	**109,474**	**257,206**	**118,154**	**484,834**	**81,736**	**42,392**	**124,128**
Amortisation and impairment							
At 1st April 2016	(70,107)	(55,164)	(7,280)	(132,551)	(68,002)	(3,436)	(71,438)
Amortisation	(12,227)	–	(21,243)	(33,470)	(10,197)	(5,419)	(15,616)
Transfer	(208)	–	–	(208)	–	–	–
At 31st March 2017	(82,542)	(55,164)	(28,523)	(166,229)	(78,199)	(8,855)	(87,054)
Amortisation	(4,217)	–	(28,532)	(32,749)	(1,876)	(8,103)	(9,979)
At 31st March 2018	**(86,759)**	**(55,164)**	**(57,055)**	**(198,978)**	**(80,075)**	**(16,958)**	**(97,033)**
Net book value							
At 31st March 2017	8,774	202,042	68,385	279,201	2,924	26,037	28,961
At 31st March 2018	**22,715**	**202,042**	**61,099**	**285,856**	**1,661**	**25,434**	**27,095**

Goodwill

There have been no impairment of intangible assets that require a provision during the year. The method used in estimating the recoverable amount of intangible assets of Haycarb USA Inc. Rs. 13,791,000/- PT Mapalus Makawanua Charcoal Industry Rs. 49,656,000/- and Shizuka Co. Ltd. Rs. 138,595,000/- were based on the value in use, which was determined by discounting the future cash flows generated for the continuing use of the unit.

The key assumptions used are given below:

- Business growth – based on historical growth rate and business plan.
- Inflation – based on the current inflation rate and the percentage of the total cost subjected to the inflation.
- Discount rate – weighted average cost of capital to the company after adjusting for the risk premium is 14%.
- Margin - based on current margin and business plan.

Software

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

Production Development

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

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

14. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

For the year ended 31st March	Holding %	Consolidated 2018 Rs. '000	Consolidated 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Carbotels (Pvt) Ltd. (Note 14.A)	25.2	417,104	391,662	92,903	92,903
Lakdiyatha (Pvt) Ltd.	49.0	99,822	97,866	–	–
		516,926	489,528	92,903	92,903

14.1 Movement in Equity Accounted Investees

As at 31st March	Lakdiyatha (Pvt) Ltd. 2018 Rs. '000	Lakdiyatha (Pvt) Ltd. 2017 Rs. '000	Carbotels (Pvt) Ltd. 2018 Rs. '000	Carbotels (Pvt) Ltd. 2017 Rs. '000	Total 2018 Rs. '000	Total 2017 Rs. '000
Balance at the beginning of the year	97,866	86,712	391,662	372,799	489,528	459,511
Share of profit	1,956	12,505	15,919	16,572	17,875	29,077
Movement in reserve	–	–	11,381	11,581	11,381	11,581
Dividends	–	(1,351)	(1,858)	(9,290)	(1,858)	(10,641)
Balance at the end of the year	99,822	97,866	417,104	391,662	516,926	489,528

14.2 Summarised Financials

As at 31st March	Lakdiyatha (Pvt) Ltd. 2018 Rs. '000	Lakdiyatha (Pvt) Ltd. 2017 Rs. '000	Carbotels (Pvt) Ltd. 2018 Rs. '000	Carbotels (Pvt) Ltd. 2017 Rs. '000	Total 2018 Rs. '000	Total 2017 Rs. '000
Balance Sheet						
Total assets	297,643	294,082	1,656,031	1,556,335	1,953,674	1,850,417
Total liabilities	(93,925)	(94,355)	(857)	(2,121)	(94,782)	(96,476)
Net Assets	203,718	199,727	1,655,174	1,554,214	1,858,892	1,753,941
Group carrying amount of the investment	99,822	97,866	417,104	391,662	516,926	489,528
Profit after tax	3,991	25,520	63,170	65,762	67,161	91,282
Group share of profit for the year	1,956	12,505	15,919	16,572	17,875	29,077

15. RELATED PARTY DISCLOSURES

15.1 Amounts due to Subsidiaries

As at 31st March	Company	
	2018 Rs. '000	2017 Rs. '000
Ultracarb (Pvt) Ltd.	**–**	26
Recogen (Pvt) Ltd.	**29,484**	53,162
Haycarb Value Added Products (Pvt) Ltd.	**109,001**	208,338
Puritas (Pvt) Ltd.	**11,829**	12,976
PT Mapalus Makawanua Charcoal Industry	**12,546**	–
PT Haycarb Palu Mitra	**6,894**	–
	169,754	274,502

15.2 Amounts due to Other Related Parties

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Hayleys PLC	**30,927**	89,979	**28,762**	60,375
MIT Cargo (Pvt) Ltd.	**220**	596	**220**	596
Key Management Personnel – Carbokarn Co. Ltd.*	**929,343**	995,564	**–**	–
Chas P Hayley & Co. Pvt Ltd.	**85,641**	90,612	**156**	223
Logiventure (Pvt) Ltd	**635**	–	**635**	–
Hayleys Aventura (Pvt) Ltd	**7,542**	117	**7,542**	–
Hayleys Business Solutions (Pvt) Ltd	**839**	–	**839**	–
Hayleys Travels & Tours (Pvt) Ltd	**917**	211	**917**	–
Advantis Freight (Pvt) Ltd	**8,559**	114	**8,559**	114
Hayleys Agro Fertilizer	**1,148**	1,780	**1,148**	1,780
Hayleys Consumer Products Ltd	**958**	–	**3**	–
Other Hayleys companies	**91**	44	**91**	–
	1,066,820	1,179,017	**48,872**	63,088

**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 6.2% to 7.1% per annum during the financial year.*

15.3 Amounts due from Subsidiaries

As at 31st March	Company	
	2018 Rs. '000	2017 Rs. '000
Puritas (Pvt) Ltd.	**183,048**	163,124
Haycarb Holdings Australia (Pty) Ltd.	**5,358**	19,570
Carbokarn Co. Ltd	**69,208**	63,389
Eurocarb Products Ltd.	**–**	22,795
Haycarb Holdings Bitung Ltd.	**134,198**	122,190
PT Mapalus Makawanua Charcoal Industry	**599,433**	478,246
Ultracarb (Pvt) Ltd.	**19,335**	60,298
Haycarb Value Added Products (Pvt) Ltd.	**–**	100,000
PT Haycarb Palu Mitra	**220,304**	197,243
	1,230,884	1,226,855
Amount classified as non-current receivables	**(134,386)**	(122,386)
Amount classified as current receivables	**1,096,498**	1,104,469

15.4 Amounts due from Other Related Parties

As at 31st March	Relationship	Consolidated		Company	
		2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Hayleys Consumer Products Ltd.	Affiliate	**4,202**	8,424	**–**	–
Hayleys Agriculture Holding Ltd.	Affiliate	**328**	192	**–**	–
Hayleys Global Beverages (Pvt) Ltd.	Affiliate	**1,939**	2,269	**–**	–
Kelani Valley Plantations PLC	Affiliate	**3,684**	23	**–**	–
Royal Ceramics Lanka PLC	Affiliate	**140**	–	**–**	–
Hanwella Rubber Products Ltd.	Affiliate	**4**	453	**–**	–
Amaya Beach (Pvt) Ltd.	Affiliate	**–**	19	**–**	–
Talawakelle Tea Estates PLC	Affiliate	**–**	38	**–**	–
Rocell Bathware Ltd.	Affiliate	**–**	179	**–**	–
Alumex PLC	Affiliate	**6,786**	230	**–**	–
Hayleys PLC	Parent	**–**	921	**–**	–
Hayleys Group Other Companies	Affiliate	**23**	163	**–**	–
		17,106	12,911	**–**	–

15.5 Amounts due from Equity Accounted Investees

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Lakdiyatha (Pvt) Ltd.	**26,386**	9,673	**1,574**	4,042
	26,386	9,673	**1,574**	4,042

16. INVESTMENTS

16.1 Company Investments in Subsidiaries

Investee	Company holding		Number of shares		Value	
As at 31st March	**2018 %**	2017 %	**2018**	2017	**2018 Rs. '000**	2017 Rs. '000
Unquoted investments						
Eurocarb Products Ltd. (GBP 1 each)	**100**	100	**100,000**	100,000	**4,064**	4,064
Haycarb Holdings Australia (Pty) Ltd. (AUS $ 1 each)	**100**	100	**150,000**	150,000	**951**	951
Puritas (Pvt) Ltd.	**100**	100	**700,000**	700,000	**18,000**	18,000
Haycarb USA Inc.	**100**	100	**1,285,000**	1,285,000	**168,080**	168,080
PT Mapalus Makawanua Charcoal Industry*	**2**	2	**707**	707	**1,025**	1,025
Carbokarn Co. Ltd. (Baht 100 each 100% paid up)	**50**	50	**250,000**	250,000	**64,771**	64,771
Recogen (Pvt) Ltd.	**100**	100	**37,000,000**	37,000,000	**370,000**	370,000
Haycarb Holdings Bitung Ltd.	**100**	100	**1,400,000**	1,400,000	**141,736**	141,736
Ultracarb (Pvt) Ltd.	**100**	100	**25,000,000**	25,000,000	**250,000**	250,000
Haycarb Value Aded Products (Pvt) Ltd.	**100**	100	**40,000,000**	40,000,000	**400,000**	400,000
PT Haycarb Palu Mitra	**60**	60	**1,290,000**	1,290,000	**168,268**	168,268
Company investment in subsidiaries (at cost)					**1,586,895**	1,586,895
Provision for fall in value for Recogen (Pvt) Ltd.					**(100,000)**	(100,000)
Company investment in subsidiaries					**1,486,895**	1,486,895

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

16.2 Indirect Investments in Subsidiaries

Investee	Effective Holding %		Number of Shares		Value	
As at 31st March	2018	2017	2018	2017	2018 Rs. '000	2017 Rs. '000
Unquoted investments						
PT Mapalus Makawanua Charcoal Industry*	98	98	36,395	36,395	362,574	362,574
CK Regen Co.Ltd.	50	50	75,000	75,000	17,050	17,050
Shizuka Co. Ltd.	50	50	137,500	137,500	57,264	57,264
Puricarb (Pvt) Ltd.	100	100	50,000	50,000	6,638	6,638

The countries of incorporation and the principal activities of the above companies are given on pages 122 and 123.

17. INVENTORIES

	Consolidated		Company	
As at 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Raw materials and consumables	1,243,826	1,198,029	570,292	596,228
Finished/semi-finished goods	2,955,001	2,385,853	754,879	603,347
Projects in progress	84,814	61,269	–	–
	4,283,641	3,645,151	1,325,171	1,199,575
Provision for slow-moving items	(56,811)	(38,821)	(42,850)	(30,675)
Provision for unrealised profits	(140,850)	(130,040)	–	–
Total inventories at the lower of cost or net realisable value	4,085,980	3,476,290	1,282,321	1,168,900

18. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
For the year ended 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Trade receivables - External customers	3,293,080	2,932,465	569,260	550,246
- Inter company			584,792	626,644
Less: Provision for bad debts	(25,198)	(21,671)	–	–
	3,267,882	2,910,794	1,154,052	1,176,890
Loans to employees	11,834	10,527	11,834	10,527
	3,279,716	2,921,321	1,165,886	1,187,417

The age analysis of trade receivables is as follows:

Group

		Past due but not impaired			
	Total	Neither past due nor impaired	0-60 days	61-120 days	Above 120 days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 31st March 2018	3,293,080	2,217,138	695,450	144,995	235,497
Balance as at 31st March 2017	2,932,465	2,017,786	515,802	229,406	169,471

Company

		Past due but not impaired			
	Total	Neither past due nor impaired	0-60 days	61-120 days	Above 120 days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 31st March 2018	569,260	502,080	67,180	–	–
Balance as at 31st March 2017	550,246	543,947	6,299	–	–

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

	Consolidated		Company	
For the year ended 31st March	**2018 Rs. '000**	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
At the beginning of the year	**3,175**	2,948	**3,175**	2,948
Granted during the year	**1,300**	1,170	**1,300**	1,170
	4,475	4,118	**4,475**	4,118
Repaid during the year	**(1,001)**	(943)	**(1,001)**	(943)
At the end of the year	**3,474**	3,175	**3,474**	3,175
Number of loans over Rs. 20,000/-	**30**	30	**30**	30

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

See Note 32 on credit risk of trade receivables, which details how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Fair value of the trade and other receivable of the Group Rs. 3,279,716,000/- (31st March 2017 - Rs. 2,921,321,000/-), Company Rs. 1,165,886,000/- (31st March 2017 - Rs. 1,187,417,000/-) .

19. OTHER NON-CURRENT FINANCIAL ASSETS

For the year ended 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Available-for-sale investments				
Unquoted equity shares				
Quality Seed Co. Ltd.	**490**	490	**490**	490
Barrack Gold Corporation	**184**	180	**–**	–
	674	670	**490**	490
Quoted equity shares				
Dipped Product PLC	**309,224**	297,019	**309,224**	297,019
Fair value adjustment	**38,652**	12,206	**38,652**	12,205
Fair value of quoted equity shares	**347,876**	309,225	**347,876**	309,224
	348,550	309,895	**348,366**	309,714
Loans and receivables				
At the beginning of the year	**36,651**	32,734	**–**	–
Granted during the year	**–**	3,917	**–**	–
Settlements during the year	**(4,221)**	–	**–**	–
Exchange differences	**4,895**	–	**–**	–
At 31st March	**37,325**	36,651	**–**	–
Total other non-current financial assets	**385,875**	346,546	**348,366**	309,714

Available-for-Sale Investments

A significant portion of the available-for-sale financial assets consist of an investment in shares of a listed company, which are valued based on published price quotations in the Colombo Stock Exchange.

The management assessed that the fair value of the unquoted equity shares would not significantly vary with the carrying value. Changes in underlying assumptions can lead to adjustments in the fair value of the investment.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value that are observable, either directly or indirectly
Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31st March 2018, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets Measured at Fair Value

	31st March 2018 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Available-for-sale financial assets	347,876	347,876	–	–

During the reporting period ending 31st March 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

20. OTHER CURRENT ASSETS

	Consolidated		Company	
As at 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Deposits, payments in advance and other debtors	534,027	305,666	262,651	83,204
Tax recoverable	56,835	13,977	7,332	3,096
	590,862	319,643	269,983	86,300

21. CASH IN HAND AND AT BANK

	Consolidated		Company	
As at 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cash in hand	6,433	6,065	4,790	4,634
Bank Balances	816,322	1,205,129	198,904	61,461
Short-term deposits	68,251	51,669	2,471	2,406
	891,006	1,262,863	206,165	68,501

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

	Consolidated		Company	
As at 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Bank and cash balances	822,755	1,211,194	203,694	66,095
Short-term deposits	68,251	51,669	2,471	2,406
Bank overdrafts and short-term loans	(2,721,280)	(2,180,915)	(1,678,737)	(1,514,152)
Cash and cash equivalents	(1,830,274)	(918,052)	(1,472,572)	(1,445,651)

22. STATED CAPITAL

	Company			
	2018		2017	
As at 31st March	Number	Rs. '000	Number	Rs. '000
At the beginning of the year	29,712,375	331,774	29,712,375	331,774
Issued and fully-paid - ordinary shares	29,712,375	331,774	29,712,375	331,774
At the end of the year	29,712,375	331,774	29,712,375	331,774

23. RESERVES

	Consolidated		Company	
As at 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Capital Reserve (23.1)	648,703	717,597	356,919	411,155
Revenue Reserves (23.2)	6,447,363	5,696,455	4,202,121	3,669,321

23.1 Capital Reserves

	Revaluation Surplus Rs. '000	Reserve on Amalgamation Rs. '000	Legal Reserve Rs. '000	Total Rs. '000
Consolidated				
Balance as at 31st March 2016	538,422	25,885	6,541	570,848
Revaluation surplus during the year	146,749	–	–	146,749
Balance as at 31st March 2017	685,171	25,885	6,541	717,597
Tax effect on revalued assets	(68,894)	–	–	(68,894)
Balance as at 31st March 2018	616,277	25,885	6,541	648,703
Company				
Balance as at 1st April 2016	285,495	23,758	–	309,253
Revaluation surplus during the year	101,902	–	–	101,902
Balance as at 31st March 2017	387,397	23,758	–	411,155
Tax effect on revalued assets	(54,236)	–	–	(54,236)
Balance as at 31st March 2018	333,161	23,758	–	356,919

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

23.2 Revenue Reserves

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Available-for-sale reserve	307,706	269,054	307,706	269,054
Exchange fluctuation reserve	555,980	413,604	–	–
General reserve	519,353	519,353	519,353	519,353
Retained earnings				
Haycarb PLC	3,375,062	2,880,914	3,375,062	2,880,914
Subsidiaries	1,407,613	1,359,205	–	–
Associates	281,649	254,325	–	–
	5,064,324	4,494,444	3,375,062	2,880,914
	6,447,363	5,696,455	4,202,121	3,669,321

General Reserve

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

Other Reserves

Available for sale

Available-for-sale reserve related to change in fair value of available-for-sale financial assets.

24. INTEREST-BEARING LOANS AND BORROWINGS

24.1 Non-Current Liabilities

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	867,558	757,663	461,030	473,608
New loans obtained during the year	–	523,322	–	218,835
Effect of movements in foreign exchange	12,778	47,173	6,464	25,506
	880,336	1,328,158	467,494	717,949
Repayments during the year	(437,506)	(460,600)	(259,549)	(256,919)
At the end of the year	442,830	867,558	207,945	461,030
Transferred to current liabilities	(223,343)	(429,978)	(84,124)	(254,852)
Repayable after one year	219,487	437,580	123,821	206,178

24.2 Current Liabilities

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Current interest-bearing loans and borrowings				
Short-term loans	**2,230,254**	2,046,184	**1,345,940**	1,396,788
Bank overdrafts	**491,026**	134,731	**332,797**	117,364
Shot-term loans and bank overdrafts	**2,721,280**	2,180,915	**1,678,737**	1,514,152
Current portion of term loans	**223,343**	429,978	**84,124**	254,852
Total current interest-bearing loans and borrowings	**2,944,623**	2,610,893	**1,762,861**	1,769,004

24.3 Analysis of Secured Term Loans by year of Repayment

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Repayable between 1-2 years from the year end	**171,476**	236,182	**78,439**	89,174
Repayable between 2-5 years from the year end	**48,011**	201,398	**45,382**	117,004
Total non-current borrowings	**219,487**	437,580	**123,821**	206,178

24.4 Secured Term Loans Repayable after One Year

Company	Lender	Rate of interest	**31st March 2018 Rs. '000**	Repayment terms	Security
Haycarb PLC	HSBC	1 month – LIBOR + 2.75%	**20,376**	60 equal monthly installments commencing from March 2016	
	HSBC	1 month – LIBOR + 2.75%	**19,162**	60 equal monthly installments commencing from April 2016	
	HSBC	1 month – LIBOR + 2.75%	**84,283**	60 equal monthly installments commencing from June 2016	
Haycarb Holdings Australia	HSBC (AUD)	Fixed – 7.23%	**3,995**	Payable in 36 monthly installments commencing from August 2016	
Haycarb USA Inc	Hatton National Bank PLC	3 month LIBOR + 3.75%	**57,034**	Payable in 60 monthly installments commencing from September 2015	Corporate guarantee for USD 1,750,000 from Haycarb PLC
	Hatton National Bank PLC	3 month LIBOR + 3.75%	**34,637**	Payable in 35 monthly installments commencing from September 2016	Corporate guarantee for USD 1,500,000 from Haycarb PLC
Total secured term loans repayable after one year			**219,487**		

All loans are obtained in USD except when specified otherwise.

Fair value of the interest-bearing loans and borrowings of the Group Rs. 3,164,110,000/- (31st March 2017 - Rs. 3,048,473,000/-) Company Rs. 1,886,682,000/- (31st March 2017 - Rs. 1,975,182,000/-).

25. EMPLOYEE BENEFIT OBLIGATIONS

	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
(i) Expenses recognised in profit and loss				
Current service cost	34,516	15,635	23,765	8,914
Interest cost on employee benefit obligation	39,673	32,413	36,407	26,759
The total expense is recognised in administrative expenses in the income statement	74,190	48,048	60,172	35,673
(ii) Acturial gains and losses recognised directly in OCI				
Actuarial (gains)/losses	29,386	39,547	27,211	33,502
	29,386	39,547	27,211	33,502
(iii) Present value of unfunded gratuity				
Present value of unfunded gratuity	464,424	365,672	387,455	306,231
Fair value of plan assets				
Total gratuity provision	464,424	365,672	387,455	306,231
(iv) Provision for employee benfit obligations				
Employee benefit obligation at 1st April	365,672	289,052	306,231	249,467
Interest cost	39,673	32,413	36,407	26,759
Current service cost	34,517	15,635	23,765	8,914
Benefits paid	(7,522)	(12,680)	(6,159)	(12,411)
Actuarial losses/(gains) on obligation	29,386	39,547	27,211	33,502
Exchange differences	2,698	1,705	–	–
Employee benefit obligation at 31st March	464,424	365,672	387,455	306,231
Legal Liability	368,685	238,784	294,328	187,227

	Consolidated		Company	
As at 31st March	2018 %	2017 %	2018 %	2017 %
Sri Lanka				
Discount rate	11	12	11	12
Salary escalation rate	9	11	9	11
Indonesia				
Discount rate	7.12	8		
Salary escalation rate	8	8		
Thailand				
Discount rate	3.31	3.31		
Salary escalation rate	3	3		

Distribution of the Employee Benefit Obligations over Future Working Lifetime

	Consolidated		Company	
As at 31st March	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Less than or equal to 1 Year	70,723	41,650	42,454	18,777
Over 1 year and less than or equal to 5 years	189,075	117,373	154,045	91,230
Over 5 years and less than or equal to 10 years	100,417	107,803	90,318	100,226
Over 10 years	104,209	98,846	100,638	95,998
	464,424	365,672	387,455	306,231

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 benefit using the Projected Unit Credit Method in order to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables that will influence the cost of the benefit. As per LKAS 19 gain, or loss arising from actuarial valuation is recognised in other comprehensive income.

The Actuarial Valuation as at 31st March 2018 was carried out by professionally qualified independent Actuaries Messrs Actuarial and Management Consultants (Pvt) Ltd. for Sri Lanka and Thailand entities and Messrs PT Sentra Jasa Aktuaria for Indonesian entities.

Sensitivity Analysis Salary/Discount Rate

	Consolidated		Company	
	Increase to Rs. '000	Decrease to Rs. '000	Increase to Rs. '000	Decrease to Rs. '000
A one percentage point change in the assumed rate of increase in salaries cost would have the following effects:				
As at 31st March 2018				
Effect on the present value of defined benefit obligation	500,239	430,712	416,750	360,965
A one percentage point change in the assumed discount rate would have the following effects:				
As at 31st March 2018				
Effect on the present value of defined benefit obligation	433,399	497,698	363,256	414,594

	Consolidated		Company	
	Increase to Rs. '000	Decrease to Rs. '000	Increase to Rs. '000	Decrease to Rs. '000
A one percentage point change in the assumed rate of increase in salaries cost would have the following effects:				
As at 31st March 2017				
Effect on the present value of defined benefit obligation	393,799	337,244	330,447	284,391
A one percentage point change in the assumed discount rate would have the following effects:				
As at 31st March 2017				
Effect on the present value of defined benefit obligation	337,914	393,500	284,743	330,460

26. DEFERRED TAX ASSETS/LIABILITIES

26.1 Deferred Tax Assets

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
At the beginning of the year	16,930	14,005	–	–
Origination and reversal of temporary differences	64,621	2,925	–	–
At the end of the year	81,551	16,930	–	–

Deferred Tax Assets are Attributable to the Following:

As at 31st March	Consolidated	
	2018 Rs. '000	2017 Rs. '000
Group		
Property, plant and equipment	(1,309)	4,114
Inventories	1,764	–
Provisions	4,733	–
Tax loss carry -forward	28,209	6,884
Employee benefit obligations	48,154	5,932
Net deferred tax assets	81,551	16,930

Deferred Tax Assets are Attributable to the Following:

	Balance as at 31st March 2017	Recognised in Income Statement	Recognised in Other Comprehensive Income	Balance as at 31st March 2018
Group				
Property, plant and equipment	4,114	(5,423)	–	(1,309)
Inventories	–	1,764	–	1,764
Provisions	–	4,733	–	4,733
Tax loss carry – forward	6,884	21,325	–	28,209
Employee benefit obligations	5,932	42,061	161	48,154
Net deferred tax asset	16,930	64,460	161	81,551

26.2 Deferred Tax Liabilities

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
At the beginning of the year	101,633	76,126	37,909	33,944
Origination and reversal of temporary differences	117,566	25,507	79,721	3,965
At the end of the year	219,199	101,633	117,630	37,909

Deferred Tax Liabilities are Attributable to the Following:

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Group				
Property, plant and equipment	**(298,948)**	(169,476)	**(177,872)**	(78,793)
Inventories	**5,999**	4,977	**5,998**	4,137
Tax loss carry-forward	**18,229**	20,728	**–**	–
Employee benefit obligations	**54,509**	36,545	**54,244**	36,747
Provisions	**1,012**	5,593	**–**	–
Net deferred tax liabilities	**(219,199)**	(101,633)	**(117,630)**	(37,909)

Deferred Tax Liabilities are Attributable to the Following:

	Balance as at 31st March 2017	Recognised in Income Statement	Recognised in Other Comprehensive Income	**Balance as at 31st March 2018**
Group				
Property, plant and equipment	(169,476)	(60,578)	(68,894)	**(298,948)**
Inventories	4,977	1,022	–	**5,999**
Tax loss carry-forward	20,728	(2,499)	–	**18,229**
Employee benefit obligations	36,545	14,240	3,724	**54,509**
Provisions	5,593	(4,581)	–	**1,012**
Net deferred tax liabilities	(101,633)	(52,396)	(65,170)	**(219,199)**
Company				
Property, plant and equipment	(78,793)	(44,843)	(54,236)	**(177,872)**
Inventories	4,137	1,861	–	**5,998**
Employee benefit obligations	36,748	13,754	3,742	**54,244**
Net deferred tax liabilities	(37,908)	(29,228)	(50,494)	**(117,630)**

27. TRADE AND OTHER PAYABLES

As at 31st March 2017	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Trade payables	**760,314**	913,205	**159,092**	87,683
Freight payable	**72,007**	45,140	**40,016**	33,056
Salaries and wages	**20,261**	33,558	**16,641**	12,895
Dividend payable (28.1)	**7,771**	35,391	**7,771**	35,391
Accrued expenses	**887,348**	692,853	**141,245**	176,824
	1,747,701	1,720,147	**364,765**	345,849

27.1 Dividend Payable

	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
At 1st April	35,391	19,175	35,391	19,175
At 1st April payables under related party	60,375	38,591	60,375	38,591
Declared during the year	135,796	330,522	89,137	207,986
Dividend paid to equity holders of the parent	(177,132)	(169,986)	(177,132)	(169,986)
Dividend paid to non-controlling interests	(46,659)	(122,536)	–	–
At 31st March payables under related party	–	(60,375)	–	(60,375)
At 31st March	7,771	35,391	7,771	35,391

Fair value of the trade and other payables of the Group Rs. 1,747,701,000/- (31st March 2017 – Rs. 1,720,147,000/-). Company Rs. 364,764,000/- (31st March 2017 – Rs. 345,849,000/-).

28. OTHER CURRENT LIABILITIES

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Payments received in advance	195,192	202,733	33,742	8,201
	195,192	202,733	33,742	8,201

29. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

Summarised financial information in respect of Haycarb PLC's subsidiaries that have material non-controlling interest, prior to elimination of inter-company transactions & balances is set out bellow:

The significant figures extracted from the financials of	**Carbokarn Group**		**PT Haycarb Palu Mitra**	
As at 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Revenue	3,835,939	3,254,589	787,639	675,860
Profit before tax	294,743	388,099	(73,829)	(44,203)
Cash flows from operating activities	155,163	396,854	(85,736)	(6,876)
Cash flows from investing activities	(108,436)	(147,412)	(5,873)	(5,889)
Cash flows from financing activities	(93,318)	(199,464)	(9,165)	16,263
Non-current assets	1,244,552	1,311,689	551,571	565,917
Current assets	1,715,582	1,607,548	568,501	438,128
Total assets	2,960,134	2,919,237	1,120,072	1,004,045
Non-current liabilities	25,370	19,006	4,009	21,664
Current liabilities	1,570,200	1,603,824	939,886	753,009
Total liabilities	1,532,570	1,622,830	943,895	774,673
Equity attributable to the owners of the Company	713,782	648,204	105,706	137,623
Non-controlling interest	713,782	648,204	70,471	91,749
Non-controlling interest (%)	50	50	40	40

30. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

The Directors of the Company are considered the key management personnel of the Company.

Loans to Directors

No loans have been granted to Directors of the Company.

Transactions with parent, subsidiaries, equity accounted investees and other related companies

Relationship with subsidiaries and equity accounted investees are explained in Notes 14 and 16 and also under Group companies in pages 122 and 123 Business segment classification is also given under Group companies.

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

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

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

(iv) Transactions with Haylex (Japan) Ltd., Hayleys Consumer Products (Pvt) Ltd., Hayleys Fabrics PLC, Royal Ceramics PLC, Logiventures (Pvt) Ltd., Alumex PLC, Dipped Products PLC, Ravi Industries (Pvt) Ltd., Kingsbury PLC, Horana Plantations PLC, Rileys (Pvt) Ltd., Quality Seeds Co. Ltd., Amaya Leisure PLC, Hayleys Agriculture Holdings Ltd., Logiwiz Ltd., Kelani Valley Plantations PLC, Hayleys Aventura (Pvt) Ltd., Mit Cargo (Pvt) Ltd., Civaro Lanka (Pvt) Ltd., Mountain Hawk (Pvt) Ltd., Hayleys Business Solutions (Pvt) Ltd., Mountain Hawk Express (Pvt) Ltd., Moceti Lanka (Pvt) Ltd., Hayleys Travels & Tours (Pvt) Ltd., Sunfrost Ltd., Dimo PLC, Hayleys Electronics Ltd., Chas P Hayley & Company (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., Pan Asia Bank PLC, Singer Finance PLC and Sampath Bank PLC are given below under details of related party transactions with affiliates.

Related Party Disclosures

Year ended 31st March	Group		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Transactions with related parties				
Fully-owned subsidiaries				
Sales of Activated Carbon	–	–	2,048,558	1,990,116
Purchase of Goods	–	–	8,107	17,716
Reimbursement of salaries/Bonus	–	–	138,225	90,553
Dividend income	–	–	162,858	241,377
Current account interest paid	–	–	54,125	42,828
Fund transfers	–	–	630,947	230,509
Sale of raw material and consumables	–	–	291,845	135,470
Rental income	–	–	8,353	8,281
Purchase of services	–	–	68,205	86,163
Income from guarantees and short-term funds	–	–	7,072	10,822
Sales of services	–	–	62,643	95,039
Partly-owned subsidiaries				
Sales of goods and services	–	–	14,987	27,815
Sale of raw material and consumables	–	–	168,942	130,111
Income from services provided	–	–	42,595	40,488
Dividend income	–	–	44,910	118,850
Purchase of services	–	–	10,387	14,638
Cost of guarantees and short-term funds	–	–	8,374	7,836
Equity accounted investee				
Dividend received	–	–	1,990	9,364
Services-related expenses paid	270	214	–	–
Parent - Hayleys PLC				
Services related expenses paid	12,904	12,691	183,358	173,575
Affiliates				
Sales of goods and services	412,638	407,524	253,791	127,338
Purchase of services	373	411	86,328	92,119
Dividend income	–	–	10,172	8,137
Dividend paid	–	–	60,375	140,876
Purchase of goods	95	226	30,468	45,785
Interest income	–	–	12	11
Loans obtained from/(repaid to) Directors	(66,221)	164,878	–	–

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

31. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2018, for, which no provision has been made in the Financial Statements amounts to Rs. 15,984,000/- (2016/17 - Rs. 32,058,637/-) for the Group and Rs. 13,571,000/- (Rs. 2016/17 - Rs. 26,156,000/-) for the Company. Capital expenditure approved by the Directors but not contracted for was Rs. 92,114,000/- (2016/17 - Rs. 58, 521,000/-) for the Group and Rs. 70,142,771/- (2016/17 - Rs. 47,362,000/-) for the Company.

Contingent Liabilities

The contingent liability as at 31st March 2018 on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,625,262,000/- (2016/17 - Rs. 2,602,129,695/-). Of this sum, Rs. 2,241,287,000/- (2016/17 - Rs. 2,278,585,900/-) relate to facilities obtained by subsidiaries.

The above guarantees have been provided in the ordinary course of business.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Financial Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group's financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by 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.

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 sales.

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

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

	Consolidated		Company	
As at 31st March	**2018 Rs. '000**	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Sri Lankan Rupee	**232,244**	136,142	**25,927**	25,871
Australian Dollar	**85,462**	90,264	**–**	–
Pound Sterling	**9,591**	22,720	**33,770**	150,601
Euro	**387,018**	172,215	**–**	–
United States Dollar	**1,960,789**	1,930,510	**1,094,355**	1,000,418
Thai Baht	**156,285**	197,006	**–**	–
Maldivian Rufiyaa	**275,732**	–	**–**	–
Indonesian Rupiah	**160,761**	361,937	**–**	–
	3,267,882	2,910,794	**1,154,052**	1,176,890

Investments

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

Cash and cash at Bank

The Group held cash and cash at Bank of Rs. 884,572,994/- at 31st March 2018 (Rs. 1,262,863/- at 31st March 2017), in recognised commercial banks approved by the Central/Federal Bank and/or Monetary Authority of the relevant country.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted payments.

Consolidated

Year ended 31st March 2018	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	491,026	1,672,131	781,466	219,487	–	3,164,110
Trade and other payables	28,031	1,587,160	132,510	–	–	1,747,701

Year ended 31st March 2017	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	134,824	1,661,541	814,528	437,580	–	3,048,473
Trade and other payables	30,888	1,571,341	117,918	–	–	1,720,147

Company

Year ended 31st March 2018	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	332,797	1,262,847	167,217	123,821	–	1,886,682
Trade and other payables	24,412	287,949	52,403	–	–	364,764

Year ended 31st March 2017	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Interest-bearing loans and borrowings	117,363	1,462,645	188,996	206,178	–	1,975,182
Trade and other payables	12,894	332,955	–	–	–	345,849

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31st March 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments.
- The sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March 2018.

Interest Rate Risk

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

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

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's and Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

		Consolidated Effect on profit before tax		Company Effect on profit before tax	
	Increase/Decrease in basis points	**2018 Rs. '000**	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
US Dollar borrowings	50	**8,120**	8,564	7,647	**6,984**

Foreign Currency Risk

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

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

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

Foreign Currency Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant of the Group's and Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and Company's exposure to foreign currency changes for all other currencies is not material.

		Change in USD Rate			
		Consolidated		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2018	Increase/Decrease %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
	0.5	1,157	4,112	2,199	2,075

		Change in Thai Baht Rate			
		Consolidated		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2018	Increase/Decrease %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
	0.5	240	826	–	–

		Change in Indonesian Rupiah Rate			
		Consolidated		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2018	Increase/Decrease %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
	0.5	3,489	493	–	–

		Change in GBP Rate			
		Consolidated		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2018	Increase/Decrease %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
	0.5	92	56	187	753

		Change in AUD Rate			
		Consolidated		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2018	Increase/Decrease %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
	0.5	240	347	–	–

		Change in Euro Rate			
		Consolidated		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2018	Increase/Decrease %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
	0.5	1,928	1,230	–	–

		Change in MVR Rate			
		Consolidated		Company	
		Effect on profit before tax		Effect on profit before tax	
As at 31st March 2018	Increase/Decrease %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
	0.5	374	–	–	–

Equity Price Risk

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

CAPITAL MANAGEMENT

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

The Group has not given any collateral as at 31st March 2018 other than those disclosed in Note 24.4.

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

As at 31st March	Consolidated		Company	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Total interest-bearing borrowings	**3,164,110**	3,048,473	**1,886,682**	1,975,182
Total equity	**8,337,611**	7,522,588	**4,890,814**	4,412,250
Total equity and debt	**11,501,721**	10,571,061	**6,777,496**	6,388,232
Gearing ratio (%)	**28**	29	**28**	31

33. SEGMENT ANALYSIS

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

Business Segments

Turnover – Net

Year ended 31st March	External Rs. '000	Intra-group Rs. '000	Consolidated **2018 Rs. '000**	Consolidated 2017 Rs. '000
Activated carbon	14,170,742	4,904,703	**19,075,445**	16,826,989
Environmental engineering	1,347,337	15,651	**1,362,988**	1,260,885
	15,518,079	4,920,354	**20,438,433**	18,087,874
Intra-group sales			**(4,920,354)**	(4,534,298)
			15,518,079	13,553,576

Profit before Tax

Year ended 31st March	Consolidated **2018 Rs. '000**	Consolidated 2017 Rs. '000
Activated carbon	**726,759**	1,276,863
Environmental engineering	**399,945**	279,993
Purification – associate	**1,956**	12,505
Leisure – associate	**15,919**	16,572
	1,144,579	1,585,933
Consolidation adjustments	**(207,346)**	(373,988)
Unrealised profit on intra-group sales	**(10,810)**	(22,410)
	926,423	1,189,535

Assets and Liabilities

As at 31st March	Total assets		Provision for liabilities and charges		Trade and other payables	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Activated carbon	**13,251,053**	12,162,879	**683,623**	467,305	**1,188,418**	868,571
Environmental engineering	**1,514,478**	1,583,078	**–**	–	**754,475**	1,054,309
	14,765,531	13,745,957	**683,623**	467,305	**1,942,893**	1,922,880
Investment in associates and others	**516,926**	489,528				
	15,282,457	14,235,485				

Capital Expenditure

Year ended 31st March	Capital expenditure		Depreciation	
	2018 Rs. '000	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Activated carbon	**321,416**	846,140	**424,390**	362,998
Environmental engineering	**3,400**	1,856	**1,865**	1,076
	324,816	847,996	**426,255**	364,074

Cash Flows from

Year ended 31st March	2018		2017	
	Activated carbon Rs. '000	**Environmental engineering Rs. '000**	Activated carbon Rs. '000	Environmental engineering Rs. '000
Operating activities	**92,635**	**668**	1,826,140	252,645
Investing activities	**(343,605)**	**(623)**	(867,427)	1,070
Financing activities	**(503,797)**	**(157,500)**	(104,500)	(125,300)
	(754,767)	**(157,455)**	854,213	128,415

Geographical Segments

Turnover – Net

Year ended 31st March	External Rs. '000	Intra-group Rs. '000	Consolidated 2018 Rs. '000	Consolidated 2017 Rs. '000
USA	2,237,827	–	2,237,827	1,910,513
Europe	1,655,599	–	1,655,599	1,693,323
Australia	1,067,288	–	1,067,288	1,005,722
Sri Lanka	6,472,227	(1,560,219)	8,032,446	6,459,105
Other Asian Countries	4,085,138	(3,360,135)	7,445,273	7,019,211
	15,518,079	(4,920,354)	20,438,433	18,087,874
Intra-group sales			(4,920,354)	(4,534,298)
			15,518,079	13,553,576

Profit before Tax

Year ended 31st March	Consolidated 2018 Rs. '000	Consolidated 2017 Rs. '000
USA	45,977	13,634
Europe	(18,894)	60,818
Australia	22,343	17,248
Sri Lanka	1,041,543	1,297,392
Other Asian countries	53,610	196,840
	1,144,579	1,585,932
Consolidation adjustments	(218,156)	(396,398)
	926,423	1,189,535

Assets and Liabilities

			Non-interest-bearing liabilities			
	Total assets		Provision for liabilities and charges		Trade and other payables	
As at 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
USA	1,155,562	1,188,352	–	–	124,489	192,189
Europe	690,675	598,302	–	–	191,770	50,484
Australia	376,531	331,710	–	–	72,758	30,678
Sri Lanka	5,369,502	5,173,096	607,777	421,717	1,171,176	937,240
Other Asian countries	7,173,261	6,454,497	75,846	45,588	382,700	712,289
	14,765,531	13,745,957	683,623	467,305	1,942,893	1,922,880
Investments in associates and other	516,926	489,528				
	15,282,457	14,235,485				

Capital Expenditure

	Capital expenditure		Depreciation	
Year ended 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
USA	1,196	11,425	2,351	1,765
Europe	10,048	13,580	7,993	5,349
Australia	–	8,078	1,670	588
Sri Lanka	158,353	551,066	220,325	192,058
Other Asian countries	155,219	263,847	193,916	164,314
	324,816	847,996	426,255	364,074

34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date, which would require adjustment to or disclosure in the Financial Statements, except for the proposed final dividend as disclosed in the Note 11 to the Financial Statements.

35. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were –

	Average		Year end	
Year ended 31st March	**2018 Rs. '000**	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
US Dollar	**153.509**	148.165	**155.604**	151.985
Australian Dollar	**118.943**	111.448	**119.070**	116.240
Pound Sterling	**205.281**	193.090	**219.070**	189.955
Thai Baht	**4.666**	4.207	**4.991**	4.403
Indonesian Rupiah	**0.0114**	0.0111	**0.0113**	0.0114
Euro	**180.744**	161.972	**191.741**	162.355

36. FUNCTIONAL CURRENCY

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

Company	Functional Currency
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah
PT Haycarb Palu Mitra	Indonesian Rupiah
Haycarb Holdings Bitung Ltd.	United States Dollar
Eurocarb Products Ltd.	Sterling Pounds
Haycarb Holdings Australia (Pty) Ltd.	Australian 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.	Euros

37. COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The Financial Statements of Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., Shizuka Co. Ltd., Thailand, Haycarb Holdings Australia (Pty) Ltd., Australia, Haycarb USA, USA and PT Mapalus Makawanua Charcoal Industry and PT Haycarb Palu Mitra, Indonesia are prepared for the financial year end of 31st December.

These Subsidiaries prepare additional financial information for consolidation purpose as at 31st March.

Statement of Group Value Added

Group Value Added

	2018 Rs. '000	2017 Rs. '000
Group turnover	15,518,079	13,553,576
Other operating income	29,969	245,624
	15,548,048	13,799,200
Cost of materials and services brought in	(12,149,424)	(10,675,459)
Value added	3,398,624	3,123,741

Distribution of Value Added

	%	2018 Rs. '000	%	2017 Rs. '000
To: Employees as remuneration	47	1,591,127	46	1,451,284
To: Government revenue				
Sri Lanka	5	180,184	4	112,607
Overseas	5	179,731	4	123,890
To: Providers of capital	9	289,212	11	336,781
Interest on borrowings		187,952		201,345
Minority interest		101,260		135,436
To: Shareholders as dividends	5	178,274	6	178,274
Retained in the business	29	980,096	29	920,904
Depreciation		426,255		364,073
Profit retained		553,841		556,831
	100	3,398,624	100	3,123,741

Investor Information

1. STOCK EXCHANGE LISTING

The Interim Financial Statements for the fourth quarter ended 31st March 2018, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. SHAREHOLDERS

Haycarb PLC - Ordinary Shareholders as at 31st March 2018

	Residents			Non-Residents			Total		
Number of shareholdings	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
1 – 1,000	1,542	328,412	1.1053	26	8,494	0.0286	1,568	336,906	1.1339
1,001 – 10,000	414	1,408,532	4.7406	14	63,429	0.2135	428	1,471,961	4.9540
10,001 – 100,000	96	2,376,804	7.9994	11	354,674	1.1937	107	2,731,478	9.1931
100,001 – 1,000,000	9	2,309,774	7.7738	5	1,319,588	4.4412	14	3,629,362	12.2150
Over 1,000,000	2	21,542,668	72.5040	0	–	–	2	21,542,668	72.5040
	2,063	27,966,190	94.1230	56	1,746,185	5.8770	2,119	29,712,375	100.0000
Category									
Individuals	1,908	6,156,185	13.1231	52	1,128,502	3.7981	1,960	5,027,683	16.9212
Institutions	155	24,067,009	81.0000	4	617,683	2.0789	159	24,684,692	83.0788
	2,063	27,966,190	94.1230	56	1,746,185	5.8770	2,119	29,712,375	100.0000

As at 31st March 2018, there were 2,119 (31st March 2017 - 1,983) registered shareholders.

3. MARKET VALUE

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

	2017/18 Rs.	Date	2016/17 Rs.	Date
Highest price	170.00	12th July, 2017	180.00	19th May, 2016
Lowest price	120.00	29th March, 2018	140.00	20th December, 2016
Closing price	120.00	29th March, 2018	151.00	31st March, 2017
Number of transactions	652		656	
Number of shares traded	380,507		472,978	
Value of shares traded	58,495,343		74,906,880	
Market capitalisation	3,565,485,000		4,486,568,625	

4. QUARTERLY FINANCIAL DATA

	Group			
	Unaudited			Audited
	3 months ended 30th June 2017 Rs. '000	6 months ended 30th September 2017 Rs. '000	9 months ended 31st December 2017 Rs. '000	12 months ended 31st March 2018 Rs. '000
Revenue	3,299,007	7,116,236	10,894,934	15,518,079
Profit before tax from continuing operations	151,598	296,689	564,154	926,423
Profit for the period from continuing operations	121,061	251,179	473,409	773,624
Profit attributable to equity holders of the Company	107,524	237,578	399,324	672,364
Property, plant and equipment, investments and non-current assets	6,346,800	6,258,437	6,220,940	6,309,850
Current assets	7,387,440	7,602,429	7,894,902	8,891,056
Current liabilities	5,163,628	5,259,282	5,352,448	6,041,736
Shareholders funds	6,941,282	7,023,825	7,144,803	7,427,840

5. TOP 20 SHAREHOLDERS

Name of the Shareholder	Number of Shares as at 31st March 2018	%	Number of Shares as at 31st March 2017	%
1. Hayleys PLC No.3 Share Investment Account	20,125,103	67.73	20,125,103	67.73
2. Employees, Provident Fund	1,417,565	4.77	1,417,565	4.77
3. Employees, Trust Fund Board	780,829	2.63	780,829	2.63
4. National Savings Bank	447,211	1.51	447,211	1.51
5. Mr. T. Ueda	417,206	1.40	417,206	1.40
6. Promar Overseas SA	397,682	1.34	397,682	1.34
7. Mrs. J.K.P. Singh	261,700	0.88	214,700	0.72
8. Bank of Ceylon No.1 Account	251,067	0.84	251,067	0.84
9. Dr. D. Jayanntha	220,000	0.74	210,000	0.71
10. E.W. Balasuriya & Co. (Pvt) Ltd.	152,089	0.51	142,089	0.48
11. Mr. S. Krishnananthan	128,717	0.43	128,717	0.43
12. Mr. H.S. Gill	123,000	0.41	123,000	0.41
13. Hallsville Trading Group Inc.	120,000	0.40	120,000	0.40
14. Mr. Z.G. Carimjee	115,220	0.39	115,220	0.39
15. Cocoshell Activated Carbon Company Limited	107,541	0.36	107,541	0.36
16. Commercial Bank of Ceylon PLC A/C No.04	107,100	0.36	107,100	0.36
17. Harnam Holdings SDN BHD	100,000	0.34	–	–
Mr. J.S.A.B. Singh and Mrs. G.K.A.H. Singh	100,000	0.34	100,000	0.34
18. Mr. A. Arulthakshanan	71,078	0.24	71,078	0.24
19. Phoenix Ventures Private Limited	70,000	0.24	70,000	0.24
20. Mr. A.N. Esufally	67,704	0.23	67,704	0.23
Total	25,580,812	86.09	25,413,812	85.53

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

Name of the Shareholder	Number of Shares	
	As at 31st March 2018	As at 1st April 2017
Mr. A.M. Pandithage	2,379	2,379
Mr. S.C. Ganegoda	1,815	1,815
Mr. H.S.R. Kariyawasan*	15,500	15,500
Mr. M.S.P. Udaya Kumara	462	462
Mr. B. Balaratnarajah	1,004	1,004
	21,160	21,160

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

*** Mr. Dhammika Perera holds directly and indirectly 50.44% of the total issued shares of Hayleys PLC which has 20,125,103 shares in Haycarb PLC.*

7. PUBLIC HOLDING

The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2018, was 32.20% (2017- 32.20%) held by 2,113 ordinary shareholders (2,017 – 1,977).

Float adjusted market capitalisation as at 31st March 2018 was Rs. 1,148,086,170/-.

- The Company complies with Option 5 of the Listing Rules 7.13.1 (a) - less than Rs. 2.5 billion Float Adjusted Market Capitalisation which requires 20% minimum public holding.

Ten Year Financial Review

Year ended 31st March	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000
Trading Results				
Group turnover	15,518,079	13,553,576	11,705,825	11,933,848
Profit before taxation	926,423	1,189,535	1,119,078	1,070,336
Group taxation	(152,799)	(249,735)	(220,910)	(196,404)
Profit after taxation (Continuing operations)	773,624	939,800	898,168	873,932
Minority Interest	(101,260)	(135,436)	(216,950)	(178,947)
Profit/(Loss) from discontinued operations	–	–	–	–
Profit attributable to Haycarb PLC	672,364	804,364	681,218	694,985
Balance Sheet				
Share capital	331,774	331,774	331,774	331,774
Capital reserves	648,703	717,597	570,848	570,848
Revenue reserves	6,447,363	5,696,455	5,013,363	4,800,584
Minority interest	909,771	776,762	710,435	590,724
	8,337,611	7,522,588	6,626,420	6,293,930
Property, plant and equipment, investments and non-current assets	6,105,545	5,953,584	5,161,474	5,059,453
Intangible assets	285,856	279,201	263,598	260,903
Current assets	8,891,056	8,002,701	7,204,985	5,696,413
Current liabilities	(6,041,736)	(5,808,012)	(5,244,079)	(3,923,488)
Provisions and creditors due after one year	(903,110)	(904,885)	(759,558)	(799,351)
	8,337,611	7,522,588	6,626,420	6,293,930
Ratios and Statistics				
Return on shareholders' equity (%)	12	12	12	12
Dividend (Rs. '000)	178,274	178,274	178,274	178,274
Dividend per share	6.00	6.00	6.00	6.00
Annual sales growth index (%) (Base – 2008)	371	324	280	285
Earnings per share at year end* (Rs.)	22.62	27.07	22.93	23.39
Net assets per share at year end* (Rs.)	249.99	227.04	199.11	191.95
Market price per share (Rs.)	120.00	151.00	160.00	183.00
Current ratio (Times)	1.47	1.38	1.37	1.45
Liquidity ratio (Times)	0.80	0.77	0.70	0.68

Figures in brackets indicate deductions.

**Earnings and net assets per share are based on the 29,712,375 shares in issue as at 31st March 2018. Previous years' figures have accordingly been adjusted.*

2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000
10,338,684	10,149,637	8,508,896	6,400,233	5,075,968	4,526,310
1,044,083	1,227,707	656,822	724,197	819,809	358,694
(152,106)	(192,708)	(133,808)	(149,853)	(134,166)	(86,375)
891,977	1,034,999	523,014	574,344	685,643	272,319
(104,197)	(89,691)	(51,822)	(69,259)	(52,716)	(54,196)
–	–	–	–	–	6,890
787,780	945,308	471,192	505,085	632,927	225,013
331,774	331,774	331,774	331,774	331,774	331,774
373,907	373,907	296,707	213,330	213,330	117,938
4,061,796	3,675,876	2,961,061	2,587,343	1,753,964	1,203,766
468,418	344,247	270,721	260,786	223,577	192,850
5,235,895	4,725,804	3,860,263	3,393,233	2,522,645	1,846,328
4,275,533	3,724,931	2,616,262	2,009,828	1,318,321	1,207,660
251,223	240,018	132,000	63,447	63,447	63,447
4,986,749	4,466,440	3,710,435	2,504,592	2,183,165	1,689,416
(3,357,492)	(2,907,846)	(2,083,981)	(1,072,575)	(905,443)	(915,413)
(920,118)	(797,739)	(514,453)	(112,059)	(136,845)	(198,782)
5,235,895	4,725,804	3,860,263	3,393,233	2,522,645	1,846,328
17	21	13	16	28	14
178,274	207,986	163,418	148,562	148,562	81,709
6.00	7.00	5.50	5.00	5.00	2.75
247	242	203	153	121	108
26.51	31.82	15.86	17.00	21.30	7.57
160.45	147.89	120.81	105.42	77.38	55.65
181.00	176.00	160.00	155.40	160.00	46.50
1.47	1.54	1.78	2.33	2.41	1.85
0.85	0.79	0.84	1.37	1.31	1.17

Group Profile

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

Directors		
A.M. Pandithage (Chairman) H.S.R. Kariyawasan (Managing Director) Dhammika Perera A.M. Senaratna	S.C. Ganegoda Ms. M.J.A.S. Abeyratne Dr. S.A.K. Abayawardana S. Rajapakse M.S.P. Udaya Kumara B. Balaratnarajah A.A.M. Caderbhoy	Ms. S.S. Ragunathan J.D. Naylor Ms. Yogadinusha Bhaskaran (Alternate Director to Mr. Dhammika Perera) M.H. Jamaldeen
A.M. Pandithage (Chairman) J.D. Naylor (Managing Director) H.S.R. Kariyawasan	R. Bittel	
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne M. Marques B.P.R. Liyanage	
A.M. Pandithage (Chairman) P. Karnchanabatr (Managing Director) H.S.R. Kariyawasan	B. Karnchanabatr K. Karnchanabatr Y.P.A.S. Pathirathna	Ms. C. Karnchanabatr Ms. M.J.A.S. Abeyratne B. Balaratnarajah T. Karnchanabatr
A.M. Pandithage (Chairman) P. Karnchanabatr (Managing Director)	H.S.R. Kariyawasan B. Karnchanabatr K. Karnchanabatr	Y.P.A.S. Pathirathna Ms. C. Karnchanabatr Ms. M.J.A.S. Abeyratne
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Y.P.A.S. Pathirathna	A.M. Senaratne (w.e.f. 19th September 2017)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan P.S. Suraweera	
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	R. De Silva	B. Balaratnarajah
A.M. Pandithage (President Commissioner) S.C. Ganegoda (Vice-President Commissioner)	H.S.R. Kariyawasan (President Director) B. Balaratnarajah E. Senduk	M.S.P. Udaya Kumara A.A.M. Caderbhoy
A.M. Pandithage (Chairman) A.M. Senaratna	H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	
A.M. Pandithage (Chairman) S.C. Ganegoda		
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	B. Balaratnarajah M.S.P. Udaya Kumara A.A.M. Caderbhoy	S.P. Weerawardane
A.M. Pandithage H.S.R. Kariyawasan		Ms. S.S. Ragunathan Mr. Ashok Parashar Ms. Melanie Grignon
A.M. Pandithage (Chairman) H.S.R. Kariyawasan P. Karnchanabatr	Y.P.A.S. Pathirathna Ms. M.J.A.S. Abeyratne	Ms. C. Karnchanabatr B. Karnchanabatr K. Karnchanabatr
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne		
J. Yaurai (President Commissioner) Ms. M.J.A.S. Abeyratne (Commissioner) M.S.P. Udaya Kumara (Commissioner) (w.e.f. 20th June 2017)	A.M. Pandithage (President Director) H.S.R. Kariyawasan A.A.M. Caderbhoy	B. Balaratnarajah Ronny K.A. Karim
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne Ms. S.S. Ragunathan S.H.C. Winston		

Glossary

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Borrowings
Bank loans, overdrafts and finance lease obligations.

Capital Employed
Total assets less interest free liabilities, deferred income and provisions.

Capital Reserves
Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents
For the purpose of cash flow, cash equivalents is defined as liquid investments with original maturities of three months or less net of short-term borrowings.

Contingent Liabilities
Conditions or situations at the reporting date, the financial effect of which are to be determined by future events which may or may not occur.

Current Ratio
Current assets divided by current liabilities.

Deferred Taxation
The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover
Post-tax profit divided by gross dividend. Measures the number of times dividend is covered by distributed profit.

Dividend Yield
Gross dividend per share as a percentage of the market price.

Dividend Payout
The dividend payout ratio is the percentage of earnings paid out to shareholders in dividend.

Earnings per Share
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue and ranking for dividend.

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

Gearing Ratio
Proportion of total interest-bearing borrowing from financial institutions to capital employed.

Gross Dividend
Portion of profits inclusive of tax withheld distributed to shareholders.

Liquidity Ratio
Current assets less inventories divided by current liabilities. A measure of the Company's ability to settle its debts as they fall due.

Net Assets per Share
Shareholders' funds divided by the weighted average number of ordinary shares in issue.

Price Earnings Ratio
Market price of a share divided by earnings per share.

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

Return on Shareholder Equity
Attributable profits divided by average shareholders' funds.

Revenue Reserves
Reserves considered as being available for distributions and investments.

Segment
Constituent business units grouped in terms of nature and similarity of operations.

Value Addition
The quantum of wealth generated by the activities of the Group and its distribution.

Working Capital
Capital required to finance the day-to-day operations (current assets minus current liabilities).

Notice of Meeting

Haycarb PLC
Company No. PQ 59

NOTICE IS HEREBY GIVEN that the Forty Fifth Annual General Meeting of Haycarb PLC will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka, on Thursday, 28th June 2018 at 10.00am and the business to be brought before the Meeting will be:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2018, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. K.D.D. Perera, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mrs. M.J.A.S. Abeyratne, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mr. S. Rajapakse, who retires by rotation at the Annual General Meeting, a Director.
7. To reappoint Dr. S.A.K. Abayawardana, who retires having attained the age of seventy one years and the Company has received special notice of the undernoted ordinary resolution in compliance with Section 211 of the Companies Act No. 07 of 2007 in relation to his reappointment.

   Ordinary Resolution
   That, Sarath Ananda Kumara Abayawardana retiring Director, who has attained the age of Seventy One years be and is hereby reappointed a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is hereby declared that the age limit of Seventy One years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.
8. To ratify the sum of Rs. 366,100/- made as donations for the year 2017/18 in excess of the sum approved by the shareholders.
9. To authorise the Directors to determine contributions to charities for the year 2018/19.
10. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the year 2018/19.
11. To consider any other business of which due notice has been given.

Note:

(i) A member is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka, by 10.00am on 26th June 2018.

(ii) It is proposed to post ordinary dividend warrants on 9th July 2018 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 29th June 2018.

By Order of the Board,

Haycarb PLC
Hayleys Group Services (Pvt) Ltd.
Secretaries

Colombo
30th May 2018

Form of Proxy

Haycarb PLC
Company No. PQ 59

I/We* ..... (full name of shareholder**)

NIC No./Reg. No. of Shareholder (**) .....

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

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

   NIC No./Reg. No. of proxyholder (**) .....

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

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf of at the Forty Fifth Annual General Meeting of the Company to be held on Thursday, 28th June 2018 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		For	Against
1.	To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2018 with the Report of the Auditors thereon.	☐	☐
2.	To declare a dividend as recommended by the Directors.	☐	☐
3.	To re-elect Mr. K.D.D. Perera, who retires by rotation at the Annual General Meeting, a Director.	☐	☐
4.	To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.	☐	☐
5.	To re-elect Mrs. M.J.A.S. Abeyratne, who retires by rotation at the Annual General Meeting, a Director.	☐	☐
6.	To re-elect Mr. S. Rajapakse, who retires by rotation at the Annual General Meeting, a Director.	☐	☐
7.	To reappoint Dr. S.A.K. Abayawardana, who retires having attained the age of Seventy One years, a Director by passing the Ordinary Resolution set out in the Notice.	☐	☐
8.	To ratify the sum of Rs. 366,100/- made as donations for the year 2017/18 in excess of the sum approved by the shareholders.	☐	☐
9.	To authorise the Directors to determine contributions to charities for the year 2018/19.	☐	☐
10.	To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the year 2018/19.	☐	☐

(***) The Proxy may vote as he thinks fit on any other resolution brought before the meeting of which due notice has been given.

As witness my/our* hands this ..... day of .....2018.

.....

Witnesses

Signature : .....

Name : .....

Address : .....

NIC No. : .....

.....
Signature of Shareholder

Notes:

*(a) * Please delete the inappropriate words.*

(b) A shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the Proxy need not be a shareholder of the Company.

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

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

(d) Instructions are noted on the reverse hereof.

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

INSTRUCTIONS AS TO COMPLETION:

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd. at No. 400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (i) overleaf. The Proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your Proxy is to vote on the resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your Proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the Case of a Company/Corporation the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

   In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Margin Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

Corporate Information

Name of Company
Haycarb PLC

Legal Form
A Quoted Public Company with limited liability. Incorporated in Sri Lanka in 1973

Company Number
PQ 59

Stock Exchange Listing
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

Secretaries
Hayleys Group Services (Pvt) Ltd.
400, Deans Road, Colombo 10, Sri Lanka
Telephone: +94 11 2627650

Registered Office
400, Deans Road, Colombo 10, Sri Lanka.
Telephone: +94 11 2627000, 2677364
Fax: +94 11 2699630
E-mail: haycarbgroup@haycarb.com
www.haycarb.com

Bankers
Bank of Ceylon
Citibank N.A.
Commercial Bank
Deutsche Bank
DFCC Vardhana Bank
Hatton National Bank
Hongkong & Shanghai Banking Corporation
Nations Trust Bank
NDB Bank
Pan Asia Bank PLC
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

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

Parent Company
Hayleys PLC

Accounting Year End
31st March

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"Better living through Carbon"

Leading edge Activated Carbon Technology for every industry and purpose

Our Vision

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

Haycarb PLC
400, Deans Road, Colombo 10, Sri Lanka.
Phone: +94 11 262 7000, +84 11 267 7364 (Finance)
Fax: +94 11 2699630
E-mail: haycarbgroup@haycarb.com
www.haycarb.com

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