

our **best,** to the world



HAYCARB
Activated carbon solutions



our **best,** to the world

In 1973, Haycarb became the first activated carbon manufacturer outside the industrialized world. We have since become a trailblazer, marking milestones and shifting paradigms in our industry to achieve our green mission. Today, our presence is felt across borders in many countries, delivering solutions that are vital for the health, safety and wellbeing of people and the planet.

This year, we weathered multiple challenges to give our best to the world, making our products more relevant across a number of industries and applications. We continued to innovate and grow market share, leveraging our position as one of the largest manufacturers of coconut shell activated carbon products in the world. With a customer-centric perspective geared to deliver greater value, we are ready to create a better world for everyone.

At Haycarb, we give our best to the world.



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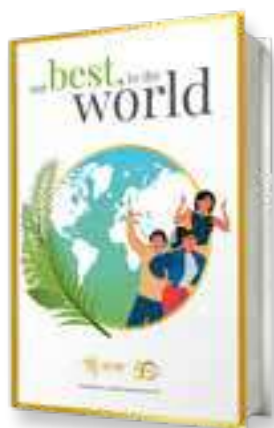
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OUR APPROACH TO REPORTING

GRI 2-2 to 4

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



PDF format



A concise Integrated Annual Report in print form



Video Files

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



We are pleased to present our third integrated annual report during our 50th anniversary year, for the financial year ending 31st March 2023. This report aims to provide a concise, holistic, and balanced review of the Group's financial, social, environmental and governance performance while providing a fair account of how we directed strategy in the context of our operating environment to create value for our stakeholders.

ABOUT THIS REPORT

The Annual Report covers the operations of the parent entity, Haycarb PLC, its 14 subsidiaries and 2 associate companies collectively called "the Group". Our Group structure is presented in page 4. We adopt an annual reporting cycle, and this report is an extension to the previous report published for the financial year ending 31st March 2022.

MATERIALITY

Our report has been carefully prepared to focus on the topics deemed material to the Group's operations and its key stakeholders. Over 80 potential topics were assessed for their impact on stakeholders, the organisation and the environment and scored, enabling an assessment

of the value created during the year and the measures that need to be adopted to create value in the future. Haycarb's process for determining materiality is described in detail on page 64.

SCOPE AND BOUNDARY

The financial information in financial statements and the narrative provides a consolidated view unless otherwise stated. The non-financial information also represents the Group and extends to include risks and opportunities emerging from the external environment and the outcomes attributable to our key stakeholders. The Groups operations are distributed across 7 countries, although 34% of assets are in Sri Lanka.

STANDARDS AND PRINCIPLES

Our financial and non-financial reporting have been guided by the frameworks given below. In addition to complying with all mandatory reporting requirement, we have also sought to enhance alignment with relevant international best practices in corporate reporting through the adoption of SASB and TCFD reporting frameworks for the first time this year.

Legal and Regulatory

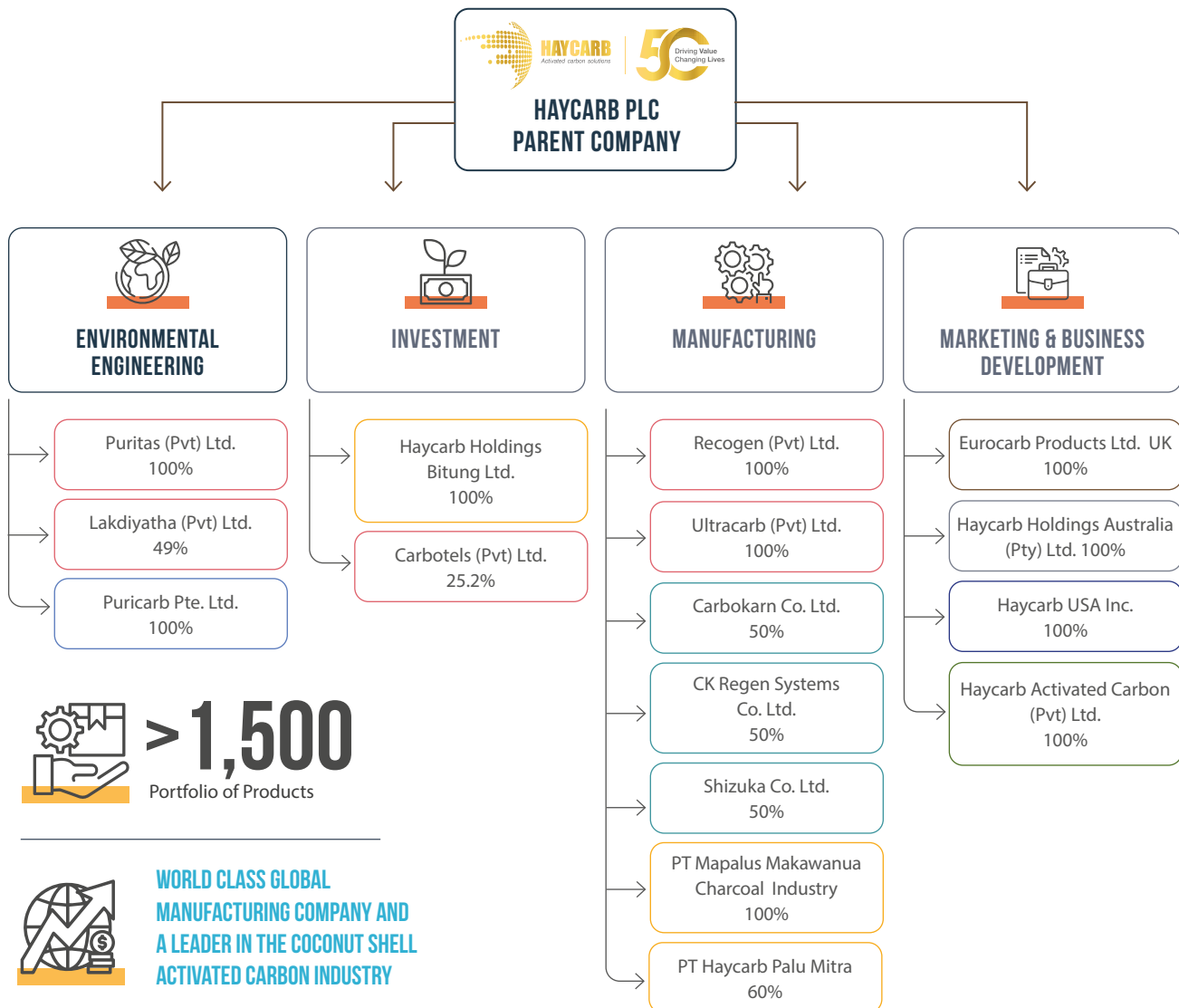
- ▶ Companies Act No. 7 of 2007
- ▶ Listing rules of the Colombo Stock Exchange
- ▶ Sri Lanka Accounting Standards
- ▶ Sri Lanka Financial Reporting Standards

ESG Reporting

- ▶ Integrated Reporting Framework of the International Integrated Reporting Council
- ▶ GRI standards
- ▶ Code of Best Practice in Corporate Governance
- ▶ UN Global Compact Principles
- ▶ UN Sustainability Goals and Targets
- ▶ Sustainability Accounting Standards Board (SASB) Standards (New)
- ▶ Task Force on Climate Related Financial Disclosures (TCFD) (New)
- ▶ Non-financial reporting guidelines issued by the Institute of Chartered Accountants of Sri Lanka (New)
- ▶ Transparency in Corporate Reporting Assessment (New)
- ▶ Gender parity reporting framework of the Institute of Chartered Accountants of Sri Lanka

> OUR APPROACH TO REPORTING

GROUP STRUCTURE



- Sri Lanka
- USA
- Thailand
- India
- Indonesia
- Singapore
- UK
- Australia

→ Introduction

→ Understanding Value Creation and Impacts

→ Our Value Proposition on ESG

→ Nurturing Our Resources

→ Mindful Governance

→ Financial Statements

→ Supplementary

JOINT ASSURANCE GRI 2-5

To ensure the integrity of our reporting, the content of our report is assured from both an internal and external perspective. Internally, assurance is provided by the Board Audit Committee, internal audit and our senior management, while external assurance is provided by Messrs. Ernst and Young on financial statements, sustainability and integrated reporting.

CHANGES TO REPORTING

During the year, Haycarb Value Added Products (Pvt) Ltd, a fully owned subsidiary domiciled in Sri Lanka, was amalgamated with the parent entity on 28th of December 2022, where the ownership of all existing assets, liabilities and obligations were transferred to the parent company. Apart from this, no other changes took place in the Group's size, shareholding, structure or supply chain during the year under review. No major restatements were made to financial and non-financial information disclosed in the previous Annual Report. Please refer note 16.3 in page 244 for amalgamation details of Haycarb Value Added Products (Pvt) Ltd.

PRECAUTIONARY PRINCIPLE

In compliance with Principle 15 of the Rio Declaration on Environment and Development, we are committed to implementing cost effective measures to prevent environmental degradation where there are threats of serious or irreversible damage, despite lack of full scientific certainty.

FEEDBACK GRI 2-3

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

Director Finance

Haycarb PLC
400, Deans Road, Colombo 10, Sri Lanka
E-mail: haycarbgroup@haycarb.com

Enhanced our corporate reporting through the adoption of several new reporting frameworks and improvements as specified below.



> OUR APPROACH TO REPORTING

NAVIGATE OUR REPORT

The Capitals



Financial Capital



Natural Capital



Intellectual Capital



Human Capital



Social & Relationship Capital



Manufactured Capital

Our Stakeholders



Shareholders



Employees



Customers



Business Partners



Communities



Government & Regulators

Strategy



Market Growth



Innovation-led Growth



Expansion of Global
Supply Chain



Purpose Driven and Committed
Team



ESG Mindset

STATEMENT OF RESPONSIBILITY

Haycarb's Board of Directors is responsible for ensuring the integrity of the Report. We, the Board of Directors hereby confirm that

we have reviewed the Annual Report for 2022/23 prepared by the Senior Management in accordance with the Integrated Reporting <IR> Framework and that it addresses all

relevant material matters and fairly represents the Group's integrated performance. We have authorised and approved the report for publication.

Chairman

Managing Director

Chairman
Audit Committee

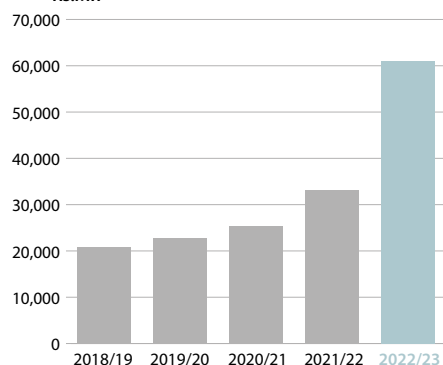


This report is available in printed, video and online PDF form.
Digital versions of the report are available at <https://www.haycarb.com/activated-carbon-company/responsibility>

PERFORMANCE HIGHLIGHTS

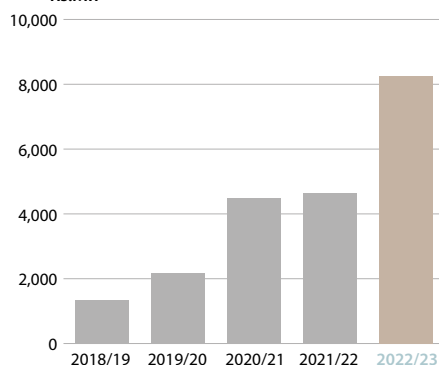
GROUP TURNOVER

Rs.Mn



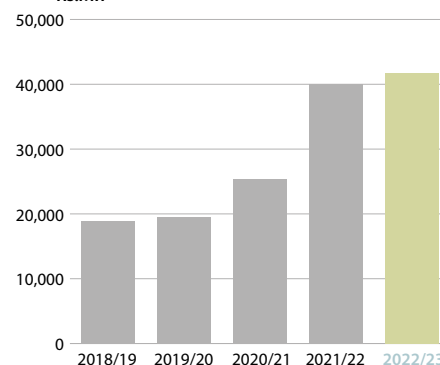
PROFIT BEFORE TAXATION

Rs.Mn



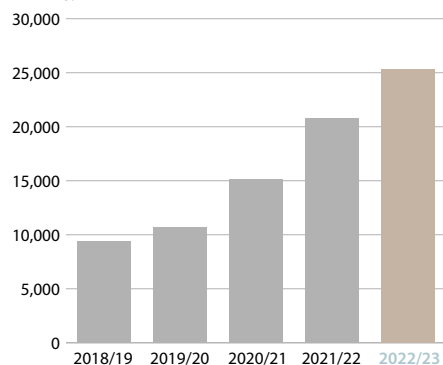
TOTAL ASSETS

Rs.Mn



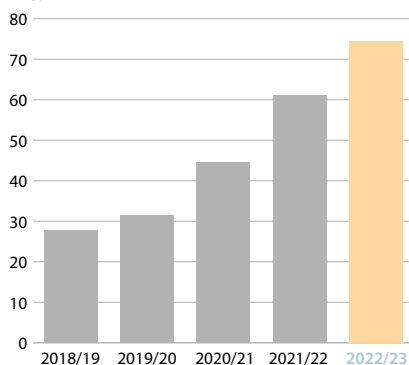
TOTAL EQUITY

Rs.Mn



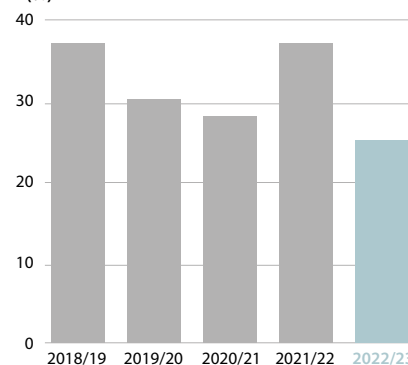
NET ASSETS PER SHARE

Rs.



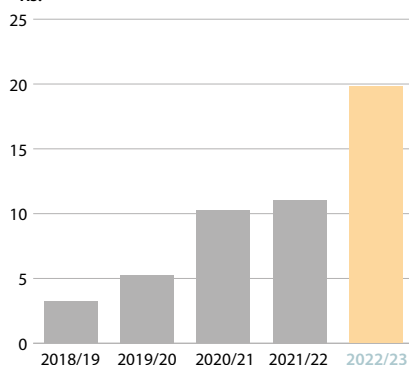
GEARING RATIO

(%)



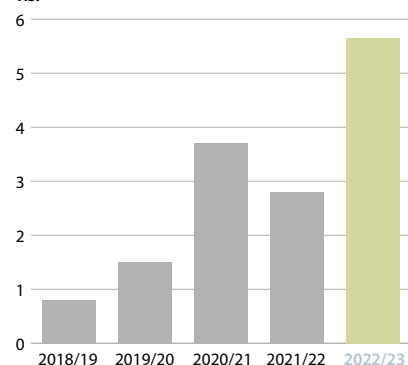
EPS

Rs.



DPS

Rs.



> PERFORMANCE HIGHLIGHTS



84%

Increase in Revenue



RS. 40 BN

Total Asset Base



25%

Gearing Ratio



RS. 19.60

Earnings per Share



25%

ROCE



RS. 74.52

Net Assets per Share



10%

Dividend Yield

Performance indicator	UOM	2022/23	2021/22
Financial Capital			
Revenue	Rs. Mn	60,943	33,160
Gross profit	Rs. Mn	14,879	7,218
Gross profit margin	%	24.4%	21.8%
Operating profit	Rs. Mn	8,274	3,079
Operating profit margin	%	13.6%	9.3%
Profit before tax	Rs. Mn	8,258	4,656
Profit before tax margin	%	13.6%	14.0%
Profit after tax	Rs. Mn	6,505	3,721
Return on equity (%)	%	25.8%	17.9%
Return on capital employed (%)	%	24.6%	9.1%
Return on assets	%	16.2%	9.3%
Interest cover ratio	No. of times	6.18	10.76
Effective tax rate	%	21.2%	20.1%
Efficiency ratios			
Asset turnover ratio	No. of times	1.52	0.83
Inventory holding days	Days	118	222
Debtor days	Days	45	72
Creditor days	Days	8	13
Cash conversion cycle	Days	155	281
Liquidity ratios			
Current ratio	No. of times	2.06	1.69
Quick asset ratio	No. of times	1.01	0.76
Solvency position			
Total assets	Rs. Mn	40,191	40,012
Total liabilities	Rs. Mn	14,979	19,191
Shareholders' funds	Rs. Mn	22,142	18,172
Non controlling interest	Rs. Mn	8,461	12,669
Total debt	Rs. Mn	6,920	11,006
Equity/Assets	No. of times	0.63	0.52
Gearing ratio	%	25.1%	37.8%
Debt/Total assets	%	17.2%	27.5%
Investor position			
No. of shares outstanding	Number	297,123,750	297,123,750
Earnings per share	Rs.	19.60	11.06
Dividends per share	Rs.	5.65	2.80
Net asset value per share	Rs.	74.52	60.80
Market price per share	Rs.	56.30	50.20
Market capitalization	Rs. Mn	16,728	14,910
P/E ratio	No. of times	2.87	4.54
Dividend payout	%	28.8%	25.3%
Dividend cover	No. of times	3.47	3.95
Dividend yield	%	10.0%	5.6%

Capital	Performance indicator	2022/23	2021/22	2020/21
 Intellectual Capital	New Products (No.)	16	14	13
	Products in pipeline (No.)	4	10	12
	Revenue generated from new products (Rs. Mn)	3,390	1,606	1,459
	New certifications (No.)	1	2	2
	Investment in research development (Rs. Mn)	187	124	57
 Social and relationship Capital	Customer base (No.)	>550	>500	>450
	Customer satisfaction score (%)	Above 85	Above 80	Above 80
	Supplier Base (No.)	>500	>400	>400
	Total sales volumes (MT)	50,025	46,422	46,070
	CSR beneficiaries (No)	>100,000	> 60,000	> 50,000
 Manufactured Capital	Investments in capital expenditure (Rs.Mn)	1,907	1,678	1,052
	Number of processes improved (No)	8	10	8
	Total property, plant and equipment (Rs. Mn)	10,214	8,896	6,424
	Global manufacturing capacity (MT)	56,800	56,800	55,000
	Capacity utilization (%)	86	90	90
 Human Capital	Permanent employees receiving regular performance reviews (%)	100	100	100
	Total Remuneration (Rs. Mn)	4,736	3,570	2,700
	Number of employees	1,880	1,768	1,694
	Remuneration per employee (Rs.Mn)	2.5	2.0	1.6
	Females who occupy Board Member positions (%)	21	20	25
 Natural Capital	Non-renewable energy consumption (mj)	265,137,000	262,368,000	281,497,021
	Total emission (tCo ₂ e)	28,470	30,212	34,409
	% of raw material suppliers from green charcoaling sources (Haritha Angara)	90%	85%	66%
	Power generated - (Kwh)	1,015,556	1,559,050	1,056,943

HAYCARB AT A GLANCE

GRI 2-6

Haycarb is a global leader in the coconut shell activated carbon industry with a significant global market share of approximately 16%. Our diverse portfolio of products cater to a wide range of applications that are vital for the well-being of both people and the planet. Innovation is at the core of our success, empowering us to develop value-added solutions that address emerging customer needs across more than 50 countries. Through our environmental engineering solutions arm, we provide advanced water and air purification solutions that contribute to the preservation and conservation of natural ecosystems and wildlife habitats, underscoring our commitment to environmental sustainability.



OUR VISION

To be the leading global provider of activated carbon and foremost provider of water purification systems in Sri Lanka and the region, renowned for technical excellence, customer centricity, innovation and sustainable business practices.

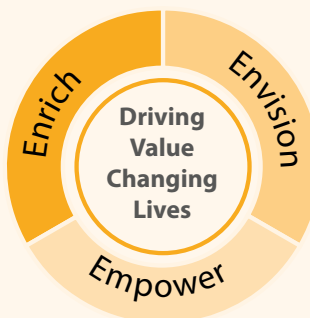


OUR PURPOSE



Enrich

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



Envision

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



Empower

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



OUR VALUES

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



THE HAYCARB BRAND

The Haycarb brand affords the Group a strong competitive edge in the coconut activated carbon industry through 50 years of manufacturing and technical excellence, innovation, and customer-centric solutions within a sustainable mindset.



A Global Value Chain



A highly skilled, innovation focused talent pool

1,880	Employees across 7 countries
94%	in the Activated Carbon segment
6%	in the Environmental Engineering Solutions segment

- ▶ 7 manufacturing locations across 3 countries
- ▶ Marketing offices across 6 countries
- ▶ > 550 customers in > 50 countries
- ▶ > 500 suppliers in several countries

Capacity to Innovate

Our capacity to innovate is driven by deep market insights, a highly skilled team and organisational tacit knowledge acquired over five decades of operations.

Patents and proprietary processes

- ▶ Oxytura – Patented face mask.
- ▶ Green charcoaling technology

A diverse product range that caters to a wide range of applications (page 22)



Recogen – Patented green charcoaling technology that generates electricity using waste heat.



Haritha Angara initiative - Promoting closed pit charcoaling technology



Vertical kiln charcoaling technology

Financial Highlights in 2022/23

84% increase in revenue (+8% in USD terms)

75% increase in post-tax profits (+2% in USD terms)

RS. 40 BN Total assets



> HAYCARB AT A GLANCE

OUR SOCIO-ECONOMIC IMPACT

As one of the largest exporters of agricultural products in Sri Lanka, Haycarb's socio economic impact is significant. The value we created to the economies we operate in during 2022/23 is given below.

VALUE CREATION FOR GOVERNMENTS

Taxes paid to governments.

- ▶ Sri Lanka: Rs. 1.76 billion
- ▶ Overseas: Rs. 2.20 billion

OUR PRODUCT RANGE

We offer an innovative portfolio of next-generation products and services for a sustainable future.

PROVIDING EMPLOYMENT

We provide employment to 1,880 people in 7 countries.

- ▶ Sri Lanka – 1,189
- ▶ Other countries – 691

STRENGTHENING 3 DEVELOPING AND EMERGING MARKET ECONOMIES

Contributed towards strengthening forex reserves in Sri Lanka amidst the economic crisis while also generating forex for Thailand and Indonesia, two developing and emerging market economies.

- ▶ Sri Lanka: US\$ 89.54 million
- ▶ Thailand: US\$ 19.30 million
- ▶ Indonesia US\$ 17.73 million

SUPPORTING LIVELIHOODS

We support the livelihoods of over 200 micro-entrepreneurs in Sri Lanka through coconut shell and coconut shell charcoal procurement.

This includes providing technical and financial assistance to small-scale suppliers to convert coconut shells to charcoal using our proprietary technology through the Haritha Angara initiative.

Financial assistance under the Haritha Angara programme

Number of small and medium-scale suppliers assisted: 504

POSITIVELY IMPACTING OUR COMMUNITIES

We supported the most urgent needs of the communities we operate in through a CSR spend of Rs. 40.22 million.

Key projects included,

- ▶ Sisu Divi Pahana – providing nutritious mid-day meals for 700 students in 13 schools in 6 districts.
- ▶ Upgraded medical facilities and provided medical equipment to 10 hospitals in need.
- ▶ Supporting the educational needs of children in our communities through the donation of books and school supplies.
- ▶ Provision of purified drinking water to remote villages through the Puritas Sath Diyawara initiative.

Total beneficiaries: >100,000



GROUP VALUE ADDITION & DISTRIBUTION

GRI 201-1

FINANCIAL HIGHLIGHTS

Profitability highlights	2023 Rs.'000	2022 Rs.'000
Revenue	60,943,256	33,160,474
Other operating income	200,630	249,988
	61,143,886	33,410,462
Cost of materials & services brought in	(43,279,972)	(24,035,623)
Value added	17,863,914	9,374,839

Value created increased by 90% in 2022/23 as we expanded our market presence with emphasis on moving up the value chain through focused innovation.

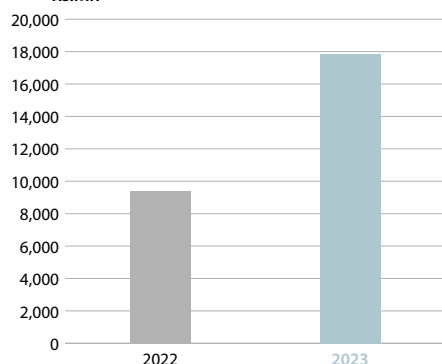
DISTRIBUTION OF VALUE ADDED

Profitability highlights	%	2023 Rs.'000	%	2022 Rs.'000
To Employees as remuneration	27	4,736,270	41	3,569,540
To Government revenue		3,954,040		1,528,805
- Sri Lanka	10	1,756,193	7	534,558
- Overseas	12	2,197,847	9	994,247
To Providers of Capital	13	2,277,595	11	910,503
- Interest on Borrowings		1,595,267		476,917
- Minority Interest		682,328		433,586
To Shareholders as Dividends	9	1,678,749	17	831,946
Retained in the business	29	5,217,261	16	2,534,045
- Depreciation		898,951		668,757
- Profit retained		4,318,308		1,865,288
	100	17,863,914	100	9,374,839

- Value distributed to all stakeholders increased during 2022/23 as value created expanded.
- Employees received 27% of the value created.
- Value distributed to governments in Sri Lanka and overseas increased 2.5 times reflective of higher tax rates in Sri Lanka and the impact of the Sri Lanka rupee depreciation on tax expenses overseas.
- Value distributed to providers of capital expanded to 13% of total value created in 2022/23 (2021/22: 11%) reflective of higher interest rates in Sri Lanka and the implications of currency depreciation on overseas interest payments.
- The proportion of value retained in the business as a percentage of total value created increased to 29% in 2022/23 compared with 16% in 2021/22 and was aimed at building resilience.

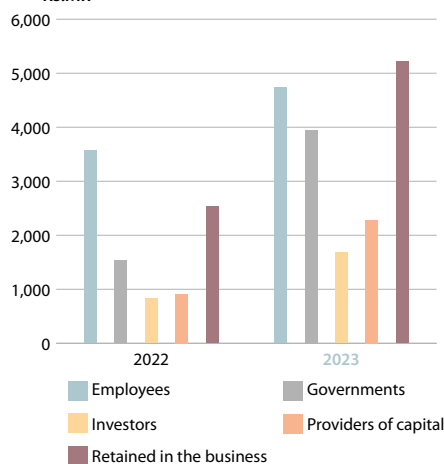
VALUE CREATED

Rs.Mn



VALUE DISTRIBUTED

Rs.Mn



CHAIRMAN'S & MANAGING DIRECTOR'S JOINT MESSAGE

GRI 2-22

"Manufacturing excellence, focus on innovation and technology, market intelligence on existing and new application segments, efficient supply chain management, development of people across multiple functions and financial stability form the bedrock of our strong global operations"



Mohan Pandithage
Chairman

Dear Stakeholder,

Haycarb PLC delivered strong top line and bottom line growth recording its highest pre and post-tax earnings of Rs. 8,258 Mn and Rs. 6,505 Mn respectively for the fifth consecutive year as we continue to raise the bar for performance. It is a fitting milestone to mark our 50th anniversary of converting waste to value, creating a future ready, sustainable product range with a vast array of applications across multiple

industry sectors. We continued our strategy of expanding our portfolio of value-added activated carbon products and developing new markets for this versatile product range while increasing penetration in existing markets. Our ability to commercialize a strong pipeline of innovative products is a core strength that has driven our growth, ensuring that we are at the forefront of servicing emerging industries as well as increasing our value proposition to existing industries. Manufacturing excellence,



Rajitha Kariyawasan
Managing Director

focus on innovation and technology, market intelligence on existing and new application segments, efficient supply chain management, development of people across multiple functions and financial stability form the bedrock of our strong global operations, enabling the Haycarb Group to deliver increasing value to its stakeholders, despite the moderating global economic conditions during the year.

50 years of sustainability

Commencing operations out of the New Export Products Department of Hayleys, our product concept was based on the principle of converting waste to value from inception. As a result, sustainability principles of care for the environment and social justice were hardcoded into the Group's DNA, long before it came into focus as a concept for reporting. Innovation, hard work, ingenuity and an indomitable spirit added value to the initial shipments of coconut shell charcoal to create a value-added product range in activated carbon of international repute. It is interesting to note that the initial plant in 1973 incorporated second hand machinery that was refurbished and modified for the manufacture of activated carbon by engineers of the parent company, instilling the value of prudent fund management, re-use and re-engineering into the lore and legend of the Group. Positioned for export from inception, strategic partnerships played a key role in our growth as we worked together with overseas distributors to penetrate new markets for a product that was gaining ground across the world, unlocking value of the superior properties of coconut shell activated carbon. This growth drive was supported by the home-grown innovative technologies that were harnessed to manufacture a diverse product range to match market requirements.

50 years has seen the Group grow its footprint from Sri Lanka to manufacturing facilities in Thailand and Indonesia, marketing offices in USA, UK, Germany, Australia, Thailand and Indonesia combined with warehousing facilities in these locations. Our portfolio has grown to over 1500 products which are relevant across a plethora of industries and applications.

The COVID-19 pandemic years reinforced our resilience as we were able to innovate and adapt



USD 169 MN

Group Revenue for
2022/23



1,880

Employment
Opportunities across 7
countries

> CHAIRMAN'S & MANAGING DIRECTOR'S JOINT MESSAGE

PERFORMANCE

- ▶ Revenue increase of **84%** to **Rs. 60.9 Bn**
- ▶ Profit after tax of **Rs. 6.5 Bn** - the highest profit in the history of the Group for the 5th consecutive year

VALUE TO STAKEHOLDERS

- ▶ Value delivered to employees **Rs.4.7Bn**
- ▶ Payments made to coconut shell and charcoal suppliers **Rs. 17.6 Bn**
- ▶ Value delivered to communities through our CSR Drive **Rs. 40.2 Mn**
- ▶ Value to Governments
 - ▶ Sri Lanka **Rs 1,756 Mn**
 - ▶ Overseas **Rs. 2,197 Mn**
- ▶ Value to investors
 - ▶ ROE **26%**
 - ▶ Dividends **Rs. 1,678 Mn**
 - ▶ Share price increase **12%**
- ▶ Foreign exchange earnings **USD 127 Mn** benefiting three developing and emerging market economies
- ▶ **1,880** employees in **7** countries
- ▶ Over **550** customers in **50** countries with a customer satisfaction score of over **85%**

with agility together with our supply chain partners to deliver uninterrupted products and services to fulfil our customer needs, an accomplishment realized by only a few in our industry.

The untiring efforts of Mr. Rajan Yatawara, the person entrusted with the task of making the "Charcoal Plant" a commercially viable venture must be recognized where he served the company for over three decades, rising early to the post of Managing Director. We also acknowledge our former Chairmen for their leadership, with special mention of Mr. G.C. Bobbiese & Deshabandu Dr. D.S. Jayasundera whose visionary guidance was invaluable for the success of our Company in its formative years.

The last decade saw an acceleration of growth with large investments in technology, research and development that facilitated innovation of new products and processes, expansion of value adding capabilities, aggressive supply chain initiatives and building Haycarb brand recognition in existing and new markets and emphasis on human capital development creating a world class operation that originated from the shores of Sri Lanka.

We are proud to hold the baton during this anniversary year and are mindful of the socioeconomic impact of the Haycarb Group. The group revenue of USD 169.21 million comprises of USD 126.58 million foreign exchange earned for 3 developing and emerging market economies including Sri Lanka while providing 1,880 employment opportunities across 7 countries. Our flagship supply chain programme Haritha Angara supports livelihoods of over 200 micro-entrepreneurs in Sri Lanka alone. We were able to support our employees, supply chain partners and other business partners through a year of unprecedented challenges by increasing the value created for all of them. The legacy of mindful governance was the North Star that enabled balancing multiple stakeholder concerns through the past few years, ensuring they engaged with us by listening and responding effectively to their concerns throughout the past four years of headwinds. We invite the readers to review our journey of 50 years in our special anniversary booklet, included with this report.

SUSTAINABLE SUPPLY CHAINS

The supply chain of activated carbon goes full circle from household to household, starting life as a humble coconut shell that is now an economically viable by-product for coconut processing industries and households alike. These coconut shells are then converted into our raw material, coconut shell charcoal by our supply partners and in-house green charcoaling initiatives, the Recogen plant in Sri Lanka and the vertical charcoaling kilns in Thailand. Value adding processes convert the charcoal into the coconut shell based activated carbon products, that are used by a growing number of industries across multiple applications ranging from gold mining, water and air purification to energy storage. Some of our products find their way back into households incorporated into products ranging from food to water filters, air conditioners and refrigerators. The core function of the product is also rooted in sustainability as it is used to minimize waste, purify air and water and as a medium of energy storage – solutions for an era of that needs to deal with resource depletion, deteriorating air and water quality and a high demand for energy storage. As of today, Haycarb converts close to 2.5 billion coconuts (shells) in making approximately 50,000 Metric tons of activated carbon per year.

Last year we embraced the Hayleys Lifecode with its commitments to contribute to sustainable development goals. This provided more structure and enlarged the scope of our sustainability mandate. This year we refined our processes to align to delivery of the environment and social targets and are now creating a road map for 2030 with a strategic outlook in terms of streamlining and having a consolidated approach to this aspect. Years of complying with ESG reporting has built robust processes for capturing reliable non-financial information which has supported a data driven approach, ensuring that stakeholder interests were balanced. The next step will take us to an era of truly integrated thinking that aligns the Group to transition successfully to a low carbon economy.

HEADWINDS AND TAILWINDS

Despite the moderation in economic outlook globally, the activated carbon industry is forecast to record strong growth with forecasts ranging

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from 4% to 9% CAGR to 2030. The porosity of the coconut shell activated carbon and its enhanced adsorption capability continues to drive demand for the product range across diverse applications, in industrialized and newly industrialized countries. The renewable base used for the coconut shell based activated carbon is increasingly valued in line with the growing appreciation of sustainable businesses by our end customers.

As the distance to market is typically long, freight rates play a key role in our ability to compete in a price sensitive era. The disruption of supply chains at the beginning of the year was overcome by strengthening our value proposition in logistics which supported our growth. The normalizing of supply chains in the latter half saw the re-entry of the larger coconut producing countries into the market in a big way. This is now exerting significant pressure in terms of competitor dynamics. We are responding to this by being more efficient, increasing value addition, technology infusion and strengthening our customer value proposition in an urgent response to evolving market dynamics.

Interest rates moved up globally resulting in increased costs of borrowing for the Group which has funding in Sri Lankan rupees and major foreign currencies. The Sri Lankan economic crisis had a dual impact on borrowing costs as foreign currency borrowings included an additional risk premium while rupee interest rates moved up sharply with benchmark lending rates moving up by more than 1,000 basis points with the deterioration of the country's sovereign risk rating.

The second half of the year saw customers adopt a cautious approach to purchasing. High costs of borrowing, safety stocks built during the pandemic years and uncertainties stemming from a moderating global economic outlook deterred expansion of working capital. Instability in Europe is an area of concern as some of our key buyers are in conflict-affected countries. Opening of China after the pandemic was an opportunity as we were able to resume exports to this key growth market.

The economic crisis predictably had a negative impact on operations in Sri Lanka. The fuel crisis and power outages were overcome with the unwavering commitment of the Haycarb team to find innovative workarounds and walk the extra mile to ensure continuity of our operations and movement of goods and people that was supported by the parent company that joined forces with group entities to provide collaborative solutions. Employees faced significant personal challenges as their purchasing power declined as inflation soared to unforeseen heights and energy and fuel shortages increased the daily pressures. Haycarb management stepped in immediately to assist through financial and non-financial support to extend maximum redress in their most needed hour. We are humbled by the positive feedback and gratitude shown in reciprocation.

ENGAGING WITH STAKEHOLDERS

This was the first year after the pandemic and we needed to revive the customer interface, moving from virtual to a hybrid of face-to-face meetings supported by virtual interfaces as a priority. Accordingly, we focused on customer interaction with in person visits, while customers were encouraged to resume visits to our facilities. New clients added on during the pandemic years visited Haycarb for the first time. We were able to establish rapport with many clients during the year through these interactions, paving the way for strategic partnerships. Showcasing the new value-added investments and improvements at Haycarb facilities during the two years of the pandemic was a necessary step in increasing the confidence of the customers. Importantly, we also needed them to have confidence in Sri Lanka primarily as our headquarters and the largest value adding manufacturing base and understand the true ground situation, dispelling the negative image commonly portrayed globally. This initiative enabled us to reassure many customers of our ability to be a key strategic supply partner of global repute, vital to taking relationships to the next level.

Haycarb made significant strides towards developing hard carbons for the upcoming sodium ion battery segment during the year. Top line growth was supported by super capacitor carbons, the acquisition of more accounts for high-end chloramine removal carbons and

the expansion of our air treatment portfolio with new impregnated carbon products. The Group made significant inroads into the mining industry specially in the American region and in few other key markets by successfully acquiring some reputed global mining accounts in this field.

Environmental engineering, with higher exposure to Sri Lanka faced challenges as the government suspended funds allocated for most water related projects and the private sector reduced investments due to the challenging external environment. Facemask demand also declined as the pandemic waned. However, the easing of pandemic restrictions has enabled us to move into regional markets such as Maldives where there is a significant demand for water treatment and strong brand presence for Puritas from projects undertaken in the past.

We continue greening our supply chain whilst securing a steady supply of raw material through our flagship programme Haritha Angara in Sri Lanka now extended to other countries and improving the yield of the environment friendly vertical charcoaling kilns in Thailand.

Haycarb has transformed from being a process driven Group into one that is driven by technology. All key processes are being digitalized as a priority to further add value. Puritas has commenced implementation of the SAP S/4HANA ERP solution and Haycarb will upgrade its SAP ERP system to the same platform in the next financial year. We are growing our presence on social media using B2B platforms to increase visibility of the company. Additional layers enabling the use of sophisticated tools and other platforms for market intelligence are also being added to strengthen the market reach and optimize revenue.

Haycarb also launched its Purpose Statement, "Driving Value, Changing Lives" through its 3E culture framework of Envisioning, Empowering and Enriching built into the DNA of Haycarb. We are now working to rally our team around our Purpose Statement, by weaving the 3Es to our corporate culture with a clear expectation of walking the talk by each layer of the organization.

> CHAIRMAN'S & MANAGING DIRECTOR'S JOINT MESSAGE

“The last decade saw an acceleration of growth with large investments in technology, research and development that facilitated innovation of new products and processes, expansion of value adding capabilities, aggressive supply chain initiatives and building Haycarb brand recognition in existing and new markets”

A REASON FOR CELEBRATION

Haycarb Group increased top line growth by 84% to Rs. 60.94 Bn, (US Dollar denominated revenue increasing by 8% to USD 169.21 million) that is supported by an exceptional growth in a few key markets and applications, increased value addition in the product range and focused initiatives to strengthen customer relationships, in spite of downturn in revenue from environmental engineering business segment.

Our ability to increase the value addition to our products is evident in the increase in gross margins from 22% to 24% during a year of increased operational costs and intensifying competition. Gross profits increased by 106% to Rs.14.88 Bn in 2023 compared to Rs. 7.21 Bn in 2022. In USD terms the increase is an impressive 21% to USD 41.31 Mn. Earnings Before Interest & Taxation (EBIT) increased by 169% to Rs. 8.27 Bn after absorbing sharp increases in selling and administration expenses. Finance costs increased significantly from Rs. 0.72 Bn in 2021/22 to Rs. 3.41 Bn in 2022/23 due to climbing interest rates and foreign exchange loss. Devaluation of the rupee during the preceding 11 months boosted finance income by 46% to Rs. 3.39 Bn, offsetting the increase in interest cost and foreign exchange loss. Pre-tax earnings increased by 77% to Rs. 8.26 Bn reflecting the strong performance for the year. The effective tax rate increased marginally as increased taxation rates were applied in Sri Lanka for the second half of the year and its effect to the deferred taxation adjustments in respect of brought forward capital allowances. As a result, post tax earnings recorded strong growth of 75% to Rs. 6.51 Bn reflecting an excellent performance in a year marked by strong headwinds.

In US Dollar financials, the EBIT increased by a commendable 57% to USD 22.97 million while profit before tax was USD 22.93 Mn and profit after tax was USD 18.0 Mn which recorded only marginal increases due to the exceptional net finance income of USD 7.5 Mn in the previous year.

A SOUND FINANCIAL POSITION

From the outset, it was evident that we needed to manage working capital and interest rate risk as we started the year with a 700 basis

point increase in policy rates. This is evident in the management of the balance sheet which reflects how the Group strengthened liquidity and its financial position. There was marginal movement in total assets of Rs.40.19 Bn as the increase in Property Plant & Equipment was offset by the decrease in inventory and receivables as we tightened the working capital cycle. Borrowings declined by 33% from Rs.12.67 Bn to Rs. 8.46 Bn as we strengthened liability management. Our focus on managing the balance sheet resulted in strengthening of our current ratio to textbook levels of 2:1 while the debt equity ratio came down from a prudent 61% to a more conservative 34% supporting significant savings in finance costs. The balance sheet has consolidated and strengthened at the higher level achieved in the previous year with significant liquidity buffers and sufficient headroom to power growth aspirations.

MANAGING TALENT

A holistic value proposition that engaged, developed and supported employees' career progression has been a key strength that enabled us to compete effectively in global markets. Haycarb has implemented a host of employee friendly decisions to support employees through these difficult times specially impacting our largest employee base in Sri Lanka, ensuring their well-being. These included increments, bonuses, and other support mechanisms such as provision of meals, employee transport and distribution of dry rations on many occasions during the most affected periods. It was also necessary to put in place strategies to retain key employees in the wake of a wave of economic migration of professionals from Sri Lanka. These included more focused attention to the career growth of critical positions and planning for succession at key levels to name a few.

DIVIDENDS

Taking into consideration the performance for the year and future prospects of the Company, the Board recommends a final dividend of Rs. 1.00 per share which is subject to the approval of the upcoming Annual General Meeting, which together with interim dividends paid during the year comprises of a total of Rs. 6.25 per share.

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MINDFUL GOVERNANCE

This was a year for mindful governance based on listening to and understanding the pulse of stakeholders who had diverging priorities and concerns. It was also a time to look inward and make the changes that were necessary to strengthen our position for the future. Resources were allocated accordingly, and the outcomes have undoubtedly added value to our stakeholders as enumerated above. Oversight by the Board on performance and risk management played a critical role in identifying early warning signs to drive change in the right direction. Objective, data driven decision making processes enhanced the Board's effectiveness and brought clarity to the choices that needed to be made as there was an identified need to retain sufficient resources for business.

Our commitment to strategic ESG focused on moving the needle to meet our targets complemented our governance processes, facilitating understanding of potential consequences. We are now working towards deeper integration of this to drive positive change through our products, people, processes, and communications. It is great to trace our roots to understand how we got here and find that it was ESG although noted in our annals as converting waste to value.

The Group complies with the Bribery and Anti-Corruption Guidelines of its parent company Hayleys PLC, and is committed to maintain the highest degree of integrity and transparency and a governance structure to mitigate the risk of corruption at all levels of its operation.

Mr. Dhammika Perera resigned from the Board with effect from 10th June 2022 and on behalf of the Board of Directors we extend our gratitude and appreciation for his valuable counsel over the years. We take this opportunity to also welcome Ms. Brindhiini Perera, who was appointed to the Board as a Non-Executive Director in 19th October 2022.

SOCIAL RESPONSIBILITY

Haycarb group anchored its responsibility to the society at large during the economic crisis year in its home country, Sri Lanka and supported many social needs of the nation in the spheres

of health, nutrition and education through donation of medicines, medical equipment and refurbishment projects to government hospitals, provision of nutritious meals to 700 school children of low income families during the school year 2023 and donation of school books. We contributed to combating climate change and preserving biodiversity through tree planting initiatives and a turtles conservation program in the Kumana National Park, Sri Lanka.

THE ROAD AHEAD

While the macroeconomic outlook moderated with low growth projections for advanced economies, the forecasts for growth of activated carbon continues to remain strong reflecting its relevance to economic activity. New market development, strategic customer acquisition, collaborative innovation, operational excellence, supply chain backward partnerships and structured sustainability drive are key strategies for driving growth in the years ahead. Retaining our talented and mission critical employees will be a priority. We will continue to leverage our global presence, training & development drive, empowerment management concepts for faster learning curve and faster career progressions to retain talent within the Group. Expansion of our manufacturing footprint to other coconut producing countries is on the cards and we hope to make progress on this project in the year ahead to ably support supply chain consolidation and market growth.

The rapid growth in demand for superior activated carbons in the point of use and point of entry applications with growing needs for better activated carbons for the removal of chloramines, PFOA/PFOS etc., exponential growth in the energy storage applications and strong demand for gold mining carbons provide expanded opportunities for technology led value additions and general capacity expansions. Haycarb will continue to invest in R&D, business development and supply chain to stay ahead of the game.

A strong balance sheet and adequate liquidity backed by the strength of our parent company, Hayleys PLC, provides a strong safety net as we move forward to our next chapter.

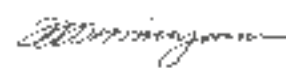
A future envisioning leadership team, with capability and smartness demonstrated through fast execution ability can take Haycarb forward for another successful 50-year cycle. We will create the foundation for this next phase by leveraging on our 50-year legacy, whilst adapting to the new requirements of millennium and Gen-Z generations of customers and employees alike by leveraging our commitment to our purpose of 'Driving Value, Changing Lives'.

ACKNOWLEDGEMENTS

As we celebrate our 50th anniversary, we wish to thank our valued customers, employees, suppliers, business partners and other stakeholders who have contributed to our success and growth in numerous ways. Our customers have provided the winning formula for the success during the past 50 years, and we will hear and comply to their voice to delight them. Once again, our employees have raised the bar for performance as they worked diligently through some of the most challenging times globally and in Sri Lanka. We are deeply appreciative of their will and wit to work through multiple challenges to place Haycarb as a top-notch company in the global coconut carbon industry. We are poised to deliver the next phase of growth for Haycarb Group in the years ahead and count on our stakeholders' continued support to have sustainable growth by driving value and changing lives all around us for a better planet. We invite you to continue to join us in this exciting journey.



Mohan Pandithage
Chairman



Rajitha Kariyawasan
Managing Director

18th May 2023

MILESTONES

> **1973**

Incorporation of Haycarb

> **1975**

Listed in the Colombo Stock Exchange

> **1977**

First export to Nevada

> **1984**

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

> **1986**

Established Haycarb Holdings Australia and Eurocarb Products

> **1989**

Became one of the first Sri Lankan companies to surpass Rs. 100 million net profit

> **1990**

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

> **1991**

Achieved Market Capitalisation of Rs. 1 billion

> **1993**

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

> **1995**

- Development of 80x325 product manufacture in Pulverizer

- Venturing into providing solutions for water and waste water treatment through establishing Puritas (Pvt) Ltd.

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

> **1996**

- Innovation of Haycarb Crushing theory
- Obtained the first ISO 9002 certification in Sri Lanka
- Purchase of Badalgama factory

> **1999**

Obtained the first ISO 9001 certification in Sri Lanka

> **2002**

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

> **2003**

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

> **2005**

- Contracted with one of the largest cigarette filter manufacturers in the world
- First manufacturing facility in Indonesia - PT Mapalus Makawanua Charcoal Industry
- Launch of activated carbon products - Introduced Oxytura face marks in Sri Lanka

> **2007**

Obtained the first Halal Certification in Indonesia

> **2008**

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

> **2009**

- Entry into the Russian gold mining sector

> **2010**

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

> **2011**

- Innovation of Flue gas activation technology
- Obtained the first ISO 14001 certification in Sri Lanka
- All Sri Lanka Activated Carbon entities transition to SAP NetWeaver 6.0
- First cycle of audits for carbon credits verification under the Kyoto Protocol was successfully completed

> **2012**

- Commissioned Sri Lanka's first-ever BOT project in wastewater sector together with Veolia India
- Expansion in Thailand – invested in Shizuka

> **2013**

- Reached a Profit before tax of LKR 1 billion
- Innovation of oil free activation technology
- Established Haycarb Value Added Products (Pvt) Ltd.

2014

- Obtained the Kosher Certification in Indonesia and Thailand
- Award of first Island Infrastructure project in L.Maamendhoo, Maldives to Puritas
- Entered a joint venture and established PT Haycarb Palu Mitra, Indonesia
- Launched the Puritas Sath Diyawara, flagship CSR project of Hayleys Group
- Haymark Inc. was re-branded as Haycarb USA Inc.

2015

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

2016

- Development of Classifier Technology for POU water treatment carbon
- "Going Beyond" was recognised as Asia's leading Social Empowerment Project at Asia Responsible Entrepreneurship Awards
- Commencement of "Haritha Angara" Eco Friendly Pit construction scheme

2017

- Obtained the HACCP, GMP and WQA (USA) Sustainability Certification in Sri Lanka
- Established new drying technology implementation for powder drying
- Start of Greater Matale Water Supply Scheme Project with Veolia, France
- Awarded first project under World Bank Funded Water Supply and Sanitation Improvement Project (WaSSIP)

- "Haritha Angara" was recognised as Asia's leading Green Leadership Project at Asia Responsible Entrepreneurship Awards

2018

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

2019

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

2020

- Establish chemically activated wood carbon products and processes in Thailand
- Virtual Tour set up for enabling virtual customer audits
- Total manufacturing capacity over 50,000MT

2021

- Introduction of Haycarb group's first integrated report
- 1:10 ordinary shares split
- Market Capitalisation crossed Rs. 25 billion
- ISO 22000:2018 (Haycarb Sri Lanka)
- Increased Ultracarb plant (EDLC) capacity by 100%

- Global Manufacturing Capacity crosses 55,000

- Removal of fossil fuels usage for AT process (for volatile gas combustion in VBC) in the pellet plant
- Gold award winner in the Engineering and Pollution Control category at The Green World Awards 2020 (UK)

2022

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

2023

- Celebrates 50 year anniversary with a series of CSR, cultural and religious events including Sisu Divi Pahana - providing mid-day meals to 700 school children in need in Sri Lanka
- Amalgamation of Haycarb Value added Products with Haycarb PLC
- Adoption of ESG Framework

OUR PRODUCTS

GRI 2-6

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



16%

Global Market Share

- WA Series
- IW Series
- IA Series
- PP Series
- SR Series
- PG Series
- PM Series
- FB Series
- AU Series
- ES Series
- NU Series
- CF Series
- MP Series
- CS Series
- CI Series

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ACTIVATED CARBON SEGMENT



● Renewable & Potable Water



● Industrial Water Treatment



● Industrial Air & Gas Treatment



● Personal Protection



● Solvent Recovery



● Petroleum & Gas



● Precious Metal



● Food & Beverage



● Automotive



● Energy Storage



● Nuclear Industry



● Cigarette Filters



● Medical & Pharmaceutical



● Catalyst Support



● Chemical Industry

ENVIRONMENTAL ENGINEERING SEGMENT

Water and Waste Water
PurificationOperation and Maintenance
Service

Hydrocove Water Purifiers

Value Added Activated
Carbon ProductsDupont Filmtech RO, UF and
NF Membranes

> OUR PRODUCTS



▲ Haycarb represented at the India Energy Storage Week 2023



▲ Haycarb USA making their presence at the ACE22 Conference & Exposition held in Texas, USA

We focus our research and development efforts to **innovate higher value-added products** in the areas of enhancement of capacitance properties of our EDLC product range.

ACTIVATED CARBON SEGMENT RENEWABLE & POTABLE WATER

Haycarb's range of granular activated carbons (GACs) and powder activated carbons (PACs) are designed to remove a range of chemical compounds from water, enabling adherence with drinking water quality regulations. Our products are capable of removing taste and odour forming compounds including MIB and geosmin, undesired colors, endocrine disrupting compounds and other micropollutants, chlorinated hydrocarbons, Trihalomethanes and other disinfection by-products, VOCs, pesticides and their by-products from water, ensuring fitness for human consumption.

INDUSTRIAL WATER TREATMENT

Haycarb Industrial Water Treatment Activated Carbon series focuses on activated carbon media for industrial water filters, de-desalination systems and special low silica requirements of boiler feed water. These tailor-made products effectively adsorb contaminant organics, carcinogens, residual levels of disinfectants and

disinfectant by-products while also contributing to the aesthetic value of water through the removal of undesired color and odour forming compounds.

Haycarb offers a specially developed product series for waste water treatment comprising granular and powder activated carbon grades with extensive pore networks and specialized surface characteristics. The excellent adsorption properties of our products together with the ideal distribution of micro and meso pores allows the adsorption of a multitude of contaminants of large, medium and small molecular sizes.

INDUSTRIAL AIR & GAS TREATMENT

We produce an array of activated carbon products to capture and remove toxic fumes and hazardous gases produced as by-products of industrial activity. Our products are used for the treatment of flue gases and other industrial waste gases and the removal of mercury vapour, enabling adherence to stringent environmental regulations and other control parameters.

PERSONAL PROTECTION

Haycarb Activated Carbon Air series is designed to protect against toxic fumes and other gases presenting a multitude of products for personal protection. We offer standard and impregnated grades of carbon for A, B, E, K, ABE, and ABEK type respirators for use in industrial operations, military applications and consumer applications including face masks.

SOLVENT RECOVERY

Haycarb's activated carbon range includes products capable of recovering acetone, cyclohexane, carbon disulfide, toluene and methyl ethyl ketone, solvents that are regularly used in many of these industries. These products are specially designed for solvent recovery applications and effectively adsorb solvent particles to the carbon lattice and efficiently desorb under pressurized steam enabling re-use in the production cycle.

PETROLEUM & GAS

Haycarb's products are industry recognized for oil and hydrocarbon sweetening where contaminants including mercaptans are removed. Haycarb also offers specialized low

silica products for boiler condensate de-oiling and purification as well as tailor made products with selective adsorption and desorption properties for pressure swing applications.

PRECIOUS METAL

Haycarb has been a pioneering supplier of activated carbon for Carbon in Pulp (CIP), Carbon-in-leach (CIL) and Carbon-in-circuit (CIC) processes in gold mining since the 1970s. While our main product catalogue focuses on gold extraction, Haycarb introduced a range of products, for the recovery of a spectrum of other precious metals including silver, copper, nickel and zinc from natural ore, waste and by-product streams of mining.

FOOD & BEVERAGE

Haycarb supplies powdered activated carbon (PAC) and granular activated carbon (GAC) which comply with International Food Grade products standards including the Food Chemical Codex (FCC) for diverse application requirements in the food and beverage processing industry.

AUTOMOTIVE

Identifying this niche application segment, Haycarb has developed a number of bespoke activated carbon products especially targeting Evaporative Loss Control Devices (ELCD), cabin air filters and Adsorbed Natural Gas (ANG). Our products for ELCD applications consist of a superior carbon lattice structure enabling unparalleled adsorption capabilities and high gasoline working capacities.

ENERGY STORAGE

Haycarb is a leading supplier to the energy storage industry. Our activated carbon energy series is manufactured for both ultra capacitors and battery applications. The extensive pore network of these specialized products gives a very high specific surface area contributing to high double-layer capacity for EDLC products.

NUCLEAR INDUSTRY

Our products for nuclear applications including radioactive iodine removal, methyl iodine removal and usage in nuclear delay beds, are precision manufactured for unparalleled quality, consistent performance and offer a proven safety record

CIGARETTE FILTERS

Haycarb offers a premium range of coconut shell based activated carbons specially processed with optimal adsorption characteristics for cigarette filters. Our activated carbons products enhance the retention of a wide range of vapor phase, semi volatile and low molecular weight contaminants in cigarette smoke including aldehydes, cyanides, ketones, hydrocarbons and pyridine.

MEDICAL & PHARMACEUTICAL

Haycarb Activated Carbon products for medical and pharmaceutical applications are known for its ultra-purity. Our specialty series products are sought after for a range of applications including, the treatment of poison ingestion, purification in the manufacture of therapeutics and additives, recovery of solvents and dialysis applications.

CATALYST SUPPORT

Haycarb's tailor made activated carbon products for catalyst carriers are of ultra-high purity, low attrition, and ideal particle size distributions for catalyst dispersion over the carbon surface and engineered surface. These characteristics optimize performance and can be customized to meet specific customer requirements and process conditions.

CHEMICAL INDUSTRY

Haycarb leads the market in the supply of purification products to the chemical industry. The superior adsorption features and surface engineered modifications of our products enables the adsorption of contaminant molecules of diverse sizes and properties at different stages of the manufacturing process.

ENVIRONMENTAL ENGINEERING SEGMENT

WATER AND WASTE WATER PURIFICATION

Puritas, a dynamic specialist in environmental engineering is in the business of designing and building of water and wastewater purification solutions. Our designs are customized to suit any type of industry tertiary treatment solutions for wastewater. We also provide consultancy services in water and wastewater management solutions. We have carried out over 500 projects

from small / domestic scale up to municipal scale in the water and wastewater sector in Sri Lanka as well as in the region in the form of design and build, EPC and BOT.

OPERATION AND MAINTENANCE SERVICE

Puritas Operation and Maintenance services troubleshoot, operate, maintain, provide consultancy services and supply consumables and spare parts at the best quality and guaranteed rates. Trouble-free operation of treatment plants is attributed to frequent monitoring and preventive maintenance.

In addition, Puritas provides chemical solutions for various industries across the Sri Lanka and the Maldives.

VALUE ADDED ACTIVATED CARBON PRODUCTS

Puritas value added activated carbon segment focuses on wide range of activated carbon face masks and odour removal products. Oxytura thrives on ensuring the well-being and safety of people by providing a range of high-quality reusable face masks. Odour removal products such as Mr Fresh, Bin Fresh, Clipit, and Fresco helps to maintain that lasting freshness by eliminating odors and unwanted gaseous contaminants that can seriously affect health and well-being.

HYDROCOVE WATER PURIFIERS

It is an innovative plug in water purifier that provides clean drinking water in three different modes (Hot water, room temperature water, cold water). Water straight from the tap is purified with an advanced filtration system, which comes in handy to your office, restaurant, cafeteria, or any other suitable place.

DUPONT FILMTECH RO, UF AND NF MEMBRANES

Puritas exclusively represent the global market leader for RO membrane - Dupont Filmtec in both Sri Lanka and Maldives. And providing total solutions for Seawater and Blackish water RO plants. We let our customers experience pure and fresh water with the revolutionary technology comes with Filmtec membranes which has 15% energy saving.

OUR CONTRIBUTION TO THE SDGS

As a Group with a global presence, we at Haycarb are cognisant of our role in addressing global challenges and striving for a more sustainable and equitable world. Throughout

the year, we have actively contributed to various facets of sustainable development, and our efforts have aligned with the targets outlined by the United Nations' Sustainable Development

Goals (SDGs). The contribution we made during 2022/23 is summarized below.

SDGs and relevant targets	Targets	Haycarb's contribution
	1.1	- Over 200 micro-entrepreneurs were supported through the Haritha Angara programme in Sri Lanka. - Over 3500 children were empowered through the Puritas Sath Diyawara - Going Beyond programme.
	2.2	- In efforts to address food security concerns stemming from the economic crisis in Sri Lanka, Haycarb's Sisu Divi Pahana programme is providing nutritious mid-day meals to 700 students in 13 schools in 6 districts during school days in 2023. - Numerous initiatives to address food security concerns among our employees in Sri Lanka - Donation of dry ration packs to communities in need.
	3.8	- Hospital infrastructure development at the National Hospital of Sri Lanka and Karapitiya Teaching Hospital in Galle. - Donation of medical supplies to 10 hospitals.
	4.3 4.5	- We offer equal opportunities to employees for skill and career development and support employees' life-long learning aspirations. - Average training hours per employee – 09 hours - We donated school supplies to over 600 school children residing in proximity to Haycarb operations.
	5.5 5c	- We are an equal opportunity provider with policies for anti-sexual harassment, non-discrimination, and grievance handling. 14% female representation in the workforce. 21% female representation in board level.
	6.1 6.3 6.4	- We provide 190,000 liters of purified drinking water per day through 19 projects carried out by the Hayleys Group of Companies to communities living in areas affected by chronic kidney disease through the Puritas Sath Diyawara programme. - We implemented lean initiatives to improve water intensity of our operations. 84.62 Mn liters of industrial and domestic wastewater was treated prior to discharge under Environmental Engineering Segment from the new capacity added during the year.
	7.2 7.3	- Energy generated through waste heat generation increased by 2.4%. - Over 1 million kWh of renewable electricity was generated through Recogen, utilizing waste heat from coconut charcoaling. - Energy intensity improved by 44%.
	8.2 8.5 8.7 8.8	- Strategic emphasis on innovation and expanding the value-added product range with 16 new products launched and investment of Rs. 187 million in research and development. - A remuneration policy that offers equal pay to men and women for work of equal value. - We adhere to a strict no child labour policy across the value chain through a minimum age policy. - We recognize employees' right to freedom of association and collective bargaining. 56% of our employees are members of trade unions.

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SDGs and relevant targets	Targets	Haycarb's contribution
		▶ Strategic emphasis on employee well-being and creating a safe working environment. ▶ Rs. 55 million spend on occupational health and safety ▶ We obtained ISO 45001:2018 Occupational Health and Safety Management System certifications for two factory locations during the year. ▶ PT. Mapalus Makawanua Charcoal Industry was awarded for maintaining Zero Accidents during the year 2022/23 by the North Sulawesi Governor's office for the third consecutive year. ▶ No fatalities in 2022/23.
	9.2 9.4	▶ We operate 7 manufacturing facilities in Sri Lanka, Thailand, Indonesia and Marketing offices in 6 countries employing 1,880 people. ▶ We promote sustainable coconut shell charcoaling along the supply chain through proprietary environmentally friendly charcoaling practices.
	10.1 10.2 10.3	▶ Supported the livelihoods of over 200 micro-entrepreneurs including the provision of technical and financial assistance through the Haritha Angara programme. ▶ We are an equal opportunity employer with a no discrimination policy.
	12.2 12.5	▶ Our manufacturing process involves converting and value adding coconut shells, a by-product from industry and households, to activated carbon. ▶ Adoption of lean initiatives to reduce waste and enhance yields from our inputs. ▶ Solid waste generation was reduced by 9% during the year under review.
	13.2	▶ The Hayleys Lifecode sets out goals to reduce Scope 1 and Scope 2 emissions by 25% across the Group by 2030. In line with this, we monitor and report our carbon footprint on a quarterly basis to the Group Management Committee.
	15.5	▶ We contribute towards the conservation of endangered sea turtles in Sri Lanka through a sea turtle conservation project at the Kumana National Park.
	16.5 16.6 16.7 16B	▶ The Hayleys Group including Haycarb's commitment to ethical behaviour is guided by the Hayleys Way, the Group's code of conduct. ▶ The Group's bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption. ▶ We are transparent and honest in our engagement with stakeholders including external corporate reporting. ▶ Strategy formulation takes into consideration views and concerns of key stakeholder groups.
	17.7 17.11 17.17	▶ We promote sustainable charcoaling practices in Thailand and Indonesia through the vertical kiln programme and the extension of the Haritha Angara programme respectively. ▶ We export activated carbon products from Sri Lanka, Indonesia and Thailand. ▶ Our sea turtle conservation and tree planting initiatives are carried out in partnership with the Wildlife Department of Sri Lanka and the Central Environmental Authority along with the Parisara Niyamuwo, the environmental champions at school level respectively. ▶ Environmental Engineering Solutions sector's well-established partnership with Veolia. ▶ We work closely with government institutions such as Coconut Research Institute of Sri Lanka, Coconut Development authority, Central Environmental Authority, customs and tax authorities of all jurisdictions of Haycarb's operations. ▶ The Group also provides financial contribution to support research activities of local universities of Sri Lanka.

BOARD OF DIRECTORS



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1. MOHAN PANDITHAGE
Chairman

2. RAJITHA KARIYAWASAN
Managing Director

3. BRAHMAN BALARATNARAJAH
Deputy Managing Director

4. ARJUN SENARATNA
Non-Executive Director

5. SARATH GANEGODA
Non-Executive Director

6. MS. JEEVANI ABEYRATNE
Director - Finance & IT

7. DR. SARATH ABAYAWARDANA
Independent Non-Executive
Director

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8. SUJEEWA RAJAPAKSE
Independent Non-Executive
Director

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

**10. ALI ASGAR
MUNAVAR CADARBHOY**
Director - Business
Development

11. JAMES NAYLOR
Director - Head of
Eurocarb - UK

**12. MOHAMED HISHAM
JAMALDEEN**
Independent Non-Executive
Director

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

14. MS. BRINDHIINI PERERA
Non-Executive Director

> BOARD OF DIRECTORS

MOHAN PANDITHAGE

Chairman

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

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

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

As an Executive Chairman of multiple companies within the Hayleys Group, Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Dipped Products PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Unisyst Engineering PLC. He also serves on the Board of Diesel & Motor Engineering PLC.

RAJITHA KARIYAWASAN

Managing Director

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

Holds a BSC Engineering (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia.

Before joining Hayleys, held the position of Director/General Manager of Ansell Lanka (Pvt) Ltd. Served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama.

BRAHMAN BALARATNARAJAH

Deputy Managing Director

Appointed to the Board in April 2015. Holds a Mechanical Engineering Degree (First Class) from the National Institute of Technology in India and is an Alumnus of the Indian Institute of Management, Ahmadabad. He is also a member of the American Society of Mechanical Engineers. Appointed as Chairman of Industrial Association of Sri Lanka, Ceylon Chamber of Commerce for the year 2022/23.

Joined Haycarb in 1996 as a Maintenance Engineer, the Haycarb Engineering Project Team in 1998 and appointed as the General Manager in 2010. He has headed the Recogen Operation from 2004 to 2010 and currently responsible for engineering projects, all manufacturing operations and Environmental Engineering Segment of Haycarb Group.

ARJUN SENARATNA

Non-Executive Director

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

SARATH GANEGODA

Non-Executive Director

Appointed to the Board of Haycarb PLC in November 2009. Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Horana Plantations PLC, and Hayleys Leisure PLC.

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MS. JEEVANI ABEYRATNE

Director - Finance & IT

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

DR. SARATH ABAYAWARDANA

Independent Non-Executive Director

Appointed to the Board in August 2011. A professional Engineer, with a PhD in Chemical Engineering from the University of London. He is a Fellow of the Institution of Engineers Sri Lanka as well as the Institution of Chemical Engineers London, and has been felicitated with the "Excellence in Engineering" Award.

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

SUJEWA RAJAPAKSE

Independent Non-Executive Director

Mr. Sujeewa Rajapakse is the Managing Partner of BDO Partners, a firm of Chartered Accountants and the Chairman of People's Bank, Sri Lanka. A Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of the Institute of Chartered Management Accountants of Sri Lanka (FCMA) and a Member of the Association of Chartered Certified Accountants (ACCA). Mr. Rajapakse holds a Master of Business Administration (MBA) from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

During his professional career that spanned nearly four decades, he held the honorary positions of President, Vice President and Council Member (elect) of the Institute of Chartered Accountants of Sri Lanka (ICASL), Former Chairman of Auditing Standards Committee of ICASL, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer for Cricket World Cup 2011, Board Member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation of Asia Pacific Accountants (CAPA).

He has served in the directorates of National Development Bank PLC, NDB Capital Ltd, Bangladesh and The Finance Company PLC (appointed by the CBSL under the restructuring programme), Unidil Packaging Ltd, Unidil Packaging and Solutions Ltd, Lankan Alliance Finance Limited, Bangladesh also the Chairman of People's Leasing and Finance PLC and Deputy Chairman of Softlogic Life Insurance PLC.

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

His expertise includes all accounting and auditing standards and practices, government regulations related to financial disciplines and ethics, human resource management and overall management practices and principles in both private and public sectors.

M.S.P. UDAYA KUMARA

Director - Research & Development and Technical

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

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

ALI ASGAR MUNAVER CADARBHOY

Director - Business Development

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

Joined Haycarb PLC in 1997 as a Management Trainee and was appointed as the General Manager Business Development for the Haycarb Group in 2010. He has led the establishment of a number of key manufacturing projects in Sri Lanka and Indonesia and successfully expanded distribution networks into new market segments for the Company. Mr. Caderbhoy currently heads the Business Development Division of Haycarb Group focusing on developing new market segments, sales and distribution channels, and expanding our global manufacturing footprint.

> BOARD OF DIRECTORS

JAMES NAYLOR

Director - Head of Eurocarb - UK

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

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

MOHAMED HISHAM JAMALDEEN

Independent Non-Executive Director

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

Mr. Jamaldeen brings forth both local and global expertise having worked as the Finance Director at Newbridge Capital Investments Limited, a property investment and development company, transacting directly into UK commercial and London residential property. He has been extensively involved in all aspects of property investment especially in transactional analysis, financing, refinancing debt structures and tax assemblies. He was instrumental in transactions involving real estate assets exceeding USD 1.6 billion during

his career. His international exposure and real estate experience was gained whilst at Freeman & Partners accountancy practice (UK) and subsequently at Barclays Capital (a British multinational investment Bank).

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

He further serves as the Executive Director of Lanka Realty Investments PLC, Managing Director of On'ally Holdings PLC, and functions as a Non-Executive Director of Hayleys PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC and Talawakelle Tea Estates PLC. He was a former director of People's Bank, Atomic Energy Board (Director) and a Member of the Interim Committee for Sri Lanka Cricket. He is the current Treasurer at Moors Sports Club.

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

MS. SHAMALIE GUNAWARDANA

Independent Non-Executive Director

Appointed to the Board in March 2021, Mrs. Gunawardana [L.L.M. (UK), Attorney-at-Law] is an In-house Legal Counsel of Capital City Law, Colombo. Among other positions being held, she is the Group Legal Consultant - International Distillers Limited, Senior Policy Consultant,

Sustainable Financing – UNDP, member of the Executive Committee of Sri Sathya Sai Karuna Nilayam Foundation and a Board Member of DFCC Bank PLC. She is also a member of the Company Law Advisory Commission of Sri Lanka. Her more recent contributions include serving as a Member of the Core Group that finalised the legal framework for the Special Economic Zone – Colombo Port City.

Mrs. Gunawardana was called to the Bar in 1985. She started her career at Julius & Creasy and moved to the Legal Division of the Central Bank of Sri Lanka. She was then the Secretary to the Commission and Director Legal of the Public Enterprises Reform Commission during times when major privatizations of Public Enterprises were carried out. Mrs. Gunawardana has held several senior public service positions including that of the Director General, Legal Affairs Department of the General Treasury."

MS. BRINDHIINI PERERA

Non-Executive Director

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

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Dipped Products PLC, Hayleys Fabric PLC, The Kingsbury PLC, Hayleys Leisure PLC and Singer (Sri Lanka) PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

MANAGEMENT TEAM



MOHAN PANDITHAGE
Chairman



RAJITHA KARIYAWASAN
Managing Director



**BRAHMAN
BALARATNARAJAH**
Deputy Managing Director



MS. JEEVANI ABEYRATNE
Director (Finance and IT)



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



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



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



**PRASARSK
KANCHANABATR**
Managing Director (Carbokarn Co. Ltd)



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



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



**BENJA
KARNCHANABATR**
Deputy Managing Director (Carbokarn Co. Ltd)



**ASITHA
KARUNARATNE**
General Manager - Sales and Marketing



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



KRIT KARNCHANABATR
Director (Carbokarn Co. Ltd)

> MANAGEMENT TEAM

HAYCARB (SRI LANKA) EXECUTIVE DIRECTORS

MOHAN PANDITHAGE

Chairman

RAJITHA KARIYAWASAN

Managing Director

BRAHMAN BALARATNARAJAH

Deputy Managing Director

MS. JEEVANI ABEYRATNE

Director (Finance and IT)

M S P UDAYA KUMARA

Director (Research & Development and Technical)

ALI ASGAR MUNAVER CADERBHOY

Director (Business Development)

JAMES NAYLOR

Director (Head of Eurocarb Products Ltd. - UK)

GENERAL MANAGERS

ASITHA KARUNARATNE

Sales and Marketing

GOMINDA GUNAWARDHANA

Manufacturing and Raw Material Procurement (Sri Lanka)

DEPUTY GENERAL MANAGERS

MANURA WICKRAMASINGHE

Environmental Engineering [Puritas (Pvt.) Ltd.]

CHAMINDA KORALE

Engineering Projects

SHISHIRA JAYAKODY

Research and Development

NALINDA SAMARANAYAKE

Research and Development

MANJULA RANASINGHE

Quality Assurance

ANURADHA GAMAGE

Factory Manager (Madampe)

JAGATH WICKRAMASINGHE

Factory Manager (Badalgama)

P. D. D. M. KRISHANTHA

Human Resource Management

PRASAD WEERAKOON

Finance

DIVISIONAL MANAGERS

SAMANTHA ATHUKORALA

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

A. S. D. KARUNARATNE

Human Resource Management

ASITHA KULARATNE

Engineering Procurement

PRABHATH LIYANAARACHCHI

Sales and Marketing

CHRISHAN KOBBEKADUWE

Sales and Marketing

SUNIMAL MORAES

Production Planning

LASANTHA WICKRAMASEKARA

Charcoal and Shell Procurement

P. T. R. DARSHANA

Production (Madampe)

CHETHIYA DHARMADASA

Raw Material Procurement (Indonesia, Sri Lanka)

SUNIL UDUGAMPALA

Quality Assurance (Madampe)

H. SUMITH KUMARA

Production (Badalgama)

K. U. S. WARNAJITH

Sales and Marketing

D. M. SENARATHNE

Engineering Projects

AJITH PATHIRAJA

Finance

NUWAN RUPASINGHE

Business Development

LAYAN KOKILA GAMAGE

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

MS. RASIKA JAYAWARDENA

Information Technology

MS. PIYUMALI PREMARATNE

Finance

DEPARTMENTAL MANAGERS

SHANTHA SENEVIRATNE

Engineering Projects

HASANGA SENANAYAKE

Business Development [Puritas (Pvt) Ltd.]

SUJEWA GURUSINGHE

Procurement R&D

LALITH HAPUARACHCHI

Quality Management Systems

NIMAL KUMARA

Production (Badalgama)

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SALIYA SAMARAJEEVA

Engineering Maintenance (Badalgama)

NADUN HETTIARACHCHI

Production (Madampe)

ANANDA MUNASINGHE

Quality Control (Badalgama)

INDIKA WIJERATNE

Business Development

SANJAYA KUMARA

Finance

GRATIAN FERNANDO

Production (Madampe)

JAGATH RATNAYAKE

Production Planning

DHAMMIKA ALWIS

Engineering Projects

CHARITH PREMATHILAKA

Production (Madampe)

SUJITH RODRIGO

Engineering Projects

MS. KALPANA DE SILVA

Business Development

HARSHANA KAMALAPRIYA

Research and Development

PRASAD GNANARATHNE

Engineering Projects

MAJ. RANGANA BODARAGAMA

(RETD.)

Project Management (Puritas)

KALANA PIYASIRI

Engineering Maintenance (Madampe)

KEERTHI BANDARA

Finance

K A P RANJITH

Research & Development

NILUSHA EKANAYAKE

Finance (Puritas (Pvt) Ltd.)

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

Managing Director

RICHARD BITTEL

Director Sales

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

Director/Chief Operating Officer

BINUPA LIYANAGE

Director Operations

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

Vice-President

CURT LARSON

Director Sales

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

Managing Director

BENJA KARNCHANABATR

Deputy Managing Director

KRIT KARNCHANABATR

Director

THANANCHAI KARNCHANABATR

Director (Local Sales and Marketing)

CHAMINDA ABEYRATHNE

General Manager (Manufacturing - Carbokarn and CK Regen Systems)

MS. CHATTIP TECHATIPMANEE

Finance Manager

MS. YAOWARECH SINGHAPOOM

Accounting Manager

DINESH SAMARASENA

Manager - Engineering Maintenance

SHIZUKA CO. LTD.**UPENDRA JAYASINGHE**

Plant Manager

PT MAPALUS MAKAWANUA CHARCOAL INDUSTRY**SURESH JAYANATH**

General Manager

MS. TETTY ENTE

Administration Manager

PT HAYCARB PALU MITRA**ASANKA SIRIMANNE**

Factory Manager

OUR TEAMS



Head office, Sri Lanka



Haycarb USA



Head office - Carbokarn, Thailand



Haycarb Madampe, Sri Lanka



Puritas, Sri Lanka



Carbokarn & CK Regen System - Chonburi, Thailand

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PT Mapalus Makawanua Charcoal Industry, Indonesia



PT Haycarb Palu Mitra, Indonesia



Haycarb Badalgama, Sri Lanka



Haycarb Holdings Australia



Shizuka - Ratchaburi, Thailand



Eurocarb Products, UK

AWARDS AND RECOGNITIONS



Awards ceremony	Award Description	Award
Achievers Awards 2022 for Industrial Excellence organized by The Ceylon National Chamber of Industries (CNCI), Sri Lanka	National Level Manufacturing Sector - Extra Large Category	Top 10 Award & Merit Award
Ministry of Investment/BKPM Indonesia Awards 2022	Foreign Investment	Appreciation Award
TAGS Awards 2022, The Institute of Chartered Accounts, Sri Lanka	Manufacturing Sector above Rs 10 billion category	Silver Award
30th NCE Export Awards 2022, The National Chamber of Exporters of Sri Lanka	The 'Coconut and Coconut Products Sector – Extra Large Category'	Silver Award
CMA Excellence in Integrated Reporting Awards 2022, Sri Lanka	Integrated Reports of 2022	Best 10
Business Leader of the Year Awards, India 2022	Best Innovation in Marketing award	Winner
Hayleys Chairman's Awards 2021, Sri Lanka	Covid-19 Safety Management System with SLS1672:2020 Certification	Recognition Award
Best Management Practices Company Awards 2023, The Institute of Chartered Professional Managers of Sri Lanka	Best Management Practices	Top 10
Hayleys Chairman's Awards 2021, Sri Lanka	Purification Sector Winner - Raw Material Tracking Digitalization System	Sector Winner
Provincial Office Awards 2023, the North Sulawesi Governor's office, Indonesia	Zero Accidents during the year 2022/23 for the 3rd consecutive year	Recognition Award
Tax Gathering KPP Pratama Palu 2023, Department of Tax - Palu Province, Indonesia	Best Taxpayer in Palu Province	Winner
Best Employer Brand Awards 2022, Employer Branding Institute of India	Managing Health and Work	Recognition Award

a truly impactful entity



UNDERSTANDING VALUE CREATION AND IMPACTS

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64 Determining Material Issues | 68 Strategy and Resource Allocation | 74 Future Outlook

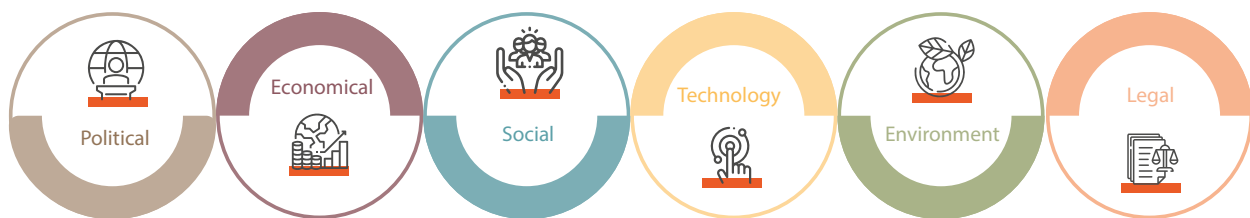
OPERATING ENVIRONMENT

OPERATING LANDSCAPE

As a company engaged in global markets, our ability to create value is influenced by a wide range of factors stemming from both the international and local landscapes. The

operating environment in 2022/23 presented significant challenges, and as geopolitical risks intensified, the global economy witnessed a slowdown and Sri Lanka experienced an unprecedented economic crisis. Significant

developments in the operating environment in 2022/23 which could impact value creation going forward and how we respond have been presented below through a PESTEL analysis.



Key developments		Implications on the Group	
Political	- Intensifying geopolitics and its implications on global trade, investments and economic growth. - Political instability in Sri Lanka during the first quarter of 2022/23, stemming from the economic fallout. - While political stability was restored towards the latter half of 2022, the implementation of fiscal and structural reforms under the IMF programme could give rise to new uncertainties. - Initiatives by the GOSL to enhance government revenue, curtail expenditure, implement import controls, introduce reforms to major state-owned enterprise and ration energy supply.	- Disruptions to supply chains. - Risks and opportunities stemming from geopolitical dynamics.	
	Link to strategies	Our response - Diversifying our business across multiple geographical regions. - Ongoing emphasis on developing local suppliers in proximity to each manufacturing location. - Robust risk management to assess and mitigate risks while seizing opportunities. - Value creation to the Sri Lankan government by adhering to all tax regulations. - Value creation for the Sri Lankan economy through foreign exchange generation, providing employment and supporting the livelihood of micro-entrepreneurs in Sri Lanka through the procurement of coconut shells and coconut charcoal.	

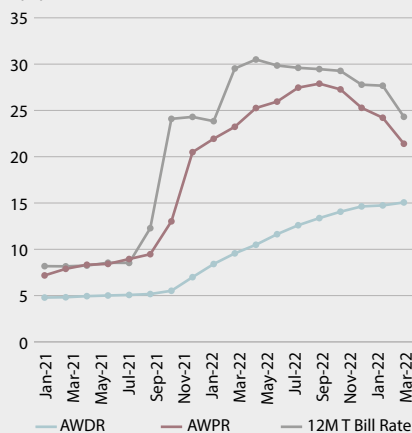
Key developments		Implications on the Group	
Economic	▶ The global economy experienced a slowdown in 2022, on the back of heightened inflation, rising interest rates amidst tightened monetary policy, political instability in Central Asia, and lingering effects of the COVID-19 pandemic. ▶ Sri Lanka experienced an unprecedented economic crisis in 2022 as sustained fiscal disparities and external sector imbalances resulted in the depletion of foreign currency reserves and a cessation in foreign debt servicing. ▶ Reflecting the implications of the crisis on economic activity, Sri Lanka's GDP contracted by 7.8% in 2022, compared with the 3.5% growth in 2021. ▶ Inflation reached historic highs in 2022 but has since followed a disinflation trajectory. Accordingly, year-on-year headline inflation as measured by the Colombo Consumer Price Index surged to 69.8% in September 2022 but moderated to 50.3% by March 2023.		▶ Favorable impact on export earnings due to devaluation of LKR. This was however offset quickly by rising cost of local inputs and more than reasonable increase in imported inputs due to USD shortages. In this background the appreciation of LKR in March severely impacted revenue and margins. ▶ Rising costs of imported inputs. ▶ Rising cost of production for local inputs due to unprecedented inflation ▶ Increased finance costs. ▶ Disruptions to supply chains. ▶ Disruptions in energy supply ▶ Increasing cost of living concerns of employees

> OPERATING ENVIRONMENT

Key developments

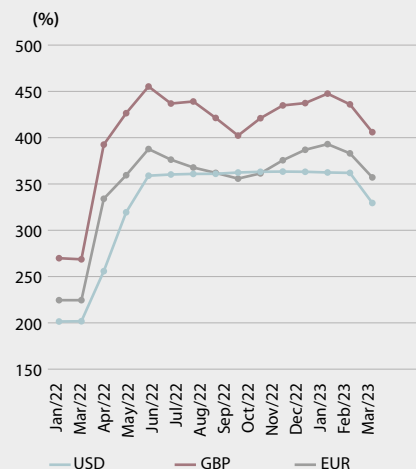
Economic

MOVEMENT IN INTEREST RATES (%)



- ▶ The Sri Lankan Rupee depreciated by approximately 80% against the US dollar during 2022. However, as the foreign currency market liquidity position improved from early 2023, supported by foreign currency inflows from the services, sector, workers' remittances, and the gradual return of market confidence following the IMF Board approval of the Extended Fund Facility, the Sri Lankan Rupee appreciated 10.9% against the USD by end-March 2023 to Rs. 329

EXCHANGE RATE MOVEMENT (%)



- ▶ Measures were initiated to seek assistance from the IMF in early 2022. In March 2023, IMF Board approval was obtained for an Extended Fund Facility (EFF) supported programme amounting to approximately USD 3 billion. The EFF was linked to an economic adjustment programme spanning 48 months aimed at addressing structural impediments and placing the country on a recovery path to achieve sustainable growth.

Key developments

- ▶ The economic crisis placed significant hardships on the citizenry of the country given surging inflation and shortages of essential items with implications on food security.
- ▶ This also contributed to a mass exodus of talent seeking employment opportunities abroad.
- ▶ Emphasis on employee well-being increased given stresses imposed by the economic crisis even as pandemic related restrictions eased.

Labour migration increased 154% y-o-y to 311,056 in 2022 and was the highest recorded in history.

Social

Link to strategies



Implications on the Group

- ▶ Potential loss of productivity given increased financial pressure on employees.
- ▶ Loss of key talent given the trend in labour migration.
- ▶ Impact of the economic crisis in Sri Lanka on the communities we operate in.

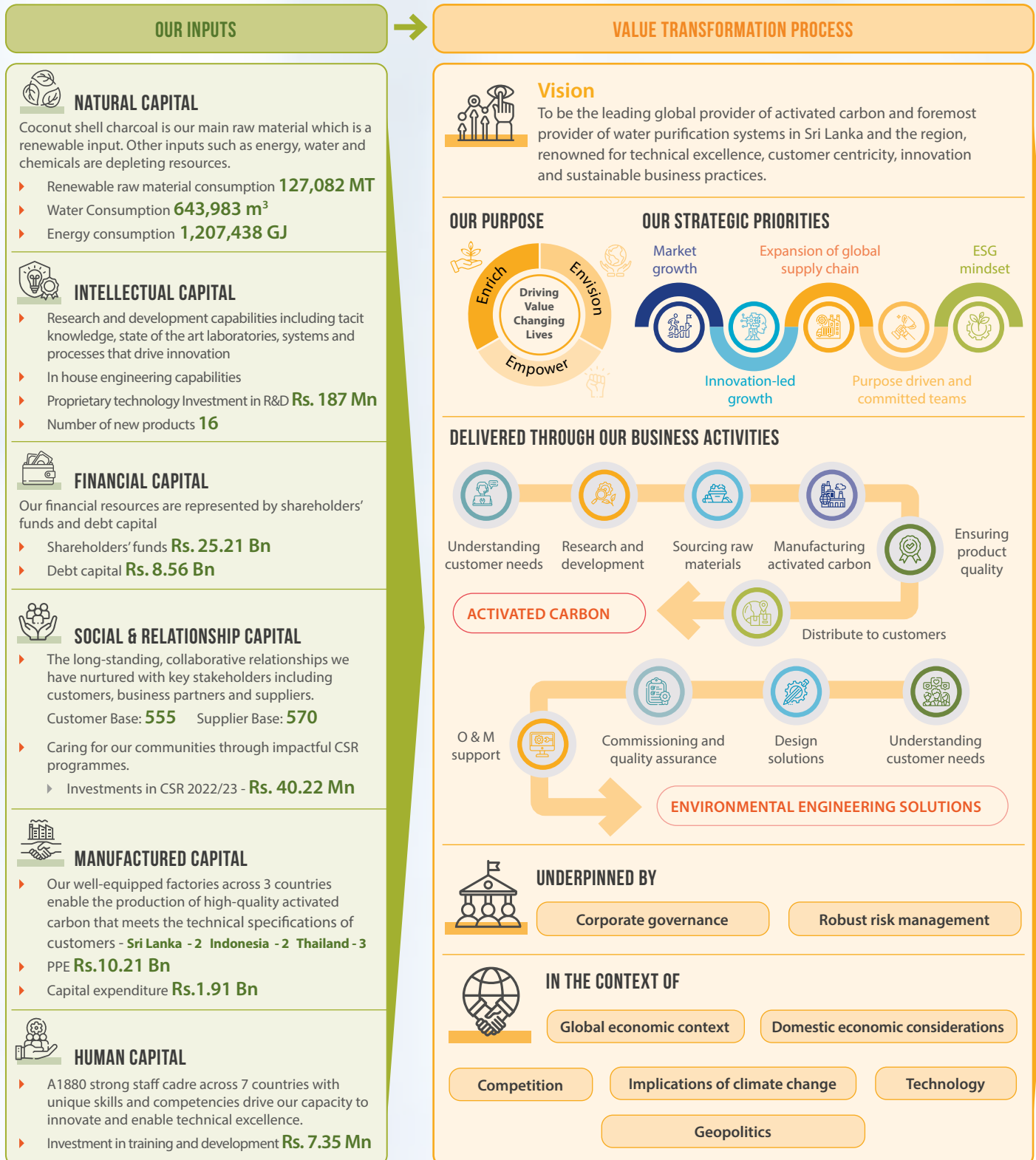
Our response

- ▶ Extension of relief measures to all employees in Sri Lanka.
- ▶ Enhanced our employee value proposition through the provision of additional benefits and opportunities for growth and development.
- ▶ Ongoing emphasis on safeguarding the health and well-being of our employees. We obtained ISO 45001:2018 certification for two factories in Sri Lanka.
- ▶ Expanded our CSR initiatives with particular emphasis on addressing the urgent needs of the communities we operate in. This included,
 - ▶ Provision of mid-day meals to 700 school children in 13 schools across 6 districts for 200 school days.
 - ▶ Urgently required refurbishment of hospitals in Sri Lanka.
 - ▶ Donation of medical supplies to hospitals in Sri Lanka.
 - ▶ Donation of books and supplies to school children to facilitate their education.

	Key developments	Implications on the Group
Technology	▶ Research into the unique properties of activated carbon has given rise to new applications for value added activated carbon products. ▶ Data analytics and its ability to provide deep market insights. ▶ Technology and its potential in automating processes. Link to strategies 	▶ New opportunities for growth in value added activated carbons. ▶ Opportunities for better decision making through a data driven approach. ▶ Opportunities to enhance efficiency through automation. ▶ Increased cyber security related risks. Our response ▶ Ongoing R&D efforts to develop new value-added products that fulfil emerging trends. ▶ Automation of the raw material procurement process in Sri Lanka. ▶ Employee training on cyber security
Environment & Legal	▶ Regulations imposed by the CBSL on foreign currency conversion, foreign currency outflows, exchange rate policy and import restrictions as efforts were made to preserve and strengthen the country's foreign currency reserves. ▶ Stringent regulations on safety, quality, and sustainability in overseas markets. ▶ Implications of labour laws and consumer protection laws. Link to strategies  	▶ Increase in import regulations in terms of restriction of imports and resultant additional information to be submitted by exporters made the import of inputs more cumbersome and complex. ▶ Mandatory conversion of foreign currency requirements at times increased complexity in planning for funding for imports specially for capacity expansions Our response Our response ▶ Strengthened our competitive position through numerous certifications in food safety, quality and environment management. ▶ We adhered to all regulatory and legal requirements.

OUR VALUE CREATION MODEL

"Our value creation model demonstrates how our stock of capital inputs is transformed through our business activities to generate outcomes for our stakeholders while impacting our environment. Our business activities are guided by our purpose and strategic priorities and results in nurturing, preserving or eroding our capital stock."



OUTPUTS & IMPACTS



48,883 MT
of Activated Carbon



A range of water purification solutions



A range of activated carbon products

OUR IMPACTS



28,470 tCO₂e
Carbon Footprint



223,171 m³
Effluents



1,207,438 GJ
Energy

IMPACTS AND OUTCOMES

PROMOTING A MORE SUSTAINABLE WAY OF LIFE THROUGH A PRODUCT PORTFOLIO THAT;

- ▶ Protects the environment through its use in purification applications in toxic gas and chemical removal from the exhaust and wastewater of factories. (applications in effluent treatment)
- ▶ Safeguards the health and well-being of people through its use in applications and industries that include pharmaceuticals, food and beverages, drinking water treatment and air purification.
- ▶ More efficient and eco-friendly energy storage solutions
- ▶ Facilitates more efficient recovery of rare metals including gold.
- ▶ Enhances water recycling through purification.



OUR CAPITAL OUTCOMES



Positive outcomes



Negative outcomes

NATURAL CAPITAL (PAGE 96 - 103)

- ▶ Water intensity **10.66 m³** per revenue (m³/Rs. Mn)
- ▶ Energy intensity **19.81 GJ** per revenue (GJ/Rs. Mn)
- ▶ Carbon footprint **28,470 tCO₂e**



INTELLECTUAL CAPITAL (PAGE 104-111)

- ▶ New products that meet emerging customer needs.
16 new products
- ▶ New products that meet the specific technical requirements of customers.
- ▶ Ongoing initiatives to reduce waste, drive operational efficiencies, enhance productivity and minimise our environmental impacts.



FINANCIAL CAPITAL (PAGE 90-95)

- ▶ Profit after tax **Rs. 6.51 Bn (+75%)**
- ▶ Return on equity **25.8% (+8%)**
- ▶ Net asset per share **Rs. 74.52 x (+23%)**
- ▶ Market price per share **Rs. 56.30 (+12%)**
- ▶ Dividend per share **Rs. 5.65 (+102%)**



SOCIAL & RELATIONSHIP CAPITAL (PAGE 126-139)

- ▶ **> 53** new customers
- ▶ Customer satisfaction score **85% (+5%)**
- ▶ Payments to charcoal and coconut shell suppliers - **Rs. 17.61 Bn (+28%)**
- ▶ Investment in supplier development programmes - **Rs. 6 Mn**
- ▶ **> 100,000** beneficiaries of our CSR programmes



MANUFACTURED CAPITAL (PAGE 140-148)

- ▶ **86 %** capacity utilisation
- ▶ **7 %** increase in production volumes
- ▶ **13 %** value added carbon volumes.
- ▶ **Rs. 212.30 Mn** in cost savings through lean initiatives.



HUMAN CAPITAL (PAGE 112-125)

- ▶ Payments to employees - **Rs. 4.74 Bn (+33%)**
- ▶ Training hours per employee - **09 hours (+187 %)**
- ▶ Employee retention rate - **95 %**



RESPONDING TO OUR STAKEHOLDERS

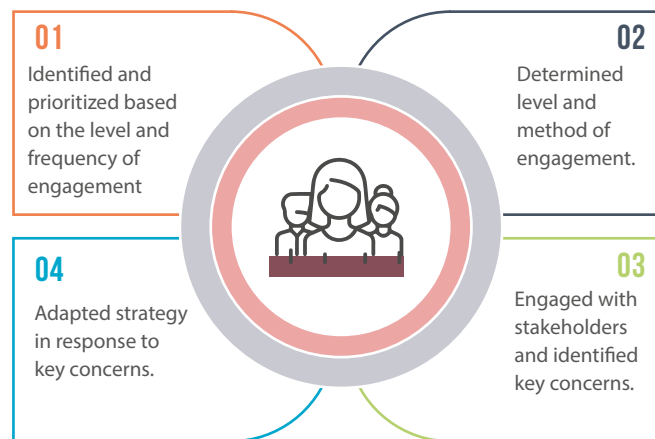
GRI 2-29

“Haycarb group values the contribution by all its stakeholders and we look forward to provide our best products and services, through an innovative and value driven approach.”

Fostering robust and mutually beneficial relationships with key stakeholders is vital to our long-term value creation. The unprecedented challenges in the macro-economy necessitated strengthening engagement with our

stakeholders to proactively identify their issues and concerns and respond effectively through adaptations in strategy. Our stakeholder engagement process is given alongside how we created value for our key stakeholders.

STAKEHOLDER ENGAGEMENT PROCESS



KEY PRINCIPLES OF THE STAKEHOLDER FRAMEWORK

Purposeful

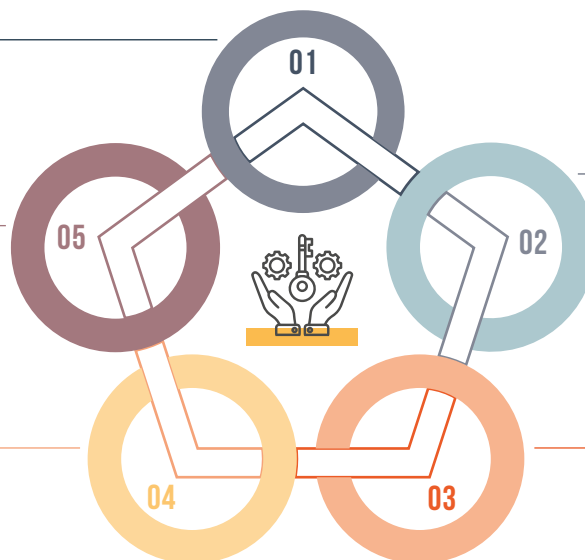
Plan all engagements with a clear understanding of strategic priorities, objectives, expertise and influence levels.

Responsive

Respond to stakeholder needs accurately and in a timely manner.

Transparent

Promote a culture of transparency and information sharing with stakeholders.



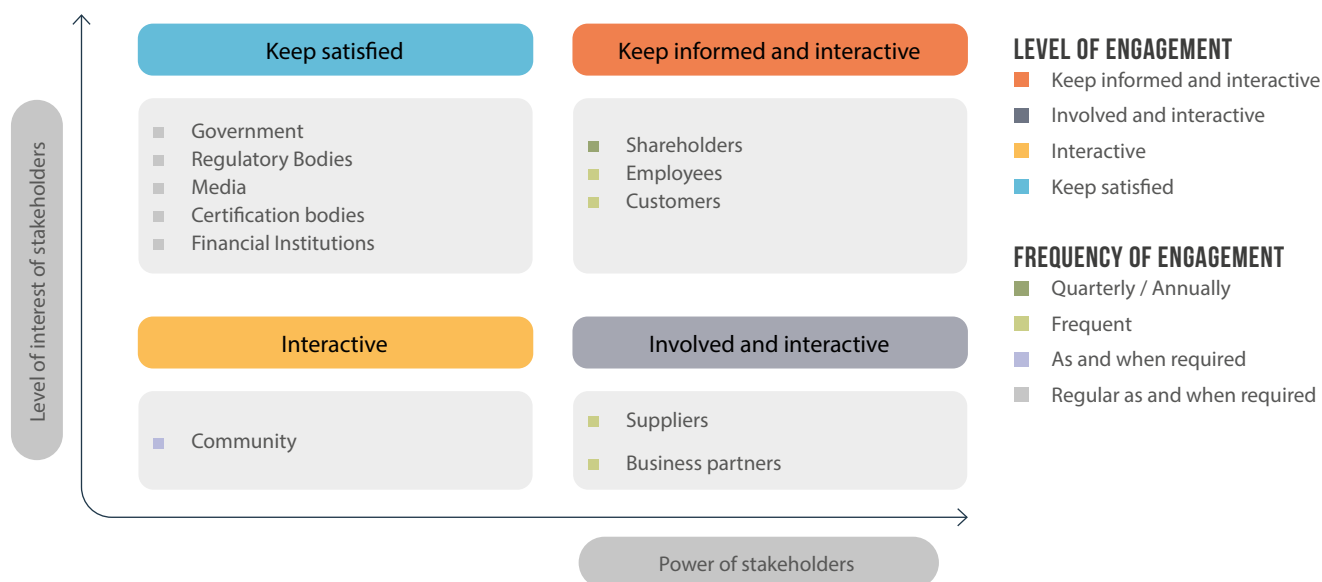
Comprehensive

Identify all relevant stakeholders, their level of influence and how they are affected and enable engagement.

Timely

Initiate engagement with all relevant stakeholders at and arrive a consensus on method and frequency of engagement.

STAKEHOLDER MAPPING



SHAREHOLDERS

ISSUES RAISED

- ▶ Implications of the macro-economic developments on financial performance and position
- ▶ Opportunities for sustainable growth
- ▶ Risk management and corporate governance practices
- ▶ Corporate reputation

HOW WE ENGAGED

- ▶ Annual General Meeting
- ▶ Annual Report, press releases and quarterly performance updates

Level of engagement
Keep informed and interactive

Frequency of engagement
Quarterly / Annually

OUR RESPONSE

- ▶ Adapted our strategy to effectively navigate the challenges posed by the economic crisis in Sri Lanka and macro-economic challenges globally
- ▶ Capitalised on emerging opportunities in the global market
- ▶ Expanded our presence in existing markets
- ▶ Strengthened the risk management function to proactively identify and respond to new developments and risks

VALUE CREATED

RS. 6.51 BN

Profit after tax

RS. 19.60

EPS

RS. 5.65

DPS

25.8%

ROE

LINK TO CAPITAL



LINK TO SDGS



> RESPONDING TO OUR STAKEHOLDERS

EMPLOYEES AND TRADE UNIONS

ISSUES RAISED

- ▶ Financial security given the heightened inflation in Sri Lanka
- ▶ Job security and fair remuneration
- ▶ A safe and conducive work environment
- ▶ Opportunities for career progression
- ▶ Opportunities for training and skill development

HOW WE ENGAGED

- ▶ Monthly town hall meetings
- ▶ Open dialogue with trade unions
- ▶ Open door policy with management

Level of engagement
Keep informed and interactive

Frequency of engagement
Frequent

OUR RESPONSE

- ▶ Implemented a range of financial and non-financial measures to support our employees in Sri Lanka, given heightened inflation resultant of the economic crisis
- ▶ Received ISO 45001 accreditation at 2 factories in Sri Lanka
- ▶ Provided training and development opportunities to address skill gaps of employees
- ▶ Encouraged and provided opportunities for career progression - 40 internal promotions
- ▶ Provide opportunities to develop team spirit through activities such as sports events, respective country related traditional functions, employee get-together functions and volunteering in group CSR activities
- ▶ Adopted a performance evaluation system linked to pay increases, bonuses and career advancement

VALUE CREATED

RS. 4.73 BN

Payments to employees

95%

Employee retention rate

9 HOURS

Average training hours per employee

RS. 56.5 MN

Investment in health and safety measures 2022-23

LINK TO CAPITAL



LINK TO SDGS



"A holistic value proposition engaged, developed and supported employees' career progression has been a key strength that enabled us to compete effectively in global markets."

→ Introduction

→ **Understanding Value Creation and Impacts**

→ Our Value Proposition on ESG

→ Nurturing Our Resources

→ Mindful Governance

→ Financial Statements

→ Supplementary

CUSTOMERS

ISSUES RAISED

- ▶ Capacity to consistently meet quality and quantity requirements in a timely manner despite the challenges faced in Sri Lanka
- ▶ Capacity to customise products to meet specific technical requirements
- ▶ Sustainable and ethical business practices

HOW WE ENGAGED

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

Level of engagement
Keep informed and interactive

Frequency of engagement
Frequent

OUR RESPONSE

- ▶ Agility in production and processes to ensure customer needs were fulfilled
- ▶ Adopt and innovate to negate the impact of the Sri Lanka's economic crisis on our factories in Sri Lanka
- ▶ Increase value addition capabilities in overseas factories to spread the risk in case of external impacts in one location
- ▶ Strengthened engagement with customers to proactively address concerns and issues
- ▶ Maintained a range of certifications to facilitate consistency in quality
- ▶ Continuous investment in research and development

VALUE CREATED

> 85%

Customer
satisfaction rate

16

New products
launched

RS. 186.74 MN

Investment in
R&D

> 95%

Customer
retention rate

LINK TO CAPITAL



LINK TO SDGS



"This year we focused on customer interaction with in person visits, while customers were encouraged to resume visits to our facilities"

> RESPONDING TO OUR STAKEHOLDERS

SUPPLIERS			
ISSUES RAISED ▶ Stable procurement of raw materials at a fair price ▶ Timely payments and ease of doing business. ▶ Technical support for process improvements ▶ Building long term relationships		HOW WE ENGAGED ▶ Continuous engagement through in-person, on-site meetings and through mobile and digital platforms ▶ Supplier screening processes Level of engagement Involved and interactive Frequency of engagement Frequent	
OUR RESPONSE ▶ Purchased coconut shell charcoal and coconut shells at a guaranteed minimum price with payment on delivery. ▶ Extended technical support through supplier skill development programs ▶ Further expansion of the Haritha Angara programme and providing technical expertise for sustainable charcoaling ▶ Introduced a digital platform to automate raw material procurement in Sri Lanka.		VALUE CREATED RS. 17.61 BN Payments to coconut shell and charcoal suppliers > 90% Supplier retention rate 18 New Haritha Angara Pits constructed 570 Total number of suppliers supported	
LINK TO CAPITAL 		LINK TO SDGS 	



“We continue greening our supply chain whilst securing a steady supply of raw material through our flagship programme Haritha Angara in Sri Lanka now extended to other countries and improving the yield of the environment friendly vertical charcoaling kilns”

BUSINESS PARTNERS

ISSUES RAISED

- ▶ Sustainable business success through collaborative business partnerships
- ▶ Professionalism and accountability
- ▶ Robust risk management framework and corporate governance practices
- ▶ Corporate reputation

HOW WE ENGAGED

- ▶ Continuous engagement through in-person meetings and mobile and digital platforms

Level of engagement
Involved and interactive

Frequency of engagement
Frequent

OUR RESPONSE

- ▶ Equitable distribution of technical capabilities, employee training and market growth across all business entities
- ▶ Transparent business practices
- ▶ Timely communication of financial and other relevant information
- ▶ Systemized corporate governance practices, risk mapping and mitigation strategies
- ▶ Equitable sharing of business profit

VALUE CREATED

> 95%

Business partners
satisfaction rate

> 25 YEARS

Relationship in
Thailand

> 10 YEARS

Relationship in
Indonesia

LINK TO CAPITAL



LINK TO SDGS



“We strengthen our operations through regular collaboration and knowledge sharing”

> RESPONDING TO OUR STAKEHOLDERS

COMMUNITY

ISSUES RAISED

- ▶ Environmental concerns
- ▶ Impact of surging inflation on vulnerable communities
- ▶ Employment opportunities.

HOW WE ENGAGED

- ▶ Meaningful and impactful community development projects
- ▶ Grievance handling mechanisms

Level of engagement
Interactive

Frequency of engagement
As and when required.

OUR RESPONSE

- ▶ Enhanced investment in impactful CSR projects that included addressing food security concerns, distribution of school supplies, donation of medical equipment and uplift facilities of government hospitals
- ▶ Compliance with all regulatory requirements including environmental regulations
- ▶ Maintaining the Puritas Sath Diyawara programme facilitating potable water for communities
- ▶ Employment opportunities to small holders through the expansion of the Haritha Angara program
- ▶ Employment creation through capacity expansion initiatives

VALUE CREATED

RS. 40.22 MN

Investment in CSR
2022/23

>100,000

CSR beneficiaries

>20,000

Staff volunteer hours
for CSR activities

> 5

New CSR
projects

LINK TO CAPITAL



LINK TO SDGS



“Haycarb group anchored its responsibility to the society at large and supported many social needs of the nation in the spheres of health, nutrition, education and preserving bio diversity”

GOVERNMENT, INDUSTRY, REGULATORY BODIES AND MEDIA**ISSUES RAISED**

- ▶ Compliance with laws and regulations of all the countries applicable
- ▶ Transparency in work practices
- ▶ Knowledge sharing with industry partners
- ▶ Responsible corporate citizen and employer

HOW WE ENGAGED

- ▶ One-to-one engagement
- ▶ Engagement through digital platforms such as the company website
- ▶ Engagement through audits, industry forums and associations

Level of engagement
Keep satisfied

Frequency of engagement
Regular and when required

OUR RESPONSE

- ▶ Compliance with all regulatory requirements
- ▶ Timely and accurate disclosures
- ▶ Timely payment of taxes, levies, licensing fees and other government payments
- ▶ Maintained our governance and risk mitigation frameworks, responsible and non-partisan employment and career progression opportunities
- ▶ Community support through CSR initiatives that addressed education, nutrition, hospitals and medicine and economic hardships

VALUE CREATED

RS. 3.95 BN

In tax payments

ZERO

Instances of significant non-compliances

USD 126.65 MN

Foreign exchange earnings for 3 developing economies

LINK TO CAPITAL**LINK TO SDGS**

"We work closely with government institutions of all jurisdictions of Haycarb's operations."

> RESPONDING TO OUR STAKEHOLDERS

CERTIFICATION BODIES

ISSUES RAISED

- ▶ Compliance with the requirements of the certification bodies
- ▶ Transparency, accuracy and timeliness of disclosures

HOW WE ENGAGED

- ▶ Audits
- ▶ Training sessions
- ▶ Collaborative meetings with the relevant members of the Haycarb team

Level of engagement
Keep satisfied

Frequency of engagement
Regular and when required

OUR RESPONSE

- ▶ Complied with all requirements of the certification bodies
- ▶ Disclosed all required information completely and in a timely manner

VALUE CREATED

100%

Adherence to
certification
bodies

> 90%

Scores on systems
and processes
audits

5

Re-certifications
obtained
during the year

LINK TO CAPITAL



LINK TO SDGS



FINANCIAL INSTITUTIONS

ISSUES RAISED

- ▶ Meet debt obligations in a timely manner and adhere to covenants
- ▶ Accurate disclosure of financial information
- ▶ Responsible and prudent corporate with robust financial management

HOW WE ENGAGED

- ▶ Open dialogue through mobile and digital platforms
- ▶ Face to face engagement

Level of engagement
Keep satisfied

Frequency of engagement
As and when required

OUR RESPONSE

- ▶ Timely repayment of capital and interest payments
- ▶ Disclosed all required information accurately and in a timely manner
- ▶ Prudent financial management

VALUE CREATED

100%

Timely debt
settlements

> 90%

Digitalisation of operations
with financial institutions

LINK TO CAPITAL



LINK TO SDGS



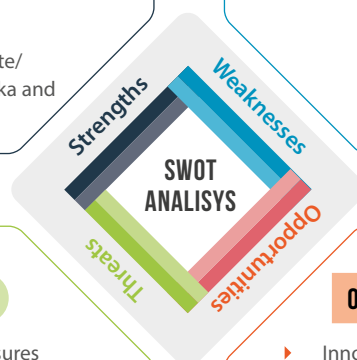
SWOT ANALYSIS

STRENGTHS

- ▶ Market position and strong global brand
- ▶ Capacity to innovate
- ▶ Manufacturing footprint in proximity to raw material availability
- ▶ Stable supply chains and supplier empowerment
- ▶ Customer base exceeding 550 customers
- ▶ Capable leadership team
- ▶ Diversified product portfolio with emphasis on quality
- ▶ Marketing offices and distribution channels spread around the world
- ▶ Sustainable and sound business practices
- ▶ Synergies derived from the Hayleys Group
- ▶ Strong financial position and performance
- ▶ Puritas brand equity as a provider of water, waste/ industrial water purification solutions in Sri Lanka and the region

WEAKNESSES

- ▶ Exposure to volatility in commodity prices and the inability to directly pass on impacts to the customers
- ▶ Mostly dependent on a single raw material – coconut shells – for our production process
- ▶ Rising cost of production in Sri Lanka due to high inflation
- ▶ Increased working capital investments given the need to maintain buffer stocks and long production lead time



THREATS

- ▶ Talent migration from Sri Lanka given the pressures stemming from the economic crisis
- ▶ Challenges due to the economic crisis in Sri Lanka including volatilities in fuel prices, exchange rates and interest rates, inflation, disruptions to supply chains and distribution, revisions to taxation and import restrictions
- ▶ Rise of competing products for coconut shell activated carbon
- ▶ Slowdown in global economic growth and political instability in Europe and Central Asia
- ▶ Substitution given the high cost of some activated carbon products
- ▶ Supply chain disruptions
- ▶ Increased competition from large scale manufacturers given the normalisation of supply chains and COVID-19 restrictions
- ▶ Volatility in commodity prices

OPPORTUNITIES

- ▶ Innovation in collaboration with customers
- ▶ Strong growth potential of the activated carbon industry driven by demand mainly in energy storage, water purification and gold mining applications
- ▶ Strong demand in the East Asian and Indian markets.
- ▶ Rising demand for premium and specialized activated carbon products
- ▶ Use of activated carbon in new applications.
- ▶ Potential to drive sustainable practices across our supply chain
- ▶ Possibilities presented by digital technologies to enhance operational efficiencies
- ▶ Opportunities to enhance Haycarb's presence in other coconut producing countries for manufacturing
- ▶ Growth potential in Maldives and the region for Environmental Engineering Solutions services

MANAGING RISKS & OPPORTUNITIES

GRI 201-2

Risk management has steadily moved up the Board agenda in the past 4 years and is a common thread that runs through all matters set before the Board. The financial year under review

saw a convergence of risks that gave rise to high levels of volatility across a number of variables. These variables were monitored at multiple levels to identify early warning signs facilitating

timely mitigation and management of key risks. The risk environment considered in assessing the risks is captured graphically below.

ECONOMIC OUTLOOK

Global economic growth is expected to moderate from 3.4% in 2022 to 2.8% in 2023 and move up to 3% in 2024. Demand from advanced economies is likely to moderate as the forecast for growth is a mere 1.3% for 2023.

Sri Lanka is recovering from an economic crisis which resulted in a change in the country's leadership as well as a change in economic policies. The country received assistance from the IMF in March 2023 and is working towards addressing the policy and structural reforms required to move to a new growth trajectory.

TECHNOLOGY, PROCESS & PRODUCT INNOVATION

Information technology plays a key role in digitalization of workflows and gaining performance insights that support continuous improvement in resource, machine and labour efficiencies. It also supports scalability and connectivity to overseas operations supporting greater synergies and balancing of capacity across diverse geographic regions.

IT plays a critical role in connecting with customers which is vital to growth. It also supports innovation, increasing the value addition and relevance across industries through greater market insights.

FLUCTUATION IN DEMAND FOR ACTIVATED CARBON

The activated carbon market is forecast to grow at a compound annual growth rate of 4% - 9% driven by demand from applications to control air and water pollution as well as the demand for purification of water.

CLIMATE CHANGE

Climate change is both an opportunity and a risk. Air and water pollution that contributes to accelerate climate change drives demand. On the other hand, climate change including extreme weather can reduce harvests, creating supply side constraints that result in increased prices.

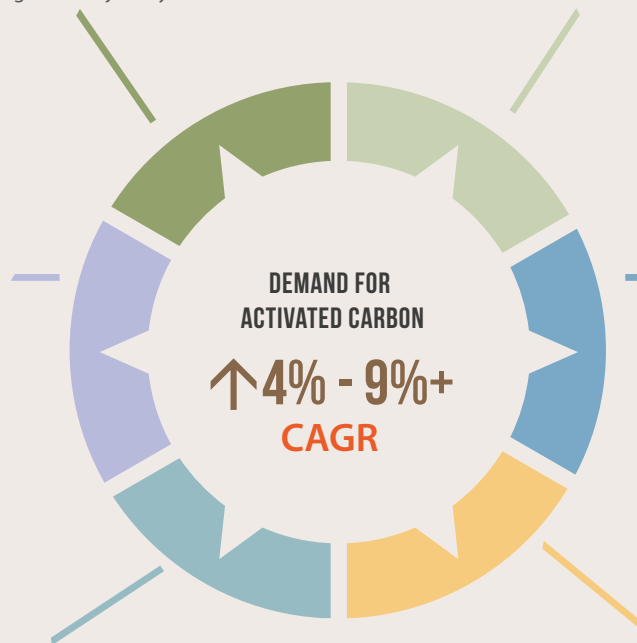
GEOPOLITICS

Geopolitical tensions remain a concern as it affects commodity prices and supply chains as observed in the past year. The continuing Russia – Ukraine war presents downside risks while the decoupling of the US-China relations presents an opportunity. India's strong economic growth must be monitored for opportunities, leveraging the goodwill between the two countries.

POLICY & REGULATION

Increasing environmental regulations around the world drives the growth of the industry as countries and municipalities seek to control air and water pollution which affect the health of citizens.

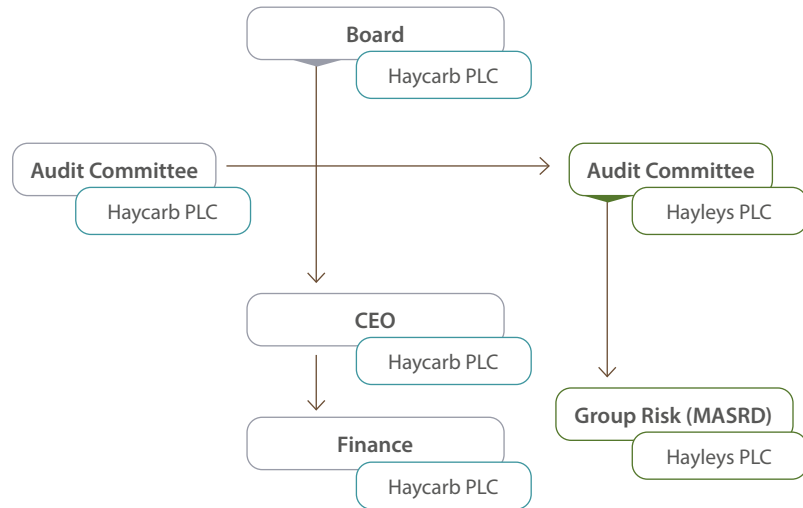
However, there can be adverse impacts from regulation as the ban on chemical fertilisers and agrochemicals proved. Additionally, monetary policy and fiscal policy has a significant impact on businesses and individuals in Sri Lanka as the country seeks a path to recovery from its economic woes.



GOVERNANCE OF RISK

Risk is a regular item on the agenda of the Board as they are collectively responsible for monitoring and managing risk. They are assisted by the Audit Committee who conduct a more detailed review of risk and report to the Board on the same. Additionally, Management Systems Audit and Review Department-MASRD of the parent company also review and provide their feedback to the Haycarb Audit Committee at quarterly meetings. The Sector risk reviews are subject to further scrutiny at the Audit Committee of the parent company as well.

Haycarb also recognizes that risk management is a shared responsibility of all employees within the Group and is integrated into business and decision-making processes including strategy formulation, business planning, business development, investment decisions, capital allocation, internal control and day-to-day functions.



ROLES & RESPONSIBILITIES

The Board	Audit Committee	Operational Level	Management System Audit & Review Department
 - Responsible for establishing an effective risk management framework - Approves policy - Reviews risk registers - Provide guidance to management - Resource allocation for risk management	 - Oversight of risk management - Review effectiveness of risk management framework - Review and recommend policies for approval by the Board - Review risk registers and monitor risk evolution - Recommend allocation of resources for risk	 - Review of operating environment and competitor activity to identify potential risks - Identification, measurement, monitoring, management and reporting of risk - Effective implementation of risk management strategies	 - Review and constructively challenge risk registers submitted - Collate and review key risks to assess adequacy of measures implemented - Make recommendations to Management, Audit Committee and Board on further actions required

> MANAGING RISKS & OPPORTUNITIES

A PROCESS FOR MANAGING RISK

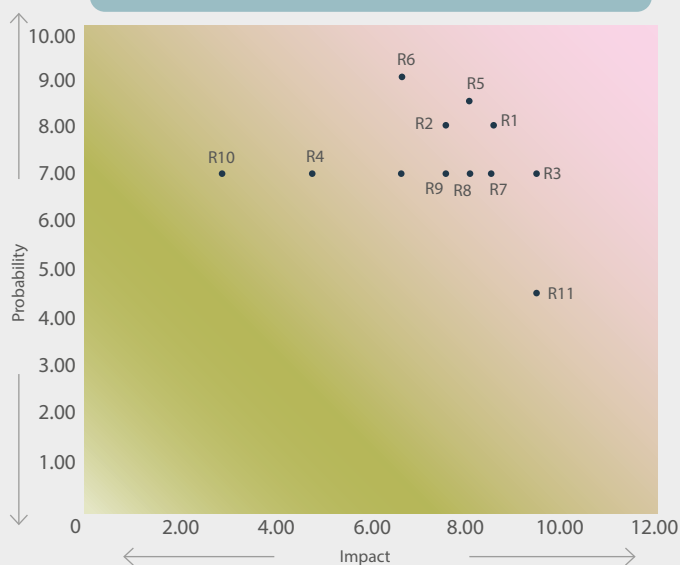
Haycarb has a formal process in place for managing risk which is coordinated by the Finance Department. The Senior Management of the Group are responsible for identifying risks relevant to their areas which are then captured on the risk register and reviewed at least quarterly. Identified risks are measured, managed and monitored and the top risks are reported to the Audit Committee and the Board. Typically allocation of resources to manage risks is done by management and approved by the Board through the strategic plan and through other processes.



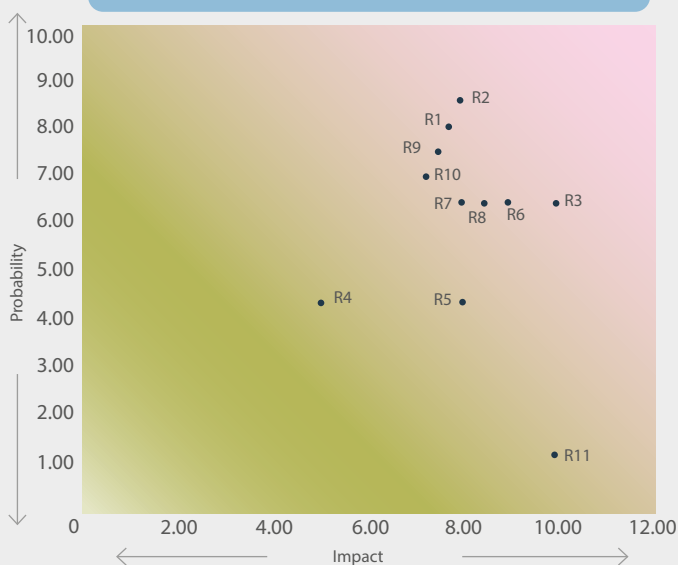
Multiple Lenses

Haycarb commenced using multiple lenses to assess risk during the year due to the high level of uncertainty prevailing at the close of the year. Accordingly, we considered how our top risks will evolve over time, particularly the medium term with the view to developing longer term solutions, supporting greater stability over operations and reducing high levels of stress. The results of these deliberations are given below. Users are advised that this is based on information available at the time of preparing the report which is subject to change with a resulting impact on the assessment of evolution of risk.

Risk Assessment – Short Term Lens



Risk Assessment – Medium Term Lens



Risk Category	Risk Description	Assessment		Mitigation Strategies
 People	R1. Attraction and retention of employees	Impact	High	This risk escalated with the economic crisis leading to economic migration of skilled workers and professionals from Sri Lanka ▶ Align reward and recognition in line with business needs and market ▶ Succession planning ▶ Strengthen HR function ▶ Assess skills and responsibilities ▶ Identify training and development needs
	2022/2023 2021/2022  	Likelihood	High	
		Assessment	High	
 Supply Chain	R2. Inflation driven wage pressures	Impact	Moderate	▶ Proactive engagement with trade unions to manage demands ▶ Provide monetary benefits and essentials goods in the short-term to relieve pressure of sudden economic downturn ▶ Regular communication with employees to motivate them and reinforce needs to remain productive
	2022/2023 2021/2022  	Likelihood	Moderate	
		Assessment	Moderate	
	R3. Disruptions to supply of coconut shell charcoal due to adverse weather or other conditions/ factors.	Impact	High	▶ Expand manufacturing facilities in locations where raw material supply is not constrained. ▶ Backward integration to charcoaling, and partnering with suppliers. ▶ Expand the charcoal and shell collection network ▶ Regeneration of spent carbon ▶ Sri Lanka to increase production of high-end value-added carbons. ▶ Introduced eco-friendly charcoaling in Indonesia and plan to expand this further.
	2022/2023 2021/2022  	Likelihood	Moderate	
		Assessment	High	
	R4. Fuel and energy supply disruptions	Impact	High	▶ Work with fuel suppliers to secure necessary supplies. ▶ Take immediate actions to start investing in solar power solutions ▶ Increased storage facilities to maintain adequate fuel reserves ▶ Use backup generators already in place to use as and when required
	2022/2023 2021/2022  	Likelihoods	Moderate	
		Assessment	High	

> MANAGING RISKS & OPPORTUNITIES

Risk Category	Risk Description	Assessment		Mitigation Strategies
 Economic	R5. Rating downgrade of Sri Lanka also resulting in operational constraints in banks 2022/2023 2021/2022	Impact	High	▶ Advance communications to customers on commitment to operate without disruption and strength of the Company asset base and liquidity. ▶ Communications and reviews to demonstrate that overseas entities are able to operate independent of SL resources. ▶ Using existing bank facilities to optimum levels, at all operational locations ▶ Tight control on working capital management.
		Likelihood	High	
		Assessment	High	
 Economic	R6. Moderating global economic outlook impact on demand 2022/2023 2021/2022	Impact	High	▶ Strengthening relationship with customers, through regular communications ▶ Negotiate with suppliers to reduce raw material prices ▶ Drive cost efficiency and defer non-critical expenses.
		Likelihood	Moderate	
		Assessment	Moderate	
 Economic	R7. Cost escalations in fixed price contract projects (Environmental Engineering Solutions Segment) 2022/2023 2021/2022	Impact	Moderate	▶ Engage with clients to set down frameworks to pass on cost escalations, discuss about delays, and rationalize work and cost structures. ▶ Prioritize marketing efforts to reduce dependency on Sri Lanka and allocate business development resources to re-enter Maldivian and other regional markets after the COVID-19 pandemic
		Likelihood	High	
		Assessment	Moderate	
 Economic	R8. Increased Taxation 2022/2023 2021/2022	Impact	Moderate	▶ Make representation through appropriate forums to explain impacts of increased taxation on the industry as a whole ▶ Tax planning and management
		Likelihood	Low	
		Assessment	Moderate	
 Sales & Marketing	R9. Sanctions and trade restrictions due to geopolitical factors 2022/2023 2021/2022	Impact	Moderate	▶ Monitor regular updates on sanctions and trade restrictions and coordinate with respective customers to implement mitigatory actions
		Likelihood	Moderate	
		Assessment	Moderate	
 Sales & Marketing	R10. Price competition for water treatment projects of small/medium scale 2022/2023 2021/2022	Impact	Moderate	▶ Improve on market intelligence efforts to understand the competition better and provide custom made solutions ▶ Highlight salient points of our solutions offered and improve sourcing mechanisms ▶ Provide superior after sales services
		Likelihood	Moderate	
		Assessment	Moderate	
 Environment	R11. Impact of natural disasters on business operations 2022/2023 2021/2022	Impact	Moderate	▶ Setup an emergency response plan and a business recovery plan ▶ Assess adequacy of insurance and compensation schemes
		Likelihood	Moderate	
		Assessment	Moderate	

OPPORTUNITIES

We also sought opportunities to grow our business and drive efficiencies to unlock further value. These were mapped to feed into the strategic planning process and are summarized below.

Opportunity Category	Opportunity Description	Our Key Initiatives	Potential Gains	Connectivity to Strategy
 Sales & Marketing	01. Innovations in collaboration with customers	▶ Increase investments in R&D	▶ Expand value added activated carbon product range and grow our business ▶ Increase total market share	
	02. Use of activated carbon in new applications.	▶ Synchronize our value adding capabilities with customer demand		
	03. Rising demand for premium and specialized activated carbon products.	▶ Development of product range for upcoming industry needs in both water purification and energy storage		
	04. Strong demand in the East Asian and Indian markets.	▶ Focus on establishing presence through participation in trade fairs and digital media showcasing Haycarb's R&D		
	05. Growth potential in Maldives and the region for Environmental Engineering Solutions services.	▶ Promote water infrastructure projects and sale of RO membranes and chemicals with strategic partnerships in the Maldives		
 Supply Chain	06. Potential to drive sustainable practices across our supply chain.	▶ Remaining engaged to promote responsible & eco-friendly sourcing (i.e. Support suppliers to build eco-friendly pits, Continuations of vertical kilns, Initiate and enhance the acceptance of Haritha Angara concept in Thailand and Indonesia)	▶ Reduce supply chain emission ▶ Increased engagement with coconut growers/ communities/ institutions/ resource providers, to promote more robust relationships ▶ Increase manufacturing footprint and be able to cater to the growing demand without any bottlenecks	  
	07. Opportunities to enhance Haycarb's presence in other coconut producing countries for manufacturing.	▶ Commence initial steps to establish the Philippines manufacturing facility		
 Innovation and technology focus	08. Possibilities presented by digital technologies to enhance operational efficiencies.	▶ Digitization and automation of production data capturing - phase 1 Sri Lanka ▶ SAP S/4HANA ERP system implementation for Environmental Engineering Sector ▶ Expected Hana ERP implementation for Haycarb before 2025.	▶ Increase operational and system efficiencies and productivity leading to cost reductions	 

NAVIGATING MACRO-ECONOMIC HEADWINDS

In 2022, Sri Lanka faced its most severe economic crisis since independence. Long-standing structural imbalances and successive economic shocks from both global and domestic sources led to a significant depletion of the country's foreign exchange reserves by early 2022, resulting in a temporary cessation to foreign debt servicing. The impact on the population and businesses was profound, with shortages and rationing of essential goods, soaring costs of living and production, and loss of welfare and livelihoods. This culminated in social and political tension.

Political and social stability has since been restored while a range of painful but necessary corrective measures have been implemented since late 2022. The GoSL also sought assistance from the IMF for which Board approval was obtained in March 2023. While policy measures and reforms implemented by the GoSL and CBSL have yielded notable results thus far, setting the country on a path of economic recovery and sustainable growth relies largely on stakeholder commitment towards the timely implementation of fiscal and structural reforms through consistent and coordinated policy measures.

How we navigated through the uncertainties of the economic crisis in 2022, while supporting our employees and strengthening our social license to operate is set out below.



Strategic interventions

- ▶ Continued operations in Sri Lanka of manufacturing and movement of materials and finished goods through innovative solutions and hard work, and ensured uninterrupted exports and foreign exchange earnings to Sri Lanka.
- ▶ Strategic focus on expanding our business overseas and enhancing value added carbon manufacturing capabilities at overseas manufacturing locations.
- ▶ Enhanced customer engagement to allay concerns on our ability to meet their requirements in a timely manner.
- ▶ Emphasis on local procurement of key raw materials in Sri Lanka.
- ▶ Maintained buffer stocks of key inputs to overcome challenges posed by supply disruptions.
- ▶ Focus on working capital management and leverage long-term relationships bankers with to secure funding despite country situation.



Supporting our employees

- ▶ We extended financial support to our employees in Sri Lanka through bonus advances and enhancing allowances.
- ▶ We addressed food security related concerns through the provision of
 - ▶ Dry ration packs
 - ▶ Take home meals to factory employees at subsidised costs.
 - ▶ Encouraging home gardening through the provision of vegetable seeds and technical know-how.
 - ▶ Cultivated vegetables within the factory premises, including a greenhouse with the objective of sharing best practices in agriculture. Produce was sold at a 50% subsidy to employees.
 - ▶ Subsidised meals to all employees at manufacturing locations.
- ▶ We supported the medical needs of employees through medical reimbursement schemes.
- ▶ We increased the daily travel allowance of employees and provided transport during the fuel shortage.
- ▶ We supported our employees' children's education by enhancing the allowance for school supplies.



Addressing the needs of our communities

- ▶ We support our children through health and educational benefits
 - ▶ Sisu Divi Pahana – a programme to provide nutritious mid-day meals for 700 students in 13 schools in 6 districts for 200 school days
 - ▶ Donation of school books to 666 school children residing in proximity to Haycarb operations
 - ▶ Distribution of DP Education bundle to government schools
 - ▶ Donation of school uniforms to 100 students
- ▶ Supporting the medical needs of our communities
 - ▶ Renovation of the plastic day surgery unit at the National Hospital of Sri Lanka and provision of medical equipment
 - ▶ Renovation of the cancer treatment unit (Ward no. 56 & 57, including isolation rooms) at the Karapitiya Teaching Hospital in Galle and provision of medical equipment
 - ▶ Donation of medical equipment and medicines to 10 hospitals including;

▶ National Hospital - Colombo	▶ Lady Ridgeway Hospital	▶ Madampe Hospital
▶ Divulapitiya Hospital	▶ Galmuruwa Hospital	▶ Akaragama Divisional Hospital
▶ Pudukudurippu Hospital	▶ Kiribathgoda Hospital	▶ Padaviya Hospital
▶ Badalgama Hospital		
- ▶ Distribution of dry rations to communities in need



DETERMINING MATERIAL ISSUES

GRI 3-1, 2

Haycarb considers material matters as those factors that impact its ability to create value over the short, medium and long term. We follow a formal approach in determining materiality, which is both retrospective and forward looking, enabling assessment of the value created during the year under review and the measures that need to be adopted to add value going forward.

DETERMINING OUR MATERIAL TOPICS

This year, we adopted a more structured, formalised approach to materiality, by applying a comprehensive and systematic materiality

assessment process to determine our material topics. This assessment comprised over 80 potential material topics which were scored by management based on materiality filters that considered implications on stakeholders and the organisation. The results of the scoring were then reviewed, analysed, and challenged through internal dialogue, until consensus was reached.

Considerable shifts in the operating landscape following the easing of pandemic-led

restrictions, emergence of macro-economic vulnerabilities in Sri Lanka and developments in the global arena, presented new risks and challenges to the Group. Our material topics for 2022/23 were revised to reflect these developments.

Comprehensive and systematic Materiality Assessment Procedure

- ▶ Comprising over 80 potential material topics

Scoring

- ▶ Materiality filters considered implications on organization, stakeholders and environment
- ▶ Carried out by management and approved by the Board of Directors
- ▶ Scoring represented low, medium and high impacts

Determine material issues

- ▶ Review, analyze and reach consensus through internal dialogue

WE RECOGNIZE A MATTER AS MATERIAL IF

It has a significant impact on the company's strategic direction and value creation process

It has a significant impact on the stakeholder interests

It has a significant impact on the environment

Impact to the organisation

- ▶ Financial impact
- ▶ Innovation opportunity
- ▶ Reputation
- ▶ Externalities
- ▶ Strategic link
- ▶ Risk

Stakeholder concerns and impacts

- ▶ Customers
- ▶ Employees
- ▶ Shareholders
- ▶ Suppliers
- ▶ Business partners
- ▶ Government
- ▶ Communities

Environmental impacts

- ▶ Considered the total impact on the environment

The material matters presented below have been categorised against our strategic priorities for better clarity, relevance and understanding.

High - ● Medium - ● Low - ●

Material topic	Link to risk and opportunities	Impacts				Movement in materiality compared with last year		Link to strategy	Relevant GRI standard / SDG	Page reference for further information
		Impact on stakeholders	Impact on the organisation	Impact on the environment	Total impact					
1. Financial stability	R5, R6, R7, R8, R9	●	●	●	●	New topic		Market growth	 	Page 90 - 95
2. Economic value created	R2, R6, R7, R8	●	●	●	●	-		Market growth	 GRI 201 Economic performance GRI 203: Indirect economic impacts	Page 13
3. Good governance	R2, R4, R6, R9, R11	●	●	●	●	New topic		Market growth	  GRI 205 Anti-corruption GRI 206 Anti-competitive Behavior GRI 415 Public Policy	Page 150 - 176
4. Product quality	R3, R4, R10, R11 O2, O6, O7	●	●	●	●	-		Market growth		Page 104 - 111, 140 - 148, 126 - 139
5. Customer satisfaction	R6, R7, R9, R10 O1, O3	●	●	●	●	-		Market growth		Page 130
6. Macro-economic vulnerabilities	R1 to R11	●	●	●	●	Increased in materiality		Market growth		Page 62 - 63
7. Managing our environmental impacts	R11	●	●	●	●	-		ESG mindset	   GRI 305 Emissions GRI 306 Waste GRI 303 Water and effluents	Page 96 - 103
8. Raw material availability	R3, R4, R11 O6, O7	●	●	●	●	-		Expansion of global supply chain	 GRI 301 Material	Page 126 - 139

> DETERMINING MATERIAL ISSUES

Material topic	Link to risk and opportunities	Impacts				Movement in materiality compared with last year		Link to strategy	Relevant GRI standard / SDG	Page reference for further information
		Impact on stakeholders	Impact on the organisation	Impact on the environment	Total impact					
9. Uninterrupted supply of energy and water	R3, R4	●	●	●	●	New topic		ESG mindset	  GRI 302 Energy GRI 303 Water and effluents	Page 96 - 103
10. Employee well-being	R1, R2	●	●	●	●	Increased in materiality		Purpose driven committed teams	 GRI 403 Occupational Health and Safety GRI 407: Freedom of Association and Collective Bargaining	Page 112 - 125
11. Manufacturing capabilities	R3, R4, R11 O4, O5	●	●	●	●	-		Market growth		Page 140 - 148
12. Labour/ management of industrial relations	R1, R2	●	●	●	●	-		Purpose driven committed teams	GRI 402 Labour/ Management relations	Page 112 - 125
13. Product and process certifications	O1, O2	●	●	●	●	New topic		Market growth		Page 104 - 111
14. Innovation	O1, O2, O3, O4, O5, O8	●	●	●	●	Increased in importance		Innovation-led growth		Page 104 - 111
15. Customer health and safety	R9, R10 O1	●	●	●	●	-		Market growth	 GRI 416 Customer health and safety GRI 417 Marketing and labelling GRI 418 : Customer Privacy	Page 112 - 125, 104-111, 126-139
16. On time delivery	R11 O6, O7	●	●	●	●	New topic		Market growth		Page 126 -139
17. Training and development	R1	●	●	●	●	-		Purpose driven committed teams	 GRI 404 Training and education	Page 112 - 125

Material topic	Link to risk and opportunities	Impacts				Movement in materiality compared with last year		Link to strategy	Relevant GRI standard / SDG	Page reference for further information
		Impact on stakeholders	Impact on the organisation	Impact on the environment	Total impact					
18. Talent attraction and retention	R1					Increased in materiality		Purpose driven Committed teams	 GRI 401 Employment GRI 405 Diversity and equal opportunity GRI 406 Non-discrimination GRI 408 Child labour GRI 409 Forced or compulsory labour	Page 112 - 125
19. Operational efficiency	R1, R3, R4, R9, R10, R11 O4, O5					New topic		Innovation-led growth	 GRI 207 Tax	Page 104 - 111, 140 - 148
20. Tax	R8					-		ESG mindset	GRI 207 Tax	Page 90 - 95
21. Geo political dynamics	R5, R6 O4					New topic		Market growth	 GRI 308, 414 Supplier environmental/social assessment	Page 62 - 63
22. Sustainable supply chains	R3					New topic		ESG mindset	GRI 204 Proportion of spending on local suppliers	Page 96 - 103, 126 - 139
23. Best practice along the supply chain	R3					Increased in materiality		Expansion of global supply chain	GRI 413 Local communities	Page 126 - 139
24. Local communities	-					-		ESG mindset	GRI 304: Biodiversity	Page 126 - 139
25. Sustainable packaging	-					New topic		ESG mindset	 GRI 304: Biodiversity	Page 96 - 103, 126 - 139
26. Climate change	R11					New topic		ESG mindset	 GRI 304: Biodiversity	Page 96 - 103

STRATEGY AND RESOURCE ALLOCATION

The Group's strategy is delivered under the five strategy pillars given below.

Short term objectives derived from our long-term aspirations, guide the allocation of resources to create shared value to all stakeholders.

Market growth

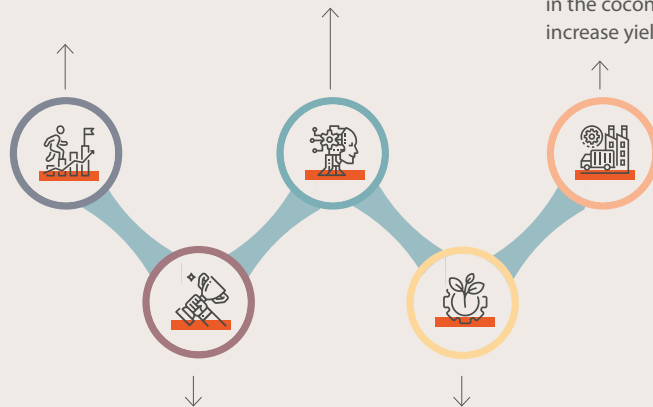
- ▶ Expansion to new geographical markets while increasing market share of existing markets
- ▶ Increase in market share for products for premium applications
- ▶ Regional expansion of the Environmental Engineering business.

Innovation-led growth

- ▶ Foster innovation through investments in research and development to expand the value-added carbon range.
- ▶ Increase operational and system efficiency and productivity

Expansion of global supply chain

- ▶ Drive sustainability across the supply chain through Haritha Angara and vertical kiln programmes
- ▶ Expand our geographical manufacturing footprint
- ▶ Provide technical know-how to suppliers to minimise the use of fossil fuels
- ▶ Engage with stakeholders in the coconut industry to increase yields



Purpose driven and committed team

- ▶ Committed to physical and mental well-being of employees whilst providing competitive remuneration
- ▶ A learning organisation
- ▶ Inculcating a culture of creating value through world class technology and processes with accountability

ESG mindset

- ▶ Alignment with the Hayleys Life Code and ESG commitment
- ▶ Maintain positive impact of Puritas Sath Diyawara, a flagship CSR of the Hayleys group
- ▶ Support the educational and nutritional needs of school children in our communities
- ▶ Supporting the public health sector where we live and work
- ▶ Environment conservation initiatives to preserve endangered species and fight climate change

MARKET GROWTH

Medium to long term goals

- ▶ Continue to increase share in newly established markets
- ▶ Secure 25% - 30% market share of key traditional markets, USA and Europe
- ▶ Environmental Engineering - Development of Infrastructure Integrated Water Solutions Projects in the region and expansion of trading operations in Maldives with complete suite of services, solutions, and products - 50% of revenue from overseas operations

Short term goals

- ▶ Increase market share in the newly established markets in the African continent and Central Asia
- ▶ Establishing brand presence in India, projected to be the fastest growing economy globally
- ▶ Increase market share of Europe and USA by 8%
- ▶ Environmental Engineering overseas regional expansion - Local rural infrastructure projects in water supply and sanitation, sale of reverse osmosis membranes and chemicals with strategic partnerships enhance our value added after sales proposition

Resource allocation

- ▶ Strengthen marketing and business development teams globally / allocate budgets for training and increase in cadre
- ▶ Budget allocation for overseas meetings, participation in industry fairs and customer visit to our plants
- ▶ Internally generated and development loan funding for investments in new factories and /expansion of manufacturing plants – USD 20+ million in next 5 years
- ▶ Environmental Engineering - Station business development and technical resources in Maldives

Market growth



+8%

Growth in sales volume

+18%

Growth in the water purification industry in the USA (Overall +4%)

+30%

Growth in sales to the gold mining industry (Including, East and West Africa, Saudi Arabia and Central Asia)

Brand awareness raised through industrial exhibitions, social media campaigns and optimization of the Haycarb website

> STRATEGY AND RESOURCE ALLOCATION

INNOVATION AND TECHNOLOGY FOCUS

Medium to long term

- ▶ Increase value added carbon in total activated carbon revenue to 50% by 2030 including higher-performance battery and supercapacitor product range and hard carbon for anode material of Sodium ion batteries
 - ▶ Continue culture of continuous process and equipment innovation to improve performance and reduce cost
 - ▶ Automation of production and raw material procurement data capture to digital platforms to improve system efficiencies
 - ▶ Upgrade / implement SAP ECC system to SAP S/4HANA ERP system for all manufacturing plants for seamless integration of information systems

Short term

- ▶ Increase % of value-added carbon in revenue to 30%
- ▶ Invest in research and development to drive new product development in line with emerging needs
- ▶ Process and equipment innovation to improve efficiency and reduce waste- generate savings of Rs. 125 million per annum
- ▶ Digitization and automation of production data capture - phase 1 Sri Lanka
- ▶ SAP S/4HANA ERP system implementation for Environmental Engineering Sector

Resource allocation

- ▶ Approximately **60 Chemists**, Engineers and Business Development personnel engaged to support R&D function
- ▶ Budget allocation for R&D -Over **LKR 100Mn**
- ▶ Internal resource teams and external consultants commissioned for data capture automation and SAP S/4Hana ERP system implementation
- ▶ Multi-disciplinary process improvement teams in each location with leadership of a senior manager

Innovation-led growth



16

New products

36

Lean initiatives during 2022-23

RS. 212 MN

Cost savings through lean initiatives

9%

Reduction in waste generation

Automation of raw material procurement system-Sri Lanka

STRENGTHENING SUPPLY CHAINS

Medium to long term

- ▶ Convert 75% of total charcoal suppliers in all locations, to eco-friendly charcoaling methods by 2030
- ▶ Lower the cost of green charcoaling in Thailand by 10% by 2026
- ▶ Convert 25% of the energy released in charcoaling to a usable energy form by 2030
- ▶ Achieve a sustainable 2.5% increase in coconut yields from a base line of 3 billion-nuts base line by 2026 in Sri Lanka

Short term

- ▶ Convert 90% of coconut charcoal suppliers in Sri Lanka to eco-friendly charcoaling methods by 2024
- ▶ improve yields by 3% of vertical kiln charcoaling in Thailand
- ▶ Expand the Haritha Angara programme in Indonesia
- ▶ Induction of the Haritha Angara eco-friendly charcoaling in the chosen area in Philippines
- ▶ Equip suppliers with know-how to use waste heat generated in charcoaling as an energy source, thereby reducing their fossil fuel requirement by 25% in 2024

Resource allocation

- ▶ **6Mn** spent on establishing 18 new Haritha Angara units
- ▶ Allocation of dedicated engineering resources to improve efficiency of vertical charcoaling kilns in Thailand
- ▶ Dedicated coconut shell and coconut shell charcoal procurement teams working under the strategic direction of senior management.

Expansion of global supply chain



18

New Harithangara pits introduced in Sri Lanka and Indonesia

>75%

Suppliers using eco-friendly charcoal

2%

Improved yield in vertical kiln charcoaling

Completed detailed research and survey completion on the expansion of our supply chain network and manufacturing footprint in Philippines

> STRATEGY AND RESOURCE ALLOCATION

MOTIVATED AND COMMITTED TEAM

Medium to long term

- ▶ Obtain certification on "Great Place to Work" by 2025
- ▶ Maintain employee retention over 95% and internal promotions for vacancies to be over 50% of filled positions
- ▶ Transform team leaders to onsite and online training advocates
- ▶ Implement a systemised/automated tracking mechanism for recording and monitoring productivity improvement efforts

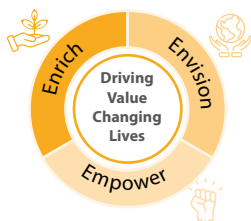
Short term

- ▶ Initiatives to promote awareness of healthy lifestyle and upgrade recreation / sports facilities in factory locations
- ▶ Employee retention ratio to be over 95%
- ▶ Open door policy, transparent and measurable performance evaluation and reward system
- ▶ Promoting events of cultural diversity and celebrating achievements and milestones
- ▶ Create a mix of in person and digital training platforms

Resource allocation

- ▶ Dedicated local HR team in each site, with guidelines and oversight from centralized HR function
- ▶ Employee remuneration for 2022/23 **Rs. 4.74 Bn**
- ▶ Oracle HR system platform for Sri Lanka entities

Purpose driven and committed teams



Launched the purpose statement emphasizing empowerment and accountability

ISO 45001:2018

Obtained for two factories

RS. 7.35 MN

Investment in Training and Development

Extension of relief measures to employees in Sri Lanka

Creating a productivity, efficiency and waste minimization focus

Emphasis on occupational health and safety

SUSTAINABILITY MINDSET

Medium to long term

- ▶ Sustainability focus of the organization - practices, monitoring, and reporting, through the Haycarb ESG framework aligned the Hayleys Lifecode and global ESG best practices
- ▶ Invest in sustainable energy generation through solar power generation in all manufacturing locations
- ▶ Continue to provide support to maintaining the Puritas Sath Diyawara network and promote further investments from corporates and NGOs for expanding the network
- ▶ "Going beyond" book distribution and 'Sisu Divi Pahana' mid-day meal to be enhanced in line with community requirements
- ▶ Continued support to the public health care sector
- ▶ On Initiatives to fight climate change and preserve biodiversity including Kumana National Park Turtle conservation project and upgrading information centre of the Park

Short term

- ▶ Launch the Haycarb ESG Framework with sector specific goals in alignment with the Group ESG framework, the Hayleys Life Code.
- ▶ Participate in UN Global Compact
- ▶ Invest in sustainable energy generation through solar power generation of over 2,500mWh per annum in Sri Lanka manufacturing
- ▶ Maintain and expand Puritas Sath Diyawara network
- ▶ Expand Sisu Divi Pahana and Going Beyond initiative (Refer Page 77)
- ▶ Donation of equipment, medicine and renovation projects at public hospitals located in the vicinity of our factories and offices (Refer Page 137)
- ▶ Ongoing support towards the conservation efforts of sea turtles and tree planting projects in Sri Lanka and overseas

Resource allocation

- ▶ Set up the Sustainability Steering Committee and Working Team to drive and promote the ESG mindset and initiatives
- ▶ Plan to set up new Department for ESG and recruitment process completed
- ▶ Commitment to allocate funds and employee time for community engagement and sustainability initiatives

ESG Mindset



RS. 40.22 MN Invested in range of CSR activities

3500 STUDENTS 14 SCHOOLS School supplies in Sath Diyawara Projects

766 STUDENTS Book Distribution - Srilanka and overseas

RS. 1.23 MN Invested in conservation of Sea Turtles at Kumana National Park

>500 TREES Ongoing efforts to fight climate change through planting initiatives

Initial steps to develop our own ESG framework which is to be launched during 2023

Project proposals and funding lines in place for installation of solar power panels in Madampe and Badalgama Sri Lanka

FUTURE OUTLOOK



Global outlook

- ▶ Global economic growth is expected to moderate to 2.8% in 2023 from 3.4% in 2022 according to forecasts by the IMF.
- ▶ Advanced economies are expected to experience a deceleration in growth declining from 2.7% in 2022 to 1.3% in 2023.
- ▶ Economic prospects for emerging market and developing economies are anticipated to be stronger at 3.9% in 2023 but is likely to be divergent across regions.

Country outlook

- ▶ **Sri Lanka** – The Sri Lankan economy is projected to recover from late 2023, as ongoing efforts to implement structural reforms under the IMF Economic Adjustment programme and, debt restructuring efforts leads to stabilisation of macro-economic conditions.
- ▶ **Thailand** – The outlook for the Thai economy remains favourable with GDP forecast to grow by 3.4% in 2023.
- ▶ **Indonesia** – The Indonesian economy is poised to grow in 5% in 2023 having successfully navigated the challenging global economic landscape.

Industry outlook

- ▶ The activated carbon industry is projected to expand at a compound annual growth rate of 4% - 9% over the 5-year period from 2023 to 2028.
- ▶ Growth is expected to be driven by rising environmental consciousness, increasingly stringent environmental regulations for water and air pollution, waste and effluent treatment and applications in energy storage, automotives, food and beverages and medical and pharmaceuticals.
- ▶ The USA and Europe offer significant growth potential as stringent new environmental regulations are being introduced to curb pollution.
- ▶ The Asia Pacific region is also expected to experience robust growth fuelled by rising demand for water and air treatment applications given growing concerns about pollution and an emphasis on preserving the environment and improving quality of life.

Haycarb Plans

- ▶ Deeper penetration in existing markets while expanding presence in new markets.
- ▶ Enhance value added capabilities with emphasis on improving the EDLC product range.
- ▶ Collaborative partnerships with customers to drive innovation and new product development.
- ▶ Promoting green charcoaling practices across the supply chain and widening the supplier base to secure supply of our key raw material, coconut charcoal.
- ▶ Ongoing efforts to enhance process and operational efficiencies.
- ▶ Robust risk management to weather macro-economic uncertainties.
- ▶ Strengthen ESG integration through the implementation of our own ESG framework.
- ▶ Expand our manufacturing footprint.

Ensuring resilience and + inclusivity



OUR VALUE PROPOSITION ON ESG

76 ESG Integration | 78 Consolidated Statement on ESG Performance | 82 Our CSR Drive |
86 Task Force on Climate Related Financial Disclosures (TCFD) | 87 Sustainability Accounting
Standards Disclosures (SASB)

ESG INTEGRATION

The Hayleys Group launched the Hayleys Lifecode in 2022, to harmonise ESG integration across the entities of the Group. The Hayleys

Lifecode sets out the Group's ESG policy framework and governance mechanisms as well as its environmental, social and governance

aspirations for 2030. The Lifecode also provides a clear road map and action plan to guide the Group in achieving its ESG aspirations.

POLICY FRAMEWORK

Environment

- ▶ Material and waste management policy
- ▶ Energy and emissions management policy
- ▶ Water management policy
- ▶ Biodiversity conservation policy
- ▶ Chemical management policy
- ▶ Sustainability compliance guidance

Social

Employee related policies

- ▶ Industrial relations policy
- ▶ Disciplinary policy
- ▶ Grievance handling policy
- ▶ Recruitment policy
- ▶ Learning and development policy
- ▶ Talent management and succession planning policy
- ▶ Performance management policy
- ▶ Human Rights policy
- ▶ Whistle-blower policy
- ▶ Anti-sexual harassment policy
- ▶ Health and safety policy

Policies related to other stakeholders

- ▶ Customer management policy
- ▶ Procurement policy
- ▶ CSR policy

Governance

- ▶ Board Charter
- ▶ Board Committee Charters
- ▶ Stakeholder engagement
- ▶ Information disclosure policies
- ▶ IT policy
- ▶ Intellectual capital policy
- ▶ Information security policy
- ▶ Business data backup policy

E

ENVIRONMENT

Greening our supply chains

Mitigating the environmental impacts along our supply chain through the propagation of proprietary green charcoaling technology.

Minimising the environmental impacts of our operations



- 9%** reduction in solid waste generated
- 44%** improvement in energy intensity in 2022/23.
- 45%** improvement in emission intensity in 2022/23.
- 38%** % improvement in water intensity in 2022/23.



Clean water



Energy storage



Clean air

Environmentally conscious product portfolio

A portfolio of products and solutions that minimise the environmental impact of industries.



- >75%** of our coconut charcoal is sourced through green charcoaling techniques
- >500** trees planted in 2022/23

Preserving biodiversity and combating climate change

- ▶ Tree planting initiatives
- ▶ Contributing towards the conservation efforts of endangered sea turtles

S

SOCIAL

>100,000

Beneficiaries

>20,000

Employee Volunteer Hours

RS. 40 MN

Invested in CSR Initiatives



Empowering children through support for education

- ▶ Sisu Divi Pahana – a programme to provide nutritious mid-day meals to **700** students in **13** schools in 6 districts for 200 school days.
- ▶ Over **3500** students benefited through the “Going Beyond” book distribution programme carried out in **14** schools in Sri Lanka.
- ▶ Donation of school books to over **650** school children residing in proximity to Haycarb operations.



Well-being of our communities and employees

- ▶ Hospital refurbishment and donation of medical supplies.
- ▶ Addressing food security related concerns of our communities through the donation of dry ration packs.
- ▶ Supply of purified drinking water to communities living in areas affected by chronic kidney disease.
- ▶ Addressing food security related concerns among employees through the provision of subsidised meals and promoting home gardening.



Empowering communities

The Group contributes to the socio-economic empowerment of the communities it operates in by,

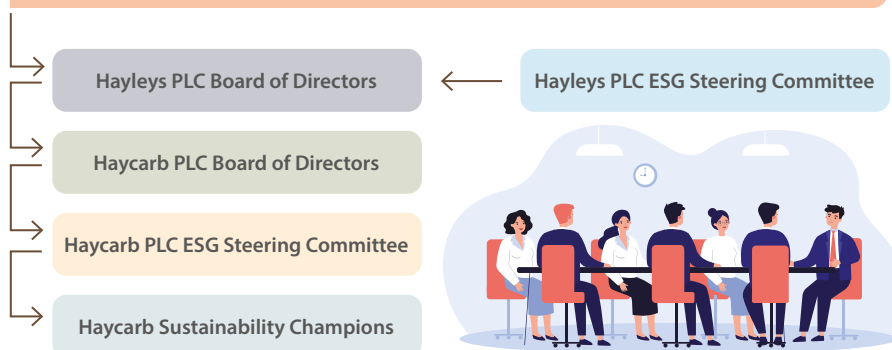
- ▶ Supporting the livelihoods of over **200** micro-entrepreneurs through the Haritha Angara programme in Sri Lanka.
- ▶ Empowerment of youth, women and uplifting domestic entrepreneurship through Puritas Sath Diyawara - Going Beyond.

G

GOVERNANCE

The parent company Board of Directors formulates the Group's ESG strategies, policies, and targets, providing oversight for ESG integration across the Group. During the year, an ESG Steering Committee was established at the parent company Board level to assist the Board in rolling out its ESG agenda. Haycarb was actively involved in the ESG Steering Committee in line with its aspiration of integrating ESG considerations into the heart of its operations.

Lifecode governance structure



CONSOLIDATED STATEMENT ON ESG PERFORMANCE

			2022/23	2021/22
Environmental Performance				
 Resources	Total energy consumption for operations	GJ	1,207,438	1,182,194
	Non- renewable energy	GJ	265,137	262,368
	LPG		32,865	35,651
	Electricity		112,045	116,163
	Diesel		59,995	29,537
	Furnace Oil		59,915	80,516
	Others		317	501
	Self-generated energy	GJ	942,301	919,826
	Electricity generated & supplied to national grid	GJ	3,656	5,400
	Out of total electricity consumed	%	3.3%	4.6%
	Energy intensity (energy per revenue)	GJ/Rs. Mn	19.81	35.65
	Water consumption/ withdrawal for operations	m ³	649,683	573,753
	Water intensity (water withdrawal per revenue)	m ³ /Rs. Mn	10.66	17.30
	Water purified from new purification plants added during the year	Liters '000	1,544,680	1,602,350
	Industrial wastewater		37,230	83,950
	Domestic wastewater		47,450	624,150
	Raw water treatment		1,460,000	894,250
	Renewable raw materials	MT	158,885	157,830
 Waste	Total solid non-hazardous waste	MT	6,589	7,264
	Total solid hazardous waste disposed	MT	0	0
	Waste water treated through internal treatment plants in factories	Liters '000	196,918	132,130
	Total weight of hazardous waste transported	MT	0	0
	Percentage of hazardous waste shipped internationally	%	0	0
	Solid waste	MT	6,589	7,264
 Emission	Carbon emitted for operations	tCO ₂ e	28,470	28,161
	Scope 1 emission		10,906	10,284
	Scope 2 emission		16,926	17,543
	Scope 3 emission		639	334
	Biogenic emission	tCO ₂ e	39,198	40,156
	Trees planted	No.	>500	>200
	Emission intensity (emission per revenue)	tCO ₂ e	0.47	0.85

			2022/23	2021/22
Social Performance				
 People & Employees	Total employees	No.	1,880	1,768
	Activated carbon segment		1,768	1,655
	Environmental engineering solutions segment		112	113
	Employee turnover	No.	178	240
	Local		128	182
	Overseas		50	58
	Female employees as a percentage of total employees	%	14%	13%
	Female employees in decision-making roles	%	21%	20%
	Total training hours	No.	16,800	5,511
	Average training hours per employee	No.	8.9	3.1
	Male		8.2	3.4
	Female		13.3	1.5
	New Recruits	No.	290	314
	Local		142	256
	Overseas		148	58
	Investments in training & development	Rs. Mn	7.35	0.91
	Total number of injuries	No.	30	28
	Fatal		0	0
	Occupational		30	28
	Lost working days	No.	112.5	117
	Health and safety training hours	No.	4,980	231
	Promotions	No.	40	45
	Apprenticeships provided for technical education	No.	14	10
	Profit per employee	Rs. Mn	3.5	2.1
	Revenue per employee	Rs. Mn	32.4	18.8
	Value added per employee	Rs. Mn	9.5	5.3
 Customers	Customer Satisfaction Index	%	>85	>83
	Activated carbon segment		>85	>80
	Environmental engineering solutions segment		>85	>85
	New customer acquired	No.	53	53
	New products developed	No.	16	14
	Revenue generated from new products	Rs. Mn	3,390	1,606
	Products in pipeline	No.	4	10
	Revenue generated	Rs. Mn	60,943	33,160
	Investment in research & development	Rs. Mn	187	124

> CONSOLIDATED STATEMENT ON ESG PERFORMANCE

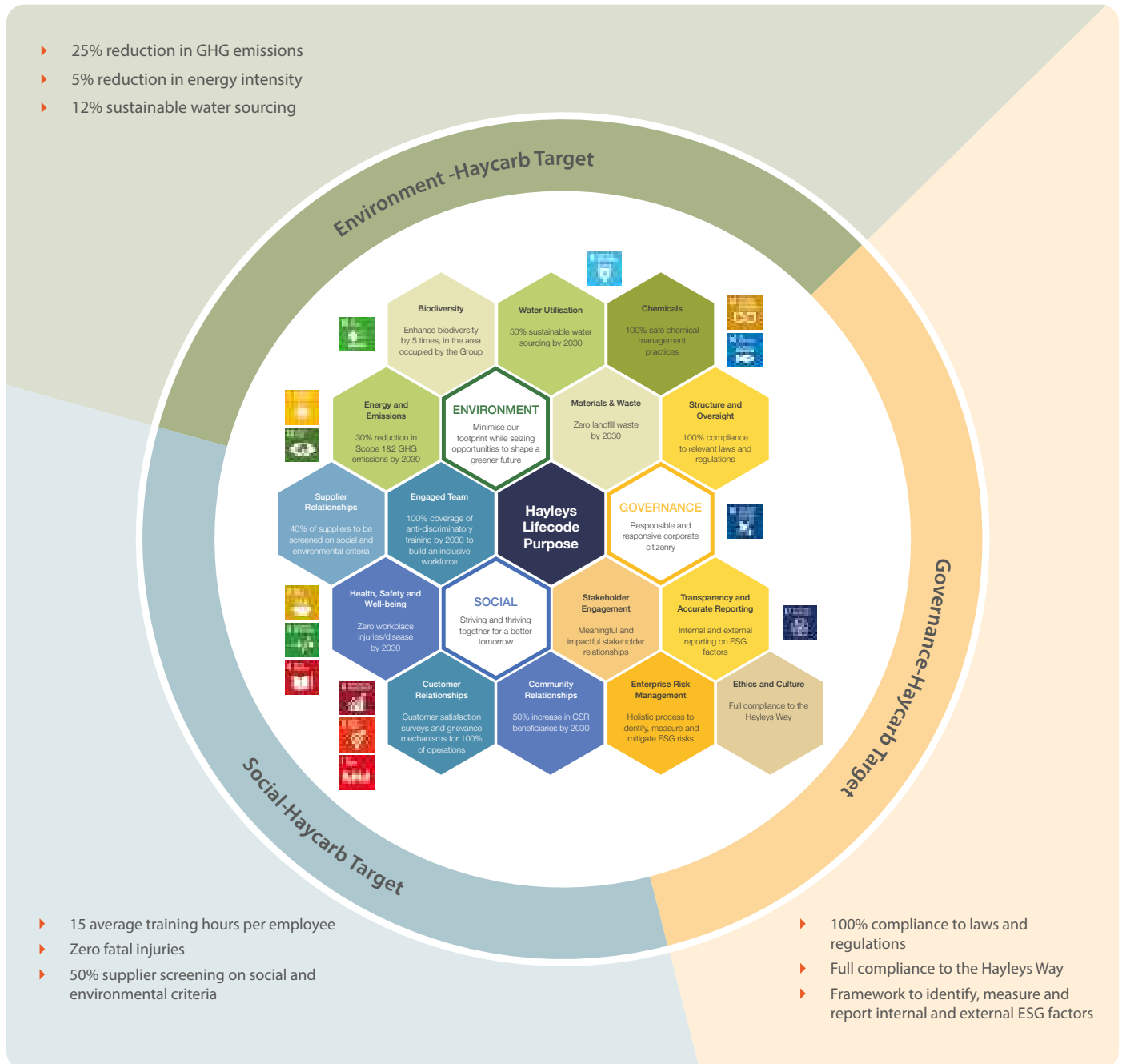
			2022/23	2021/22
 Suppliers and Business Partners	Total number of Suppliers	No.	570	438
	SME Suppliers	No.	504	385
	New suppliers added during the year	No.	242	68
	Payments to coconut shells & charcoal suppliers	Rs. Mn	17,613	13,789
	Proportion of spending on local suppliers	%	88	86
	Supplier supported through development programs	No.	4	30
	Investment in supplier development	Rs. Mn	6	73
 Community Engagement	Investment in CSR	Rs. Mn	40	13
	Beneficiaries of CSR	No.	>100,000	>60,000
	Taxes to Government	Rs. Mn	3,954	1,528
	Sri Lanka Overseas		1,756	534
			2,198	994

Governance Performance

 Values and Ethics	Employees trained on Hayleys/ Haycarb code of business conduct	No.	39	0
	Whistle-blower cases reported and solved	No.	0	0
 Management Systems	Total audits conducted on management systems	No.	7	5
	Significant non-compliances reported in management systems	No.	0	0
	Occasions the sustainability committee met	No.	4	0
	New certifications	No.	1	2
 Data Privacy and Security	Employees trained on data privacy	No.	35	132
 Other	Human rights violations	No.	0	0
	Anti-corruption incidents	No.	0	0
	Instances of socio-economic non-compliance	No.	0	0
	Instances of environmental non-compliance	No.	0	0

SNAPSHOT OF OUR SUSTAINABILITY AGENDA BY 2030

Haycarb is in the process of compiling the ESG road map for the company in line with the Hayleys Lifecode in year 2023. Below presents a snapshot of some key targets we plan to achieve by 2030.



OUR CSR DRIVE

As the crisis led surge in inflation and short supply of essential items placed significant stress on communities in Sri Lanka, Haycarb sought to mark its 50th anniversary by investing in its communities. The Group launched a multitude of CSR initiatives centred on addressing the most urgent needs of the communities and the environment.



SRI LANKA

SHAPING THE NEXT GENERATION THROUGH EDUCATION

RS. 4.0 MN spent up to 31st March 2023 on the provision of mid-day meals to 700 students in 13 schools - Committed to provide through year 2023 for 200 school days.

RS. 3.3 MN spent on providing smart class rooms to government schools to facilitate the DP Education Digital Platform designed to deliver world class free digital learning to all

RS. 3.1 MN

worth school books donated to over 600 school children living in proximity to our manufacturing operations in Sri Lanka and under Going Beyond Book distribution programme

RESPONDING TO THE MEDICAL NEEDS OF OUR COMMUNITIES

RS. 13.2 MN

spent on renovation and provision of medical equipment to the

- ▶ Plastic day surgery unit at National Hospital of Sri Lanka.
- ▶ Renovation of ward 56 & 57 - Cancer treatment unit at the Karapitiya Teaching Hospital, Galle.

RS. 8.4 MN

worth of medicines and medical equipment donated to 10 hospitals in Sri Lanka

INVESTMENTS IN ENVIRONMENT AND BIODIVERSITY PROJECTS

RS. 1.2 MN

spent on sea turtle conservation

- ▶ Tree planting projects
- ▶ Vegetable gardening programme in factory premises

INDONESIA

RS. 1.5 MN

Investment

> 400

No. of beneficiaries

- ▶ Donations in support of environmental initiatives and the distribution of dry ration packs to flood victims and among others.

THAILAND

RS. 2.1 MN

Investment

> 500

No. of beneficiaries

- ▶ Donations to procure COVID-19 medication, environmental initiatives and charity funds in the regions we operate in.



RS. 40 MN

invested in CSR
Initiatives in 2022/23



> 20,000

Employee Volunteer Hours



> 100,000

Beneficiaries in Sri Lanka,
Thailand and Indonesia



> OUR CSR DRIVE

Please refer QR code for more details



Sisu Divi Pahana-mid-day meals programme



Opening ceremony of refurbished Plastic Day Surgery Unit , National Hospital , Colombo



Opening ceremony of refurbished ward 56 & 57 - Cancer Treatment unit at Karapitiya Teaching Hospital, Galle



Vegetable gardening programme in factory premises



Sea turtle conservation project- Kumana National Park



Scholarship programme for school children - Thailand



Distribution of educational supplies for students-Indonesia



Tree planting project Sri Lanka



Handing over medical equipment to the National Hospital Day Procedure Section-Plastic Surgery unit



Opening of smart class room - DP Education - Bdagama Sri Lanka



Employees with patients during handover of refurbished wards 56/57 to the Cancer Treatment Unit at Teaching Hospital, Karapitiya, Galle



Dry rations distribution, Madampe



Donation of medical supplies - Madampe Sri Lanka

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD)

GRI 201-2

Disclosure requirement	Haycarb's progress in 2022/23									
 Governance	▶ Goals for reducing environmental impacts, including emission related targets are set out in line with the Hayleys Lifecode (Refer Page 81) ▶ During the year, an ESG Steering Committee was established at Hayleys PLC Board level to assist the Board in its ESG-related duties ▶ Hayleys sustainability division drives the Group's ESG agenda ▶ Haycarb ESG Steering Committee was established during the year to compile the ESG framework and required guidelines to provide direction on the ESG journey of Haycarb ▶ The responsibility for Implementing the Group ESG framework lies with the Haycarb Board of Directors ▶ The Lifecode champion appointed for Haycarb drives the sustainability agenda within the Haycarb Group									
 Strategy	Climate related risks and opportunities that could impact the Group's operations include, <table><tr><th></th><th>Risks</th><th>Opportunities</th></tr><tr><td>Short-term</td><td> ▶ The impact of vagaries in weather patterns on securing an uninterrupted supply of raw materials. ▶ Reliance on fossil fuels as an energy source. </td><td> ▶ Rise in demand for products and services for applications that safeguard the environment and minimize impacts on climate change. ▶ Potential of renewable energy sources with specific emphasis on solar power in Sri Lanka ▶ Designing & improving new production processes, and developing new products </td></tr><tr><td>Medium-long term</td><td> ▶ Variations in weather patterns may effect the coconut crop yield which is a direct input to our production process ▶ Policy actions around climate change continue to evolve </td><td> ▶ Moving to eco-friendly packaging procedures ▶ Increased reliability on renewable energy in all locations with Haycarb presence ▶ Access new markets through collaboration with governments, small-scale local entrepreneurs, and community groups in developed and developing countries - Establish manufacturing facility in Philippines ▶ Expansion of eco-friendly supply & distribution networks </td></tr></table> Haycarb has taken into consideration climate related opportunities in strategy formulation. Increased emphasis has been placed on developing products for applications that preserve the environment, including minimizing climate related impacts The Group has also placed emphasis on minimizing the climate related impacts of its own operations through the adoption of the Hayleys Lifecode and plans to introduce its own ESG framework in 2023/24		Risks	Opportunities	Short-term	▶ The impact of vagaries in weather patterns on securing an uninterrupted supply of raw materials. ▶ Reliance on fossil fuels as an energy source.	▶ Rise in demand for products and services for applications that safeguard the environment and minimize impacts on climate change. ▶ Potential of renewable energy sources with specific emphasis on solar power in Sri Lanka ▶ Designing & improving new production processes, and developing new products	Medium-long term	▶ Variations in weather patterns may effect the coconut crop yield which is a direct input to our production process ▶ Policy actions around climate change continue to evolve	▶ Moving to eco-friendly packaging procedures ▶ Increased reliability on renewable energy in all locations with Haycarb presence ▶ Access new markets through collaboration with governments, small-scale local entrepreneurs, and community groups in developed and developing countries - Establish manufacturing facility in Philippines ▶ Expansion of eco-friendly supply & distribution networks
	Risks	Opportunities								
Short-term	▶ The impact of vagaries in weather patterns on securing an uninterrupted supply of raw materials. ▶ Reliance on fossil fuels as an energy source.	▶ Rise in demand for products and services for applications that safeguard the environment and minimize impacts on climate change. ▶ Potential of renewable energy sources with specific emphasis on solar power in Sri Lanka ▶ Designing & improving new production processes, and developing new products								
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 Risk management	Climate-related risks arise primarily across our supply chain, specifically in the sourcing of raw materials. The Group monitors the potential impacts on climate related risks on raw material availability, quantity and price. Strategies have been implemented to diversify raw material sourcing to include the importation of raw materials from suppliers in India and Philippines. The Group also intends to expand its manufacturing footprint to include the Philippines where its primary raw materials, coconut shells are adequately available The Group also intends to invest in solar energy to mitigate risks stemming from reliance on fossil fuels									
 Metrics and targets	GHG emissions – Scope 1, 2 and 3 emissions (computed based on GHG Protocol) - refer page 100 Emission intensity – mtCO₂e/per unit of revenue - refer page 100									

SUSTAINABILITY ACCOUNTING STANDARDS DISCLOSURES (SASB)

Table: Chemical Standard – Sustainability Disclosure Topics and Accounting Metrics

Topic	Accounting metrics	Unit of measure	Code	Disclosure/page reference
Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions.	Kg CO ₂ -eq Mn, %	RT-CH-110a.1	10,906
	(2) Percentage covered under emissions-limiting regulations.			Not applicable
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets.		RT-CH-110a.2	The Group's long- and short-term strategy to manage emissions is guided by the Hayleys Lifecode which aims to reduce Scope 1 and 2 emissions by 25% by 2030. Refer page 81 for more details.
Air quality	Air emissions of the following pollutants: (1) NOX (excluding N ₂ O), (2) SOX (3) Volatile organic compounds (VOCs) (4) Hazardous air pollutants (HAPs)	Mt	RT-CH-120a.1	Harmful gases produced during the production process are combusted at high temperatures while dust extractors have been installed to retain particulate matter. Therefore, significant levels of air pollutants are not released into the atmosphere.
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable, (4) Total self-generated energy	GJ %	RT-CH-130a.1	(1) 1,207,438 GJ (2) 9.3% (3) Not applicable (4) 1.4% Haycarb's Recogen plant supplied over 1 million kWh of electricity to the National Grid.
Water management	(1) Total water withdrawn, (2) Total water consumed. (3) Percentage of each in regions with High or Extremely High Baseline Water Stress	m ³ %	RT-CH-140a.1	(1) 649,683 m ³ (2) 649,683 m ³ (water withdrawn is consumed). (3) 58.2% withdrawn from Sri Lanka, which is classified as a water stressed country by the Food and Agriculture Organisation, given a water withdrawal rate of 90.79%.
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations.	Number	RT-CH-140a.2	There were no incidents of non-compliance during the year.
	Description of water management risks and discussion of strategies and practices to mitigate those risks.		RT-CH-140a.3	Ongoing efforts to drive lean initiatives to minimise water usage and water efficiency.
Hazardous waste management	Amount of hazardous waste generated, and percentage recycled	Mt %	RT-CH-150a.1	Our operations do not generate hazardous waste.
Community relations	Discussion of engagement processes to manage risks and opportunities associated with community interests.		RT-CH-210a.1	The Group engages frequently with the communities it operates in. Refer page 137 for more information.

> SASB DISCLOSURES

Topic	Accounting metrics	Unit of measure	Code	Disclosure/page reference
Workforce Health & Safety	(1) Total recordable incident rate (TRIR)	Rate	RT-CH-320a.1	(1) 1.8
	(2) Fatality rate for (a) direct employees (b) contract employees			(2) 0%. No fatalities of direct or contract employees were recorded during the year.
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks		RT-CH-320a.2	Haycarb has established safety standards for work processes and provides personal protective equipment to employees. Periodic health checks are carried out for employees engaged in processes that could impact long term well-being. Refer page 117 for more details.
Product Design for Use-phase Efficiency	Revenue from products designed for use phase resource efficiency	Rs. Mn	RT-CH-410a.1	Adequate information is not available to identify the end customer application.
Safety & Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances,	Percentage (%) by revenue,	RT-CH-410b.1	0%
	(2) Percentage of such products that have undergone a hazard assessment.	Percentage (%)		0%
	Discussion of strategy to (1) manage chemicals of concern (2) develop alternatives with reduced human and/or environmental impact			Our products do not contain GHS Category 1 and Category 2 Health and Environmental Hazardous Substances.
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	Percentage (%) by revenue	RT-CH-410c.1	Not applicable.
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry.		RT-CH-530a.1	The Group keeps abreast of new developments regarding environmental and social factors and is committed to meeting all legal and regulatory requirements in a timely manner.
Operational Safety, Emergency Preparedness & Response	(1) Process Safety Incidents Count (PSIC) (2) Process Safety Total Incident Rate (PSTIR) (3) Process Safety Incident Severity Rate (PSISR)	Number, Rate	RT-CH-540a.1	(1) Zero. No incidents were recorded during the year. (2) 0% (3) 0%
	Number of transport incidents	Number	RT-CH-540a.2	Zero. No incidents were recorded during the year.
Activity metrics				
Production by reportable segment	Production quantity - Activated Carbon	MT	RT-CH-000.A	48,883 MT

maintaining ^{\$}efficient ⁺capital ^{allocation}



NURTURING OUR RESOURCES

90 Financial Capital | 95 Investment Case | 96 Natural Capital | 104 Intellectual Capital |
112 Human Capital | 126 Social and Relationship Capital | 140 Manufactured Capital



FINANCIAL CAPITAL

Haycarb delivered yet another year of exceptional performance, with record highs in turnover and profitability. Unwavering focus on innovation has enabled the expansion of value-added activated carbons that are particularly sought after for water purification, gold mining and energy storage applications. Despite challenges posed by geopolitical tensions and the economic crisis in Sri Lanka, Haycarb maintained an aggressive growth strategy across all its overseas markets resulting in significant value creation for shareholders during the year.



Highlights of the Year



+83.8%

Highest Revenue



+77.4%

Highest Profit Before Tax



25.1%

Gearing Ratio



RS. 40.19 BN

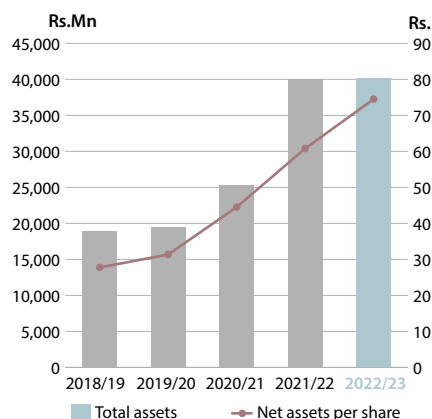
Total Assets Base

CONTRIBUTION TO SDGS

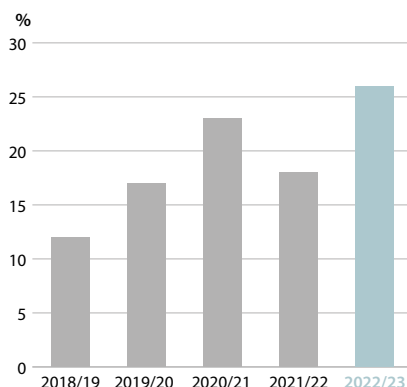


VALUE CREATED TO SHAREHOLDERS

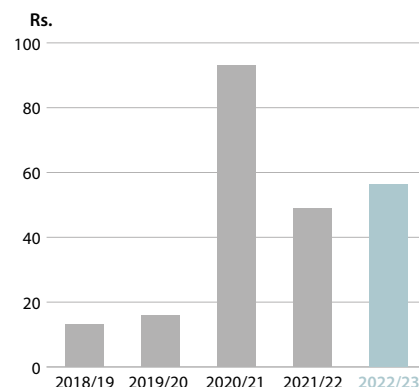
TOTAL ASSETS AND NET ASSETS PER SHARE



RETURN ON EQUITY

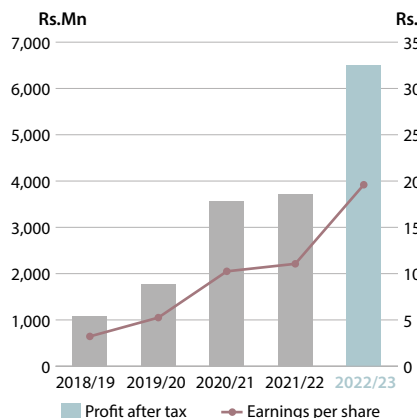


MARKET PRICE PER SHARE

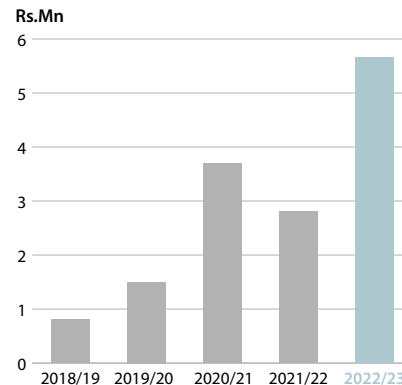


Market price per share for previous years are re-stated based on subdivision of shares on February 2021

EARNINGS AND EARNINGS PER SHARE



DIVIDEND PER SHARE

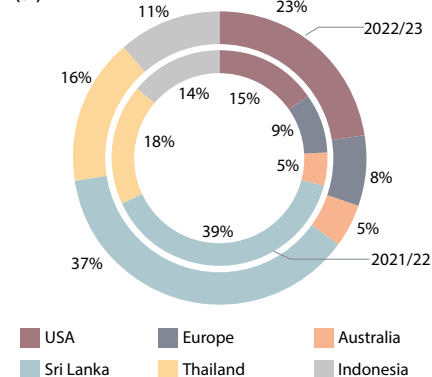


REVENUE

The Group recorded an all-time high in income in 2022/23 as consolidated revenue soared 84% to Rs. 60.9 billion, equivalent to a 8% expansion in USD terms to USD 169 million. The Activated Carbon segment posted strong results with revenue widening 93% to Rs. 59.6 billion during the year. As pandemic related restrictions gradually eased, the Group aggressively pursued growth opportunities in water purification, gold mining and energy storage applications while making significant inroads into the US, East-Asian, East African and Central Asian markets. This translated into positive top line

growth across all geographical segments with a particularly noteworthy expansion of 177% from the USA. Resultantly, revenue generated in the USA increased in prominence to 23% (2021/22: 15%) within the Group's revenue mix while Sri Lanka, Indonesia and Thailand accounted for 31% (2021/22: 39%), 6% (2021/22: 14%) and 15% (2021/22: 18%) respectively. Revenue from the Environmental Engineering Solutions segment was impacted by the prevailing macro-economic conditions in Sri Lanka and decline in demand for facemasks. Consequently, revenue decreased 42% to Rs 1.32 billion in 2022/23.

REVENUE BY GEOGRAPHIC REGION (%)



> FINANCIAL CAPITAL

GROSS PROFIT

Reflective of strong top line performance, the Group's consolidated gross profit doubled to Rs. 14.9 Bn during the year under review. While input expenses incurred in Sri Lanka increased significantly given surging inflation and hikes in fuel prices, freight costs normalised during the year as pandemic-led disruptions eased. The Group's GP margin widened to 24% in 2022/23 from 22% the year before. Ongoing investments in lean initiatives to enhance productivity and minimise waste also contributed a cost saving of Rs. 212.3 Mn during the year.

OVERHEAD EXPENSES

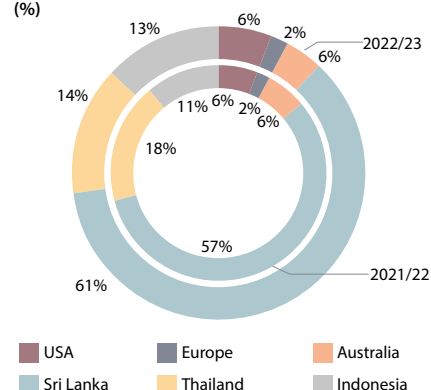
Consolidated operating expenses increased 55% to Rs. 6.8 Bn with administrative and selling and distribution expenses increasing 52 % and 111 % respectively. The increase in administrative expenses were underscored by the Group's significant efforts to support its employees in Sri Lanka through the economic crisis resulting in a 31.4 % increase in employee related expenses. Administrative expenses were also impacted by the depreciation of the rupee as overhead expenses incurred overseas rose in rupee terms. Selling and distribution expenses increased in line with the Group's strategic efforts to enhance

marketing initiatives to capture opportunities for growth in the global arena.

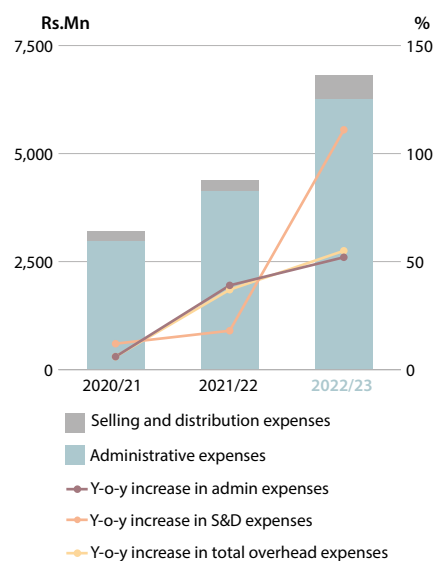
PROFITABILITY

Consolidated operating profits soared 1.69 times to Rs. 8.27 Bn during the year under review, The Group incurred a net finance cost of Rs. 18.6 Mn. The increase in Finance income by 46% mainly due to exchange gains, offset the Finance costs that increased significantly from Rs. 0.72 Bn in 2021/22 to Rs. 3.41 Bn in 2022/23 due to climbing interest rates and foreign exchange loss. Consequently, consolidated pre-tax profits surged 77% to Rs. 8.25 Bn. Profitability was driven by an 86% expansion in the pre-tax profits of the Activated Carbon segment which recorded yet another year of exceptional performance while the Environmental Engineering Solutions segment posted a loss of Rs. 0.2 Bn. The Group's tax contribution increased 87% to Rs. 3.95 Bn in 2022/23 reflective of improved business performance and the increase in tax rate of Sri Lanka to 30% from October 2022. Overall, the Group's profit after tax widened 75% to Rs. 6.51 Bn and was the highest profit the Group has recorded in its operating history.

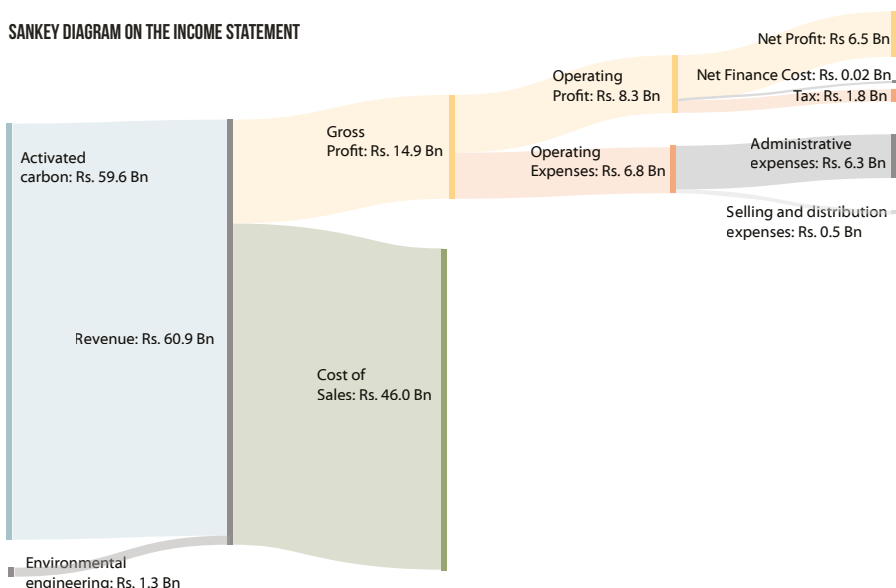
PRE-TAX PROFITS BY GEOGRAPHIC SEGMENT (%)



OVERHEAD EXPENSES



SANKEY DIAGRAM ON THE INCOME STATEMENT



“The Group recorded an all-time high in income in 2022/23 as consolidated revenue soared 84% to Rs. 60.9 Bn, equivalent to a 8% expansion in USD terms to USD 169 Mn. As pandemic related restrictions gradually eased, the Group aggressively pursued growth opportunities while making significant inroads into the US, East-Asian, East African and Central Asian markets.”



GRI 207-1 to 4

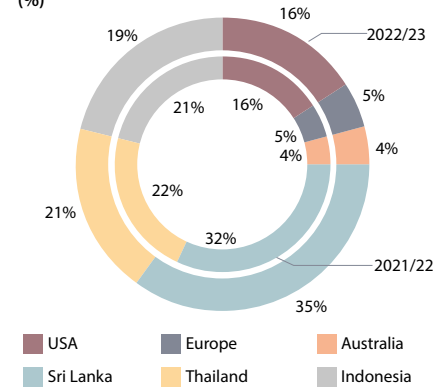
Approach to taxation

The Group's tax strategy is directed by its Board of Directors and Audit Committee and implemented by the CFO and the finance team. Compliance with tax regulations is monitored on an ongoing basis by the Internal Audit team with independent evaluation carried out by the external auditors at the end of the fiscal year. The responsibility of liaising with the tax authorities and filing of tax returns with the respective departments of the Inland Revenue lies with the CFO. Haycarb was in adherence with all tax regulations of each country of operation and no incidents of non-compliance were reported during the year.

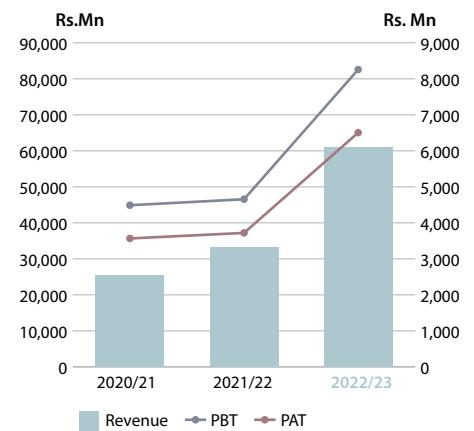
CASHFLOW

Net cashflows from operating activities widened 4.6 times to Rs. 10.12 billion as business performance improved while investments in working capital declined due to robust debtor management and conscious efforts to reduce the buffer stocks maintained during the surge of the economic crisis in year 2022. Net cashflows from investing activities amounted to negative Rs. 1.6 billion reflective of the Group ongoing investment of Rs. 1.91 Bn in capacity enhancement across its manufacturing plants in Sri Lanka, Thailand, and Indonesia. Net cashflows from financing activities amounted to negative Rs 3.1 billion as the Group pared down borrowings given the high interest rate environment in Sri Lanka and dividends paid to equity holders of the parent. Consequently, the Group's cash and cash equivalents expanded by a significant Rs. 5.3 billion during the year.

ASSET COMPOSITION BY GEOGRAPHIC REGION (%)



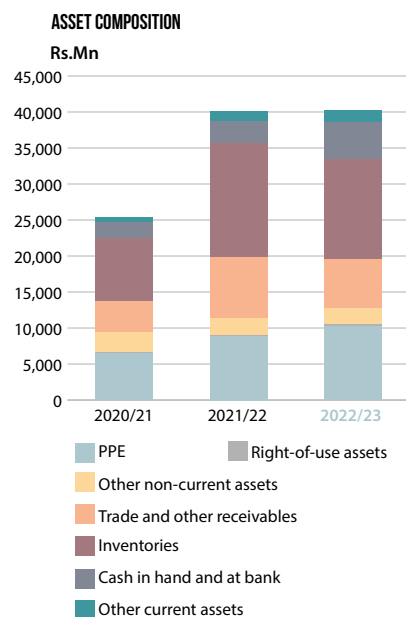
PERFORMANCE TRENDS



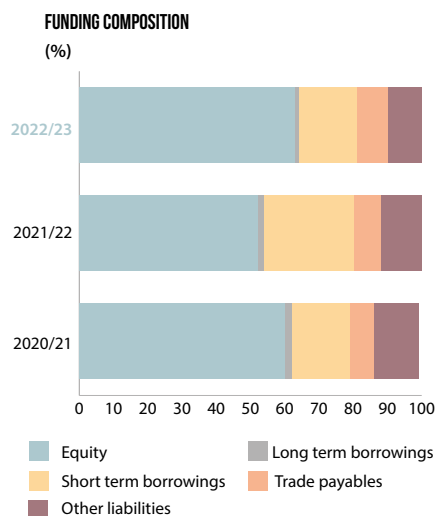
> FINANCIAL CAPITAL

ASSETS STRENGTH

Non-current assets expanded 13% as at end-March 2023, reflective of Rs 1.91 billion in capital expenditure as the Activated Carbon segment sought to enhance capacity and its value-added carbon manufacturing capabilities in Sri Lanka and at overseas locations. Meanwhile, Haycarb's working capital investments declined during the year as inventory levels normalised with ease of supply chain disruptions towards the latter half of the year. Consequently, investments in trade receivables and inventories declined 21% and 12% respectively while trade payables increased 9% as at the year end.



declined 37% to Rs. 6.9 billion as at end-March 2023. Group debt comprised primarily short-term borrowings accounting for 98% of total borrowings as at the year end. Underpinned by the decline in borrowings and improved business performance, Haycarb's gearing ratio improved to 24.7% as at end-March 2023 (end-March 2022: 37.2%) positioning it for future growth.



FUNDING PROFILE

The Group's funding position strengthened during the year under review. Strong business performance resulted in a 21% expansion to Rs. 25.2 Bn in equity as at the year-end. Conscious efforts were made to pare down borrowings, given the high interest rate environment prevailing in Sri Lanka and improved working capital position. Consequently, total borrowings

INVESTMENT CASE



Business case



Market leadership position

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



Global presence

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



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

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



Capable team and strategic partnerships

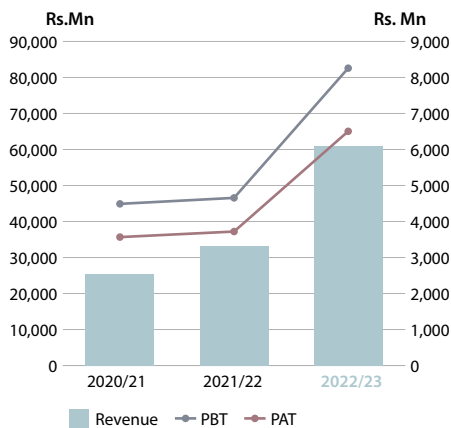
Our business success is underpinned by an empowered and highly skilled team, long-standing customer relationships, mutually beneficial partnerships with business partners and suppliers.



Responsible business practices and sustainability

A holistic ESG framework integrated into strategy formulation.

PERFORMANCE TRENDS



Highlights of the Year



RS. 5.65

Dividend per share - Declared during the Financial Year



10.04%

Dividend yield



Market capitalization as at 31/03/2023

RS. 16.73 BN



RS. 19.60

Earnings per share



25.8%

Return on equity



NATURAL CAPITAL

As our business continues to expand, it has an increasing impact on the environment stemming from the consumption of natural resources and the release of effluents, emissions, and waste. We are fully aware of these negative effects and remain steadfast in our commitment to decrease our environmental footprint through the implementation of innovative processes.



Highlights of the Year



>500

Trees Planted



>4,000

Turtle hatchlings released to the sea



INPUTS**Raw material consumption in 2022/23**

- ▶ Coconut Shells **46,592 MT**
- ▶ Coconut Shell Charcoal **112,293 MT**

Energy consumption for operations in 2022/23

- ▶ **1,207,438 GJ**

Water consumption in 2022/23

- ▶ **649,683 m³**

**VALUE CREATED IN 2022/23**

- ▶ Over **Rs. 20 Mn** invested in initiatives to minimise our environmental footprint.
- ▶ Over **Rs. 1.2 Mn** invested in turtle Conservation Projects

OUTCOMES / IMPACTS

- ▶ **44%** improvement in energy intensity.
- ▶ **38%** improvement in water intensity
- ▶ **45%** improvement in emission intensity.
- ▶ **9%** decrease in solid waste generated.

CAPITAL TRADE-OFF

- ▶ Ongoing emphasis on minimizing our environmental impacts is expected to build organizational resilience over the long term and transform into stronger customer relationships given the increasing importance of sustainable business practices.
- ▶ However, investments in enhancing the sustainability of our operations will impact financial capital in the short term.

CONTRIBUTION TO SDGS**OUTPUTS / OUTCOMES****Emissions in 2022/23****28,470 tCO₂e****Effluents in 2022/23****223,171 m³****Water intensity in 2022/23****10.66 m³/Rs. Mn**
(Per Revenue)**Emission intensity in 2022/23****0.47 tCO₂e/Rs. Mn**
(Per Revenue)**Energy intensity in 2022/23****19.81 GJ/Rs. Mn**
(Per Revenue)**Solid waste generation in 2022/23****6,588.53 MT**

> NATURAL CAPITAL

GOVERNANCE

Haycarb's approach to managing its environmental impacts is guided by the Hayleys Lifecode which sets out Group-wide targets for energy, emissions, water, materials and waste, chemicals and biodiversity conservation in line with its long-term goal of minimising its environmental footprint and shaping a greener future. The Group's governance structure regarding environmental impacts is briefly described alongside. Please refer Corporate Governance page 150 - 176 for further information.

Environmental related matters at Haycarb's operating locations are monitored by Sustainability Champions who report to the Senior Manager – Quality Assurance, who in turn reports to the Managing Director.

ENVIRONMENTAL COMPLIANCE

We adhere to all environmental laws and regulations relevant to each country of operations. Our environment practices are also in compliance with international best practice through certifications including ISO 14001:2015 and WQA Sustainability Certification. Environment related audits are carried out on a quarterly basis and action is taken to resolve any issues raised. The Group's Environment Management Framework is subjected to a surveillance/re-certification audit on an annual basis by the relevant certification bodies. The Group is committed to operating in an environmentally responsible manner and therefore did not engage in any activities that would cause harm to the environment. Furthermore, there were no instances of non-compliance with any environment related regulations during the year.

RAW MATERIALS GRI 301-1 to 3

The Group relies on renewable materials as its primary raw material comprising coconut shells and, coconut shell charcoal produced from coconut shells. Utilisation of coconut shells as our key input has enabled the conversion of a waste material generated by households and industries into a valuable resource, promoting circularity. Over 60% of coconut shells in Sri Lanka are discarded from households and the Haritha Angara programme has played a crucial role in providing access to this resource. Coconut shells are also sourced directly by the Group for its own upstream investment, Recogen and for



HAYLEYS ESG STEERING COMMITTEE

- ▶ Responsible for implementing the ESG framework.



HAYCARB ESG STEERING COMMITTEE

- ▶ Drives the Group sustainability agenda at Haycarb.



LIFECODE CHAMPION AT HAYCARB

- ▶ Drives the Group sustainability agenda across the subsidiaries at operational levels and monitors sustainability indicators quarterly.

OUR ENVIRONMENTAL POLICY EMPHASISES:

- ▶ Implementation of sustainable purchasing practices
- ▶ Promoting reduction, reuse and recycling of resources and waste
- ▶ Active involvement in the reduction of the carbon footprint of our products.
- ▶ Raising awareness among all interested parties in protecting the environment, ecosystems, and biodiversity in the maintenance of ecosystem service.
- ▶ Sustainable operation of all the manufacturing facilities.



the environment friendly vertical charcoal kilns in Thailand, which uses patented technology to produce coconut shell charcoal from coconut shells while simultaneously generating electricity from the waste heat produced. Approximately over 70% of our coconut shell charcoal requirement is sourced through green charcoaling methodologies in Sri Lanka.

Other raw materials consumed include chemicals, packing materials and not utilized any recycled input materials in our production process. Furthermore, there were no incidents of reclaimed products, hence none of packing materials were utilized for such product category.

Significant efforts were also made during the year to increase the yield from materials while minimising waste. New process pathways were introduced to clean, activate and value add charcoal dust below 1 mm which was previously discarded. Furthermore, new processes were introduced to extract usable carbon fractions from reject streams at different stages of the production process to produce powder carbons.

The business of regeneration of spent carbon facilitates waste minimization and circularity which increased by 6% to 2,052 MT.

Raw material consumption	2022/23	2021/22
Coconut shells (MT)	46,592	45,624
Coconut shell charcoal (MT)	112,293	112,207
% Renewable materials	75%	75%

ENERGY GRI 302-1 to 5

While the manufacture of activated carbon is energy intensive, Haycarb has implemented innovative measures to reduce energy consumption by utilising the exothermic energy generated during the production process.

Several initiatives were implemented during the year to minimise energy consumption across our operations. These investments included,

- ▶ Efforts to reduce oil consumption in dryers and stand by boilers – **Rs. 18 Mn**
- ▶ Use of alternative methods to dry activated carbon – **Rs. 24 Mn**

Energy consumption	2022/23	2021/22	Y-o-y change %
Non-renewable energy (GJ)	265,137	262,368	+1%
LPG	32,865	35,651	-8%
Electricity	112,045	116,163	-4%
Diesel	59,995	29,537	103%
Furnace Oil	59,915	80,516	-26%
Others	317	501	-37%
Self-generated energy (GJ)	942,301	919,826	2%
Total energy consumption for operations (GJ)	1,207,438	1,182,194	2%
Energy intensity (GJ energy per unit of revenue)	19.81	35.65	-44%

53 MN

of cost savings from lean projects initiated to minimize energy consumption

44%

Improvement of energy intensity to **4.35 GJ/Rs. Mn** (Per revenue)

- ▶ Conversion of QC dryers at the Shizuka plant to waste heat steam from electricity to reduce electricity consumption – **Rs. 8Mn**
- ▶ Installation of LED bulbs and the introduction of solar lights at Carbokarn – Thailand – **Rs. 3Mn**

Electricity generation through Recogen - The Group maintained its supply of electricity to the National Grid through the ongoing operations of Recogen.

> 1 MN KWH

of electricity was generated through Recogen in 2022/23

2.4%

Improvement of total energy generated through waste heat to **942,301 GJ**

EMISSION MANAGEMENT STRATEGIES AT HAYCARB

- ▶ Monitor emission levels annually and comply with approved limits by environmental standards



- ▶ Implementation of roof-top solar system - Approval granted

Capacity

- ▶ Badalgama – **1,237 kWp**
- ▶ Madampe – **900 kWp**



- ▶ Maintain dust extraction/filtration systems and water treatment plants within factories
- ▶ Installation of transparent roof sheets to increase the usage of day-light

**CARBON FOOTPRINT** GRI 305-1 to 7

The Group's short- and long- term emission management strategy is guided by the sector targets set through the Hayleys Lifecode and guidelines provided under ISO 14001:2015 Environment Management Systems.



> NATURAL CAPITAL

While our greenhouse gas emissions are presently measured following the Hayleys Group measurement protocol, the Group intends to introduce its own measurement system in collaboration with the National Cleaner

Production Center. Our carbon footprint is computed based on the GHG Protocol published by the World Resource Institute and is presented below.

Emission (tCO ₂ e)	2022/23	2021/22	Y-o-y change %
Scope 1 emissions	10,906	10,284	+6%
Scope 2 emissions	16,926	17,543	-3.5%
Scope 3 emissions	639	334	+91%
Total emissions	28,471	28,160	+1.1%
Emission intensity - Per revenue (tCO ₂ e/ Rs. Mn)	0.47	0.85	-45%

Performance against goals	2030 goal
Reduction in Scope 1&2 GHG emissions	25%

Harmful gases produced during the manufacturing process are combusted at high temperatures while dust extractor systems have been installed to retain particulate matter preventing its release into the atmosphere. Consequently, significant levels of ozone depleting substances, NOx or SOx gases are not released into the environment.

WATER GRI 303-1, 3 to 5

The Group's consumption of water is primarily for its manufacturing process, employee usage

and for general upkeep of its premises. Our water requirements are fulfilled through a variety of sources including deep wells, owned and leased water reservoirs and water supplied by third parties.

The Group recognises the importance of responsible water management particularly given that the Food and Agriculture Organisation, has classified Sri Lanka as a water stressed country given a water withdrawal rate of 90.79%. Several steps were initiated

Water Consumption	2022/23	2021/22	Y-o-y % change
Surface water	445,099	409,083	+9%
Ground water	198,885	161,077	+23%
Rainwater	-	-	-
Municipal water	5,699	3,593	+59%
Third party water	-	-	-
Total water withdrawal (m ³)	649,683	573,753	+13%
Water intensity - Per revenue (m ³ / Rs. Mn)	10.66	17.30	-38%

Effluents	2022/23	2021/22	Y-o-y % change
Surface water	205,991.80	178,398.68	+15%
Ground water	17,179.12	28,181.60	-39%
Total wastewater discharged (m ³)	223,170.92	206,580.28	+8%

45% Improvement of emission intensity to **0.47 tCO₂e/Rs. Mn** (Per revenue)

38% Improvement of water intensity to **10.66 m³/Rs. Mn** (Per revenue)

during the year to minimise water consumption including,

- ▶ Collection and re-use of steam trap water for boilers.
- ▶ Rainwater harvesting.

Total water consumption increased 13% during the year reflecting an increase in the production of EDLC and washed carbons.

EFFLUENTS GRI 303-2, 4

Effluents generated from our operations are treated at effluent treatment plants located at all required manufacturing locations prior to responsible discharge. Effluents are treated to meet relevant environmental standards. Discharged water quality is monitored on an ongoing basis and has consistently been within the parameters specified by the environmental authorities in Sri Lanka and overseas. There were no incidents of non-compliance regarding discharged water quality during the year.

WASTE MANAGEMENT GRI 306-1 to 5

We have implemented substantial measures to innovate our processes to minimise and repurpose solid waste generated from our manufacturing activities. Waste that cannot be reused within our own production processes are responsibly disposed of to third parties

9.3% reduction in solid waste generation in 2022/23

“Our extensive product range has become increasingly relevant in safeguarding the health and well-being of our planet through applications including air and water purification and resource conservation.”

for recycling or to be used as inputs into their own manufacturing operations. Biodegradable waste is composted where possible while the

remainder is directed to landfills. No hazardous waste is generated through our manufacturing operations.

Waste	2022/23	2021/22	Y-o-y % change
Waste diverted from disposal (kg)			
Composting	39,555	187,622	-79%
Recycling	688,146	3,261,424	-78%
Sold to third parties	4,765,226	3,262,421	+46%
Waste directed to disposal (kg)	1,095,599	571,615	+92%

Conserving natural ecosystems

GRI 304-2



Behold the Turtle - Sea Turtle Conservation

In partnership with the Wildlife Department of Sri Lanka, this ongoing project contributes towards the conservation of endangered sea turtles.

The project is carried out at the Kumana National Park and entails,

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



Tree planting initiatives

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

- ▶ In collaboration with the Central Environmental Authority, Haycarb engaged in tree planting initiatives along a 5 km stretch of the Maha Oya, a major waterway in Sri Lanka. The Group sought active engagement with the community and the Parisara Niyamuwo, the environmental champions at school level, raising awareness and inspiring the next generation to protect and preserve the environment.
- ▶ Haycarb also actively participated in 'Kirulu' the biodiversity conservation initiative of its parent entity by contributing 150 trees.
- ▶ Tree planting projects were also implemented in areas close to our factory premises in all locations.

> **NATURAL CAPITAL**

ENVIRONMENTALLY RELEVANT PRODUCT RANGE

Activated Carbon

Our extensive product range has become increasingly relevant in safeguarding the health and well-being of our planet through applications including air and water purification and resource conservation. Leverage the distinctive properties of activated carbon, we contribute towards reducing the release of pollutants into the atmosphere and water systems making a positive contribution towards preserving natural resources.

Environmental Engineering

Wastewater treatment solutions and services provided by the Environmental Engineering Solutions segment, actively contributes to the conservation and preservation of natural ecosystems. Employing various techniques including physical, chemical, biological or hybrid processes, our solution effectively reduces the levels of chemical oxygen demand (COD), biochemical oxygen demand (BOD), and total suspended solids (TSS) while eliminating the level of colour and odour of industrial wastewater. Resultantly, water discharged into the environment sustains the well-being of flora and fauna in their natural habitats, while promoting recycling and minimising the extraction of water from natural water bodies.

WATER PURIFIED FROM PURIFICATION CAPACITY ADDED IN 2022/23

4.2 MN L of water & wastewater purification per day

102,000 L of industrial wastewater purification per day

130,000 L of domestic wastewater purification per day

4 MN L of raw water purification per day





Water treatment plant - Greater Matale water supply scheme, Ukuwela



Effluent treatment plant - Sunnycroft Rubber Factory, Gonagaldeniya

WAY FORWARD

- ▶ Implementation of roof top solar systems in Badalgama, Madampe and extend the initiative to overseas factories
- ▶ Increase reforestation initiatives
- ▶ Increase usage of sustainable water sources
- ▶ Development of Haycarb ESG Steering Committee
- ▶ Implementation of recycling and re-using process of effluents with technical supervision of Puritas
- ▶ Introducing policy to only utilize LED lightning for replacements of bulbs in our manufacturing plants
- ▶ Reduce the use of plastic water bottles through customized Hydrocove solutions



INTELLECTUAL CAPITAL

Our dedication to innovate has enabled the development of a range of products, services and processes that benefit people and contribute to environmental sustainability. Haycarb's intellectual capital which encompasses our research and development capabilities, the strength of our brand, and tacit knowledge garnered over 5 decades of operations has facilitated the delivery of superior value-added offerings that cater to evolving customer needs.



Highlights of the Year



16

New products introduced
2022/23



>60

No. of employees in R&D and
engineering teams



**"BEST INNOVATION
IN MARKETING"**

Awarded at the Business
Leader of the year awards
2022, India



4

New Products in Pipeline



GOVERNMENT, INDUSTRY, REGULATORY BODIES AND MEDIA

Capacity to innovate



A high skilled, multi-disciplinary team leverages organisational tacit knowledge nurtured over an operating history spanning 5 decades to drive our capacity to innovate

The Haycarb brand



The Haycarb brand affords the Group a strong competitive edge in the coconut charcoal activated carbon industry and is underpinned by 50 years of manufacturing excellence, innovation, and customer-centric solutions.

Patents and proprietary processes



Recogen plant

- ▶ In-house developed activation technology and post-activation processes to manufacture a diverse product range
- ▶ Engineering designs and know-how for activated carbon industry
- ▶ Patented Recogen technology
- ▶ Green charcoaling technology under Haritha Angara charcoaling pits and the vertical charcoaling kilns
- ▶ Patented Oxytura face masks

Certifications



>25 Certifications

Digital infrastructure



Haycarb virtual tour platform

VALUE CREATED IN 2022/23

- ▶ **Rs. 186.7 Mn** invested in research and development.
- ▶ **Rs. 78 Mn** invested in initiatives to build our brand.

OUTCOMES / IMPACTS

- ▶ **16** New products
- ▶ **Rs. 3,390 Mn** revenue from new products.
- ▶ Product innovation with special emphasis on energy storage carbons (EDLC), Chloramine removal carbons and respirator carbons.

CAPITAL TRADE-OFF

- ▶ Investing in innovation leads to a short-to-medium term impact on financial capital given the delay in realising financial gains from new products.
- ▶ However, the development of new and superior product offerings that fulfill emerging needs of customers will lead to sustainable financial and business success in the long term.

CONTRIBUTION TO SDGS



Broad product portfolio that caters to nearly every Activated Carbon application

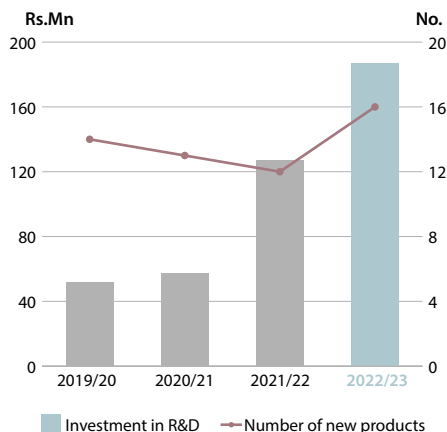
Product portfolio



Activated Carbon **+1,500** products

Environmental Engineering Solutions **+100** products and solutions.

INVESTMENT IN R&D AND NEW PRODUCTS



> INTELLECTUAL CAPITAL

CAPACITY TO INNOVATE

Research and development and Engineering capabilities

Research and development has resulted in the production of a range of activated carbon products for emerging needs and driving our competitive edge. Our highly skilled and capable research and development team of over 60 engineers and chemists enabled the customisation of products and enhanced our value proposition to customers enabling new product development through collaboration. During the year we invested Rs. 186.7 million in research and development contributing to product & process enhancement and new product development.

Research and development has led product and process innovation.

Engineering capabilities have enabled machine innovation by rebuilding, restoring, and modifying used and scrapped machinery to fit the purpose, thereby reducing our investment costs.

Capacity to innovate



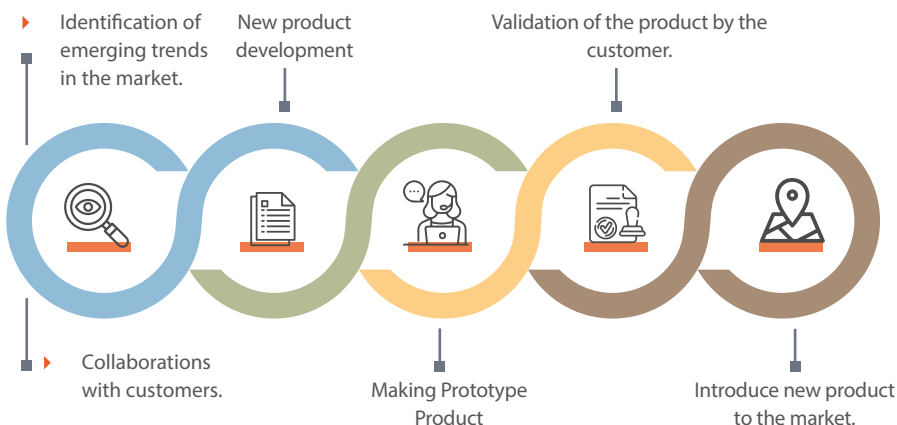
Product innovation

Process innovation



PRODUCT INNOVATION

New product development process



Key product innovations during 2022/23

Development of product for PFOA removal from drinking water

Ammonia and volatile organic removal carbon in semi-conductor manufacturing industries

Development of carbon product for adsorbing sublimated dye in a functional coating in chemical industries

Product development as food additives in food colouring industry

PROCESS INNOVATION

Innovating our processes



Strategic emphasis is placed on continuously improving our processes to

- ▶ Cater to emerging needs in the market.
- ▶ Fulfil specific customer requirements.
- ▶ Enhance efficiency and productivity.
- ▶ Minimising our environmental impacts.

Key process innovations during the year

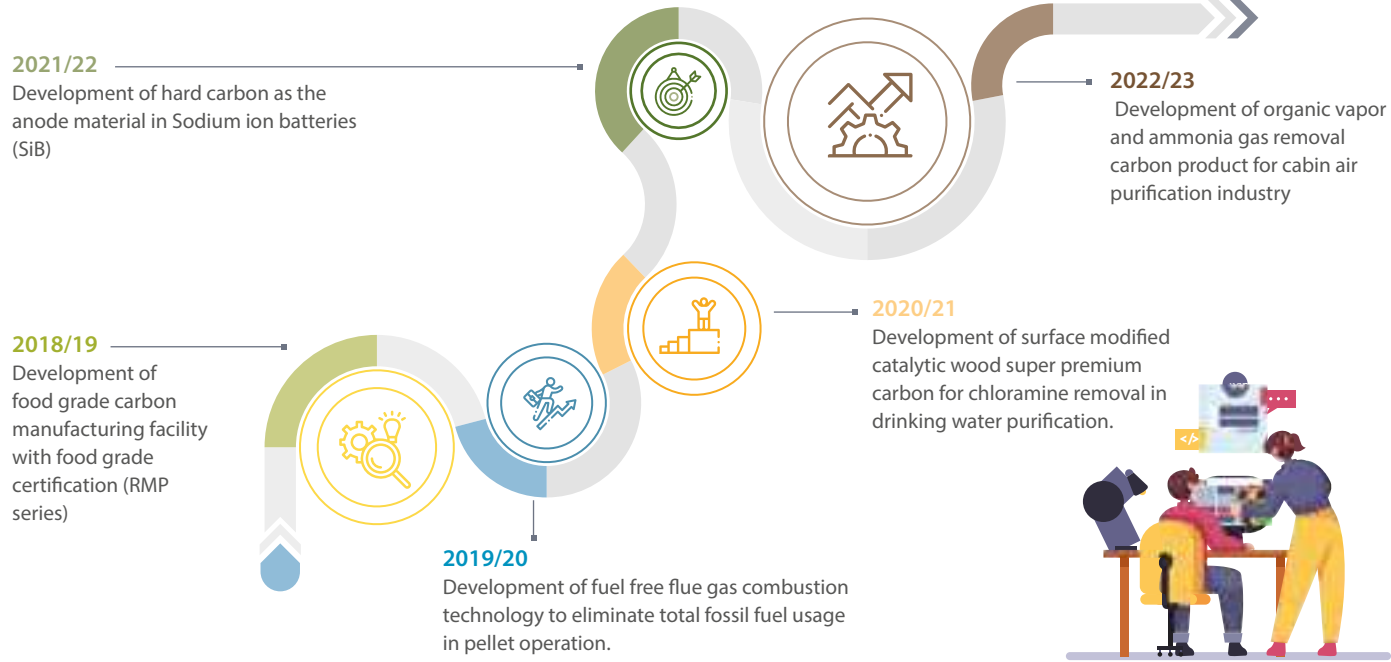
Utilization of waste heat steam, stand by boilers and use alternative methods to dry the activated carbon as energy saving methods

Process optimization, Machine combinations introducing semi-automatic process solutions to improve the yield, productivity and reduce labour hours

Collection of steam trap water and reuse them for boilers as a water saving method

New processes to extract carbon fraction from rejected streams and utilize extracted fraction to produce powder carbon

Key product innovations over the last five years



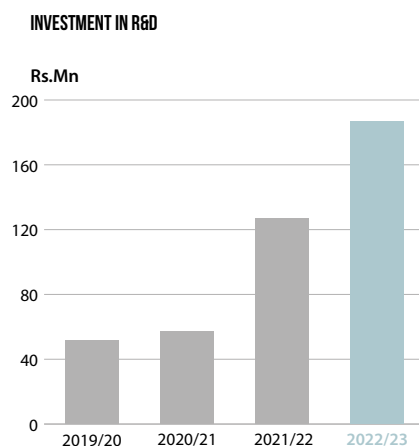
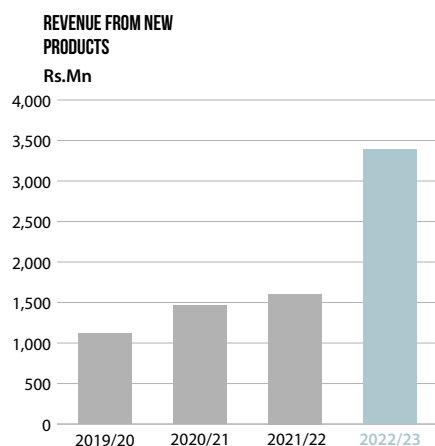
> INTELLECTUAL CAPITAL

PROCESS EXCELLENCE CERTIFICATIONS

We comply with numerous local and international certifications in quality, food safety, environmental management and occupational health and safety. Adherence to certifications provides assurance to third parties about the ensuring our business processes

CERTIFICATIONS				
Haycarb Group	Quality Management	Food Safety Management	Environmental Management	Occupational health and safety
Haycarb Sri Lanka	ISO 9001:2015 Recertification by SLSI – Sri Lanka	- ISO 22000:2018 Certification from SGS – Sri Lanka - HACCP Certification from SGS – Sri Lanka - GMP Certification from SGS – Sri Lanka - Halal Certification from the Halal Accreditation Council - KOSHER Certification Orthodox Union – USA - NSF Product Certification by NSF International USA	- ISO 14001:2015 Recertification by SGS – Sri Lanka - WQA Sustainability Certification WQA – USA	ISO 45001:2018 Occupational health and safety
PT Mapalus Makawanua Charcoal Industry – Indonesia	ISO9001: 2015 Recertification by SLSI – Sri Lanka	- Halal Certification from the Halal Accreditation Council - KOSHER Certification Orthodox Union – USA - NSF Product Certification by NSF International USA		
PT Haycarb Palu Mitra – Indonesia	ISO 9001: 2015 Recertification by SLSI – Sri Lanka	- Halal Certification from the Halal Accreditation Council - NSF Product Certification by NSF International USA		
Carbokarn – Thailand	ISO 9001: 2015 Recertification by SGS – Thailand	NSF Product Certification by NSF International USA	ISO 14001: 2015 Recertification by SLSI – Sri Lanka	
CK Regen Systems – Thailand	ISO 9001:2015 Recertification by SGS – Thailand		ISO 14001:2015 Recertification by SLSI – Sri Lanka	
Shizuka – Thailand	ISO9001: 2015 Recertification by SGS – Thailand			

CERTIFICATIONS				
Haycarb Group	Quality Management	Food Safety Management	Environmental Management	Occupational health and safety
Eurocarb Products – UK	▶ ISO 9001: 2015 Certification ▶ REACH registration			
Puritas Sri Lanka	▶ ISO 9001: 2015 Recertification by SLSI – Sri Lanka ▶ C2 Grade on Main Construction Contractor's Registration – CIDA Sri Lanka ▶ EM1 Grade on Specialist Construction Contractor's Registration – CIDA Sri Lanka			



> INTELLECTUAL CAPITAL

THE HAYCARB BRAND

The Haycarb brand affords the Group a strong competitive edge in the coconut charcoal activated carbon industry and is underpinned by 50 years of manufacturing excellence, innovation and customer-centric solutions. Numerous marketing initiatives undertaken by our overseas subsidiaries and participation in global tradeshows to showcase new products and their applications in 2022/23, continued to strengthen our brand in the global arena, positioning Haycarb as a leading manufacturer in the industry.

During the year, Haycarb was recognised for its manufacturing practices and occupational health and safety systems and contribution to the industry through the following awards.

- ▶ National Level Manufacturing Sector - Extra Large Category 'Top 10' Award & Merit Award for Industrial Excellence - Ceylon National Chamber of Industries (CNCI)
- ▶ Top Ten Winner in Best Management Practices awarded by The Institute of Chartered Professional Managers of Sri Lanka
- ▶ Silver Award in the 'Coconut and Coconut Products Sector - Extra Large Category - National Chamber of Exporters of Sri Lanka



Our brand attributes



- Customer centric**
 Customer centric approach is enshrined in the values and culture of the organisation.
- Technical excellence**
 Technical excellence in process and product has been the foundation on which we have grown assuring consistency and quality to all our customers globally.
- Innovative**
 Innovative implementation and review form a constant cycle of competitive value creation.
- Green**
 Green emphasising energy conservation and effective resource management at every stage from production through to delivery.

Technology Focus

Haycarb virtual experience platform

This platform enables global reach and engagement with key stakeholders through,

- ▶ Guided virtual tours of production facilities.
- ▶ Virtual engagement with existing and potential customers.
- ▶ Resolution of technical issues raised by customers.
- ▶ Plant audits for certifications.



Automation of raw material procurement

During the year under review, Haycarb automated its raw material procurement process through the introduction of a raw material tracking digitalization system. This enabled,

- ▶ Real time data collection
- ▶ Increased transparency
- ▶ Increase efficiency & effectiveness of inventory management
- ▶ Optimisation of supplier practice





WAY FORWARD

- ▶ Product innovations such as development of Molecular sieve carbon, H₂S removal application under inert condition (Oxygen free) and Five gas removal carbon
- ▶ Further automation of processes and digitalization of systems
- ▶ Increased collaborations with customers
- ▶ Focus on forward integration opportunities



HUMAN CAPITAL

Our team is vital to driving our strategic aspiration of becoming a catalyst in tomorrow's purification and energy storage solutions through technical excellence and innovation in products and processes. We, in turn, are committed to fostering a culture of empowerment through knowledge, skills and autonomy while safeguarding their wellbeing to enable mutual value creation.



Highlights of the Year



RS. 4.74BN

(+33%) Payments to employees



RS. 56.50MN

(+37%) Investment in employee health and safety



RS. 7.35MN

(+717%) Investment in training and development



>90%

Training coverage



95%

Employee retention rate

OUR HUMAN CAPITAL



VALUE CREATED IN 2022/23

- ▶ Implemented multiple strategies to attract and retain high performing talent.
- ▶ Strategic emphasis on safeguarding the well-being of employees and supporting them through the economic crisis.
- ▶ Ongoing focus on creating a learning organization through investments of **Rs. 7.35 Mn** in training and development.

OUTCOMES / IMPACTS

- ▶ **Rs. 4.74Bn** payments to employees (+33%)
- ▶ **ISO 45001:2018** certification at two factory locations in Sri Lanka
- ▶ **16,800** training hours (+205%)
- ▶ **95%** employee retention rate

CAPITAL TRADE-OFF

- ▶ Increased investments in Human Capital adversely impacts Financial Capital in the short term.
- ▶ However, these investments will enhance Financial Capital over the longer term through the retention of high performing talent that possess the skills and competencies required to drive innovation and technical excellence in products and processes.

CONTRIBUTION TO SDGS



1,880

Total number of employees

1,768

employees in the activated carbon segment in 6 countries

112

employees in environmental engineering segment in 2 countries.

61%

Of employees are based in Sri Lanka

99%

Of employees are based in Sri Lanka

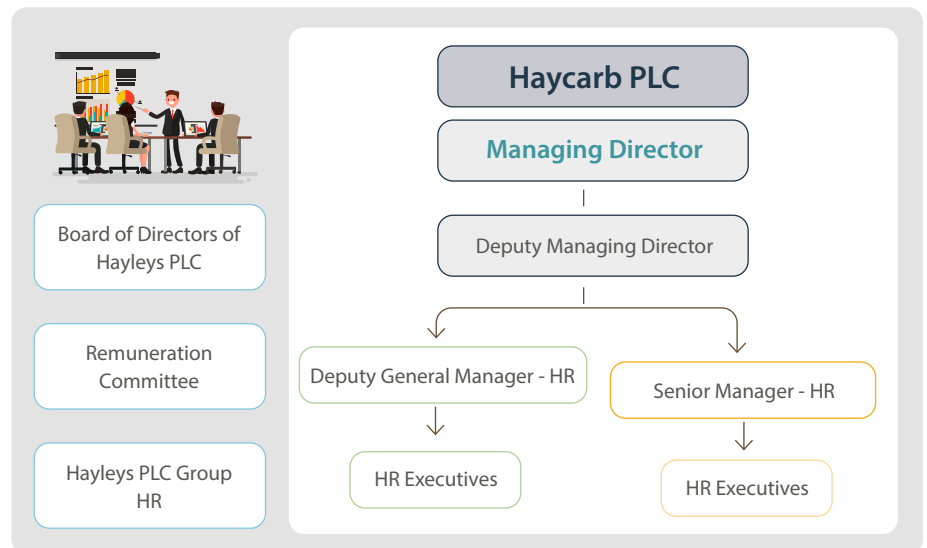
> HUMAN CAPITAL

“Our HR strategy is guided by our purpose statement which emphasizes empowering employees with knowledge, skills and outcomes to create value through world class technology and processes with efficiency and accountability.”

HR GOVERNANCE

Haycarb's approach to people management is aligned with that of its parent entity, Hayleys Group. Our HR practices adhere to all regulatory

requirements and industry best practice. The Group's HR governance structure as at 31st March 2023 for the Head Office is given below.



HR related matters at manufacturing facilities are managed by the HR department established on-site and is led by the factory manager with oversight from Head Office. HR departments at overseas locations are led by nationals of the respective countries to ensure cultural sensitivity and adherence to country-specific regulations.

HR policies are formulated at the Head Office taking into consideration the regulatory requirements of each country we operate in, the policy framework of our parent entity and industry best practice. Once formulated, policies are communicated by the HR Senior Manager to the Heads of HR at each overseas location via the Country Head.



Safe place to work

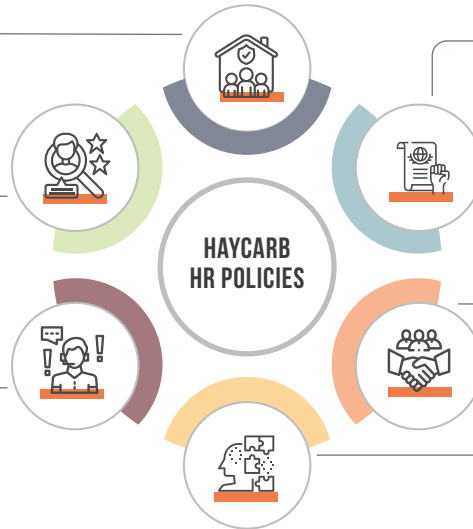
- ▶ Health and safety policy
- ▶ No harassment and abuse policy
- ▶ Anti-sexual harassment policy

Talent management

- ▶ Recruitment and selection
- ▶ Learning and Development
- ▶ Talent Management and Succession Planning
- ▶ Performance Management

Grievance mechanisms

- ▶ Grievance handling policy

**Human rights and ethical practices**

- ▶ Human rights policy
- ▶ No forced labour policy
- ▶ Minimum age policy
- ▶ No discrimination policy
- ▶ Whistleblower policy

Industrial relations

- ▶ Industrial relations policy

Disciplinary

- ▶ Disciplinary policy

OUR HR STRATEGY

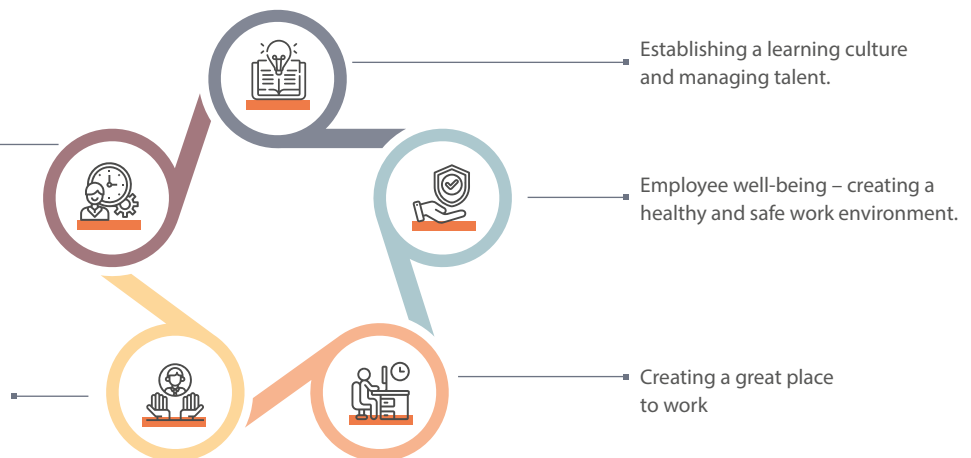
Our HR strategy is guided by our purpose statement which emphasises empowering employees with knowledge, skills and outcomes to create value through world class technology and processes with

efficiency and accountability. The following areas were identified as key HR priorities, guided by the HR strategy during the year, which also resonates with the Hayleys Lifecode, the Hayleys Group ESG framework. A key initiative was safeguarding the

physical and emotional well-being of our employees based in Sri Lanka, pressurized by the economic crisis that led to unrest, shortages and uncertainty.

Creating a culture for productivity improvement by establishing sustainability initiatives and lean manufacturing concepts

Empowering employees with knowledge, skills, and autonomy to create value with efficiency and accountability.



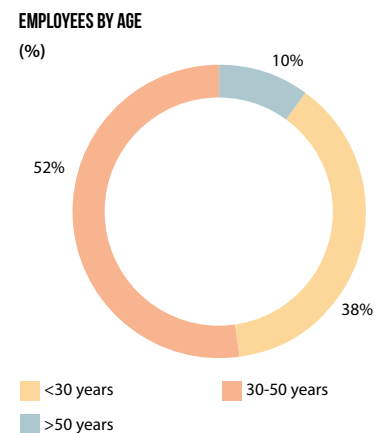
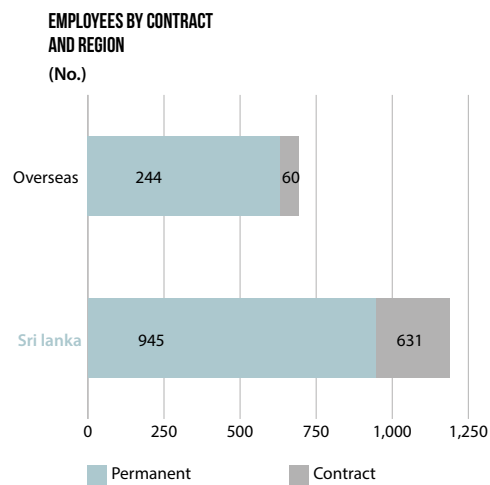
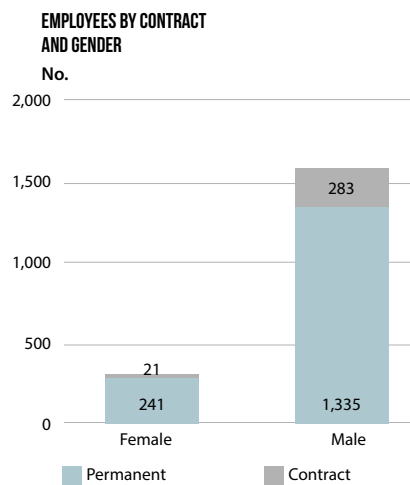
> HUMAN CAPITAL

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

The Group employs 1,880 employees across 07 countries with approximately 67% based in Sri Lanka. Of its 1,880 staff cadre, 1,576 are employed

on permanent contracts. , The Group does not employ staff on part time basis. Outsourced staff accounted for approximately 21% during the year under review and managed the non-core activities

at production locations. Haycarb does not endorse child labour and forced or compulsory labour and no incidents were reported during the year under review. .



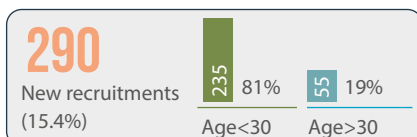
RECRUITMENT AND RETENTION GRI 401-1

The Group's employee retention rate has been healthy over the years. Despite significant brain drain in Sri Lanka given the economic crisis, the Group maintained an employee retention rate of 95% during 2022/23. Exit interviews were conducted with all employees resigning from the organisation. Approximately 8% of resignations were female employees.

Given the significant brain drain in Sri Lanka, , the Group sought to strengthen its recruitment process to attract high performing talent in a timely manner while enhancing its employee value proposition. These included,

- Strengthening partnerships with technical colleges and implementing internship programmes to identify high quality talent.
- Increased automation and utilization of new technology to mitigate labour shortages.
- Introduced additional benefits for employees to address inflationary pressures.
- Implemented systematic skill and competency development programmes to support employees' career progression.

The Group's recruitment process is governed by its recruitment policy and is formalised and transparent. We strive to attract high quality talent through an attractive value proposition which includes competitive remuneration and opportunities for development and career advancement. Overall, Haycarb recruited 290 people during the year with 142 employees recruited to its operations in Sri Lanka.



Region	Recruitment		Turnover	
	Male	Female	Male	Female
Sri Lanka	135 (47%)	7 (2%)	121 (68%)	7 (4%)
Overseas	112 (39%)	36 (12%)	43 (24%)	7 (4%)

Employee turnover by age	Below 30		30-50		50 or more	
	Male	Female	Male	Female	Male	Female
Local	54 (30%)	3 (2%)	65 (37%)	3 (2%)	2 (1%)	1 (1%)
Overseas	10 (6%)	1 (1%)	33 (19%)	6 (3%)	-	-

HEALTH AND SAFETY GRI 403-1 to 10

Safeguarding the well-being of all its employees, and maintaining a safe and injury-free work environment is a strategic importance to the Group. In this regard, Haycarb has implemented a comprehensive health and safety management system in adherence with all country-specific occupational health and safety regulatory

requirements for all employees across all its production locations and offices. Further the Group obtained the ISO 45001:2018 Occupational Health and Safety Certification during the year for its factories in Madampe and Badalgama in Sri Lanka.

Haycarb adopts a multi-faceted approach to managing occupational health and safety.

Each factory has a specialized Health and Safety teams comprising workers who represent all significant production line segments. The health and safety teams actively participate in the recognizing of hazards, the reporting and investigation of incidents, and helping the safety manager – Factory managers and occupational health and safety senior manager to encourage a safety culture.

Incident Reporting Process

Initial reporting by all potential reporters – Operational teams

→
Screened by Incident reporting committee

→
Analysis of incidents by Incident reporting committee

→
Development of improvements and corrective actions

→
Implementation of improvements and corrective actions and present to the management and respective committees



Fire and rescue training



Training on group safety policy



First Aid training



Firefighting drills

> HUMAN CAPITAL

Health and safety Officers

Health and safety officers

- ▶ Health and safety officers are present at all factories and offices.
- ▶ Their responsibilities include carrying out risk assessments and promoting compliance with existing safety measures.

Health and safety committees

Health and safety committees

- ▶ Health and safety committees have been established at all production locations.
- ▶ The committee comprises the Deputy Managing Director, factory management, the Health and Safety Officer and factory workers.
- ▶ The health and safety committee meet on a quarterly and monitors, evaluates and continually improves the existing occupational health and safety systems.

Health and safety audits

Health and safety audits

- ▶ Health and safety audits are carried out on a quarterly basis at all sites and corrective actions are made where necessary.
- ▶ Progress made on mitigating strategies are reported to the Deputy Managing Director monthly.

Health and safety related concerns identified by the Health and Safety Officer and the Health and Safety Committee is report to the Occupational Health and Safety Senior Manager and the HR Department and corrective actions is implemented. All significant health and safety related risks are reported to the Deputy Managing Director who briefs the Board on a quarterly basis on health and safety related matters. The Group's health and safety reporting process is summarised below.



Fire safety training



Training on soft skill development

A multitude of health and safety procedures have been implemented across our manufacturing facilities to minimise accidents and injury. During the year safety visualisation at factories was enhanced through sign boards and warning boards. Furthermore, the Group carries out mandatory health and safety related training for all employees in a systematic manner.

Haycarb provides the following health and safety benefits to its employees.

- ▶ First aid centres at all manufacturing plants with qualified personnel.
- ▶ Visits from a consultant doctor on a weekly basis.
- ▶ Medical insurance for executives.
- ▶ A medical expenses fund for factory employees.
- ▶ Annual health check-up for every employee in manufacturing locations.

Safeguarding our employees against long term health risks

Proactive measures have been adopted to evaluate the impacts of our operations on the long-term health and well-being of our employees. Safety standards have been established for work processes that could impact the long-term well-being of our employees and monitored on an ongoing basis. If deviations are observed, processes are modified to bring it in

line with established safety standards. Workers operating processes that could impact long term health are provided with personal protective equipment. We ensure all factory workers receive regular training on the proper use and importance of safety equipment. Additionally periodic health check-ups are conducted to detect any health issues early on.

Health and safety procedures

- ▶ Hazard identification and risk assessment with worker participation.
- ▶ Mock drills on chemical safety.
- ▶ Permit to work system.
- ▶ Toolbox talk with worker participation.
- ▶ Fire safety systems with fire drills conducted on a periodic basis.
- ▶ First aid boxes, medical rooms with qualified personnel.
- ▶ Provision of personnel protective equipment depending on responsibilities and includes safety shoes, goggles, ear muffs, helmets, aprons and gloves.
- ▶ Thailand – Medical screening was done for all the employees attached to both factories

Health and safety related training

- ▶ Workshop employees at Carbokarn, Thailand, participated in a health and safety skill development programme to improve health and safety practices at work in collaboration with the skill development section of the local government office.
- ▶ Two employees at MMCI, were trained and certified as wastewater and hazardous chemical handlers with the collaboration of the Environmental authority in Indonesia.
- ▶ Two employees at Carbokarn and Shizuka were trained and certified as professional waste handlers.
- ▶ Training on ISO 45001:2018 lead auditor cause health and safety management training was given to Managers in Sri Lanka.
- ▶ Other areas covered in routine health and safety training for all employee across the group include,
 - ▶ General Hazards
 - ▶ Causes of accidents and types of accidents
 - ▶ Safety policy
 - ▶ Safety signs
 - ▶ Lockout tagout training to protect employees from hazardous energy releases.
 - ▶ Fire safety and fire fighting drills
 - ▶ Forklift operation and safety
 - ▶ Chemical handling training and drills
 - ▶ First aid training
 - ▶ Boiler and pressure vessels operation and safety.
 - ▶ Snake bite related training.
 - ▶ Working at height
 - ▶ Manual lifting
 - ▶ Personal hygiene
 - ▶ Hot work practice.
 - ▶ Occupational health and safety training

The Group's health and safety record is provided below. No ill health was recorded during the year.

	Total
Occupational injuries and diseases with lost working days	30
Total no. of lost days due to occupational injuries/diseases	112.5
No of fatalities	0
Health and safety training hours	4,980



> HUMAN CAPITAL

“Providing our employees with opportunities to grow, is a key strategic priority at Haycarb and is aligned with our aspiration of creating a learning organization. Training and developing our staff provides them with opportunities to acquire new skills while enhancing organizational tacit knowledge, productivity and innovation.



Haycarb was awarded for **‘Managing Health and Work’** by Employer Branding Institute of India under Sri Lankan Best Employer Brand.

MMCI was awarded for **Zero Accidents during the year 2022/23** for the 3rd consecutive year from the North Sulawesi Governor's office, Indonesia.

TRAINING AND DEVELOPMENT GRI 404-1, 2

Providing our employees with opportunities to grow, is a key strategic priority at Haycarb and is aligned with our aspiration of creating a learning organisation. Training and developing our staff provides them with opportunities to acquire new skills while enhancing organisational tacit knowledge, productivity and innovation. Employee training needs and skill gaps are identified through the year-end performance appraisal and training plans are developed and actioned upon accordingly. New recruits follow an orientation programme upon joining Haycarb to support integration and on-the-job training thereafter. We also foster the life-long learning of our employees by supporting their undergraduate/postgraduate/professional studies on a case-by-case basis. Training programmes at Haycarb are delivered through virtual and in-person sessions and are delivered by both external and internal resource personnel.

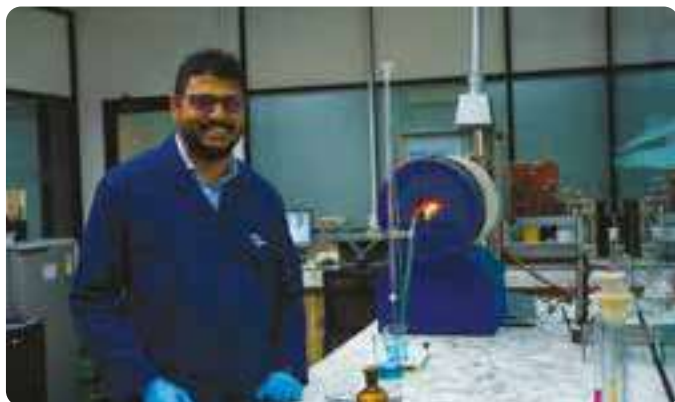
As pandemic led restrictions eased, the Group sought to restore its training and development proposition to pre-pandemic levels in alignment with the Hayleys Lifecode goal of achieving 40 training hours per employee by 2030. This resulted in a 717% increase in training and development investments to Rs. 7.35 million in 2022/23.

Key training and development initiatives implemented during the year include,

- ▶ **Management development programme**
- **Sri Lanka** A comprehensive management development programme was conducted to develop the leadership skills of middle management. 33 high potential middle managers representing all departments participated in a 6-month programme conducted by a professional skill development agency.



Graduation of Management Development programme - Sri Lanka - 2022/23



- ▶ **Skill development programme - PT. Mapalus Makawanua Charcoal Industry**
Skill development program was done for forklift operators and Captaincy licences were given to 10 operators and another 10 operators will be issued next year.
- ▶ Leadership training program
- ▶ Outbound training sessions
- ▶ Trainings on various aspects related to ISO
- ▶ Training on machine handling and productivity improvement
- ▶ 5S Training series
- ▶ Cyber Security
- ▶ Labour Law & HR policies
- ▶ Microsoft Office Training
- ▶ Skill development training programs for blue colour workers
- ▶ Training on Health and safety. (Refer page 117)

JOB ROTATIONS

Based on performance levels of employees, job rotation opportunities both local and overseas, are provided to all employees to ensure better career progression and increased exposure, enabling a more holistic work-experience.

Training record in 2022/23	
Staff category	Average training hours per head
Assistant Managers and above	28
Executive	8
Non-executive	8

RS. 7.35 MN (+717%)

Investment in training

16,800 (+205%)

Total Training hours

13,313
Training
hours

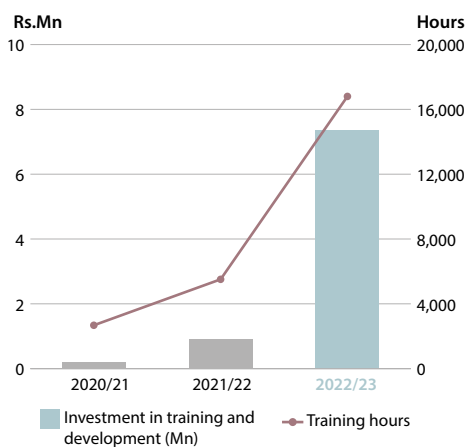
8 Hrs
Average



3,487
Training
hours

13 Hrs
Average

TRAINING AND DEVELOPMENT



OVERSEAS PLACEMENTS

The Group also provides high performing employees with opportunities for overseas placements. Overseas placements usually entail a three-year programme at one of Haycarb's offices or manufacturing plants located abroad and is aimed at fostering knowledge sharing, leadership and decision-making skills while promoting cultural awareness and providing

exposure to diverse work environments. Approximately over 25 employees are offered overseas placements every year.

32

Sri Lankan employees resident and sent on short-term overseas assignments during the year

> **HUMAN CAPITAL**

PRODUCTIVITY ENHANCEMENT

In accordance with the Group's strategic focus on driving operational efficiencies while minimising waste, Haycarb conducts work improvement team meetings every quarter at each manufacturing location in Sri Lanka. The meeting are led by the Deputy Managing Director and comprise representatives at all levels of the organisation including factory workers. Employees are encouraged to share

insights and suggestions on how waste can be minimised while improving the efficiency and effectiveness of the production process thereby leading to cost savings and increased productivity. Several ideas suggested at these meetings 36 projects were actioned upon resulting in a cost saving of Rs. 212 million. The Group extended this programme to its Carbokarn production facility in Thailand by establishing five volunteer groups to identify

opportunities for productivity enhancement and reducing waste.

EMPLOYEE ENGAGEMENT

Our employees participated in numerous sports and religious events organized by Haycarb as well as by the Hayleys Group. A summary of these activities are presented below.



We participated in sports events organized by Hayleys Group, including carrom, table tennis, badminton, chess, cricket & swimming, and emerged winners, or runners up under many categories.



- Other events included,
- ▶ Religious ceremonies organized at overseas locations.
 - ▶ Employees and their children participated in an art competition.
 - ▶ Children's party
 - ▶ Annual get-togethers

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

Haycarb recognises employees' right to exercise freedom of association and collective bargaining. Approximately 56% of our staff in Sri Lanka are members of trade unions. The Management maintains an open dialogue with

trade unions through an open-door policy while a reasonable notice period is provided to employees prior to making major operational changes. Cordial relations were maintained with trade unions during the year with no disputes.

56%

of our staff cadre are members of trade unions.

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

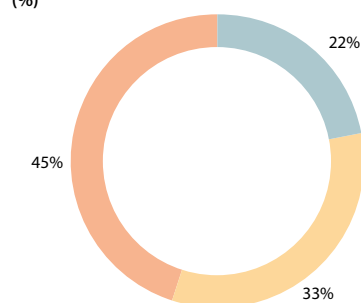
PERFORMANCE MANAGEMENT GRI 404-3

Our performance management system fosters a performance driven culture. Employees are set measurable objectives derived from the Group's strategic goals for the year and performance is evaluated annually and feedback provided. We carried out performance appraisals for 100% of all permanent employees during the year.

REMUNERATION AND BENEFITS GRI 401-2

The Group's remuneration policy ensures equitable remuneration for all its employees. For executives, rewards are linked to performance

COMPOSITION OF INTERNAL PROMOTIONS (%)



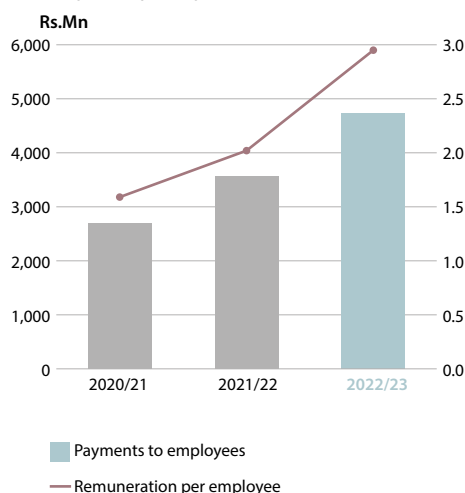
■ Middle Management
■ Senior Management
■ Others

Average Tenure	Years
Middle Mgt	17
Senior Mgt	16

as determined at the bi-annual performance appraisal while remuneration for unionised employees is determined through collective agreements negotiated every two years. The Group adheres to all remuneration related statutory requirements including EPF and ETF obligations.

In addition to fair remuneration, the Group provides the following additional benefits to its full-time employees.

EMPLOYEE REMUNERATION



RS. 4.74 BN (+33%)

Payments to employees

Relief measures provided to employees in Sri Lanka included,

- ▶ Provision of dry rations worth Rs. 20,000 per pack to employees (excluding senior management) in July, August, and December 2022.
- ▶ A bonus of two-months salary paid in advance to all employees in September and December 2022.
- ▶ Provided take-home meals for 200 factory employees per day for 3 months, at a subsidized cost to address food-security related concerns.
- ▶ Increased the daily travelling incentive for employees in staff and manual categories by 40%, in view of the rise in fuel prices.
- ▶ Encouraged home gardening through the provision of vegetable seeds (8 varieties) and technical know-how in response to food-security related concerns.
- ▶ Cultivated vegetables at factory locations including a greenhouse with the objective of sharing best practices in agriculture and sold the harvest at a 50% subsidy to employees.
- ▶ Ongoing provision of subsidised meals for all employees at the manufacturing locations.
- ▶ Provided transport facilities for employees during the fuel shortage.



> HUMAN CAPITAL

KEY BENEFITS TO EMPLOYEES

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

Only executives and above employee categories stationed in factories are provided

Executives in the section head, Assistant Manager and above only provided

GENDER PARITY REPORTING GRI 406-1

Haycarb is committed to fostering a culture of diversity and inclusivity and has policies and procedures in place to promote fair and equitable treatment of all employees. In addition

to policies pertaining to anti-sexual harassment, non-discrimination and equal opportunity, the Group has also implemented a dedicated grievance handling mechanism to address harassment related grievances. Our diversity and

inclusivity related practices are also guided by the Hayleys Group ESG framework – the Hayleys Lifecode. No discrimination related incidents were reported during the year.

Diversity and inclusion related policies

Anti-sexual harassment policy



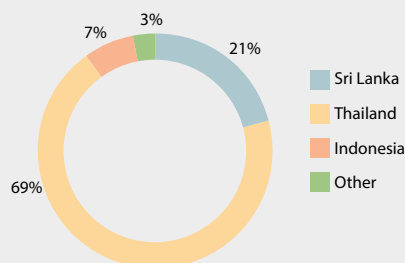
Equal opportunity policy



Non-discrimination policy

**14%** Total female representation**21%** Female representation at board level**15%** % of total females recruitment**Female representation in key departments**

Finance and administration	
Marketing and business development	
Engineering and project management	
R&D / technical	
Operations	

Female representation by geographical distribution**Maternity leave and retention**

	Number	% of Female Workforce
No. of employees entitled to Maternity leave	262	100%
Total number of employees that took maternity leave	4	2%
Returned to work after maternity leave	4	2%
Retained within the organization after 12 months taking maternity leave	4	2%

GRI 401-3

100% Return to Work Rate**100%** Retention Rate**WAY FORWARD**

- ▶ Ongoing emphasis on employee well-being.
- ▶ Continued efforts to enhance employee engagement.
- ▶ Creating a learning culture that promotes empowerment and opportunities for growth.



SOCIAL AND RELATIONSHIP CAPITAL

Our Social and Relationship Capital represents the long-standing relationships we have fostered with our customers, suppliers, business partners and communities, that enable the continuity of our operations while strengthening our social license to operate.



Highlights of the Year



Customers



Suppliers



Business Partners



CSR Beneficiaries



OUR SOCIAL AND RELATIONSHIP CAPITAL



VALUE CREATED IN 2022/23

Customers

- ▶ Strengthened engagement with existing and potential customers.
- ▶ New customer acquisition with emphasis on end-customers.

Suppliers

- ▶ Securing uninterrupted supply of raw materials
- ▶ Ongoing emphasis on greening our supply chains.
- ▶ Expanding our supplier base.

Communities

- ▶ Supported our communities through impactful CSR initiatives.

CAPITAL TRADE-OFF

- ▶ Stronger partnerships with value chain partners enhance customer satisfaction, enables the uninterrupted supply of raw materials enhancing financial capital in the long term.
- ▶ Investment in impactful CSR initiatives negatively impacts financial capital while strengthening our social license to operate.

CONTRIBUTION TO SDGS



CUSTOMERS

- ▶ **53** new customers
- ▶ **>95%** customer retention rate
- ▶ **>85%** customer satisfaction rate in activated carbon
- ▶ **>85%** customer satisfaction rate in environmental engineering solutions.

SUPPLIERS

- ▶ **242** new suppliers
- ▶ **Rs. 17,613 Mn** payments to coconut shell and charcoal suppliers. *Payments to other suppliers 6,117Mn (Chemicals and other materials)*
- ▶ **Rs. 6 Mn** investments in supplier development
- ▶ **70%** of total coconut charcoal requirement in Sri Lanka sourced through environmentally friendly methods.

COMMUNITIES

- ▶ **Rs. 40 Mn** invested in CSR initiatives in 2022-23
- ▶ **> 100,000** beneficiaries

> SOCIAL AND RELATIONSHIP CAPITAL

MANAGEMENT APPROACH

Our approach to managing our relationships with customers, suppliers, and business partners centres on fostering long term relationships built on trust, and sound business practices. Through active engagement with customers, collaborative partnerships with business partners and implementation of sound business practices with suppliers we aim to nurture

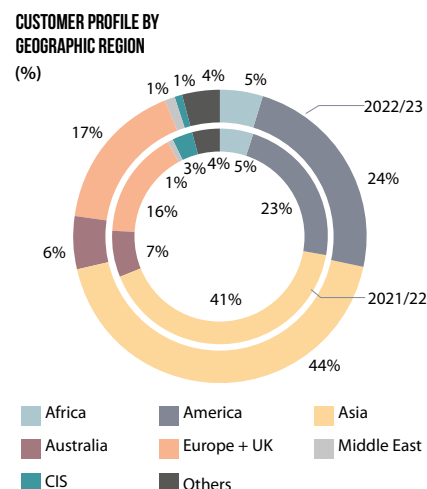
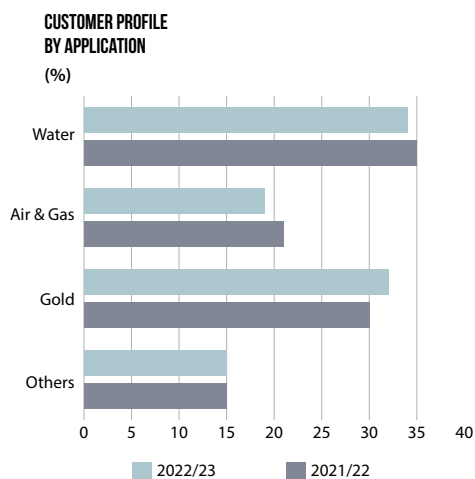
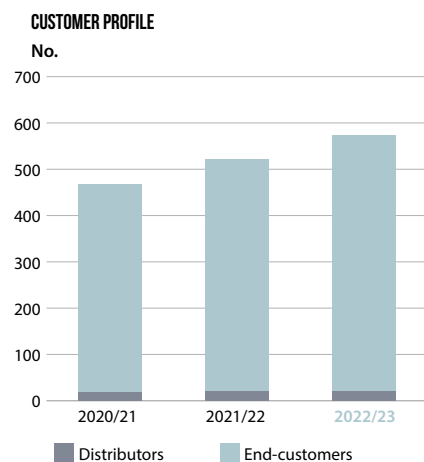
positive and sustainable relationships that lead to mutual value creation.

CUSTOMER RELATIONSHIPS

Customer profile

- Customers of the activated carbon segment are diverse in geographic distribution and applications and comprise global distributors and end-customers situated in over 50 countries.

- The Environmental Engineering Solution's customer base represents industries, institutions, municipalities, and end-consumers and reflects the diversity in its service and product offering.



Highlights of our customer management strategy in 2022/23

- Strengthened engagement with existing and potential customers, showcasing our technical and production capabilities while allaying concerns about uncertainties stemming from the economic crisis in Sri Lanka.
- New customer acquisitions through participation at trade shows, in-person customer visits and factory visits.
- As freight rates normalized during the year, emphasis was placed on obtaining competitive shipping prices and passing on the benefit to our customers. This involved active negotiations with freight lines, exiting LT contracts, working with forwarders and operating with multiple freight options.
- Reassessment of distribution channels. This entailed exiting unprofitable distributor partnerships and pursuing direct sales in specific markets. This enabled the provision of better services to end-customers, a deeper understanding of end-customer needs and facilitated collaboration on new product developments.

Key achievements

53 new end-customer acquisitions

>95% customer retention rate

>85% customer satisfaction rate

VALUE CREATION TO CUSTOMERS GRI 2-6

1



ENGAGEMENT AND COLLABORATION

Strategic emphasis was placed on strengthening engagement with existing and potential customers. The gradual lifting of COVID-19 restrictions enabled greater in-person engagement while digital platforms were utilised to expand reach. Focus on engagement enhanced responsiveness to customer concerns related to the uncertainties stemming from the economic crisis in Sri Lanka, and the reiteration of our commitment to technical excellence, innovation, and timely delivery. Key highlights include,

- ▶ Increased online visibility through search engine optimisation.
- ▶ Customer visits to Haycarb's manufacturing facilities.
- ▶ Visits to customer locations.
- ▶ Participation in tradeshow in key markets including Europe, USA, Taiwan, South Korea.
- ▶ In the process of upgrading the corporate website to provide an improved user experience and access to technical data.

2



INNOVATION

Ongoing emphasis on developing new products that meet emerging needs through collaborative partnerships with customers as well as through our own research and development efforts. During the year, progress was made on the development of energy storage carbons through our partnerships in the USA.

3



PRODUCT RANGE

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

Activated carbon (Refer page 22 - 25 for more information on products)

- ▶ Products for an array of applications including water and air purification, precious metal recovery, energy storage, personal protection, solvent recovery, petroleum and gas, and the food and beverage industry

Environmental engineering solutions

- ▶ Raw water treatment
- ▶ Sewage treatment
- ▶ Industrial effluent treatment
- ▶ Operation & Maintenance Services
- ▶ Value added Activated carbon products
- ▶ Chemicals , RO Membranes & Hydrocove water Purifiers

4



PRODUCT QUALITY AND TIMELY DELIVERY

The management of the entire supply chain, a stringent quality assurance process and compliance with a range of international and local certifications enabled the consistent delivery of high-quality products to our customers during the year.

Active engagement with freight liners enabled optimised freight expenses contributing to competitive product pricing and timely delivery of our products.

> SOCIAL AND RELATIONSHIP CAPITAL

VALUE CREATION TO CUSTOMERS



5 RESPONSIBLE PRACTICES AND MARKETING GRI 417-1 to 3, 418-1

Labelling of products are carried out in accordance with customer requirements and compliance is enabled through stringent processes and adherence to a multitude of certifications. During the year, no significant incidents were reported on non-compliance with product and service information, labelling, and marketing communications. Furthermore, Haycarb is acutely aware of the need to maintain cyber security and are committed to protecting customer data which is secured through a comprehensive and well implemented IT security plan that includes employee training. During the year no substantiated occurrences or breaches of customer privacy and losses of customer data were reported.



6 CUSTOMER HEALTH AND SAFETY GRI 416-1, 2

Given its applications in the food and beverage industry, ongoing emphasis is placed on preserving the health and safety of our customers. To this end, our Food Safety policy articulates the Group's commitment to producing products that are free from physical, chemical, and biological contamination. This is enabled by the implementation of processes and quality control measures in adherence to numerous food safety related certifications. Approximately 34 % of our products were assessed for health and safety concerns. During the year, no incidents of non-compliance concerning health and safety impacts of our products and services were reported.

CUSTOMER SATISFACTION

Haycarb monitors customer satisfaction levels through feedback forms that track numerous indicators. Our customer satisfaction rate improved to 85.2% during the year from 80% in 2021/22 with particularly positive feedback obtained on our ability to consistently deliver products in a timely manner despite pandemic-led disruptions.

Customer satisfaction score

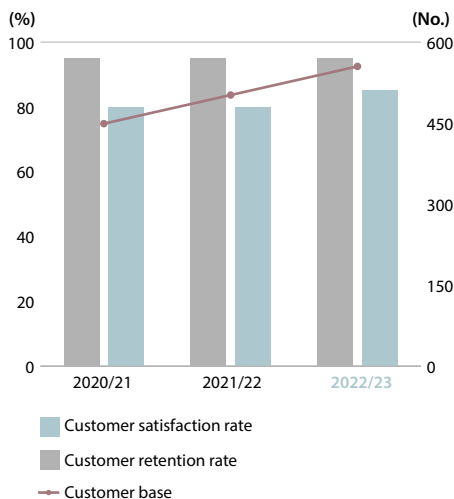
>85% Activated carbon segment

>85% Environmental engineering segment

Customer satisfaction indicators

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

CUSTOMER SATISFACTION TRENDS



MANAGING OUR SUPPLIER RELATIONSHIPS

Supplier profile

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

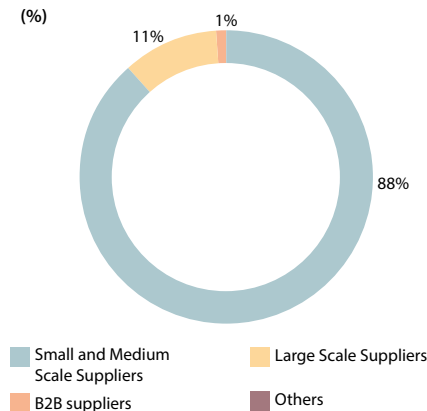
The Activated Carbon segment's supplier base comprises suppliers of its key raw material, coconut charcoal, chemicals, packaging material and service providers. Suppliers of coconut charcoal exceed 570, of which over 200 are micro-entrepreneurs, in Sri Lanka enabling socio-economic progress within the communities we operate in. No child labour or forced/compulsory labour is employed across our supply chain.



Significant resources have been invested to develop a supplier base for each geographic location while also working with suppliers in India and Philippines. Given the sharp depreciation of the Sri Lankan rupee, emphasis was placed on sourcing raw materials locally in Sri Lanka. The proportion of raw material sourced locally by each geographic location during the year is given below.

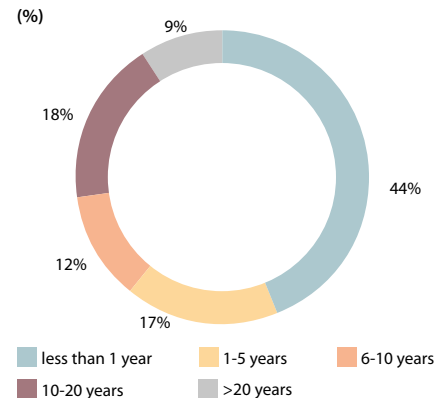


PROFILE OF COCONUT CHARCOAL SUPPLIERS IN SRI LANKA (%)



The Environmental Engineering Solutions segment's supply chain partners include suppliers of chemicals and equipment and subcontractors. The segment's supplier base comprises approximately 20 suppliers located in multiple countries including China, Taiwan,

LENGTH OF PARTNERSHIP WITH SUPPLIERS (%)



Japan, Thailand, Singapore and Europe. The segment also worked with over 48 subcontractors during the year to deliver its water and wastewater treatment solutions in Sri Lanka and Maldives.

OUR SUPPLIER MANAGEMENT STRATEGY IN 2022/23

Highlights of our supplier management strategy in 2022/23

- ▶ Emphasis on local sourcing of our key raw material, coconut charcoal, in Sri Lanka.
- ▶ Ongoing emphasis on expanding and greening our supply chain through the Haritha Angara programme in Sri Lanka and Indonesia and the vertical kiln programme in Thailand.
- ▶ Introduction of a digital platform to automate raw material procurement in Sri Lanka.
- ▶ Assisted to suppliers in Sri Lanka to enable the uninterrupted supply of raw materials.
- ▶ Enhanced inventory of key inputs in Sri Lanka through the expansion of our warehousing capacity.
- ▶ Commenced a new collection centre in Melsiripura to engage small-scale suppliers of raw materials.

Key achievements

Uninterrupted production of all activated carbon products despite the challenges that prevailed.

8 new suppliers added to the Haritha Angara programme.

4% suppliers assessed for environmental and social criteria.

70% Total coconut charcoal requirement in Sri Lanka sourced through environmentally friendly methods.

> SOCIAL AND RELATIONSHIP CAPITAL

“Our social capital embrace primarily deep relationships with customers, suppliers and business partners while **share best practices** with our suppliers including micro entrepreneurs, strengthen engagement while **building trust and confidence** with customers through **delivery of high quality products.**”

VALUE CREATED FOR SUPPLIERS

GRI 204-1



RS. 17,613 MN

payments to coconut shell and charcoal suppliers Payments to other suppliers 6,117Mn (Chemicals and other materials)

88%

paid to local suppliers of total spend in Sri Lanka

100%

of local supplies in Indonesia and Thailand

RS. 6 MN

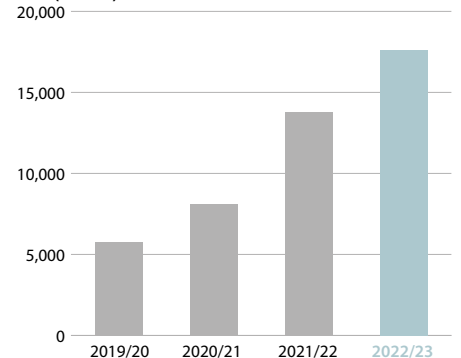
investments in capacity building of suppliers

Process improvements to increase efficiency of environment friendly vertical kiln charcoaling in Thailand



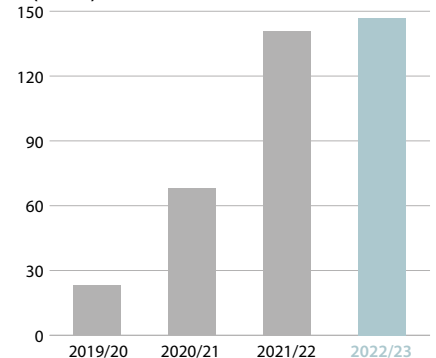
PAYMENTS TO SUPPLIERS

(Rs. Mn)



CUMULATIVE INVESTMENT IN SUPPLIER DEVELOPMENT

(Rs. Mn)



OUR GLOBAL SUPPLIER CHAIN NETWORK

SRI LANKA



INDIA



THAILAND



PHILIPPINES



INDONESIA



> SOCIAL AND RELATIONSHIP CAPITAL

GREENING OUR SUPPLY CHAINS

GRI 308-1, 2, 414-2

We have made considerable investments in our supply chain to minimise the environmental impacts of coconut charcoalcoaling through the introduction of our proprietary closed pit charcoalcoaling technology. Furthermore, this technology has also minimised the energy needed for charcoalcoaling as energy is required only for initiation. Subsequent energy requirements are met through the exothermic energy released during the process.

Significant efforts and investments have been made to convince coconut charcoal producers to adopt this technology through our award-winning Haritha Angara programme in Sri Lanka, the extension of Haritha Angara in Indonesia, the vertical kiln programme in Thailand.

During the year 10 suppliers were assessed for environmental impacts of which 01 were identified as having potential negative environmental implications. Of these, agreements have been reached with suppliers to join the Haritha Angara programme and adopt closed pit charcoalcoaling technology. 4% of new suppliers were screened using environmental criteria. Further, there were no suppliers identified relating to any social negative impacts in the supply chain.



Traditional open pit method

Release of greenhouse gases including methane and carbon monoxide to the environment.



Haycarb proprietary closed pit charcoalcoaling technology

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



SRI LANKA

- ▶ Haritha Angara
- ▶ Recogen

90% of coconut charcoal sourced locally through environmentally friendly methods.



INDONESIA

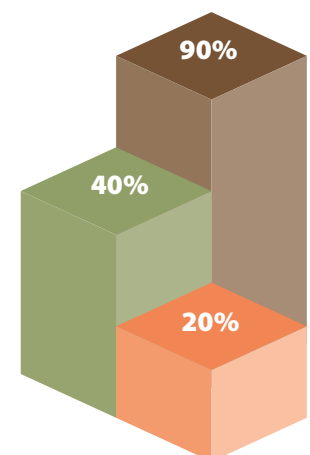
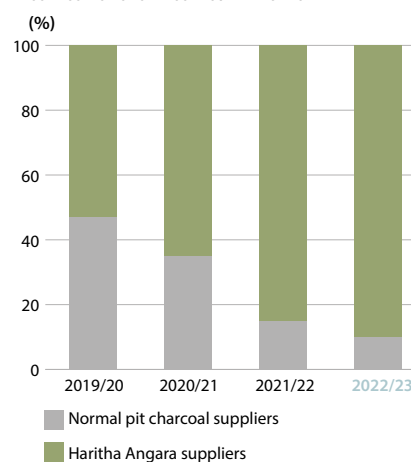
Haritha Angara
20% of coconut charcoal requirement sourced through environmentally friendly methods.



THAILAND

Vertical kiln programme
40% of coconut charcoal requirement sourced through environmentally friendly methods.

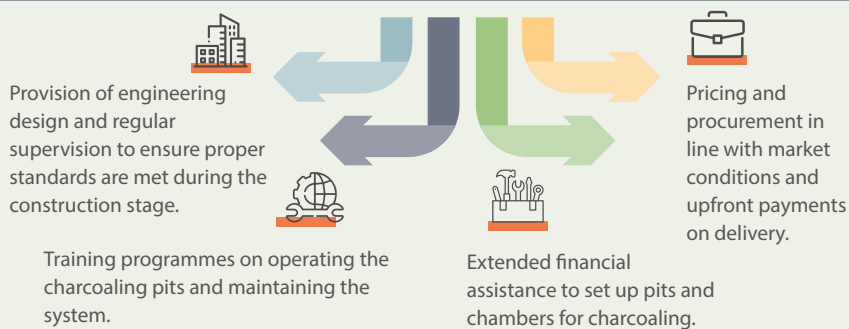
COMPOSITION OF CHARCOAL SUPPLIERS IN SRI LANKA





HARITHA ANGARA PROGRAMME – SRI LANKA

Haritha Angara is a unique, award-winning initiative that enables the production of high-quality coconut shell charcoal while minimising environmental impacts and contributing to the socio-economic development of our micro-entrepreneurial suppliers. Key features of the programme are given below.



Since its inception in 2016, the programme has facilitated the construction of over 400 pits with the capacity to generate approximately 7,000 MT of coconut charcoal per month. The programme has also benefitted over 40,000 families. Highlights for the year under review are given below.

12

new pits were constructed in Sri Lanka

RS. 6 MN

was invested

OVER 35

suppliers assisted to mechanise their production facilities for efficient and safe production.

80%

Meets ~80% of the charcoal requirement in Sri Lanka

VERTICAL KILN PROGRAMME – THAILAND

Resources were also invested to expand and enhance the efficiency of the vertical kiln programme in Thailand. The yield of shell to charcoal conversion improved by 2% during the year.

HARITHA ANGARA PROGRAMME – INDONESIA

Despite concerted efforts during the year to expand the Haritha Angara programme in Indonesia, uptake was slow. The amount of raw material sourced through the programme increased during the year through the addition of 06 new closed pit charcoaling systems. Despite lack of enthusiasm witnessed in 2022/23, we remain committed to promoting green charcoaling in Indonesia and hope to reach our goal of 25% by 2024.

5%

Accounts for 5% of coconut charcoal requirement in Indonesia

RECOGEN – SRI LANKA

Another initiative by Haycarb to minimise the environmental impact of coconut charcoaling, this patented technology produces coconut charcoal from coconut shells while simultaneously combusting the harmful gases released during the production process. The heat generated through combustion is used to operate a boiler/steam turbine to generate electricity which is supplied to the National Grid. During the year, the Group sourced % (>6,300 MT) of its raw material requirement in Sri Lanka through Recogen while generating over 1Mn kWh of electricity.

Registered under the UNFCC (United Nations Framework Convention on Climate Change).

10%

Accounted for 10 % of the raw material requirement in Sri Lanka

RS 32.8 MN

Investment on capacity increase for continuous charcoaling process

> SOCIAL AND RELATIONSHIP CAPITAL



IFAT Trade Fair 2022 held in München, Germany



Wampoc/Wampex 2022 held in Ghana



Assistance to suppliers to mechanize their production facilities



WQA Convention & Exposition 2023 held in Las Vegas, USA



Going Beyond book distribution project



Micro-entrepreneur supplier partnerships



Micro-entrepreneur supplier partnerships

COMMUNITY ENGAGEMENT

GRI 413-1, 2, 203-1,2

We sought to strengthen community engagement during the year, as vulnerable communities in Sri Lanka were placed under increased financial stress given the economic crisis. Our CSR agenda focused on addressing some of the urgent needs of our communities while maintaining ongoing commitments in providing purified drinking water to areas affected by Chronic Kidney Disease. Some of the major community programmes undertaken during the year are given below.



Empowering our children by supporting their education (Rs. 10.4 million investment, over 5,500 beneficiaries)

- ▶ Provision of mid-day meals for 700 students in 13 schools for 200 school days
- ▶ Donation of school books to 666 school children residing in proximity to Haycarb operations
- ▶ Providing smart class room facilities to government schools to facilitate the DP Education Digital Platform designed to deliver equal access to world class free digital learning to all
- ▶ Donation of school uniforms to 100 students in WP/MINU/Marapola Maha Vidyalaya.
- ▶ School books distribution to over 250 children in schools within the proximity of PT Mapalus Makawanua Charcoal Industry, Indonesia



Supporting the medical needs of our communities (Rs. 21.5 million, over 40,000 beneficiaries)

- ▶ Renovation of the plastic surgery unit (Ward no. 4 and day surgery unit) at the National Hospital of Sri Lanka and provision of medical equipment
- ▶ Renovation of the cancer treatment unit (Ward no. 56 & 57, including Iodine treatment unit) at the Karapitiya Teaching Hospital in Galle and provision of medical equipment
- ▶ Donation of medical equipment and medicines to 10 hospitals including
 - ▶ National Hospital, Colombo
 - ▶ Lady Ridgeway Hospital
 - ▶ Madampe Hospital
 - ▶ Divulapitiya Hospital
 - ▶ Galmuruwa Hospital
 - ▶ Akaragama Divisional Hospital
 - ▶ Pudukdurippu Hospital
 - ▶ Kiribathgoda Hospital
 - ▶ Padaviya Hospital
 - ▶ Badalgamuwa Hospital

Other initiatives in Sri Lanka (Rs. 4.6 million, over 700 beneficiaries)

- ▶ Distribution of dry rations through The Ceylon Chamber of Commerce - Diviyata Diriyak programme
- ▶ Distribution of dry rations to residents of Suhadha Mawatha, Madampe
- ▶ Distribution of dry ration packs to residents in Badalgama
- ▶ Contribution to the University of Moratuwa in support of research

CSR Initiatives in Indonesia (Rs. 1.5 million, over 400 beneficiaries)

- ▶ Distribution of basic education equipment for students
- ▶ Gifts to villagers for Eid Al Fitr 2022 (Ramadan festival)
- ▶ Distribution of dry ration parcels to flood affected victims in Tolai Village at Paragi-Sulawesi Tenga

CSR initiatives in Thailand (Rs. 2.1 million, over 500 beneficiaries)

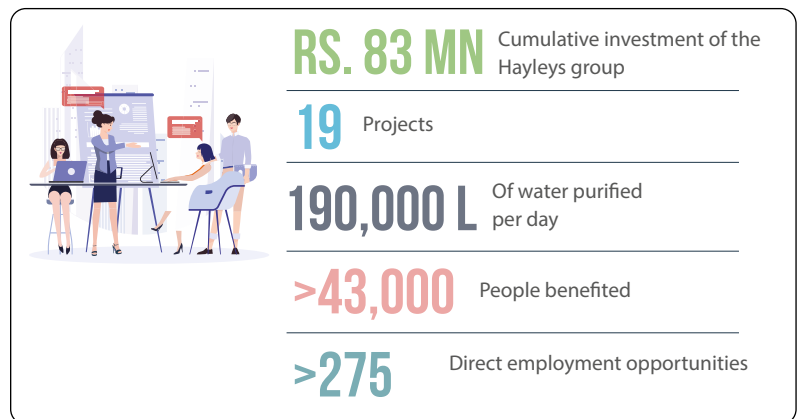
- ▶ Donation of COVID-19 medicine to the Narek Subdistrict Administration Organization
- ▶ Donation to the Temple Huai Thon Hang
- ▶ Donation to the provincial office to provide waste bins to the village

> SOCIAL AND RELATIONSHIP CAPITAL



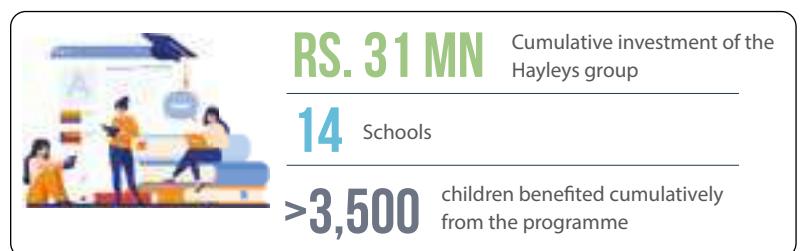
PURITAS SATH DIYAWARA

The Group continued to maintain the purified drinking water projects implemented under Puritas Sath Diyawara, a flagship CSR initiative of Haycarb Group. In its 9th year of operations, this programme continues to play a significant role in providing purified drinking water to communities affected by Chronic Kidney Disease (CKD). The initiative leverages the strength of the Environmental Engineering Solutions segment's water purification capabilities and involves the setting up of a reverse osmosis treatment plant and distribution system to provide purified drinking water to the community.



PURITAS SATH DIYAWARA – GOING BEYOND

An extension of the 'Puritas Sath Diyawara' programme, the 'Going Beyond' programme aims to address the broader socio-economic needs of the communities in CKD affected areas. The Group continued to invest in a range of initiatives that supported the education-related needs of school children, empowered youth and women and uplifted domestic entrepreneurship. Haycarb invested Rs.2.1Mn during the year on this initiative.



During the period under review no significant and potential negative impacts reported on the local communities through our operations.

RELATIONSHIPS WITH BUSINESS PARTNERS

We invest in building long term relationships with our business partners driving collaborative partnerships and mutual value creation through sound business practices.

JOINT VENTURE PARTNERS IN THAILAND AND INDONESIA

We continued to leverage the strength of our long-standing joint venture partnerships in Thailand and Indonesia to drive growth. During the year, these partnerships played a critical role in managing raw material procurement, industrial relations, marketing and management of activated carbon sales in the local market and community engagement in the respective countries.

>26 years relationship in Thailand

>11 years relationship in Indonesia

VEOLIA

Environmental Engineering Solutions well-established partnership with Veolia, the world's largest water service provider specializing in water management, wastewater management and energy services enabled the development of large-scale water and wastewater treatment systems in Sri Lanka, using the latest European technology and expertise.

>11 years relationship

FRONT END PARTNERS

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

INDUSTRY INITIATIVES AND ASSOCIATIONS

Through its memberships in industry associations, Haycarb contributes to initiatives that are significant to the advancement of the industry. In addition, given its dependency on coconut yields, the Group works closely with the Coconut Research Institute of Sri Lanka, supporting research related to various properties of coconut shells. The Group also made a financial contribution to supporting research activities at the University of Moratuwa.

WAY FORWARD

- ▶ Increase customer base in existing and untapped markets
- ▶ Expand value added carbon products portfolio to supply to emerging needs of customers
- ▶ Support suppliers to adopt eco-friendly production processes
- ▶ Maintain CSR initiatives and launch new initiatives to positively impact our communities

Memberships in industry associations

GRI 2-28

- ▶ Ceylon Chamber of Commerce
- ▶ Sri Lanka and Australia Chamber of Commerce
- ▶ International Chamber of Commerce - Sri Lanka
- ▶ The European Chamber of Commerce of Sri Lanka
- ▶ Export Development Board
- ▶ Industrial Association of Sri Lanka
- ▶ American Chamber of Commerce in Sri Lanka
- ▶ Chamber of Construction Industry of Sri Lanka



MANUFACTURED CAPITAL

Comprising of 7 production facilities across 3 countries, state-of-the-art laboratories, and warehousing arrangements, Haycarb's Manufactured Capital is integral to its value creation process, enabling the production of high-quality activated carbons that consistently meet the stringent requirements of customers.



Highlights of the Year



1.91 BN

Capital Expenditure



25%

PPE as % of total assets



Production Capacity

56,800 MT

Per Annum



86%

Capacity Utilisation



OUR MANUFACTURED CAPITAL



VALUE CREATED IN 2022/23

- ▶ Key focus in lean initiatives to enhance yields, productivity and minimize our environmental footprint.

OUTCOMES / IMPACTS

- ▶ **5%** increase in washed carbon yield
- ▶ **2-3%** increase in gold carbon production yields.
- ▶ **10%** increase in dryer output.

CAPITAL TRADE-OFF

- ▶ Time lag in generating adequate returns on the investments carried out, to enhance manufacturing capacity and efficiency, leads to a negative short-term impact on the financial capital
- ▶ However, emphasis on minimizing waste while enhancing operational efficiency leads to increased productivity, thereby strengthening financial capital in the medium-to-long term.

CONTRIBUTION TO SDGS



SRI LANKA

- ▶ **2** manufacturing facilities
- ▶ Total Production Capacity: **31,800 TPA**
- ▶ **4** state-of-the-art laboratories

THAILAND

- ▶ **3** manufacturing facilities
- ▶ Total Production Capacity: **12,000 TPA**
- ▶ Total Regeneration Capacity: **2,000 TPA**
- ▶ **2** state-of-the-art laboratories

INDONESIA

- ▶ **2** manufacturing facilities
- ▶ Total Production Capacity: **13,000 TPA**
- ▶ **2** state-of-the-art laboratories

> MANUFACTURED CAPITAL

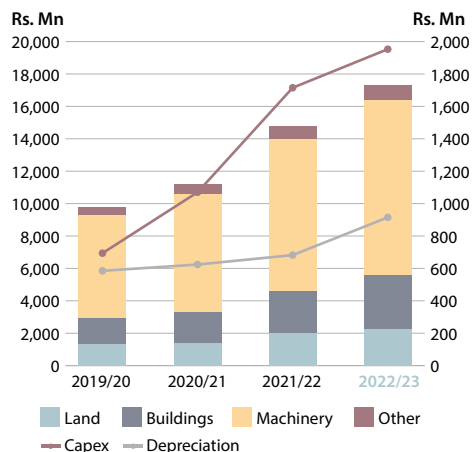
MANAGEMENT APPROACH

Decisions on enhancing manufacturing capacity and capability additions are guided by the present and emerging needs of our customers in purification and energy storage applications. Investment decisions are initiated by an assessment of the product requirement and design and are carried out following robust evaluation by the Engineering, Research & Development, Finance and other technical teams. To optimize capital expenditure and to minimize environmental impacts, the Group assesses the feasibility of sourcing required materials in the most effective manner whilst leveraging the engineering strength of Haycarb to meet our manufacturing requirements.

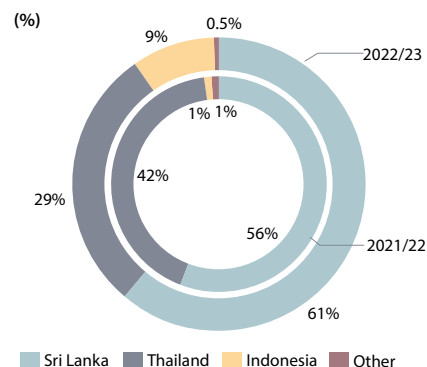
MANUFACTURED FACILITIES

Haycarb's Manufactured Capital comprises primarily its manufacturing plants strategically located across regions with convenient access to its primary raw material. Our factories are capable of producing an array of standard and

ASSETS COMPOSITION



CAPITAL EXPENDITURE



value-added products for diverse applications. We have invested considerably over the years to enhance production capacity and capability in line with emerging market needs, enabling the uninterrupted delivery of our products despite

the disruptions to supply chains during the pandemic. The Group continued to maintain its strategic focus on enhancing its production facilities investing Rs. 1,907 million during 2022/23. Key capacity/capability enhancements at each geographical location are given below.

SRI LANKA



KEY INVESTMENTS TO ENHANCE VALUE CREATION:

Investment value: **LKR 1,164 Mn**

- ▶ Doubling capacity of the Ultracarb plant
- ▶ Expansion of the washing plant
- ▶ Relocation of post-activation equipment to minimize material handling time
- ▶ Automation of pre-activation equipment
- ▶ Augmentation of the Haycarb Madampe transformer



Production Capacity

31,800MT

- ▶ **56%** Total Production Capacity
- ▶ **90%** Capacity utilisation in 2022/23

HAYCARB MADAMPE

Designed for the manufacture of standard and value added carbons and includes impregnated carbon manufacturing

HAYCARB BADALGAMA

Designed for the manufacture of standard and value added carbons and include washing and pellet carbon manufacturing facilities.

ULTRACARB

A high tech manufacturing facility for the manufacture of energy storage carbons

RECOGEN

Sustainable manufacturing of charcoal through a mechanized process with integrated power generation

THAILAND



KEY INVESTMENTS TO ENHANCE VALUE CREATION:

Investment value: **LKR 554 Mn**

- ▶ Expansion of the washing plant in Thailand
- ▶ Installation of post-activation equipment such as a carbon dryer and de-stoner
- ▶ Kiln modification to increase throughput and enable production higher range CTC carbons
- ▶ Conversion of CKS as activation kiln



Production Capacity

12,000TPA

- ▶ **21%** Total Production Capacity
- ▶ **86%** Capacity utilisation in 2022/23

CARBOKARN-CHONBURI

Designed for the manufacture of standard and value added carbons and includes washed carbon manufacturing facilities

SHIZUKA-RATCHABURI

Standard carbon manufacturing

CK REGEN SYSTEMS-CHONBURI

Regeneration of spent carbon

- ▶ 2,000 TPA Regeneration capacity

INDONESIA



KEY INVESTMENTS TO ENHANCE VALUE CREATION:

Investment value: **LKR 180 Mn**

- ▶ Investments in post-activation equipment
- ▶ Modification of charcoal dryer to increase output



Production Capacity

13,000TPA

- ▶ **23%** Total Production Capacity
- ▶ **80%** Capacity utilisation in 2022/23

PT MAPALUS MAKAWANUA CHARCOAL INDUSTRY-BITUNG

Designed for the manufacture of standard and value added carbons and includes washed carbon manufacturing facilities

PT HAYCARB PALU MITRA-PALU

Standard carbon manufacturing

> MANUFACTURED CAPITAL

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

LEAN PROCESS IMPROVEMENTS

The Group's process improvement focus is guided by the 3R concept of Reduce, Reuse and Recycle, enabling a holistic and sustainable view to improving the production efficiency of its operations. Through the implementation of Lean Six Sigma, 5S and Kaizen at all its production facilities, Haycarb has fostered a culture of 'zero product defects' which has enhanced the quality of its products while minimising waste. Accordingly, we have maintained a zero-defect standard in the production of the EDLC carbon range since its inception. The maintenance of our plant and machinery is guided by the Preventive Maintenance pillar of

Total Productive Maintenance (TPM), minimising loss of productivity due to machine breakdowns. During the year under review, 36 lean initiatives were carried out across all facilities generating cost savings of Rs. 212.3 Mn.



36

lean initiatives in 2022/23



RS. 212 MN

in cost savings



YIELD IMPROVEMENT PROJECTS

- ▶ in a **5%** increase in yields while gold carbon production yields increased **2-3%**.



PRODUCTIVITY IMPROVEMENT PROJECTS

- ▶ Dryer output was enhanced by **10%**.
- ▶ Productivity of process lines were improved through machine combinations and the introduction of semi-automatic process solutions.



INCREASE EFFICIENCY

- ▶ Introduction of semi-automatic solutions to increase productivity and reduce labour hours utilised.



MINIMIZING OUR ENVIRONMENTAL FOOTPRINT

- ▶ Several initiatives were implemented to minimise our environmental impact. Refer Natural Capital page 96-103 for more details.





LABORATORY FACILITIES

Activated carbon solutions

Capacity to innovate, provide customised solutions and the production of high-quality products have underpinned Haycarb's competitive edge in the coconut charcoal activated carbon industry. To this end, the Group's state-of-the-art laboratories have played a significant role in facilitating quality control and research and development. Fully equipped quality control laboratories capable of carrying out standard and specific testing of carbon have been established at all manufacturing facilities to ensure products meet the technical specifications of customers. The analytical laboratory at head office supports the Group's innovation and the development of new products for emerging applications. Key capabilities of our laboratories are given alongside.

Environmental Engineering solutions

The EES segment is also equipped with modern laboratory facilities which can carry out advanced analysis of rare and special effluents, new product development, process improvements and support capacity augmentation. Our laboratory facility is registered under Central Environment Authority as a laboratory for environmental monitoring and evaluation.

Equipment	Capability
Inductively coupled plasma mass spectrometric (ICP-MS) analyzer	Ability to measure metal constituents at trace levels (ppt levels) enables the production of activated carbon with high purity.
Atomic absorption spectroscopy (AAS)	Ability to measure metal constituents in activated carbon facilitates the production of value-added activated carbon segment and also to maintaining required purity levels of specialized carbon product portfolio.
ONH Element analyser	Ability to measures the levels of surface functional groups (Oxygen, Nitrogen, Hydrogen) in surface modified/ treated activated carbon.
Surface area analyser	Measures pore geometry of activated carbon (internal pore area, pore diameter, pore size distribution, pore volumes of micropores and meso pores) enabling to facilitate in fundamental development works.
Laser particle size analysers	Ability to measure particle size distribution facilitates to maintain correct pressure drop at the end application

During the year, we extended our capabilities to include new equipment such as;

- ▶ Surface area & Porosimetry analyser - Micromeritics / ASAP 2460
- ▶ Advanced microwave digestion system - Milestone / ETHOS EASY
- ▶ Pycnometer - Micromeritics / ACCUPYC,
- ▶ Air circulating ovens to conduct Self – heating test required for carbon shipping lines,

> **MANUFACTURED CAPITAL**

HAYCARB'S ENGINEERING SUCCESSES

The strength of Haycarb's in-house engineering team has enabled the extension of its 3R concept of Reduce, Reuse and Recycle to include capital investments. The Group's engineers have successfully rebuilt, restored, and modified standard machinery to fit the

purpose of its value added manufacturing operations with no compromise of product quality. Spare parts required for regular maintenance is also designed and fabricated by the Group's in-house engineering team.

This has enabled quicker expansion of its manufacturing capacity as it significantly lowers the Group's initial financial outlay. Moreover, repurposing legacy machinery also benefits the environment as it eliminates the environmental impact of manufacturing new equipment while minimising landfill waste.

MIXTURE FOR PELLET OPERATION

- ▶ Year of manufacture – **1950**
- ▶ Commissioned at Haycarb - **2023**

At supplier's yard



Following its installation at Haycarb



RAYMOND MILL PULVERIZER FOR POWDER PRODUCTION

- ▶ Year of manufacture – **1962**
- ▶ Commissioned at Haycarb - **2021**

At supplier's yard



Following its installation at Haycarb



STEAM BOILER AND TURBINE FOR RECOGEN

- ▶ Year of manufacture – **1964**
- ▶ Commissioned at Haycarb - **2005**

At supplier's yard



Following its installation at Haycarb





WAREHOUSING

Haycarb's access to extensive warehousing has enabled the timely delivery of finished goods, the fulfilment of urgent customer needs and inventory management in view of supply disruptions warehousing facilities are

maintained by our marketing offices in the USA, Europe & Australia. Warehousing facilities are also available at each production location for the storage of raw materials, semi-finished and finished goods while additional warehouses within proximity to seaports facilitate the

shipment of finished goods. During the year we expanded our warehousing facilities to our network.



> MANUFACTURED CAPITAL



WAY FORWARD

- ▶ Expansion of CK Regen System plant in Thailand to increase capacity
- ▶ Expansion of post activation of Madampe plant to facilitate standard cabin carbon manufacturing process
- ▶ Installation of solar PV system for Ultracarb and Haycarb Badalgama plant with the capacity of 2100 kWp
- ▶ Establishment of a GREENFIELD plant in Philippine with the capacity of 5000 TPA
- ▶ Digitalization of warehouse management
- ▶ Upgrade to SAP S/4HANA ERP system in all manufacturing plants



fundamental pillars of diligence



MINDFUL GOVERNANCE

150 Corporate Governance | 177 Annual Report of the Board of Directors on the Affairs of the Company | 181 Statement of Directors' Responsibility | 182 Related Party Transactions Review Committee Report | 183 Audit Committee Report | 185 Remuneration Committee Report | 186 Nomination Committee Report | 187 Independent Assurance Report for the GRI Standard | 189 Independent Assurance Report for the Integrated Annual Report | 191 GRI Index

CORPORATE GOVERNANCE

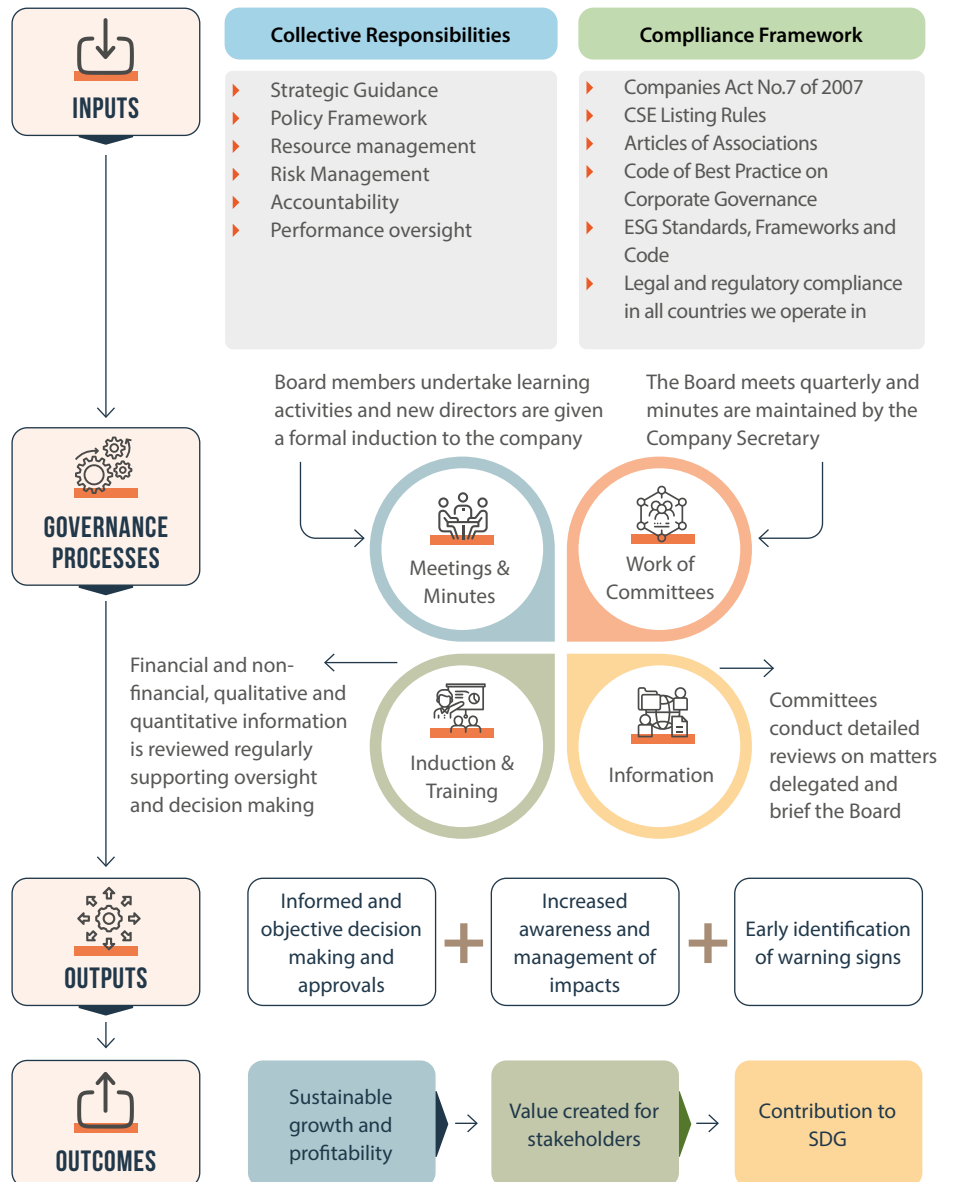
GOVERNING TO CREATE VALUE

GRI 2-23 to 25

Formal governance structures, board procedures and policies were part of the legacy inherited from the parent company, Hayleys PLC. This provided a solid foundation for guiding operations over 50 years, creating value for stakeholders by converting coconut shells to a value added exports of a diverse range of activated carbon products through purpose driven innovation. It has grown more sophisticated as we adopted voluntary ESG codes, standards and frameworks to meet evolving business needs. Today, the governance structures, policies and processes provide strategic guidance and empowers decision making while facilitating objective performance oversight and effective risk management.



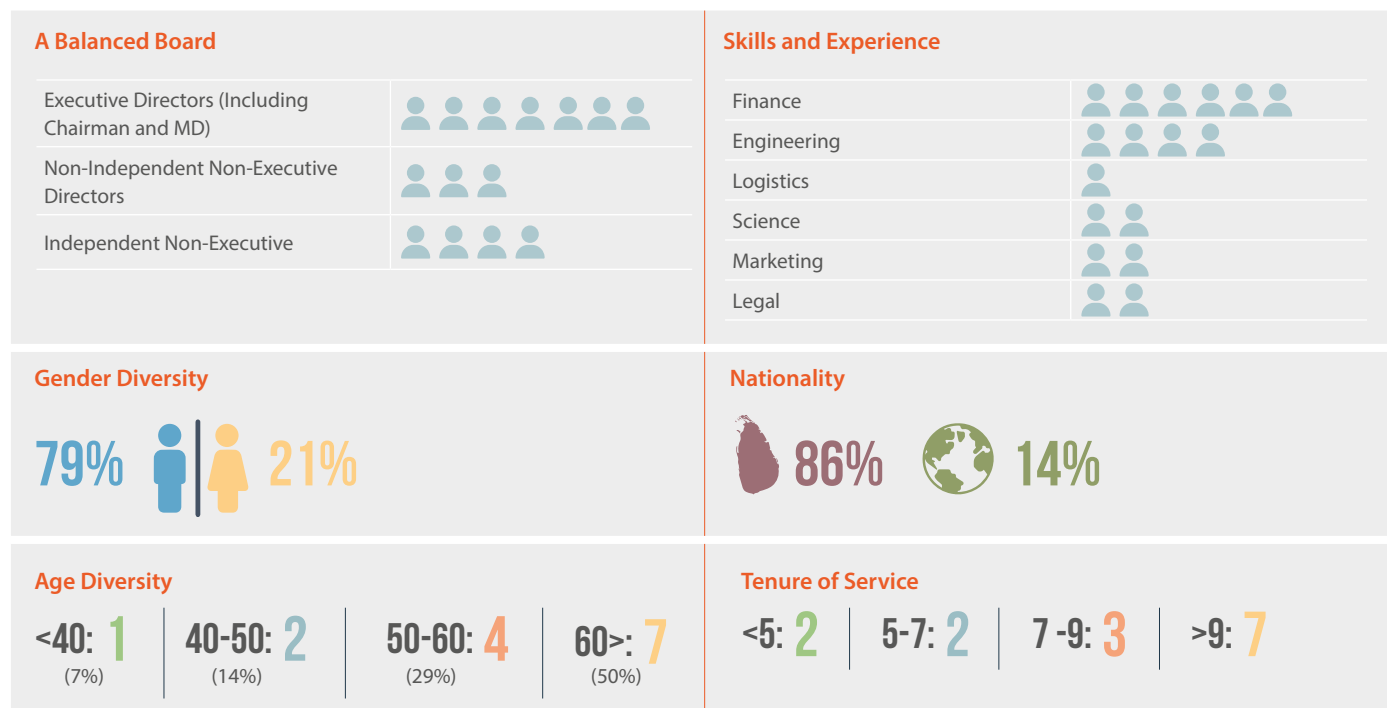
PROCESSES THAT CREATE VALUE



COMPOSITION IS KEY GRI 2-9, 17, 405-1

The Board comprises 14 Directors whose profiles are given on page 28 to 32, and their collective strengths are summarised below. There are seven executive directors including the Chairman and the Managing Director. There are seven non-executive directors of whom four

are independent and account for 1/3rd of the Board in accordance with section 7.10.2 of the CSE Continuing Listing Requirements. The mix of skills and experience and perspectives ensures that matters set before the Board are considered through multiple lenses, paving the way for objective decision making.



NOMINATION & SELECTION GRI 2-10

The Nomination Committee of Hayleys PLC assists the Group in finding suitable candidates for the Board and Key Management Personnel as needed. The Committee evaluates the potential nominees' skills, competencies, experience and attributes, as well as the Board's overall composition and diversity. The main criterion is to select the best person for the company's business needs who also meets the Board's independence and diversity standards.

DETERMINING INDEPENDENCE

The criteria set out in the CSE Continuing Listing Requirements and Schedule K of the Code are used to determine the independence of directors and all independent directors met the required criteria except for following.

Based on the Annual Declaration submitted and requirements of the code, Mr. Arjun Senaratne has been categorized as a Non-Executive Director of the company.

APPOINTMENT, RETIREMENT AND RESIGNATIONS

Directors are appointed by the shareholders at the Annual General Meeting and the Board of Directors recommended suitable candidates with the advisement of the Nomination Committee. Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange and selected newspapers.

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

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

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

> CORPORATE GOVERNANCE

GRI 2-09

A FIT FOR PURPOSE: GOVERNANCE STRUCTURE

The Group has 15 Companies engaged in the manufacturing and marketing of activated

carbon and providing environmental engineering services with 11 subsidiaries located overseas. It also has 2 associate companies. The

governance structure of the Group facilitate the line of sight to the Board on the geographically diverse operations as set out alongside.

Haycarb Group

15 Companies

3 Manufacturing entities in Sri Lanka, including Haycarb PLC

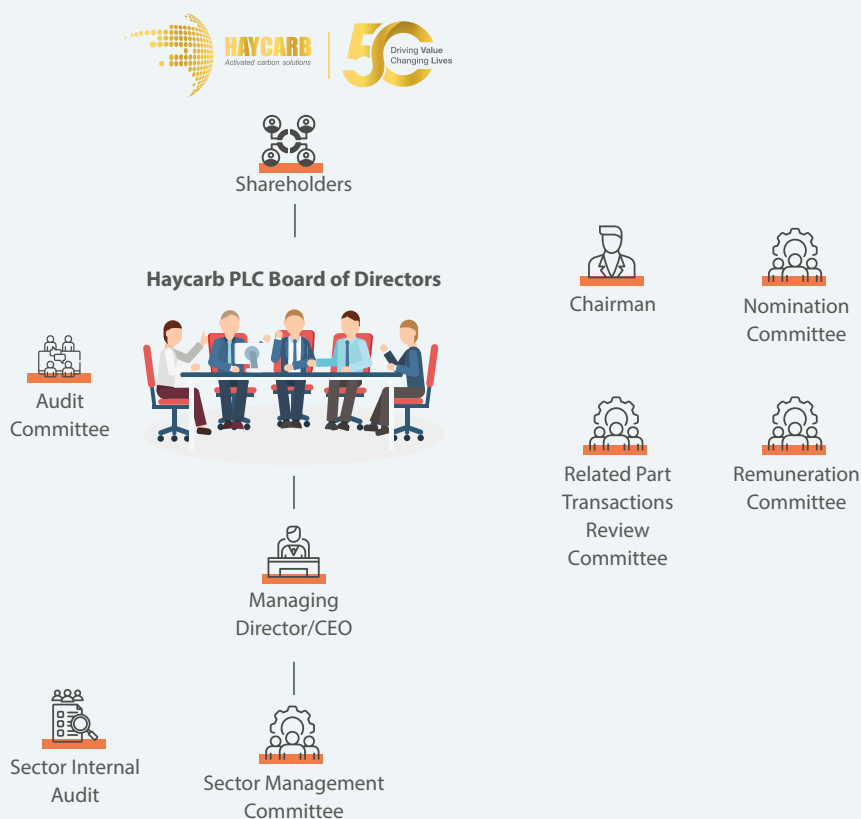
5 Sales, marketing and business development entities including Haycarb PLC

3 Manufacturing entities in Thailand

2 Manufacturing entities in Indonesia

3 Environmental engineering and Investment entities

HAYCARB PLC



Company Secretaries

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

Responsibilities include;

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

HAYLEYS PLC (PARENT COMPANY)

GRI 2-11

- ▶ The Executive Chairman of Hayleys PLC is the Chairman of Haycarb PLC
- ▶ The Nomination Committee, Remuneration Committee and the Related Party Transactions Review Committee of Hayleys Group assist the Haycarb Group Board
- ▶ The MD/CEO is also on the Board of Hayleys PLC and is part of the Group Management Committee which meets 4 times a month.
- ▶ The Sector Internal Controls are audited by the Hayleys PLC's Group Management Systems Audit and Review Department, ensuring consistent best practices are followed Group wide.

ROLES & RESPONSIBILITIES

GRI 2-12

Chairman

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

Responsibilities:

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

Managing Director/Chief Executive Officer

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

Responsibilities:

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

OVERSIGHT OF SUBSIDIARIES

The following mechanisms facilitate oversight of the geographically diverse interests by the Board of Haycarb PLC:

- ▶ The Chairman, the Managing Director and Mr.S.Ganegoda are also members of the Hayleys Group Management Committee and the Board which review the performance of Haycarb PLC
- ▶ Parent company's Audit Committee communicates with the Audit Committee of the subsidiary providing a forum for Audit Committee members of Haycarb PLC to raise any matters of concern with the parent company's Audit Committee.
- ▶ Mr. Mohan Pandithage is the Chairman of all entities in the Group other than PT. Mapalus Makawanua Charcoal Industry and PT. Haycarb Palu Mitra where he holds the office of President Commissioner and President Director respectively.
- ▶ Mr. R. Kariyawan is on the Board of all Group entities except for one Associate company
- ▶ Mr. S. Ganegoda serves on the Boards of 2 entities of Australia and Indonesia and an Associate company in Sri Lanka
- ▶ Ms. M.J.A.S. Aberyratne is on the board of all Group entities, except one Sri Lankan subsidiary and the two associate entities.
- ▶ Mr. B.Balaratnarajah serves on the Boards of 3 entities in Sri Lanka and 5 entities of Thailand, USA, and Indonesia.
- ▶ Mr. A.A.M Carderbhoy serves on the Boards of 1 entity in Sri Lanka and 4 entities of Australia, Indonesia and India.
- ▶ Mr. J.D.Naylor serves on the Board of the UK entity.
- ▶ Mr. M. S. P. Udaya Kumara serves on the Boards of 1 entity in Sri Lanka, 3 entities in USA and Indonesia.



> CORPORATE GOVERNANCE

SUB-COMMITTEES OF THE BOARD GRI 2-13, 18

The Board has appointed an Audit Committee with oversight responsibility for financial reporting, risk management, internal

controls and reviewing work of external and internal auditors including independence of external auditors. Additionally, the Board of Haycarb PLC is supported by the Nomination,

Remuneration and Related Party Transactions Review Committees of the parent company. The composition and roles of these committees are summarised below.

	Board Committee	Areas of Oversight	Composition	Further Information
Haycarb	Audit Committee	- Financial Reporting - Internal Controls - Internal Audit - External Audit	Comprises two Independent Non-Executive Directors and one Non-Executive Director	Report of the Audit Committee on page 183
Hayleys PLC Committees of the Board	Nominations Committee (Voluntary Committee)	- Appointment of Key Management Personnel/ Directors - Succession Planning - Effectiveness of the Board and its Committees	Comprises Executive Chairman, two Independent Non-Executive Directors of Hayleys PLC	Report of the Nomination Committee on page 186
	Remuneration Committee (Required by CSE Listing Rules)	- Remuneration policy for Key Management Personnel - Goals and targets for Key Management Personnel - Performance evaluation	Comprises four Independent Non-Executive Directors of Hayleys PLC	Report of the Remuneration Committee on page 185
	Related Party Transactions Review Committee (Required by CSE Listing Rules)	Review of related party transactions	Comprises two Independent Non-Executive Directors and one Executive Director of Hayleys PLC	Report of Related Party Transactions Review Committee on page 182

A FRAMEWORK FOR COMPLIANCE GRI 2-27

The compliance framework has grown beyond the requirements of regulatory compliance as the Group adopts best practice in line with



its commitment to upholding high standards of governance. Accordingly, the Group added the SASB Standard for Chemicals and the Recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD) in the

year under review. Furthermore, there were no significant incidents of non-compliances with laws and regulations during the reporting year. The current compliance framework of the Group is set out below:

Regulatory

- ▶ Companies Act No.7 of 2007
- ▶ Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- ▶ Continued Listing Requirements of the Colombo Stock Exchange
- ▶ Inland Revenue Act No. 10 of 2006 and amendments thereof
- ▶ Inland Revenue Act No. 24 of 2017 and amendments thereof
- ▶ Customs Ordinance No. 17 of 1869
- ▶ Exchange Control Act No. 22 of 2017
- ▶ Industrial Disputes Act No. 43 of 1950
- ▶ The Shop and Office Employees Act No. 15 of 1954
- ▶ The legal and regulatory framework of countries where the Group Companies are operating in

Voluntary Compliance

- ▶ Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017
- ▶ Integrated Reporting Framework
- ▶ Global Reporting Initiative Standards
- ▶ Recommendations of the Taskforce on Climate Related Financial Disclosures
- ▶ Chemicals Sustainability Accounting Standard
- ▶ Requirements of Environmental & Social Certifications
- ▶ Quality standard certifications obtained by companies

> CORPORATE GOVERNANCE

INTEGRATING ESG TO MANAGE OUR IMPACTS

The Hayleys Lifecode launched in January 2022 to harmonise ESG integration across the entities in the Hayleys Group sets out the ESG policy framework for the Group and governance mechanisms. It clearly outlines the need for a holistic approach to decision making as set out in the Integrated Reporting Framework which is set out below.

ESG APPROACH



Aligning Financial & ESG Reporting Boundaries

In order for us to minimise Group-wide business risks and safeguard the reputation of the Group as a responsible corporate citizen, the ESG Framework has been implemented across all locations at a minimum level of assurance with reporting on relevant material topics for the Group. We firmly believe that every location that does not report on ESG information represents an unidentified and unassessed risk to the Haycarb group.

Strengthening oversight of ESG Implementation GRI 2-14

The Board is responsible for formulating the Group's ESG strategies, policies goals and targets. An ESG Steering Committee was established at the parent company Board level to assist the Board roll out its ESG agenda. The responsibilities of the ESG Steering Committee include the following

- ▶ Provide oversight and monitor the execution of the Group's ESG Framework-Hayleys Lifecode including progress against environmental, social and governance targets in the short, medium and long-term
- ▶ Identify ESG related risks, opportunities and impacts and recommend the implementation of appropriate measures to effectively address these dynamics.
- ▶ Review and provide guidance on ESG related policies and programmes required to drive the Group's ESG Framework and strategy.
- ▶ Review and approve the Group's stakeholder engagement strategy which allows management to identify, understand and respond to stakeholders' legitimate concerns.
- ▶ Review emerging trends and issues in the ESG areas and assess potential impact on the Group.

Haycarb Group is actively involved in the ESG implementation as our aspiration is to make this the core of what we do, building on our heritage of converting coconut shells to a diverse range of value added activated carbons. Haycarb has established it's own ESG steering Committee and is in the process of formulating Haycarb ESG framework which will be rolled out in 2023/24.

Readiness for IFRS Sustainability Standards

Haycarb is following the developments in sustainability reporting and has adopted the Chemical Sustainability Reporting Standard issued by the Sustainability Accounting Standards Board and the Recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD) standards in preparation for the IFRS Sustainability Standards which are scheduled to be issued in 2023.

At present we are aligned to the Hayleys Lifecode. Our plan is to develop our own code which is customized to the Chemical industry sector in harmony with the Hayleys Lifecode in line with the requirements of the IFRS Sustainability Standards. The governance structure will also be strengthened to enhance oversight.

We are aware of the need to strengthen risk management in line with both TCFD requirements and the draft IFRS standards. This will be an area of focus in 2023/24.



Our core strategy has been converting waste to value from inception. We have increasingly pursued sustainable innovation strategies that provides solutions to purification of air and water and more recently, in storage of renewable energy. Corporate strategy will be refined further as part of the project to develop our own framework.

We are fairly confident that many of the metrics and targets are in place as these have been consistently reported for 5+ years. While there maybe a need for refining the same in line with the outcomes of the other processes, it is probable that these can be handled.

> CORPORATE GOVERNANCE

THE HAYLEYS WAY

The Board plays an integral role in shaping the Group's organizational culture through setting the right tone at the top and ensuring that behavior of all internal stakeholders is aligned to the Group's core values. The Hayleys Way- serves as the Group's Internal Code of Conduct, explicitly setting out the behavior expected from an employee and reinforcing the Group's organizational values.

The Group is committed to maintaining the highest degree of integrity, ethics and transparency in all its operations, which includes measures to prevent the risk of corruption. These measures include, monitoring of compliance to all relevant laws and regulations through the Internal Audit function, a clearly articulated and communicated whistle blowing policy and grievance mechanisms. In addition, the Hayleys Way- the Group's Code of Conduct sets the tone for ethical behavior across the Group.

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

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

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

ANTI-BRIBERY & ANTI-CORRUPTION

GRI 205-2 to 3

The Group's bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption. The policy is applicable to the Board of Directors and all employees of Hayleys PLC and its subsidiaries including the persons authorized to act on behalf of the company. The



policy include guidelines on gifts, hospitality and promotional expenses, facilitating payments, political contributions and donations, charitable donations, commission payments to third parties and partner due diligence among others.

The Group is in compliance to ISO 9001:2015 quality management system which requires the evaluation of external entities, that provide goods and services under contract, as to their compliance on anti-corruption and anti-bribery policies.

The Group is committed to be in compliance with anti-corruption laws of all the geographies it operates.

Further there were no confirmed incidents of corruption and actions taken during the year.

WHISTLE BLOWING /GRIEVANCE MECHANISM

GRI 2-26, 206-1

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

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

There were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices in 2022/23.

ANTI-COMPETITIVE BEHAVIOR GRI 206-1

There were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices in 2022/23.

DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS

Directors declare their business interests on appointment and quarterly thereafter are maintained in a register by the Company Secretary. The Register is available for inspection

in terms of the Companies Act. Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed on page 262 to 263.

The Hayleys Group Related Party Transactions Review Committee reviews all transactions that require approval in line with the Group's Related Party Transactions Policy and regulatory requirements. Related party transactions are disclosed in Note 33 to the financial statements on page 262 .

The total number of Board seats (excluding directorship in Haycarb PLC and its subsidiaries and associates) held by each director as at 31st March 2023 is given below. The Board is satisfied that all directors allocate sufficient time to enable them to discharge their duties and responsibilities.

Directorships in Other Companies

Name of Director	Director Category	No of Board seats held in Listed Companies		No of Board seats held in unlisted Companies	
		Executive Capacity	Non - Executive Capacity	Executive Capacity	Non - Executive Capacity
Mr. Mohan Pandithage	Chairman	14	1	137	12
Mr. Rajitha Kariyawasan	Managing Director	3	-	11	-
Mr. Arjun Senaratna	Non-Executive Director	-	-	1	1
Mr. Sarath Ganegoda	Non-Executive Director	1	12	-	56*
Ms. Jeevani Abeyratne	Executive Director	-	-	-	-
Dr. Sarath Abayawardana	Independent Non-Executive Director	-	-	-	1
Mr. Sujeewa Rajapakse	Independent Non-Executive Director	1	2	3	-
Mr. M.S. P. Udaya Kumara	Executive Director	-	-	-	-
Mr. Brahman Balaratnarajah	Deputy Managing Director	-	-	-	-
Mr. Ali Asgar Munaver Caderbhoy	Executive Director	-	-	-	-
Ms. Shamalie Gunawardana	Independent Non-Executive Director	-	1	-	-
Mr. James Naylor	Executive Director	-	-	-	-
Mr. Hisham Jamaldeen	Independent Non-Executive Director	2	5	30	6
Ms. Brindhiini Perera	Non-Executive Director	-	4	-	9

*With two Alternate Directorships

CONFLICT OF INTEREST GRI 2-15

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

MEETINGS, MINUTES & INFORMATION

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

the financial year. Meeting agendas are set by the Chairman in consultation with the MD and the Company Secretary. These are made available to the Directors seven days before the meeting together with the relevant papers, allowing members sufficient time to review the papers and seek clarification in preparation for the meeting. Regular agenda items include performance review, risk management and approval of financial statements besides other matters.

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

All board minutes are circulated to members within 2 weeks of the Board meeting and formally approved at the subsequent Board meeting. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes. All directors have access to the past Board papers and minutes.

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

> CORPORATE GOVERNANCE

ATTENDANCE

Attendance of directors at meetings is given below:

Directors	Director Category	Date of Appointment	Board	Audit Committee
Mr. Mohan Pandithage	Chairman	01.01.2007	4/4	
Mr. Rajitha Kariyawasan	Managing Director	04.01.2010	4/4	
Mr. Arjun Senaratna	Non-Executive Director	01.11.2005	4/4	4/4
Mr. Sarath Ganegoda	Non-Executive Director	01.11.2009	4/4	
Ms. Jeevani Abeyratne	Executive Director	01.11.2009	4/4	
Dr. Sarath Abayawardana	Independent Non-Executive Director	02.08.2011	4/4	4/4
Mr. Sujeewa Rajapakse	Independent Non-Executive Director	30.01.2013	4/4	4/4
Mr. M.S. P. Udaya Kumara	Executive Director	15.02.2015	4/4	
Mr. Brahman Balaratnarajah	Deputy Managing Director	01.04.2015	3/4	
Mr. Ali Asgar Munaver Caderbhoy	Executive Director	01.04.2016	4/4	
Mr. James Naylor	Executive Director	01.04.2016	3/4	
Mr. Hisham Jamaldeen	Independent Non-Executive Director	15.03.2017	2/4	
Ms. Shamalie Gunawardana	Independent Non-Executive Director	01.03.2021	4/4	
Ms. Brindhiini Perera (Appointed to the Board w.e.f 19th October 2022)	Non-Executive Director	19.10.2022	2/2	
Mr. Dhammika Perera (Resigned w.e.f. 10th June 2022)	Non-Executive Director	01.11.2009	-	
Ms. Sharmila Ragunathan (Resigned w.e.f. 30th April 2022)	Executive Director	01.04.2016	-	
Ms. Y. Bhaskaran (Alternate Director to Mr. Dhammika Perera - ceased to be an alternate w.e.f. 10th June 2022)		01.06.2015	1/1	

INDUCTION & TRAINING FOR DIRECTORS

On appointment, directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of a factory. Directors are kept abreast of applicable legislation and regulation, relevant sector developments and changes in the risk and general business environment on an ongoing basis. Directors undertake training and professional development as they consider necessary, which requirements are coordinated through the Company Secretary. Many are members of the Sri Lanka Institute of Directors and attend sessions from time to time. Directors also undertake other Continuous Professional Development (CPD) programmes in their personal capacity to update their knowledge on relevant and emerging topics.

APPRAISAL OF MD/CEO GRI 2-18

The Board assesses the performance of the MD/CEO annually in line with goals agreed at the beginning of the year with the Board. These goals encompass the Board's expectations in the short, medium and long term. Performance is reviewed at the end of the financial year taking into account the performance of the Group, operating environment and constructive feedback is provided. The outcome of the

performance appraisal is linked to the annual increments for the fixed remuneration and determines the variable pay.

REMUNERATION GRI 2-19 to 21

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

Remuneration Policy

Remuneration of KMP and Executive Directors is linked to sustainable value creation objectives in line with Haycarb's strategy which are agreed with the parent company by the Managing Director/CEO and cascaded to direct reports and others below. Please refer page 185 for the Report of the Remuneration Committee and Terms of Reference.

The remuneration of the NED's comprise a fee for being a Director of the Board and additional fee for being a member of a committee. Remuneration for Non-Executive Directors reflects the time commitment

and responsibilities of their role, taking into consideration market practices. They do not receive any performance related / incentive payments. Services of HR professionals are sought when required, by the Board and Remuneration Committee in discharging their responsibilities.

Level and Make Up of Remuneration

The Remuneration packages of Executive Directors are designed to attract eminent professionals as directors with the requisite skills and experience. Remuneration of Executive Directors are compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017 and comprises fixed and variable components with the variable component linked to performance. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors. Please refer page 233 for the total Directors' Remuneration.

ACCOUNTABILITY & AUDIT

This report provides a balanced assessment of the Company's financial position, performance and prospects in compliance with applicable laws and voluntarily adopted reporting standards, codes and frameworks set out on page 212. The company's position and prospects have been discussed in sufficient depth in the following sections of this annual report.

- ▶ Chairman's and Managing Director's Review
Pages 14 to 19
- ▶ Outlook on page 94
- ▶ Managing Risk on page 56 to 61

The Board approved the quarterly reports prior to publication and dissemination to the public through the CSE and the corporate website. The Audit Committee reviews and recommends the financial statements for approval to the Board. Price sensitive information, which may have an impact on the shares of the company, has been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis. Reports required by regulators including the Department of Inland Revenue, Sri Lanka Accounting & Auditing Standards Monitory Board, and the Colombo Stock Exchange have been filed in a timely manner in

compliance with specified requirements. The following reports set out further information required by the Code:

- ▶ The Directors' Report on pages 177 to 180 (including the declaration that the company is a going concern)
- ▶ The Statement of Directors' Responsibility on page 181
- ▶ Report of the Auditors on page 202

External Auditor

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

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

Shareholders approved the reappointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2022/23 at the AGM held on 28th June 2022. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

Information Technology & Cyber Security Governance

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

The Haycarb IT Group works together with the Hayleys Group IT Dept who are responsible for implementing the Groups digital strategy including adopting IT policies and safeguarding against cyber threats. The Hayleys Group Head of IT functions as the CISO. Coverage and scope of related Group policies and guidelines are given below.

Group IT Policy	Group Information Security Policy	Principles	Guidelines for Corporate Websites
▶ Group Connectivity ▶ Access requirements/ Resource utilisation ▶ Individual Sector Networks/ System Management ▶ Backup & Recovery/Software Modification ▶ IT Equipment & Software & Third Party Involvement ▶ IT Assets & Media disposal and procurement ▶ Responsibility for Adherence	▶ Protection of information from unauthorised access ▶ Confirmation of information ▶ Confidentiality, availability and integrity of information ▶ Regulatory requirements ▶ Business continuity plans ▶ Information security training ▶ Reporting breaches of information security ▶ IT policy embedded in to employee induction programme	▶ Acceptable IT Use ▶ Password Protection Standards ▶ Email Usage ▶ Internet Usage ▶ Monitoring ▶ Enforcement	▶ Guidelines for web hosting ▶ Guidelines for secure web development ▶ Enforcement

> CORPORATE GOVERNANCE

SUSTAINABILITY GOVERNANCE GRI 2-16

Integration of ESG reporting into the Governance framework is set out on page 76. Environmental, Social and Governance (ESG) metrics are included in the relevant sections of the Annual Report as set out below:

Economic Sustainability	Financial Capital	page 90
Environment	Natural Capital	page 96
Labour Practices	Human Capital	page 112
Society	Social and Relationship Capital	page 126
Product Responsibility	Social and Relationship Capital	page 126
Shareholder Identification, Engagement and Effective Communication	Investor Relations	page 284

RELATIONS WITH SHAREHOLDERS

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

COMMUNICATION WITH SHAREHOLDERS

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

Constructive use of Annual General Meeting (AGM)

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

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

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Code Ref	Compliance and Implementation	Compliance
Section 1: The Company		
A. Directors		
A.1 The Board		
A.1 An effective Board should direct, lead and control the Company	Haycarb PLC Board comprises 14 directors of whom 7 are executive and 7 are non-executive of whom 4 are independent. They are responsible for providing strategic direction, putting in place a policy framework, financial reporting and other information systems, internal controls, performance review, risk management and resource allocation and leading and controlling the company.	☒
A.1.1 Regular meetings, structure and process of submitting information	The Board meets quarterly with provision to meet more frequently if required. Attendance at meetings is given on page 160. Information is uploaded to the electronic Board packs one week prior to the Board meeting and typically include the following information: ▶ Minutes of the previous board meeting and any committee meetings during the quarter under review ▶ Financial and operational information including progress on agreed Key Performance Indicators and ▶ Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets; ▶ Forecast performance for the financial year ▶ A description of key risks and an assessment of their impact and likelihood of occurrence, ▶ Compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board. These statements include information regarding breaches of internal controls or fraud detected during the period together with any action taken or confirm the absence thereof; ▶ Report on number of calls to whistle blowing line or a confirmation that there were no calls recorded ▶ Information on human resources and capital expenditure ▶ Share trading of the Company and related party transactions by key management personnel ▶ Documents to which the company seal has been affixed to ▶ Resolutions on other matters referred to the Board	☒
A.1.2 Role & Responsibilities of the Board	The Board Charter sets out the responsibility of the Board. The Board is responsible to the shareholders for creating and delivering long term sustainable shareholder value through entrepreneurial leadership. The Board is responsible to: ▶ Providing direction and guidance to the Company in the formulation of high-level medium, and long term strategies which are aimed at promoting the sustainable long term success of the Company. ▶ Appointing and reviewing the performance of the Chairman and Managing Director. ▶ Ensure Executive Directors and key management team possesses the skills, experience and knowledge to implement strategy effectively, with proper succession arrangements in place.	☒

> CORPORATE GOVERNANCE

Code Ref	Compliance and Implementation	Compliance
A.1.2 Role & Responsibilities of the Board Contd.	▶ Reviewing, approving and monitoring annual corporate plans, corporate budget and capital expenditure. ▶ Reviewing and approving major acquisitions, disposals and major investments by the management within their limits of authority. ▶ Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management. ▶ Ensure compliance with laws, regulations and ethical standards. • Ensure all stakeholder interests are considered in corporate decisions. ▶ Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations. ▶ Adequacy and the integrity of the Internal control systems over financial reporting and management Information Systems are reviewed by the Board/Audit Committee. ▶ Ensuring that financial statements are published quarterly and the Annual Report is published at the end of the financial year. ▶ Determining any changes to the discretions/authorities delegated from the Board to the Key Management Team. ▶ Approving any amendments to constitutional document.	
A.1.3 Act in Accordance with laws and agreed to obtain independent professional advice	The Board has set in place a framework of policies and procedures and risk management to ensure compliance with relevant laws, and international best practices with regards to the operations of the Haycarb Group. Directors have the power to obtain independent professional advice as deemed necessary and these functions are co-ordinated by the Group Legal Department or Group Finance, as and when it is necessary.	☒
A.1.4 Access to advise and services of Company Secretary	All Directors have access to the advice and services of the Company Secretary. These functions are provided by Hayleys Group Service (Pvt) Ltd., who are responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and laws, keeping and maintaining minutes and relevant records of the Group. The parent company, Hayleys PLC has obtained insurance cover for the Boards of Directors and key management personnel in the Group which covers the Directors of the Haycarb Group as well.	☒
A.1.5 Independent judgement	Directors bring their independent judgment to bear on decisions taken by the Board. The composition facilitates a balance of power and effective participation by all Directors. Many of the Board members are independent professionals who conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	☒
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are uploaded a week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis. Directors are expected to be familiar with the contents of papers uploaded/circulated at the meeting. It is estimated that Non-Executive Directors dedicate not less than 12 days per annum for the affairs of the Group and those Directors who are also on the Audit Committee dedicate a further 4 days for the affairs of the Group	☒

Code Ref	Compliance and Implementation	Compliance
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	☑
A.1.8 Board induction and Training	Directors recognise the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organisations. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings by KMPs. Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organisation wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.	☑
A.2 Chairman & Chief Executive Officer		
A.2.1 Division of responsibilities of Chairman and CEO	Functions of Chairman and Chief Executive Officer are separated facilitating a balance of power. The Chairman of the parent serves as the Chairman of Haycarb while the Managing Director serves as the CEO. The role of the Chairman involves ▶ Conducting of Board meetings ensuring effective participation of both Executive and Non-Executive Directors. The Chairman plays a key role in preserving good corporate governance. ▶ Approving the agenda for each meeting prepared in consultation with the Managing Director and the Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management, and compliance. ▶ Sufficiently detailed information of matters included in the agenda should be provided to the Directors in a timely manner. ▶ Ensuring that all Directors are aware of their duties and responsibilities. ▶ All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda. ▶ Maintaining the balance of power between Executive and Non-Executive Directors. ▶ The view of Directors on issues under consideration are ascertained. ▶ The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.	☑

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Code Ref	Compliance and Implementation	Compliance
A.3 Chairman's Role		
A.3.1 Conduct of Board Meetings	The Chairman ensure the following: a. Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management b. Sufficiency of information in Board packs and timely availability of the same c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group d. Effective participation of Executive and Non-Executive Directors, e. Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda f. Sufficient balance of power between Executive and Non-Executive Directors g. Views of directors are obtained and the minutes reflect the deliberations of the Board h. Board's control of the affairs of the company and its obligations to shareholders and stakeholders	☑
A.4 financial Acumen		
A.4.1 Availability of Financial Acumen	The Board includes 6 Chartered/Management/Certified Public Accountants who possess the necessary financial acumen. Members of the Board have ample experience in handling matters related to finance through leadership in numerous organizations across sectors. Hence the Board has sufficient financial acumen and knowledge to offer guidance on matters of finance.	☑
A.5 Board Balance		
A.5.1 Majority of Non-Executive Directors	7 out of 14 Directors on the Board are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors), satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The roles of the Chairman and the Managing Director are also segregated.	☑
A.5.2 If only 3 NEDs, they should be independent	4 out of 7 Non-Executive Directors are independent. The Board has determined that 4 Non-Executive Directors satisfy the criteria for "Independence" set out in the Listing Rules.	☑
A.5.3 Independence of Directors	Non-Executive Directors' profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgement. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates Board discussion and decision-making.	☑
A.5.4 Annual declaration by Directors	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in schedule K of the CSE continues Listing Rules.	☑
A.5.5 Annual determination of independence	The Board has determined that the independence of Dr. S.A.K. Abayawardena and Mr. S. Rajapakse is not comprised by their being on the Board over 9 year and that they are capable of acting impartially and independently in all matters. Brief résumé of all the Directors is available on pages 30 to 32.	☑
A.5.6 Alternate Directors	Ms. Y.Bhaskaran act as an alternate Director to Mr.K.D.D.Perera in line with the Articles of Association of the Company. Ms. Y. Bhaskaran ceased to be alternate from 10th June 2022.	☑

Code Ref	Compliance and Implementation	Compliance
A.5.7 & A.5.8 Senior Independent Directors	Not applicable as the roles of the Chairman and CEO are segregated	Not Applicable
A.5.9 Chairman’s meetings with Non-Executive Directors	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	☒
A.5.10 Recording of dissent in minutes	All matters of the Company are recorded in the Board Minutes with sufficient details to enable a proper assessment to be made of the deliberation and any decisions taken at the meeting.	☒
A.6.Supply of information		
A.6.1 Timely information to the Board	The Chairman ensures that all Directors are briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. They also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through: ▶ Formally documented minutes of discussions. ▶ By clarifying matters from the Board Secretary. ▶ Separate discussions at start of meeting regarding matters arising for the previous meeting. ▶ Archived minutes and Board papers accessible electronically at the convenience of the Directors.	☒
A.6.2 Information provided in advance to the Board meetings		
A.7. Appointments to the Board		
A.7.1, A.7.2 Appointment to the Board	The parent company's Nominations Committee functions as the Nominations Committee of the Company and makes recommendations to the Board on all new Board appointments.	☒
A.7.3 Disclosure of new appointments	The Nomination Committee comprises of following members. Mr. A.M. Pandithage* – Chairman Mr. Dhammika Perera** - Resigned 10th June 2022 Dr. Harsha Cabral, PC*** Mr. Aravinda Perera*** - Appointed to the Committee 21st April 2023 (*Executive Director, ** Non-Executive Director, *** Independent Non-Executive Director) The Board annually assess the composition of the Board to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. On appointment, a brief resumé of the director including his current and previous appointments and whether he is independent, non-executive or executive is sent to the CSE and published in the Group's website. Also Refer Nomination, Appointment & Succession in Corporate Governance Report on page 151	
A.8 Re-election		
A.8.1, A.8.2 Directors to submit themselves for re-election	One third of the directors retire at each AGM with those who have served the longest period after their last appointment/re-appointment. Retiring directors may offer themselves for re-election. The Managing Director does not retire by rotation. Directors appointed during the year to fill casual vacancies cease to hold office at the next AGM and may offer themselves for re-election by shareholders.	☒

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Code Ref	Compliance and Implementation	Compliance	
A.9 Appraisal of Board & Committee Performance			
A.9.1, A.9.2, A.9.3 Appraisal of Board & Committee Performance	The Chairman and Remuneration Committee are responsible for evaluating the performance of Executive Directors and Committees through an annual self-evaluation of its own performance. The responses are being submitted to the Chairman for discussion at a Board Meeting	☑	
A.10 Disclosure about Directors			
A.10 .1 Disclosure about Directors		Page Reference	☑
	Profiles of Board members	28 to 32	
	Membership of sub-committees and attendance at Board and Subcommittee meetings	182 to 186	
	Remuneration paid to directors	233	
	Related party transaction and other business interests	182	
	Names of listed companies in Sri Lanka in which they serve as directors	159	
A.11 Evaluation the performance of the CEO			
A.11.1, A.11.2 Evaluation the performance of the CEO	Prior to the commencement of each financial year, the Board in consultation with the Chief Executive, set reasonable financial and nonfinancial targets which are in line with short, medium and long-term objectives of Hayleys, achievement of which should be ensured by the Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.	☑	
B. Directors’ Remuneration			
B.1 Remuneration Procedure			
B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Establishment of Remuneration Committee	Remuneration for non-executive directors and executive directors are determined by the Remuneration Committee of the parent company. Refer Remuneration on page 239	☑	
B.2. Level & Make Up of Remuneration			
B.2.1, B.2.2, B.2.3, B.2.4 Levels of Remuneration	Executive director remuneration comprises both a fixed and variable component with the variable component linked to performance. Non-executive directors receive a monthly fee and an additional fee if they are members of a Board Committee. They are not eligible for performance linked bonuses or variable pay.Refer Level & Make Up of Remuneration on page 160	☑	
B.3 Disclosure of Remuneration			
B.3.1 Disclosure of remuneration	The Report of the Remuneration Committee on page 185 provides a statement on Remuneration Policy. The total for Directors’ Remuneration is given on page 233	☑	
C. Relations with Shareholders			
C.1. Constructive use of the AGM & Other General Meetings			
C.1.1 Notice of AGM	The notice and the agenda of the Annual General Meeting are sent to the shareholders 15 working days prior to the meeting. The Annual Report is published in the Company's web site and CSE web site	☑	
C.1.2 Separate resolution for substantially separate items	A separate resolution is proposed at an Annual General Meeting on each substantially separate item. Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements with the Independent Auditor’s Report is considered as a separate resolution. A form of Proxy is provided with the Annual Report to all shareholders to direct their Proxy to vote.	☑	

Code Ref	Compliance and Implementation	Compliance
C.1.3 Votes and use of proxy	The Company ensures that all proxy votes are properly recorded and counted. The level of proxies lodged on each resolution is conveyed to the Chairman.	☑
C.1.4 Answer questions at the Annual General Meeting (AGM)	The Board arranges the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary	☑
C.2. Communication with shareholders		
C.2.1,C.2.2 Channel to reach all shareholders of the company.	The modes of communication between the company and the shareholders are the Annual Reports, Interim Reports, announcements made through the Colombo Stock Exchange, other press releases and Annual / Extraordinary General Meetings. Shareholders may raise concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the company website upon release to the Stock Exchange. The website also features news and latest updates of the company. The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year	☑
C.2.3 Implementation of the policy and methodology for communication with shareholders	Annual Report and Financial Statement of the Company are available on the website enabling all shareholders to access the Annual Report and Financial Statements. However a shareholder could be provided with a printed copy of the Annual Report if requested in writing to do so. A copy of the interim financial statements are released to the Colombo Stock Exchange and posted on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.	☑
C.2.4 Disclosure of contact person	Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.	☑
C.2.5 Major issues and concerns of shareholders	All the major issues relating to shareholders are brought to the attention of the Board.	☑
C.2.6 Person to be contacted with regard to shareholders matters.	The Company Secretary holds the responsibility to be contacted in relation to shareholders matters.	☑
C.2.7 Process for responding to shareholders matters.	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM and General Meetings. The Board in conjunction with the Company Secretary formulates the process for addressing shareholders matters.	☑
C.3. Material Transactions		
C.3.1/ C.3.2 Disclosure of Major Transactions to shareholders	Transactions, if any, which materially affect the net asset base of Haycarb PLC, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affect the asset base of Haycarb PLC or consolidated Group asset base	☑
D. Accountability & Audit		
D.1. Financial and Business Reporting		
D.1.1/ D.1.2 Balance and understandable information to shareholders	The Company has presented balanced and understandable financial statements which gives a true and fair view of the performance and financial position on a quarterly and annual basis. In the preparation of Financial Statements, the Company has complied with the requirements of the Companies Act No 07 of 2007 and requirements of Sri Lanka Accounting Standards and Securities and Exchange Commission. Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner	☑

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Code Ref	Compliance and Implementation	Compliance
D.1.3 CEO's & CFO's approval on financial Statements prior to Board approval	The Finance Director and two other Directors have signed the Financial Statements on behalf of the Board. Responsibilities of Board of Directors and Directors statement on internal controls are given in pages 181 on this report.	☒
D.1.4 The Directors Report	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 177 of this Annual Report which contains the following: ▶ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka. ▶ Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested. ▶ Equitable treatment to shareholders. ▶ Compliance with best practices of corporate governance. ▶ Information relating to PPE has been given in note 13 to the Financial statements. ▶ Review of internal controls, risk management and reasonable assurance of effectiveness and adherence. ▶ Going concern of the business	☒
D.1.5 Statement of Directors Responsibility and statement on internal controls and Auditors Report	The Statement of Directors Responsibilities for the financial statements is given in page 181. The Auditors' Report is available on page 202.	☒
D.1.6 Management Discussion Analysis	Management Structure Haycarb Group comprises of Haycarb PLC and subsidiary companies. The Group is effectively divided in to two sectors to achieve the strategic objectives. The Activated Carbon sector includes manufacturing and marketing of coconut shell based activated carbon products. The Environmental Engineering Sector which is a sub sector of the Group is involved largely with water and sewerage water treatment. The authority is exercised within the ethical framework and business practices established by the Board which demands compliance with existing laws and regulation as well as best practices in dealing with employees, customers, suppliers and the community at large. These are further describing elsewhere in this report. The Management Team and Group structure are given in pages 28 to 32 Management Report Chairman and Managing Director's Joint Message (pages 14 to 19) in this Report provides an analysis of the Group's performance during the financial year. The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place through out the year under review. The potential risks, both internal as well as external, faced by the company and actions instituted for mitigating the same are reported in the Chairman and Managing Director's Joint Message (pages 14 to 19) in this Report.	☒

Code Ref	Compliance and Implementation	Compliance
D.1.7 Summon an EGM to notify serious loss of capital	In the event the net assets of the Company fall below 50% of the value of the Company's Stated Capital, the Directors will forthwith summon an Extraordinary General Meeting to notify shareholders' the remedial action being taken. However, such an event has not taken place since the adoption of the New Companies Act No 07 of 2007	☒
D.2. Risk Management & Internal Control		
D.2.1, D.2.2, D.2.3, D.2.4. Monitoring sound system of internal control	The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls required, including financial, operational and compliance controls, and risk management. It is important to recognise, however that any system can provide only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The important procedures in place to discharge this responsibility are as follows: ▶ The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies. ▶ The Board reviews the strategies of the divisions and constituent companies. ▶ Annual budgeting and regular forecasting processes are in place and the Directors review performance. ▶ The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanism. ▶ The Group is subjected to regular internal audits and system reviews. ▶ The Audit Committee reviews the plans and activities of the internal audits and the management letters of External Auditors. ▶ The Group carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment. ▶ The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors' Responsibilities for the financial statements are described on page 181.	☒
D.3. Audit Committee		
D.3.1/D3.2/D.3.3 Composition, Purpose, Duties and Responsibilities of Audit Committee	Refer Audit Committee Report on page 202	☒
D.4 Related Party Transactions Review Committee		
D.4.1 Related Party Transaction	Refer Related Party Transactions Review Committee Report on page 182.	☒
D.4.2/D.4.3 Composition, Terms of Reference of Related Party Transaction Review Committee		

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Code Ref	Compliance and Implementation	Compliance
D.5. Code of Business Conduct & Ethics		
D.5.1 Disclosure on presence of Code of Business Conduct & Ethics	The Directors and members of the Senior Management team are bound by the Code of Business Conduct & Ethics which is applicable to the Hayleys Group. The Code consists of important topics like conflict of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, compliance of laws, rules and regulations etc. The Board ensures the compliance with the code and non-compliance may reasons to go for a disciplinary action.	☑
D.5.2 Process to identify and report price sensitive information	The Company has a process in place to ensure that material and price sensitive information is promptly identified and reported.	☑
D.5.3 Shares purchased by directors and key management personnel	The Company has a policy and a process for monitoring, and disclosure of shares purchased by any Director and key management personnel. Details of directors share holdings are given in page 177 of the annual report of Board of Directors on the affairs of the Company.	☑
D.5.4 Affirmation of Code in the Annual Report by the Chairman	The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics in the Annual Report.	☑
D.6 Disclosure of adherence to Corporate Governance		
D.6/ D.6.1 Disclosure of adherence to Corporate Governance	The Corporate Governance Report from page 150 to 176 in this report: The extent to which the Company adheres to established principles and practices of good Corporate Governance is disclosed from pages 150 to 176 of this report. IT Governance Strategic focus has been placed on strengthening the Company's IT capabilities in line with its operations, processes and capacity improvements. Dedicated staff is deployed to support this. Haycarb's Investment in IT covers resources operated and managed centrally and resources deployed across the various factories and estates. Most operations within the business have access to ERP systems, and internet and e-mail services. IT value and alignment Investments in IT projects and systems are made after consideration of suitability for the related projects. Further aspects such as cost savings, the provision of timely information and the balance between cost and benefits/ needs are also considered when decisions are taken. IT Risk Management Risks associated with IT are assessed in the process of Risk Management. Use of licensed software, close monitoring of internet usage (for compliance with the IT Use Policy) and mail server operations and the use of anti-virus and firewall software, are some practices in place.	☑
Section 2: Shareholders		
E. Institutional Investors		
E.1, E.2 Dialogue with shareholders and Evaluation of governance disclosure	All investors are notified of the Annual General Meeting and all their views, comments and suggestions are encouraged. The Company maintains continuous dialogue with institutional investors. Impartiality is maintained on shareholder votes at the AGM based on individual holding and weightage. Institutional investors are encouraged to give due consideration to all relevant factors drawn to their attention when evaluating companies governance arrangement particularly in relation to Board structure and composition.	☑

Code Ref	Compliance and Implementation	Compliance
F. Other Investors		
F.1, F.2 Adequate analysis for investment / divestment decisions and usage of voting right	All shareholders are encouraged to actively participate in the AGM and they have the independence of using their votes as they wish. The company believes that the rational investors remain with the Company without divesting. There are no restrictions for investing or divesting in the Company shares.	☑
G. Internet of Things & Cybersecurity		
G.1 Identify connectivity and related cyber risks	This function was complied with by the Group Head of IT of the parent company for the year under review. The Board was also updated on the findings.	☑
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	A Group Information Security Deputy General Manager was recruited for the Hayleys PLC Group on 1st April 2021 to comply with these provisions. The role covers the entire Group including Haycarb PLC.	☑
G.3 Include cybersecurity in Board agenda	It is a regular agenda item for the Board meetings.	☑
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	A firm of external consultants were engaged to review the effectiveness of the Group's cybersecurity risk management during the year.	☑
G.5 Disclosures in Annual Report	Please refer Internet of Things & Cybersecurity on page 161.	☑
H. Environment, Society & Governance		
H.1 Sustainability Reporting	Sustainability principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows: Principle 1 - Reporting of Economic Sustainability on page 90 Principle 2 - Reporting on the Environment on page 96 of the Capital Management Report Principle 3 - Reporting on Labour Practices on page 112 of the Capital Management Report. Principle 4 - Reporting on Society on page 126 of the Capital Management Report. Principle 5 - Reporting on Product Responsibility on page 126 of the Capital Management Report. Principle 6 - Reporting on Stakeholder identification, engagement and effective communication on page 46. Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)	☑

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COMPLIANCE WITH THE CONTINUING LISTING REQUIREMENTS SECTION 7.10 ON CORPORATE GOVERNANCE RULE FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE

Rule No.	Subject	Requirement	Complied	Comment	Reference within Report
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	7 directors are non-executive	Board Composition Page 150.
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Yes	4 Directors are independent	Board Composition Page 150.
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	All directors submit an annual declaration which is used to determine their independence	Determining Independence Page 151.
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR)	Yes	All directors submit an annual declaration which is used to determine their independence Names of all directors are disclosed in the annual report together with a brief resume	Determining Independence Page 151. Board Profiles on pages 28 to 32.
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Yes	Not applicable as the criteria for independence is met	Determining Independence Page 151.
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Board Profiles are given in the annual report	Board Profiles on pages 28 to 32.
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	Disclose the appointments of new Directors to the Colombo Stock Exchange.	Board Profiles on pages 28 to 32.
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Criteria for determining independence of directors complies with CSE Listing rules	Determining Independence Page 151.
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	Yes	The Remuneration Committee of the Parent Company, Hayleys PLC serves as the Remuneration Committee for Haycarb PLC as permitted by the CSE Listing Rules	Remuneration Committee Report on page 185.
7.10.5(a)	Composition of Remuneration Committee	RC shall comprise of NEDs, a majority of whom will be independent One NED shall be appointed as Chairman of the committee by the Board of Directors	Yes	The Remuneration Committee of the parent company comprises wholly of Non-Executive Directors of whom 3 are independent	Remuneration Committee Report on page 185.

Rule No.	Subject	Requirement	Complied	Comment	Reference within Report
7.10.5(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	The Remuneration Committee recommends the remuneration of Executive Directors to the Board	Remuneration Committee Report on Page 185
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors Should be included in the Annual Report	Yes	The Remuneration Committee Report provides the required information	Remuneration Committee Report on Page 185 Please refer note 9.1 to the Financial Statements
7.10.6	Audit Committee (AC)	The Company shall have an AC	Yes	Haycarb has its own Audit Committee	Audit Committee Report on page 183.
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Yes Yes Yes	The Audit Committee comprises of two Independent Non-Executive Director and one Non-Executive Director. The Managing Director and Finance Director attend meetings on invitation. The Chairman of the Audit Committee is a member of a professional accounting body.	Audit Committee Report on page 183.
7.10.6(b)	Audit Committee Functions	Should be as outlined in the Section 7.10 of the Listing Rules	Yes	Functions of the Audit Committee are summarised in the Audit Committee Report	Audit Committee Report on page 183.
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a) Names of the Directors comprising the Audit Committee b). The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Yes Yes Yes	These requirements are set out in the report of the Audit Committee	Audit Committee Report on page 183.
7.14.1	Minimum public holding	As a listed company in the Main Board, the Company maintained the minimum public holding under specified criteria.	Yes	The Company complied with the minimum public holding.	Investor Information on page 284.

> CORPORATE GOVERNANCE

LEVEL OF COMPLIANCE WITH SECTION 09 OF THE CSE LISTING RULES ON RELATED PARTY TRANSACTIONS REVIEW COMMITTEE IS GIVEN IN THE FOLLOWING TABLE

Rule No.	Subject	Applicable requirement	Compliance status	Details
9.2.1 and 9.2.3	Related Party Transactions Review Committee	All related party transactions to be reviewed by the “Related Party Transactions Review Committee”. If the parent company and the subsidiary company both are listed entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as such Committee of the subsidiary.	Compliant	The functions of the Committee are stated in the Related Party Transactions Review Committee report on page 182. The Committee of the parent company functions as the Committee of the Company.
9.2.2	Composition	Two Independent Non-Executive Directors and one Executive Director	Compliant	As above
9.2.4	Related Party Transactions Review Committee meetings	Shall meet once a quarter	Compliant	Refer Committee report on page 182.
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 182.
9.3.2 (d)		A statement to the effect that the Committee has reviewed the transactions	Compliant	
		The policies and procedures adopted by the Committee	Compliant	
		The number of times the Committee has met during the year	Compliant	
		Report by the Related Party Transactions Review Committee	Compliant	
		A declaration by the Board of Directors as an affirmative statement of the compliance with the rules pertaining to related party transactions	Compliant	Please refer page 178.

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

The Board of Directors of Haycarb PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and of the Group for the year ended 31st March 2023.

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW OF THE YEAR

The principal activities of the Group and its management team are shown on pages 33 to 35 respectively of this Report. The Joint Statement from the Chairman and the Managing Director describe the Group's affairs and mention important events of the year. The results for the year are set out in the Consolidated Statement of Profit or Loss on page 204.

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

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 202 to 286.

AUDITOR'S REPORT

Auditors' Report on the Financial Statements is given on page 202 to 203.

ACCOUNTING POLICIES

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 212 to 230. There were no changes in the accounting policies adopted.

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. Note 33 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

DIRECTORS' INTERESTS IN SHARES

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

INTERESTS REGISTER

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

Hayleys PLC holds 201,251,030 shares (67.73%) in Haycarb PLC. Mr. Mohan Pandithage, Mr. Sarath Ganegoda and Mr. Rajitha Kariyawasan are Directors of Hayleys PLC

25,000 shares were purchased by Mr. Sarath Ganegoda, Non- Executive Director of Haycarb PLC during the year.

20,000 shares were purchased by Mr. Brahman Balaratnarajah, Deputy Managing Director (Executive Director) of Haycarb PLC during the year.

914,508 shares were purchased by Mr. Rajitha Kariyawasan, Managing Director (Executive Director) jointly with Mrs. K. H. S. Kariyawasan of Haycarb PLC during the year.

DIRECTORS' SHAREHOLDINGS

Details relating to shareholdings of Directors are given below.

Directors' shareholding

Name of the Director	No. of Shares	
	31 March 2023	31 March 2022
Mr. Mohan Pandithage (Chairman)	23,790	23,790
Mr. Rajitha Kariyawasan* (Managing Director)	2,379,508	1,465,000
Mr. Brahman Balaratnarajah (Deputy Managing Director)	30,040	10,040
Mr. Arjun Senaratna	-	-
Mr. Sarath Ganegoda	73,150	48,150
Mrs. Jeevani Abeyratne	-	-
Dr. Sarath Abayawardana	-	-
Mr. Sujeewa Rajapakse	-	-
Mr. M. S. P. Udaya Kumara	4,620	4,620
Mr. Ali Asgar Munaver Caderbhoy	-	-
Mr. James Naylor	-	-
Mr. Mohamed Hisham Jamaldeen	-	-
Ms. Shamalie Gunawardana	-	-
Ms. Brindhiini Perera (Appointed w.e.f. 19th October 2022)	-	-
Ms. Yogadinusha Bhaskaran (Alternate to Mr. Dhammika Perera; Ceased to be Alternate w.e.f. 10th June 2022)	-	-
Mr. Dhammika Perera (Resigned w.e.f. 10th June 2022)	-	-
Ms. Sharmila Ragunathan (Resigned w.e.f. 30th April 2022)	-	-

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

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

DIRECTORS' REMUNERATION

Executive Directors' Remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2023 is Rs 341,821,500 (2021/2022 - Rs. 273,342,000/-), 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 2023 is Rs. 8,632,500/- (2021/2022 - Rs. 5,469,000/-), determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

DIRECTORS' INDEMNITY AND INSURANCE

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

SUBSIDIARIES

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

Recogen (Pvt) Ltd.

Puritas (Pvt) Ltd.

Utracarb (Pvt) Ltd.

DONATIONS GRI 415

The Donations made by the Company and the Group are disclosed in Note 9.1 on page 233.

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 30 to 32 of this report.

Executive Directors

Mr. Mohan Pandithage (Chairman)

Mr. Rajitha Kariyawasan (Managing Director)

Mr. Brahman Balaratnarajah (Deputy Managing Director)

Mrs. Jeevani Abeyratne

Mr. M. S. P. Udaya Kumara

Mr. Ali Asgar Munaver Caderbhoy

Mr. James Naylor

Non-Executive Directors

Mr. Arjun Senaratna

Mr. Sarath Ganegoda

Ms. Brindhiini Perera (Appointed w.e.f. 19th October 2022)

Mr. Dhammika Perera (Resigned w.e.f. 10th June 2022)

Ms. Yogadinusha Bhaskaran (Alternate to Mr. Dhammika Perera. Ceased to be Alternate w.e.f. 10th June 2022)

Ms. Sharmila Ragunathan (Resigned w.e.f. 30th April 2022)

Independent Non-Executive Directors

Dr. Sarath Abayawardana

Mr. Sujeewa Rajapakse

Mr. Mohamed Hisham Jamaldeen

Mrs. Shamalie Gunawardana

In terms of Article No. 29(1) of the Articles of Association of the Company, Mr. Brahman Balaratnarajah, Mr. Mohamed Hisham Jamaldeen, Mrs. Shamalie Gunawardana and Mr. Sarath Ganegoda retire by rotation and being eligible offer themselves for re-election.

Ms. Brindhiini Perera was appointed to the Board with effect from 19th October 2022, in terms of Article 27(2) of the Articles of Association of the Company, Shareholders will be requested to re-elect her at the Annual General Meeting.

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

The Directors of the Subsidiaries are given on pages 290.

BOARD COMMITTEES

The Board, while assuming the overall responsibility and accountability for the affairs in the management of the company, has appointed an Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee with specific terms of reference. The Committee Reports are given on pages 182 to 186 of this report.

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.

AUDITORS

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

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 2,214,000 (2021/22 - Rs 2,137,000/-) and Rs. 3,588,000 (2021/22 - Rs 3,498,000/-) as audit fees by the Company and the group respectively. In addition, they were paid Rs. 1,941,000 (2021/22 - Rs 872,000/-) and Rs. 9,391,000 (2021/22 - Rs 7,212,000/-) by the Company and the Group, for non-audit related work, which consisted mainly of tax advisory services.

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

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

GROUP REVENUE

The revenue of the Group was Rs. 60,943,256,000 (2021/22 – Rs 33,160,474,000/-) in the year under review. A detailed analysis of the Group's revenue is given in Note 6 to the Financial Statements.

The Group's revenue from international trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka amounted to Rs. 59,305,647 (2021/22 – Rs 31,313,167,965/-). Trade between Group companies are conducted at fair market prices.

PROFITS

The Group's profit before tax amounted to Rs. 8,258,032,000 (2021/22 – Rs 4,655,988,000/-). After a deducting Rs. 1,752,544,000 (2021/22 – Rs 934,848,000/-) for taxation, the profit was Rs. 6,505,488,000 (2021/22 – Rs 3,721,140,000/-). When non-controlling interest of Rs. 682,328,000 (2021/22 – Rs 433,586,000/-) was deducted, the profit attributable to the equity holders of the Company was Rs. 5,823,160,000 (2021/22 – Rs 3,287,554,000/-).

STATED CAPITAL AND RESERVES

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

Total Group reserves as at 31st March 2023 amount to Rs. 21,810,047,000 comprising Capital Reserves of Rs. 891,290,000 and Revenue Reserves of Rs. 20,918,757,000. The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

DIVIDEND

The first interim dividend of Rs. 2.75 per share was paid to the shareholders on 21st October 2022. The second interim dividend of Rs. 1.50 per share was paid to the shareholders on 23rd January 2023. The third interim dividend of Rs. 1.00 per share was paid to the shareholders on 10th April 2023. The Board has recommended a final dividend payment of Rs.1.00 per share for 2022/23 subject to the approval of oncoming Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the first, second, third interim dividends paid and final dividend proposed. Solvency certificates were obtained from the Auditors in respect of the Interim dividends paid, and one has been sought in respect of the final dividend proposed.

AMALGAMATION

Haycarb Value added Products (Pvt) Limited which was a fully owned subsidiary of Haycarb PLC was amalgamated with Haycarb PLC with effect from 28th of December 2022 in terms of Section 242 of the Companies Act, No. 07 of 2007 and continues as Haycarb PLC.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 181.

CAPITAL EXPENDITURE

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs.1,907,289,000 (2021/22 – Rs 1,677,730,000/-) and Rs. 814,045,000 (2021/22 – Rs 858,646,000/-) respectively. Information relating to movements in property, plant and equipment is given in Note 13 to the Financial Statements.

MARKET VALUE OF PROPERTIES

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations in respect of the Group were carried out as at 31st March 2022.

Details of revaluations, carrying values and market values are provided in Note 13 to the Financial Statements. The statement on the value of real estate on page 13 gives details of freehold land held by the Group.

EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Reporting date that would require adjustments, other than those disclosed in Note 38 to the Financial Statements.

ENVIRONMENTAL PROTECTION

The Company's business activities can have direct and indirect effects on the environment. It is the policy of the Company to conduct its activities in an environmentally responsible manner in order to keep adverse effects to a minimum and to ensure compliance with the relevant regulations.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

Details relating to material issues pertaining to employees and industrial relations are given in Human Capital on page 112.

EXPOSURE TO RISK

The Group has a structured risk management process in place to support its operations. The Audit Committee plays a major role in this process. The risk management section referred on pages 56 to 61 elaborates these practices and the risk factors.

GOING CONCERN

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

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

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 278 to 279.

MAJOR SHAREHOLDINGS

The twenty major shareholders as at 31st March 2023 are given on page 285 in this Report.

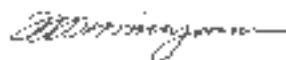
ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 29th June 2023 at 3.30 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10. The Notice of the Annual General Meeting appears on page 294.

For and on behalf of the Board,



Mohan Pandithage
Chairman



Rajitha Kariyawasan
Managing Director



Hayleys Group Services (Private) Limited
Secretaries

No. 400, Deans Road
Colombo 10

18th May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) and 153 (2) of the Companies Act No. 07 of 2007, ('the Companies Act') to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148, of the Companies Act to ensure that proper accounting records are kept to enable, determination of the financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected. They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, the Companies Act and the Listing Rules of the Colombo Stock Exchange. They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), the Companies Act and the Listing Rules of the Colombo Stock Exchange.

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

The Directors have taken proper and sufficient measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control and accounting records to prevent and detect frauds and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for first, second, third interim dividends paid and final dividend proposed Solvency certificates were obtained from the Auditors in respect of the Interim dividends paid, one has been sought in the respect of the final dividend proposed.

The External Auditors, Messrs Ernst & Young, Chartered Accountants who were re-appointed in terms of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 202 to 203 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid or provided where relevant.

By Order of the Board,



Hayleys Group Services (Pvt) Ltd.
Secretaries

18th May 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

COMPOSITION OF THE COMMITTEE

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

The Committee comprises the following members:

Dr. Harsha Cabral, PC** – Chairman

Mr. Aravinda Perera**

Mr. Sarath Ganegoda *

**Independent Non-Executive

*Executive

ATTENDANCE

Committee met four times during in the Financial Year 2022/23.

Meetings held on 17th May 2022, 10th August 2022, 8th November 2022 and 10th February 2023.

	Meetings
Dr. Harsha Cabral, PC	4/4
Mr. Aravinda Perera	4/4
Mr. Sarath Ganegoda	4/4

THE DUTIES OF THE COMMITTEE

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

TASK OF THE COMMITTEE

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

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



Dr. Harsha Cabral, PC

Chairman

Related Party Transactions Review Committee of Hayleys PLC

17th May 2023

AUDIT COMMITTEE REPORT

COMPOSITION AND ROLE

The Audit Committee is appointed by and is responsible to the Board of Directors. The Audit Committee comprises Mr. Sujeewa Rajapakse (Chairman), Mr. Arjun Senaratna, and Dr. Sarath Abayawardana. The mandate of the Audit Committee includes providing independent oversight of the Group's financial and internal control systems and providing assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving financial reporting and internal controls of the Company.

It was constituted in 2007 and comprises two Independent Non-Executive Directors and a Non-Executive Director. The Committee is Chaired by a Senior Chartered Accountant. The Chairman and Chief Financial Officer of Hayleys PLC and the Managing Director and Finance Director of Haycarb PLC attend the meetings of the Committee by invitation.

The role and the responsibilities of the Audit Committee with its specific terms of reference is described in the Audit Committee Charter. The observations and views of the Committee are communicated to the Board of Directors each quarter through presentation and by tabling the minutes of the Audit Committee's meeting.

The Committee meets as often as may be deemed necessary. The Audit Committee had four formal meetings during the financial year ended 31st March 2023 and the members attendance records are given below:

A brief profile of each member is given on pages 28 to 32 of this report. Their individual and collective financial knowledge, business acumen and the independence of the Committee are brought to bear on their deliberations and decisions on matters that come within the Committee's purview.

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

ACTIVITIES

The Audit Committee, inter alia, engaged in the following activities during the financial year under review:

FINANCIAL REPORTING

The Committee reviewed the financial reporting system adopted by the Group in the preparation and presentation of its quarterly Financial Statements and the Financial Statements for the year in order to assess reliability of the process, consistency of accounting policies and their compliance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Committee also reviewed the key judgements applied in the preparation of the Consolidated Financial Statements, which are described in the relevant accounting policies and detailed Notes to the

Financial Statements on pages 202 to 286

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

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

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

INTERNAL CONTROL SYSTEMS

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

The Annual Internal Audit Plan is approved by the Audit Committee and reviewed the progress on a quarterly basis in order to reflect the changing business needs and to ensure new and emerging risks are considered. During the year under review the services of the Hayleys PLC-Management Audit and System Review Team was used to review processes covering production, procurement and sales among others. The key business processes involving

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

> AUDIT COMMITTEE REPORT

Haycarb Group is reported to the Audit Committee for review and formulation of action plans for the ensuing year.

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

RISK MANAGEMENT

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

EXTERNAL AUDIT

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

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

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

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

CONCLUSION

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

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



Sujeewa Rajapakse
Chairman
Audit Committee

16th May 2023

REMUNERATION COMMITTEE REPORT

COMPOSITION

Dr. Harsha Cabral, PC** - Chairman

Mr. Aravinda Perera**

Mr. Mohamed Hisham Jamaldeen **

Mr. Gamini Gunaratne** (appointed to the Committee w.e.f. 21st April 2023)

Mr. Dhammika Perera* (resigned w.e.f. 10th June 2022)

**** Independent Non-Executive Director**

*** Non-Executive Director**

The Remuneration Committee of the Parent Company Hayleys PLC functions as the Committee to the Company and consists of four Independent Non-Executive Directors.

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

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

DUTIES OF THE REMUNERATION COMMITTEE

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

- ▶ Determining the compensation of the Chairman and Chief Executive, Executive Directors and the Members of the Group Management Committee.
- ▶ Lay down guidelines and parameters for the compensation of all Management staff within the Group taking into consideration industry norms.
- ▶ Formulate guidelines, policies, and parameters for the compensation of all Executives staff of the Company.
- ▶ Review information related to executive pay from time to time to ensure same is on a par with the market/industry rates.

- ▶ Evaluate the performance of the Chairman and Chief Executive and Key Management Personnel against the pre-determined targets and goals.
- ▶ Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- ▶ Approving annual salary increments and bonuses.

REMUNERATION POLICY

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

ACTIVITIES IN 2022/2023

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



Dr. Harsha Cabral, PC
Chairman
Remuneration Committee

19th May 2023

NOMINATION COMMITTEE REPORT

COMPOSITION

Mohan Pandithage* - Chairman

Dr. Harsha Cabral PC***

Aravinda Perera*** (appointed to the Committee w.e.f. 21st April 2023)

Dhammika Perera** (resigned w.e.f. 10th June 2022)

* Executive Director

** Non - Executive Director

*** Independent Non-Executive Director

The Nomination Committee of the parent company, Hayleys PLC functions as the Committee for the Company.

The Committee met nine times during the year and the attendance are given below.

DUTIES OF THE NOMINATION COMMITTEE

- ▶ Consider of making any appointment of new Directors or re-electing current Directors to the Board.
- ▶ Provide advice and recommendations to the Board on any such appointment.
- ▶ Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- ▶ Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- ▶ Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- ▶ Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- ▶ Recommend on any matter referred by the Board of Directors.

- ▶ The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. B. Balaratnarajah, Mr. M.H. Jamaldeen, Mrs. H.M.N.S Gunawardana and Mr. S.C. Ganegoda at the Annual General Meeting to be held on 29th June 2023.
- ▶ The Committee has recommended to reappoint Dr. S.A.K. Abayawardana, Mr. A.M. Senaratna, and Mr. A.M. Pandithage who are over seventy years of age.
- ▶ Ms. Brindhiini Perera was appointed to the Board with effect from 19th October 2022. In terms of Article 27(2) of the Articles of Association of the Company. Shareholders will be requested to re-elect her at the forthcoming Annual General Meeting.



Mohan Pandithage
Chairman
Nomination Committee

19th May 2023

Name		Attendance
Mr. Mohan Pandithage	Chairman	9/9
Dr. Harsha Cabral, PC	Independent Non-Executive Director	9/9
Mr. Aravinda Perera	Independent Non-Executive Director	-
Mr. Dhammika Perera	Non-Executive Director	1/2

INDEPENDENT ASSURANCE REPORT FOR THE GRI STANDARD



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYCARB PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT- 2022/23

Scope

We have been engaged by Haycarb PLC ("the Entity") to perform a 'limited assurance engagement' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report (the "Subject Matter") as of 31st March 2023.

Criteria applied by Haycarb PLC

In preparing the Subject Matter, Haycarb PLC applied the following criteria ("Criteria"):

- ▶ The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.

Such Criteria were specifically designed for purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report FY 2022/23 is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Haycarb PLC's responsibilities

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

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Haycarb PLC on 1st May 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

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

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been

Partners: H M A Jayasinghe FCA FCMA, R N de Sa Siri ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R E Fernando ACA, W R B S P Fernando FCA FCMA, Ms. L K H E Fonseka FCA, D N Gamage ACA ACMA, A P A Gonasekera FCA FCMA, A Herath FCA FCMA, D R Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manalunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA, N M Subraman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons) MSc MSc IT, G B Goudan ACMA, D L B Karunatilaka ACMA, Ms. P S Paranevillane ACA ACMA LLB (Colombo), T P M Ruberu FCA FCMA

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➤ INDEPENDENT ASSURANCE REPORT FOR THE GRI STANDARD

performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Validated the information presented and checked the calculations performed by the organization through recalculation
- ▶ Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- ▶ Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff
- ▶ Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- ▶ Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

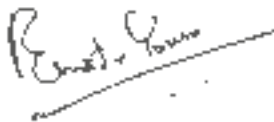
Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

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

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.



18 May 2023
Colombo

INDEPENDENT ASSURANCE REPORT FOR THE INTEGRATED ANNUAL REPORT



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYCARB PLC ON THE INTEGRATED ANNUAL REPORT- 2022/23

Introduction and scope of the engagement

The management of Haycarb PLC ("the Company") engaged us to provide an independent assurance on the following elements of its Integrated Annual Report for the year ended 31st March 2023 ("the Report").

- ▶ Reasonable assurance on the information on financial capital management as specified on pages 90-95 of the Report.
- ▶ Limited assurance on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Report on pages 90-95, prepared in accordance with the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

The capital management criteria used for this limited assurance engagement are based on the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 (Revised) and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation and presentation and self-declaration of the information and statement contained within the Report, and for maintaining adequate records and internal controls that are designed to support the Integrated Reporting process under the Integrated Reporting Framework (<IR> Framework).

Ernst & Young's responsibilities

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the

Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

This report is made solely to the Company in accordance with our engagement letter dated 2nd May 2023. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka,

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

Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances.

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

Principals: W S J De Silva BSc (Hons) MSc MSc-IT, G B Goudan ACMA, D L B Karunatilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Rubeiru FCA FCMA

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> INDEPENDENT ASSURANCE REPORT FOR THE INTEGRATED ANNUAL REPORT

Key assurance procedures included:

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

Although we considered the effectiveness of management's internal controls when

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

Limitations and considerations

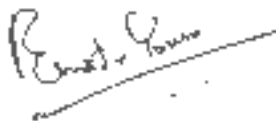
Social, Natural and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

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

Conclusion

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

- ▶ The information on financial performance as specified on page 90-95 of the Report are properly derived from the audited financial statements for the year ended 31 March 2023.
- ▶ Nothing has come to our attention that causes us to believe that other information on stakeholder engagement, business model, organization overview & external environment and outlook presented in the Report are not fairly presented, in all material respects, in accordance with the Integrated Annual Reporting practices and policies which are derived from the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).



18 May 2023
Colombo

GRI INDEX

Statement of use	Haycarb PLC has reported in accordance with the GRI Standards for the period for period 01st April 2022 to 31st March 2023
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1 Organizational details	212				
	2-2 Entities included in the organization's sustainability reporting	03,04				
	2-3 Reporting period, frequency and contact point	03,05				
	2-4 Restatements of information	03				
	2-5 External assurance	05,187-190				
	2-6 Activities, value chain and other business relationships	10, 22-25, 130-131				
	2-7 Employees	116				
	2-8 Workers who are not employees	116				
	2-9 Governance structure and composition	152				
	2-10 Nomination and selection of the highest governance body	151				
	2-11 Chair of the highest governance body	153				
	2-12 Role of the highest governance body in overseeing the management of impacts	153				
	2-13 Delegation of responsibility for managing impacts	154				
	2-14 Role of the highest governance body in sustainability reporting	157				
	2-15 Conflicts of interest	159				
	2-16 Communication of critical concerns	162				

> GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-17 Collective knowledge of the highest governance body	150				
	2-18 Evaluation of the performance of the highest governance body	154				
	2-19 Remuneration policies	160				
	2-20 Process to determine remuneration	160				
	2-21 Annual total compensation ratio	160				
	2-22 Statement on sustainable development strategy	14-19				
	2-23 Policy commitments	150				
	2-24 Embedding policy commitments	150				
	2-25 Processes to remediate negative impacts	150				
	2-26 Mechanisms for seeking advice and raising concerns	158				
	2-27 Compliance with laws and regulations	155				
	2-28 Membership associations	139				
	2-29 Approach to stakeholder engagement	46-54				
	2-30 Collective bargaining agreements	122				
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	64-67				
	3-2 List of material topics	64-67				
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	13				
	201-2 Financial implications and other risks and opportunities due to climate change	86				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	201-3 Defined benefit plan obligations and other retirement plans	223-224, 255-256				
	201-4 Financial assistance received from government	-		Not applicable	We did not receive any significant financial assistance from a government	
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	137-138				
	203-2 Significant indirect economic impacts	137-138				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	132				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	-		Information unavailable/incomplete	We are hoping to collect and present complete information during next year	
	205-2 Communication and training about anti-corruption policies and procedures	158				
	205-3 Confirmed incidents of corruption and actions taken	158				
Anti-competitive behavior						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	158				

> GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 207: Tax 2019	207-1 Approach to tax	93, 264-266				
	207-2 Tax governance, control, and risk management	93, 264-266				
	207-3 Stakeholder engagement and management of concerns related to tax	93, 264-266				
	207-4 Country-by-country reporting	93, 264-266				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	98				
	301-2 Recycled input materials used	98				
	301-3 Reclaimed products and their packaging materials	98				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	99				
	302-2 Energy consumption outside of the organization	99				
	302-3 Energy intensity	99				
	302-4 Reduction of energy consumption	99				
	302-5 Reductions in energy requirements of products and services	99				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	100				
	303-2 Management of water discharge-related impacts	100				
	303-3 Water withdrawal	100				
	303-4 Water discharge	100				
	303-5 Water consumption	100				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-		Not applicable	We did not operate in such areas with high biodiversity value	
	304-2 Significant impacts of activities, products and services on biodiversity	101				
	304-3 Habitats protected or restored	-		Not applicable	We did not operate in such areas with high biodiversity value	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	-		Not applicable	We did not operate in such areas with high biodiversity value	
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	99-100				
	305-2 Energy indirect (Scope 2) GHG emissions	99-100				
	305-3 Other indirect (Scope 3) GHG emissions	99-100				
	305-4 GHG emissions intensity	99-100				
	305-5 Reduction of GHG emissions	99-100				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	305-6 Emissions of ozone-depleting substances (ODS)	99-100				
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	99-100				
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	100				
	306-2 Management of significant waste-related impacts	100				
	306-3 Waste generated	100				
	306-4 Waste diverted from disposal	100-101				
	306-5 Waste directed to disposal	100-101				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	134				
	308-2 Negative environmental impacts in the supply chain and actions taken	134				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	116				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	123-124				
	401-3 Parental leave	125				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	122				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	117-119				
	403-2 Hazard identification, risk assessment, and incident investigation	117-119				
	403-3 Occupational health services	117-119				
	403-4 Worker participation, consultation, and communication on occupational health and safety	117-119				
	403-5 Worker training on occupational health and safety	117-119				
	403-6 Promotion of worker health	117-119				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	117-119				
	403-8 Workers covered by an occupational health and safety management system	117-119				
	403-9 Work-related injuries	117-119				
	403-10 Work-related ill health	117-119				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	120-121				
	404-2 Programs for upgrading employee skills and transition assistance programs	121				
	404-3 Percentage of employees receiving regular performance and career development reviews	123				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	151				
	405-2 Ratio of basic salary and remuneration of women to men	-		Confidentiality constraints	Confidential Information of the company	
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	125				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	122				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	116,130				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	130				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	137-138				
	413-2 Operations with significant actual and potential negative impacts on local communities	137-138				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	-		Information unavailable/incomplete	We did not have adequate information to measure actual and potential negative social impacts of suppliers	
	414-2 Negative social impacts in the supply chain and actions taken	134				
Public policy						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
GRI 415: Public Policy 2016	415-1 Political contributions	178				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	130				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	130				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	64-67				
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enhancing our stakeholder value



FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF HAYCARB PLC

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Haycarb PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics

issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Measurement of inventories As disclosed in Note 19, inventories of the group amounted to Rs. 13.98 Bn as at 31 March 2023. Measurement of inventories was considered a key audit matter due to: ▶ Materiality of the reported amount which represent 35% of the total assets of the Group. ▶ Significant judgements applied by the management in the determination of cost and net realizable value of inventories which include judgements related to long-expiry and continued use of activated carbon and charcoal, and moisture level adjustments as disclosed in Note 5.8.	Our audit procedures included the following key procedures: ▶ Observing physical inventory counts and reconciled the count results to the inventory reports that support the reported balance as at the reporting date. ▶ Evaluating the key financial controls implemented by the management and assessing the reasonableness of moisture level adjustments made to raw materials and finished goods by observing moisture checks on a sample basis. ▶ Assessing the appropriateness of judgements applied by management, especially in relation to the long-expiry and continued use of activated carbon and charcoal as well as in arriving at the net realizable value. We also assessed the adequacy of disclosures made in relation to the valuation of inventories in Note 5.8 to the financial statements.

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

Principals: W S J De Silva BSc (Hons) MSc MSc-IT, G B Goudan ACA, D L B Karunathilaka ACA, Ms. P S Paranevillane ACA ACMA LLB (Colombo), T P M Ruteru FCA FCMA

A member firm of Ernst & Young Global Limited

Other Information included in the 2023 Annual Report

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

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

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.



18 May 2023
Colombo

STATEMENT OF PROFIT OR LOSS

		Consolidated		Company	
For the year ended 31 March		2023	2022	2023	2022
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	6	60,943,256	33,160,474	28,108,406	14,957,058
Cost of sales		(46,064,358)	(25,942,668)	(21,330,692)	(12,396,053)
Gross profit		14,878,898	7,217,806	6,777,714	2,561,005
Other operating income	7	200,630	249,988	2,393,150	907,522
Selling and distribution expenses		(550,508)	(260,576)	(121,483)	(44,570)
Administrative expenses		(6,254,737)	(4,128,162)	(2,573,152)	(1,943,024)
Results from operating activities		8,274,283	3,079,056	6,476,229	1,480,933
Finance income	8.1	3,392,719	2,321,003	2,161,436	1,878,764
Finance cost	8.2	(3,411,387)	(722,727)	(1,727,478)	(435,204)
Net finance income/(cost)		(18,668)	1,598,276	433,958	1,443,560
Share of profit of equity accounted investees (net of tax)	17.2	2,417	(21,344)	-	-
Profit before tax	9	8,258,032	4,655,988	6,910,187	2,924,493
Tax expense	10	(1,752,544)	(934,848)	(697,740)	(336,182)
Profit for the year		6,505,488	3,721,140	6,212,447	2,588,311
Attributable to:					
Equity holders of the parent		5,823,160	3,287,554	6,212,447	2,588,311
Non-controlling interest		682,328	433,586	-	-
Profit for the year		6,505,488	3,721,140	6,212,447	2,588,311
Earnings per share					
Basic/Diluted earnings per share (Rs.)	11.1	19.60	11.06	20.91	8.71
Dividend per share (Rs.)	12	5.65	2.80	5.65	2.80

The notes to the Financial Statements on pages 212 to 277 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

		Consolidated		Company	
For the year ended 31 March		2023	2022	2023	2022
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year		6,505,488	3,721,140	6,212,447	2,588,311
Other comprehensive income					
Items that will be reclassified to statement of profit or loss in subsequent periods					
Net exchange differences on translation of foreign operations		884,921	3,428,340	-	-
Items that will not be reclassified to statement of profit or loss in subsequent periods					
Actuarial losses on defined benefit plans	27	(47,461)	(82,188)	(34,828)	(73,303)
Net loss on equity investment designated at fair value through OCI	21	(195,300)	(565,556)	(195,300)	(565,556)
Revaluation of land	13	-	383,456	-	124,638
Tax effect on other comprehensive income		(89,986)	(17,464)	(87,392)	(7,186)
Total other comprehensive income/(loss) for the year (net of tax)		552,174	3,146,588	(317,520)	(521,407)
Total comprehensive income for the year (net of tax)		7,057,662	6,867,728	5,894,927	2,066,904
Attributable to:					
Equity holders of the parent		6,174,584	5,602,753	5,894,927	2,066,904
Non-controlling interests		883,078	1,264,975	-	-
		7,057,662	6,867,728	5,894,927	2,066,904

The notes to the Financial Statements on pages 212 to 277 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

		Consolidated		Company	
As at 31 March		2023	2022	2023	2022
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	13	10,214,282	8,895,684	4,365,959	3,546,621
Right-of-use assets	14.1	283,455	105,870	34,562	69,126
Intangible assets	15	289,399	258,465	87,219	53,992
Investments in subsidiaries	16	-	-	1,094,769	1,494,769
Investments in equity accounted investees	17	592,753	590,336	92,903	92,903
Other non-current financial assets	21	1,184,666	1,378,880	1,127,532	1,322,832
Deferred tax assets	28.1	244,159	132,820	-	-
Total non-current assets		12,808,714	11,362,055	6,802,944	6,580,243
Current assets					
Inventories	19	13,986,769	15,807,144	5,106,565	5,062,409
Trade and other receivables	20	6,709,919	8,473,480	4,224,190	5,423,774
Amounts due from subsidiaries	18.3	-	-	649,391	782,477
Amounts due from other related parties	18.4	104,195	177,244	26,133	100,916
Amounts due from equity accounted investees	18.5	101,824	63,611	247	3,802
Other current assets	22	1,406,878	1,010,819	430,452	425,250
Cash in hand and at bank	23	5,072,892	3,117,724	2,077,492	831,017
Total current assets		27,382,477	28,650,022	12,514,470	12,629,645
Total assets		40,191,191	40,012,077	19,317,414	19,209,888
Equity and liabilities					
Equity					
Stated capital	24	331,774	331,774	331,774	331,774
Capital reserves	25.1	891,290	994,758	520,097	549,647
Revenue reserves	25.2	20,918,757	16,845,411	11,867,174	7,919,373
Total equity attributable to equity holders of the Company		22,141,821	18,171,943	12,719,045	8,800,794
Non-controlling interest		3,070,745	2,648,637	-	-
Total equity		25,212,566	20,820,580	12,719,045	8,800,794

STATEMENT OF FINANCIAL POSITION

		Consolidated		Company	
As at 31 March		2023	2022	2023	2022
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-current liabilities					
Interest bearing loans and borrowings	26.1	140,194	677,152	135,461	670,906
Non current lease liability	14.2	206,177	54,051	-	41,615
Defined benefit obligations	27	1,230,526	1,143,285	903,328	831,502
Deferred tax liabilities	28.2	136,709	368,658	85,673	294,955
Total non-current liabilities		1,713,606	2,243,146	1,124,462	1,838,978
Current liabilities					
Trade and other payables	29	3,703,807	3,398,755	1,979,594	1,721,652
Other current Liabilities	30	413,884	547,047	32,171	72,349
Amounts due to subsidiaries	18.1	-	-	110,869	84,827
Amounts due to other related parties	18.2	1,635,815	2,186,028	72,656	292,589
Income tax payable	31	645,285	428,797	209,673	-
Current lease liability	14.2	86,718	59,361	41,615	37,299
Interest bearing loans and borrowings	26.2	6,779,510	10,328,363	3,027,329	6,361,400
Total current liabilities		13,265,019	16,948,351	5,473,907	8,570,116
Total liabilities		14,978,625	19,191,497	6,598,369	10,409,094
Total equity and liabilities		40,191,191	40,012,077	19,317,414	19,209,888

I certify that the Financial Statements set out on pages 204 to 277 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 212 to 277 form an integral part of these Financial Statements.

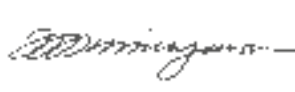
The Board of Directors are responsible for these financial statements.

Signed for and on behalf of the Board by,



Mohan Pandithage
Chairman

18th May 2023



Rajitha Kariyawasan
Managing Director

18th May 2023

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	Attributable to equity holders of the parent								
	Stated capital	Capital reserves	Revenue Reserves				Total	Non controlling interest	Total equity
			Fair Value reserve of Financial Assets at FVTOCI	Foreign currency translation reserve	General reserve	Retained earnings			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2021	331,774	686,284	1,847,727	1,374,755	519,353	8,641,244	13,401,137	1,751,304	15,152,441
Profit for the year	-	-	-	-	-	3,287,554	3,287,554	433,586	3,721,140
Revaluation of land	-	337,895	-	-	-	-	337,895	45,561	383,456
Net exchange difference on translation of foreign operations	-	-	-	2,639,026	-	-	2,639,026	789,314	3,428,340
Actuarial loss on defined benefit obligation	-	-	-	-	-	(77,885)	(77,885)	(4,303)	(82,188)
Tax on other comprehensive income	-	(29,421)	-	-	-	11,140	(18,281)	817	(17,464)
Net loss on equity instruments designated at fair value through OCI	-	-	(565,556)	-	-	-	(565,556)	-	(565,556)
Other comprehensive income for the year	-	308,474	(565,556)	2,639,026	-	(66,745)	2,315,199	831,389	3,146,588
Dividends to equity holders	-	-	-	-	-	(831,947)	(831,947)	(367,642)	(1,199,589)
Balance as at 31st March 2022	331,774	994,758	1,282,171	4,013,781	519,353	11,030,106	18,171,943	2,648,637	20,820,580
Adjustment for surcharge tax levied under the surcharge tax Act No. 14 of 2022	-	-	-	-	-	(525,957)	(525,957)	-	(525,957)
Adjusted balance 01st April 2022	331,774	994,758	1,282,171	4,013,781	519,353	10,504,149	17,645,986	2,648,637	20,294,623
Profit for the year	-	-	-	-	-	5,823,160	5,823,160	682,328	6,505,488
Net exchange difference on translation of foreign operations	-	-	-	673,853	-	-	673,853	211,068	884,921
Actuarial loss on employee benefit obligation	-	-	-	-	-	(35,492)	(35,492)	(11,969)	(47,461)
Tax on other comprehensive income	-	(103,468)	-	-	-	11,831	(91,637)	1,651	(89,986)
Net loss on equity instruments designated at fair value through OCI	-	-	(195,300)	-	-	-	(195,300)	-	(195,300)
Other comprehensive income for the year	-	(103,468)	(195,300)	673,853	-	(23,661)	351,424	200,750	552,174
Dividends to equity holders						(1,678,749)	(1,678,749)	(460,970)	(2,139,719)
Balance as at 31st March 2023	331,774	891,290	1,086,871	4,687,634	519,353	14,624,899	22,141,821	3,070,745	25,212,566

STATEMENT OF CHANGES IN EQUITY

COMPANY	Stated capital	Capital reserves	Revenue Reserves			Total equity
			General reserve	Fair Value reserve of Financial Assets at FVTOCI	Retained earnings	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March 2021	331,774	442,458	519,353	1,847,727	4,424,525	7,565,837
Profit for the year	-	-	-	-	2,588,311	2,588,311
Revaluation of land	-	124,638	-	-	-	124,638
Actuarial loss on defined benefit obligation	-	-	-	-	(73,303)	(73,303)
Tax on other comprehensive income	-	(17,449)	-	-	10,263	(7,186)
Net loss on equity instruments designated at fair value through OCI	-	-	-	(565,556)	-	(565,556)
Other comprehensive income for the year	-	107,189	-	(565,556)	(63,040)	(521,407)
Dividends to equity holders	-	-	-	-	(831,947)	(831,947)
Balance as at 31st March 2022	331,774	549,647	519,353	1,282,171	6,117,849	8,800,794
Adjustment for surcharge tax levied under the surcharge tax Act No. 14 of 2022	-	-	-	-	(366,217)	(366,217)
Adjusted balance 01st April 2022	331,774	549,647	519,353	1,282,171	5,751,632	8,434,577
Profit for the year	-	-	-	-	6,212,447	6,212,447
Amalgamation reserve of Haycarb Value Added Products (Pvt) Ltd.	-	68,290	-	-	-	68,290
Actuarial loss on employee benefit obligation	-	-	-	-	(34,828)	(34,828)
Tax on other comprehensive income	-	(97,840)	-	-	10,448	(87,392)
Net loss on equity instruments designated at fair value through OCI	-	-	-	(195,300)	-	(195,300)
Other comprehensive income for the year	-	(29,550)	-	(195,300)	(24,380)	(249,230)
Dividends to equity holders	-	-	-	-	(1,678,749)	(1,678,749)
Balance as at 31st March 2023	331,774	520,097	519,353	1,086,871	10,260,950	12,719,045

The notes to the Financial Statements on pages 212 to 277 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

		Consolidated		Company	
For the year ended 31 March		2023	2022	2023	2022
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating activities					
Profit before tax from continuing operations		8,258,032	4,655,988	6,910,187	2,924,493
Adjustments for:					
Depreciation and impairment of property, plant equipment and right of use assets	13	898,952	668,757	259,749	226,379
Amortisation of intangible assets	15	15,681	13,719	12,883	8,437
(Gain) / loss on disposal of property, plant and equipment	7	16	(91)	(500)	-
Gain on translation of foreign currencies		1,337,551	2,032,766	1,229,483	1,624,761
Exchange difference on translation of foreign operations		636,654	2,407,675	-	-
Finance income	8.1	(3,392,719)	(2,321,003)	(2,161,436)	(1,878,764)
Finance costs	8.2	3,411,387	722,727	1,727,478	435,204
Dividend income from subsidiaries	7	-	-	(2,124,581)	(601,617)
Share of profit of equity accounted investees	17.1	(2,417)	21,344	-	-
Provision for slow moving inventories	19	262,348	141,600	59,640	30,399
Provision for unrealized profit on inventories	19	595,605	268,034	-	-
Provision for expected credit losses	20	20,169	65,345	-	-
Provision for defined benefit obligations	27	167,431	145,057	168,317	115,656
Cash generated from operations before working capital changes		12,208,690	8,821,918	6,081,220	2,884,948
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		1,331,869	(4,553,465)	1,189,976	(3,196,198)
(Increase)/decrease in amounts due from related parties		34,836	(187,523)	517,427	(193,668)
(Increase)/decrease in inventories		962,422	(7,595,756)	(99,413)	(2,531,438)
Increase/(decrease) in trade and other payables		236,599	1,443,279	264,310	870,207
Increase/(decrease) in amounts due to related parties		(399,275)	778,756	(43,509)	(48,307)
		14,375,141	(1,292,791)	7,910,009	(2,214,456)
Interest paid		(1,595,267)	(476,917)	(1,119,793)	(239,124)
Income tax paid		(1,976,015)	(1,010,211)	(838,774)	(307,479)
Surcharge Tax paid		(525,957)	-	(366,217)	-
Employee benefit paid	27	(155,948)	(34,551)	(131,319)	(30,129)
Net cash flows from/(used in) operating activities		10,121,954	(2,814,470)	5,453,906	(2,791,188)

STATEMENT OF CASH FLOWS

		Consolidated		Company	
For the year ended 31 March		2023	2022	2023	2022
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investing activities					
Proceeds from sale of property, plant and equipment		1,710	1,848	500	-
Purchase and construction of property, plant and equipment	13	(1,907,289)	(1,677,730)	(814,045)	(858,646)
Proceeds from long term loans and receivables	21	4,250	5,413	-	-
Acquisition of intangible assets	15	(46,110)	(38,078)	(46,110)	(38,078)
Interest received	8.1	209,885	98,271	247,970	34,696
Dividend received from equity accounted investees	17.1	-	3,623	-	3,623
Other dividends received	8.1	118,413	101,873	2,242,982	699,860
Amalgamation of a subsidiary	16.3	-	-	4,587	-
Net cash flows from / (used) in investing activities		(1,619,141)	(1,504,780)	1,635,884	(158,545)
Net cash inflow/(outflow) before financing activities		8,502,813	(4,319,250)	7,089,790	(2,949,733)
Financing activities					
Loans obtained during the year	26.1	200,000	507,783	200,000	500,000
Repayment of borrowings	26.1	(917,256)	(272,274)	(907,701)	(257,850)
Lease rentals paid	14.2	(71,011)	(80,357)	(44,136)	(44,136)
Dividends paid to equity holders of the parent	29.1	(1,894,397)	(603,769)	(1,894,397)	(603,769)
Dividends paid to non-controlling interests		(460,970)	(367,642)	-	-
Net cash flows used in financing activities		(3,143,634)	(816,259)	(2,646,234)	(405,755)
Net increase/(decrease) in cash and cash equivalents		5,359,179	(5,135,509)	4,443,556	(3,355,488)
Cash and cash equivalents at the beginning of year	23	(6,905,208)	(1,769,699)	(5,234,260)	(1,878,772)
Cash and cash equivalents at the end of year	23	(1,546,029)	(6,905,208)	(790,704)	(5,234,260)
Analysis of cash and cash equivalents as at 31st March					
Cash in hand and at bank	23	3,197,794	1,933,512	1,116,248	194,669
Short term deposits	23	1,875,098	1,184,212	961,244	636,348
		5,072,892	3,117,724	2,077,492	831,017
Bank overdrafts and short term loans		(6,618,921)	(10,022,932)	(2,868,196)	(6,065,277)
Cash and cash equivalents		(1,546,029)	(6,905,208)	(790,704)	(5,234,260)

The notes to the Financial Statements on pages 212 to 277 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

GRI 2-1

1.1 Reporting Entity

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

All companies in the Group are limited liability companies and of the seventeen companies, seven [viz., Haycarb PLC, Puritas (Pvt) Ltd., Recogen (Pvt) Ltd., Ultracarb (Pvt) Ltd., Lakdiyatha (Pvt) Ltd., Haycarb Value Added Products (Pvt) Ltd. (Amalgamated with Haycarb PLC w.e.f. 28th December 2022), and Carbotels (Pvt) Ltd.] are incorporated and domiciled in Sri Lanka. The information on incorporation and principal activities of these companies are given on page 290 and 291 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 2023 encompasses the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted-investees.

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

Descriptions of the nature of operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on page 290 and 291 to the Financial Statements. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The parent undertaking and controlling party of the Company is Hayleys PLC.

1.4 Approval of Financial Statements

The Consolidated Financial Statements of Haycarb PLC and its subsidiaries (collectively, the Group) for the year ended 31st March 2023 were authorised for issue by the Directors on 18th May 2023.

1.5 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for:

- ▶ Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- ▶ Financial instruments reflected as fair value through Statement of Profit or Loss which are measured at fair value.
- ▶ Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value.
- ▶ Employee benefit obligations which are determined based on actuarial valuations.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is also the Company's functional and presentation currency. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 40 to the Financial Statements.

2.4 Materiality and Aggregation

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

2.5 Comparative Information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.6 Rounding

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

2.7 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT

3.1 Basis of Consolidation

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

Subsidiaries and equity-accounted investees are disclosed in Note 16 and 17 to the Financial Statements.

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.1.2 Consolidation of Subsidiaries with Different Accounting Periods

The financial statements of all subsidiaries in the Group other than those mentioned in Note 41 to the financial statements are prepared for a common financial year, which ends on 31st March.

The subsidiaries with 31st December financial year ends prepare for consolidation purposes, additional financial information as of the same date as the financial statements of the parent.

3.1.3 Equity-Accounted Investees (Investment in Associates)

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

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

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

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

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

3.2 Business Combination and Goodwill

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 – "Financial Instruments", is measured at fair value with the changes in fair value recognised in the Statement of Other Comprehensive Income in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the Statement of Profit or Loss.

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

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

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

3.3 Foreign currency 3.3.1 Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of monetary items are recognised in the Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on this monetary items are also recognised in Other Comprehensive Income.

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

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

3.3.2 Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Sri Lanka Rupees at the rate of exchange prevailing at the reporting date and their Statements of Profit or Loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

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

3.4 Current versus Non-current Classification

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

An asset is current when it is:

- ▶ Expected to be realised or intended to sold or consumed in a normal operating cycle
- ▶ Held primarily for the purpose of trading
- ▶ Expected to be realised within twelve months after the reporting period, or

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.5 Fair Value Measurement

The Group measures financial instruments such as investments which are designated as Fair Value Through Other Comprehensive Income, financial assets at fair value through profit or Loss and derivatives; non-financial assets such as owner occupied lands, at fair value at each reporting date.

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

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

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

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

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

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- ▶ Disclosures for valuation methods, significant estimates and assumptions - Note 36
- ▶ Quantitative disclosures of fair value measurement hierarchy - Note 36.
- ▶ Property (land) under revaluation model - Note 36.
- ▶ Financial instruments (including those carried at amortised cost) - Note 36.

3.6 Property, Plant and Equipment

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

3.6.1 Basis of Recognition

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

3.6.2 Basis of Measurement

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

3.6.3 Owned Assets

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

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

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

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.6.4 Subsequent Costs

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

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3.6.5 Derecognition

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

3.6.6 Depreciation

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

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

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

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

3.6.7 Leases

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

3.6.7.1 Group as a Lessee

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

3.6.7.1.1 Right-of-use Assets

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

Description	Period
Buildings	5-10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 3.11 – Impairment of Assets.

3.6.7.1.2 Lease Liabilities

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

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

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

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.6.7.1.3 Short-term Leases and Leases Low-Value Assets

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

3.6.7.2 Group as a Lessor

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

3.7 Intangible Assets

3.7.1 Basis of Recognition

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

3.7.2 Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Statement of Profit or Loss in the year in which the expenditure is incurred.

3.7.3 Useful Economic Lives and Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of

Profit or Loss in the expense category that is consistent with the function of the intangible assets.

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

3.7.4 Derecognition of Intangible Assets

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

3.7.5 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- ▶ The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ▶ Its intention to complete and its ability and intention to use or sell the asset
- ▶ How the asset will generate future economic benefits
- ▶ The availability of resources to complete the asset
- ▶ The ability to measure reliably the expenditure during development

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

3.7.6 Other Intangible Assets

Other intangible assets which are acquired by the Group, with finite useful lives, are measured on initial recognition at cost. Following initial recognition ERP systems are carried at cost less accumulated amortisation and accumulated impairment loss.

3.7.7 Subsequent Expenditure

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

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3.7.8 Amortisation

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

Description	Period
Softwares	5-10 years
Product development	5 years

3.8 Financial Instruments

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

3.8.1 Financial Assets

3.8.1.1 Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

3.8.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories. However, the Group has only following two categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets designated at fair value through OCI with recycling of cumulative gain and loss upon derecognition (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gain and loss upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

Financial Assets at amortised cost (Debt Instruments)

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate method (EIR) and are subject to impairment. Gain and loss are recognised in the Statement of Profit or Loss when the asset is derecognised, modified, or impaired.

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

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to Profit or Loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

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

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

Gain and loss on these financial assets are never recycled to the Statement of Profit or Loss. Dividends are recognised as other income in the Statement of Other Comprehensive Income when the right

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of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gain are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through Profit or Loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through Profit or Loss. Embedded derivatives are measured at fair value with changes in fair value recognised in Profit or Loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Profit or Loss category.

3.8.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e.; removed from the Group's consolidated financial position) when:

- ▶ The rights to receive cash flows from the asset have expired, or
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.8.1.4 Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- ▶ Disclosures for significant assumptions Note 36
- ▶ Debt instruments at fair value through OCI Note 36
- ▶ Trade receivables, including contract assets Note 19 and 20

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

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

Write-off

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

Measurement of ECL

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

- ▶ Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

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- ▶ Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- ▶ Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- ▶ Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

Probability of Default (PD)

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

Loss Given Default (LGD)

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

Exposure at default (EAD)

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

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

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

The mechanics of the ECL method are summarised below:

- ▶ Stage 1 : The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- ▶ Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- ▶ Stage 3 : For loans considered credit-impaired the Group recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

3.8.2 Financial Liabilities

3.8.2.1 Initial Recognition and Measurement

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

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

3.8.2.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

Loans and Borrowings

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

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

Financial Guarantee Contracts

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

3.8.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

3.8.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- ▶ There is a currently enforceable legal right to offset the recognised amounts and
- ▶ There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

3.8.4 Derivative Financial Instruments and Hedge Accounting

3.8.4.1 Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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

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

3.9 Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36 to the Financial Statements.

3.10 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- ▶ All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.
- ▶ Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

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- ▶ Projects in progress consists of labour and other cost of personnel directly engaged in providing the service, including supervisory personnel and attributable overheads.

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

3.11 Impairment of Non-Financial Assets

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

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been

determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. Basis and assumptions for impairment test are given in Note 15.

3.12 Cash and Cash Equivalents

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

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short-term borrowings as they are considered an integral part of the Group's cash management.

3.13 Employee Benefits GRI 201-3

3.13.1 Defined Contribution Plans

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

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

3.13.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 on "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to

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the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 27. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on "Employee Benefit". However, for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

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

Length of each service (Years)	Number of month's salary for completed year of service
Up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
Over 35	1 1/2

3.13.3 Short-term Benefits

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

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

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

3.15 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the Note 35 to the Financial Statements.

3.16 Contingent Liabilities recognised in a Business Combination

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

3.17 Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.18 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has several operating segments which are described in Note 34 to these Financial Statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) *Variable Consideration*

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

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(ii) *Significant Financing Component*

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

Rendering of Services

Environmental Engineering Sector within the Group engage in the provision of services to its customers. The Group recognises revenue from services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Construction Contracts

In relation to contracts which involve the construction of assets on behalf of its customer, the Group assesses the nature of the respective contracts as to whether such is reflective of goods or services transferred at a point in time or satisfied over a period of time.

The Group determines that arrangements include transfers of a good or service over time when any of the following criteria are met:

- ▶ The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- ▶ The entity's performance creates or enhances an asset (e.g. work-in-progress) that the customer controls as the asset is created or enhanced
- ▶ The entity's performance does not create an asset with an alternative use the entity and the entity has an enforceable right to payment for performance completed to date.

When either of the above criteria is met, the Group recognises revenue on the respective contracts similar to the rendering of services. If an entity is unable to demonstrate that control transfers over time, the presumption is that control transfers at a point in time, and revenue is recognised similar to the sale of goods.

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Interest

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental cost that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement of Profit or Loss.

Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are performed.

Rental Income

Rental income is recognised in the Statement of Profit or Loss as it accrues.

Dividend

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established.

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Gain and Loss

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

Other Income

Other income is recognised on an accrual basis.

3.19 Expenses

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expense method is adopted.

Repairs and renewals are charged to Statement of Profit or Loss in the year in which the expenditure is incurred.

3.19.1 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.19.2 Finance Income and Finance Cost

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

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

3.20 Tax Expense

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

3.20.1 Current Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at

the reporting date in the countries where the Group operates and generates taxable income.

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

3.20.2 Deferred Tax

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

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

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

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

- ▶ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ▶ 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

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probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

3.20.3 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- ▶ When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ▶ Receivables and payables that are stated with the amount of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

4. GENERAL

4.1 Events Occurring after the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

4.2 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.3 Statement of Cash Flows

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

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

4.4 Segment Reporting

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

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

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

4.5 Changes in Accounting Policies and Disclosures

4.5.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

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4.5.1.1. Amendments to LKAS 8 – Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

4.5.1.2 Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

4.5.1.3 Amendments to LKAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- ▶ Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- ▶ Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

4.6 Standards Issued but not yet Effective

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

4.6.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

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

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

5.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the current economic crisis, the circumstances of the external environment, and the consequences of the COVID-19 pandemic on significant assumptions that are sensitive or susceptible to change, or are inconsistent with historical trends. As the economic effects continue to evolve, the management has considered a range of scenarios to determine the potential impact on the underlying performance and future funding requirements. 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.

5.2 Taxation

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

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

5.3 Measurement of the Employee Benefit Obligations

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

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

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

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

5.4 Revaluation of property, plant and equipment and investment properties

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

The Group engaged a valuation specialist to assess fair values as at 31 March 2023 for the freehold lands. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 27.3 to the Financial Statements.

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

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

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.6 Revaluation of Land

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

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

The Group holds 50% of the issued share capital of Carbokarn Company Ltd., (CK) Thailand which in turn is the Parent Company of two fully-owned subsidiaries; CK Regen Systems Co. Ltd. and Shizuka Co. Ltd. The Group also holds 50% of the issued capital of Solar One Ceylon (Pvt) Ltd. Although the Group holds 50% of the issued capital of the mentioned entities they are considered as subsidiaries for financial reporting after due consideration of the agreements with partners and the current operating arrangement.

5.8 Valuation of Inventories

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

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

5.9 Provision for expected credit losses

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

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

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

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

Timing of revenue recognition

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sale of goods and Services				
Goods transferred at a point in time	83,672,313	43,444,045	28,108,406	14,957,058
Services transferred over time	1,073,683	1,835,474	-	-
	84,745,996	45,279,519	28,108,406	14,957,058
Intra group revenue	(23,802,740)	(12,119,045)	-	-
Total revenue from contracts with customers	60,943,256	33,160,474	28,108,406	14,957,058

6.1 Contract Balances

Contract assets of the Group relating to projects in progress amount to Rs. 232,080,000 /- (2022 – Rs. 399,297,000/-) and is reflected within Inventories in Note 19. Contract liabilities of the Group relate to payments received in advance as reflected in Note 30 and amounting to Rs. 413,884,000/- (2022 – Rs. 547,047,000/-)

7 OTHER OPERATING INCOME

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Export incentive income	6,092	4,880	-	-
Net gain/(loss) on disposal of property, plant and equipment	(16)	91	500	-
Fees for marketing services	-	-	129,203	82,820
Sundry income	194,554	102,109	34,762	16,149
Facilitation fees	-	142,908	-	135,282
Rental income	-	-	14,055	9,020
Income from technical consultations	-	-	90,049	62,634
Dividend income from subsidiaries	-	-	2,124,581	601,617
	200,630	249,988	2,393,150	907,522

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE INCOME AND FINANCE COST

8.1 Finance Income

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Dividend income - quoted	118,253	101,719	118,401	101,719
- unquoted	160	154	-	147
Interest income on loans and receivables	209,885	98,271	247,970	34,696
Foreign exchange gain	3,064,421	2,120,859	1,795,065	1,742,202
Total finance income	3,392,719	2,321,003	2,161,436	1,878,764

8.2 Finance Costs

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest cost - Short-term borrowings	1,470,808	429,718	995,445	192,344
- Long-term borrowings	124,767	47,199	124,348	46,780
Interest on lease liabilities	8,880	15,743	6,837	10,706
Foreign exchange loss	1,806,932	230,067	600,848	185,374
Total finance costs	3,411,387	722,727	1,727,478	435,204
Net finance income/(cost)	(18,668)	1,598,276	433,958	1,443,560

9 PROFIT BEFORE TAX

	Consolidated	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Parent	6,910,187	2,924,493
Subsidiaries	4,047,643	2,692,759
Equity accounted investees	2,417	(21,344)
	10,960,247	5,595,908
Unrealised profit on intra-group sales	(595,606)	(268,034)
Intra-group adjustments	(2,106,609)	(671,886)
	8,258,032	4,655,988

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Depreciation on property, plant & equipment	834,336	604,623	225,185	191,817
Amortisation of intangible assets	15,681	13,719	12,883	8,437
Directors' emoluments including Non-Executive Directors' consultation fees	350,454	278,811	277,449	255,033
Auditor's remuneration (fees and expenses)				
Ernst & Young	3,588	3,498	2,214	2,137
Others	38,748	17,844	-	-
Fees paid to Auditors for non-audit work				
Ernst & Young	9,391	7,212	1,941	872
Others	25,692	8,575	-	-
Donations	22,830	10,199	14,914	6,002
Provision for slow moving inventories	262,348	141,600	59,640	30,399
Provision of unrealised profits in inventories	595,605	268,034	-	-
Provision for expected credit losses	20,169	65,345	-	-
Staff training and development cost	7,354	909	4,898	909
Legal/litigation fees	19,179	26,458	2,623	773
Staff costs (Note 9.1.1)	4,688,809	3,487,353	2,081,594	1,666,383

9.1.1 Staff Costs

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Defined contribution plan cost	434,154	202,300	151,468	128,144
Defined benefit plan cost	167,432	145,058	168,317	115,656
Other staff cost	4,087,223	3,139,995	1,761,809	1,422,583
	4,688,809	3,487,353	2,081,594	1,666,383
Number of employees at year end	1,880	1,768	1,034	1,012

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 TAX EXPENSE

10.1 The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19th December 2022, (with retrospective effect from 01st October 2022) for income and deferred taxation. Accordingly, income tax rates of, 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months. The Rate of 30% has been used for Deferred Tax. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income. Income tax rates used in 2022 were 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income.

10.2 Impact of tax rate change

For the year ended 31st March 2023	Consolidated Rs. '000	Company Rs. '000
Income tax		
On Statement of profit or loss	110,130	67,936
	110,130	67,936
Deferred Tax		
On Statement of profit or loss	(19,139)	(5,700)
On Other Comprehensive income	109,008	103,412
	89,869	97,712

Surcharge Tax

The Surcharge Tax Act No. 14 of 2022 was enacted on 8th April 2022, confirming the imposition of a one-time tax of 25% on entities in which the taxable income exceeded Rs. 2 Bn for the financial year ended 31st March 2021. The surcharge tax is applicable to the Haycarb Group as the cumulative taxable income of group entities calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeded the set threshold.

The total Surcharge Tax liability of the group amounted to Rs. 525.9 million. (Company Rs. 366.2 million) , and the first instalment of Rs. 262.9 million (Company Rs. 183.1 million) was paid by group entities on 20th April 2022 and the balance on 20th July 2022.

Non Resident Companies

Company	Income tax rate
Eurocarb Products Ltd	19%
Haycarb Holdings Australia (Pty) Ltd	30%
Haycarb USA Inc.	30%
Carbokarn Co. Ltd	20%
CK Regen Systems Co. Ltd	20%
Shizuka Co. Ltd	20%
PT Mapalus Makawanua Charcoal Industry	22%
PT Haycarb Palu Mitra	22%
Puricarb Pte. Ltd	17%

Haycarb Holdings Bitung Ltd. is exempted for tax.

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10.3 Tax Expense

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sri Lanka taxes				
Parent	1,033,865	138,966	1,033,865	138,966
Subsidiaries	174,983	71,463	-	-
	1,208,848	210,429	1,033,865	138,966
Overseas taxes				
Subsidiaries	861,304	520,321	-	-
	2,070,152	730,750	1,033,865	138,966
Under/(over) provision in respect of previous years				
Parent	(9,284)	(12,688)	(9,284)	(12,688)
Subsidiaries	30,642	2,625	-	-
	21,358	(10,063)	(9,284)	(12,688)
Deferred taxation				
Parent	(326,841)	209,904	(326,841)	209,904
Subsidiaries	(103,708)	(53,368)	-	-
	(430,549)	156,536	(326,841)	209,904
Tax on dividend income	91,583	57,625	-	-
Tax expense reported in the statement of profit or loss (Note 10.5)	1,752,544	934,848	697,740	336,182

10.4 Tax effect on other comprehensive income

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deferred tax related to items charged or credited directly to other comprehensive income during the year				
Actuarial loss on defined benefit plans	13,482	11,957	10,448	10,263
Tax impact on revaluation surplus	(103,468)	(29,421)	(97,840)	(17,449)
Tax charged directly to other comprehensive income	(89,986)	(17,464)	(87,392)	(7,186)

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 TAX EXPENSE CONTD.

10.5 Reconciliation of accounting profit to income tax expense

	Consolidated		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Profit before tax	8,258,032	4,655,988	6,910,187	2,924,493
Share of profit of equity accounted investees	(2,417)	21,344	-	-
Consolidation adjustments	2,952,745	1,072,166	-	-
	11,208,360	5,749,498	6,910,187	2,924,493
Tax exempt income	(2,806,786)	(982,823)	(2,168,683)	(785,880)
Aggregated disallowable expenses	3,677,726	1,642,143	2,525,653	777,769
Aggregated allowable expenses	(1,677,984)	(2,815,079)	(1,435,164)	(2,123,354)
Tax losses brought forward	(81,657)	(86,311)	-	-
Other taxable income	695,043	86,386	673,811	72,919
Tax losses carried forward	95,106	81,657	-	-
Taxable income	11,109,808	3,675,471	6,505,804	865,947
Tax @ 14%	786,453	149,355	697,453	94,823
Tax @ 20%	267,966	180,634	-	-
Tax @ 22%	282,682	146,358	-	-
Tax @ 24%	58,221	57,495	54,266	40,750
Tax @ 30%	577,985	111,139	213,752	-
Tax at other rates	96,845	85,769	68,394	3,393
	2,070,152	730,750	1,033,865	138,966
Under/(over) provision in respect of previous year	21,358	(10,063)	(9,284)	(12,688)
Deferred tax charge/(reversal)	(430,549)	156,536	(326,841)	209,904
Tax on dividend income	91,583	57,625	-	-
Tax expense for the year	1,752,544	934,848	697,740	336,182
Effective tax rate	21%	20%	10%	11%

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS / NET ASSET PER SHARE

11.1 Earnings per Share

Basic Earnings per Share

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

Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to ordinary share holders of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

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

Basic/diluted earning per share calculated as follows;

	Consolidated		Company	
For the year ended 31 March	2023	2022	2023	2022
Profit attributable to ordinary shareholders of the parent (Rs.'000)	5,823,160	3,287,554	6,212,447	2,588,311
Weighted average number of ordinary shares	297,123,750	297,123,750	297,123,750	297,123,750
Basic / diluted earnings per ordinary share (Rs.)	19.60	11.06	20.91	8.71

11.2 Net Assets per Share

	Consolidated		Company	
As at 31 March	2023	2022	2023	2022
Net assets attributable to equity holders (Rs.'000)	22,141,821	18,171,943	12,719,045	8,800,794
Number of ordinary shares	297,123,750	297,123,750	297,123,750	297,123,750
Net assets per share (Rs.)	74.52	61.16	42.81	29.62

12 DIVIDEND PER SHARE

For the year ended 31 March	2023 Rs.'000	2022 Rs.'000
Final dividend 2021/22 - Rs. 0.40/- per share (2020/21 - Rs. 0.50/- per share)	118,850	148,562
1st Interim dividend - Rs. 2.75/- per share (2021/22 - Rs. 0.80/- per share)	817,090	237,699
2nd Interim dividend - Rs. 1.50/- (2021/22 - Rs. 0.75/- per share)	445,685	222,843
3rd Interim dividend -Rs. 1.00/- (2021/22- Rs. 0.75/- per share)	297,124	222,843
	1,678,749	831,947
Dividend per ordinary share - Rs.	5.65	2.80
Dividend payout ratio	29%	25%

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

13.1 Consolidated

	Freehold land	Freehold buildings	Machinery & 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							
As at 31 March 2021	1,379,394	1,926,485	7,273,792	288,378	245,357	92,450	11,205,856
Additions during the year	58,314	184,541	435,586	7,469	22,736	14,808	723,454
Disposals during the year	-	(1,308)	(2,518)	(5,337)	(1,150)	-	(10,313)
Revaluations of land	383,456	-	-	-	-	-	383,456
Effect of movement in exchange rates	155,127	495,313	1,716,133	58,183	77,113	-	2,501,869
As at 31 March 2022	1,976,291	2,605,031	9,422,993	348,693	344,056	107,258	14,804,322
Additions during the year	252,082	596,008	881,996	89,257	31,896	9,614	1,860,853
Disposals during the year	-	-	(3,441)	(9,200)	(2,250)	-	(14,891)
Effect of movement in exchange rates	34,411	124,081	464,764	12,017	21,442	-	656,715
As at 31 March 2023	2,262,784	3,325,120	10,766,312	440,767	395,144	116,872	17,306,999
Accumulated Depreciation							
As at 31st March 2021	-	612,584	4,448,907	152,212	178,455	77,183	5,469,341
Depreciation charge for the year	-	71,999	473,590	31,640	19,708	7,686	604,623
Disposals during the year	-	(1,226)	(2,518)	(3,662)	(1,150)	-	(8,556)
Effect of movement in exchange rates	-	207,039	1,180,909	38,336	59,038	-	1,485,322
As at 31 March 2022	-	890,396	6,100,888	218,526	256,051	84,869	7,550,730
Depreciation charge for the year	-	127,460	619,965	47,864	28,899	10,148	834,336
Disposals during the year	-	-	(2,687)	(9,200)	(1,278)	-	(13,165)
Effect of movement in exchange rates	-	56,947	327,848	8,982	15,567	-	409,344
As at 31 March 2023	-	1,074,803	7,046,014	266,172	299,239	95,017	8,781,245
Provision for impairment							
As at 31 March 2023	-	-	(25,543)	-	-	-	(25,543)
As at 31 March 2022	-	-	(25,543)	-	-	-	(25,543)
Net book value							
As at 31 March 2023	2,262,784	2,250,317	3,694,755	174,595	95,905	21,855	8,500,211
As at 31 March 2022	1,976,291	1,714,635	3,296,562	130,167	88,005	22,389	7,228,049
Capital work-in-progress							
As at 31 March 2023							1,714,071
As at 31 March 2022							1,667,635
Carrying value							
As at 31 March 2023	2,262,784	2,250,317	3,694,755	174,595	95,905	21,855	10,214,282
As at 31 March 2022	1,976,291	1,714,635	3,296,562	130,167	88,005	22,389	8,895,684

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31 March 2023 amounted to Rs. 4,179,316,360/- (2022 - 3,609,374,803/-).
- (b) Capital work-in-progress represents the amount of expenditure recognised under property plant & equipment during the construction period of a capital asset.
- (c) On reassessment of fair value of the Groups assets, it has been identified that there is no impairment of property, plant & equipment other than disclosed above which requires provision in the Financial Statements.
- (d) Freehold Land carried at re-valued amount:

Company	Location	Last revaluation date	Land extent	Number of buildings	Unobservable input per perch Avg. Rs.'000	Carrying value as at 31st March 2023 freehold land Rs.'000	Cost as at 31st March 2023 Rs.'000
Haycarb PLC	Madampe Factory - Madampe	31.03.2022	30 A - 0R - 37.20P	18	49	260,891	124,254
	Badalgama Factory - Badalgama	31.03.2022	28 A - 0R - 12.80 P	22	60	285,287	139,353
	Heenagara Estate Kuliyaipitiya	31.03.2023	10 A	2	36	56,809	56,809
	Wewalduwa Stores - Wewalduwa	31.03.2022	2 A - 1R - 36.04 P	6	840	333,234	4,309
						936,221	324,725
Recogen (Pvt) Ltd	Badalgama Factory - Badalgama	31.03.2022	10 A - 3R - 15 P	4	60	111,199	17,399
Carbokarn Co. Ltd	Chonburi Province - Thailand	31.03.2022	15 A - 2R - 22P	22	136	379,371	210,068
Shizuka Co. Ltd.	Ratchburi Province - Thailand	31.03.2022	24 A - 2R - 19P	12	48	215,990	163,463
PT Mapalus Makawanua Charcoal Industry	Bitung City - Indonesia	31.03.2022	11A - 3R - 16P	8	228	440,200	193,498
PT Haycarb Palu Mitra	Palu City - Indonesia	31.03.2022	6A - 3R - 37.5P	18	154	179,803	106,506
						2,262,784	1,015,985

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

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

Company	Details of assets	Banks mortgaged to	Cost Rs.'000
PT Mapalus Makawanua	Land	BNI	193,498
	Building	BNI	397,931
PT Haycarb Palu Mitra	Land	HSBC (Indonesia)	106,507
	Building	HSBC (Indonesia)	343,443
	Machinery and tools	HSBC (Indonesia)	733,002
Haycarb PLC	Land	HSBC (Sri Lanka)	56,809
	Building	HSBC (Sri Lanka)	34,458

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT CONTD.

13.2 Company

	Freehold land	Freehold buildings	Machinery & 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							
As at 31 March 2021	660,984	618,979	2,110,520	130,077	68,700	79,966	3,669,226
Additions during the year	49,865	111,460	329,705	-	7,031	10,114	508,175
Revaluations of land	124,637	-	-	-	-	-	124,637
As at 31 March 2022	835,486	730,439	2,440,225	130,077	75,731	90,080	4,302,038
Additions during the year	100,735	91,664	197,633	29,250	9,732	9,029	438,043
Disposals during the year	-	-	-	(9,200)	-	-	(9,200)
Transfer from amalgamation	-	103,627	407,405	-	151	158	511,341
As at 31 March 2023	936,221	925,730	3,045,263	150,127	85,614	99,267	5,242,222
Accumulated Depreciation							
As at 31 March 2021	-	122,963	1,092,783	71,918	46,546	66,564	1,400,774
Depreciation charge for the year	-	12,926	152,417	15,358	4,595	6,521	191,817
As at 31 March 2022	-	135,889	1,245,200	87,276	51,141	73,085	1,592,591
Depreciation charge for the year	-	15,645	182,130	14,420	4,772	8,218	225,185
Disposals during the year	-	-	-	(9,200)	-	-	(9,200)
Transfer from amalgamation	-	19,100	261,480	-	125	158	280,863
As at 31 March 2023	-	170,634	1,688,810	92,496	56,038	81,461	2,089,439
Provision for Impairment							
As at 31 March 2023	-	-	(25,543)	-	-	-	(25,543)
As at 31 March 2022	-	-	(25,543)	-	-	-	(25,543)
Net book value							
As at 31 March 2023	936,221	755,096	1,330,910	57,631	29,576	17,806	3,127,240
As at 31 March 2022	835,486	594,550	1,169,482	42,801	24,590	16,995	2,683,904
Capital work-in-progress							
As at 31 March 2023							1,238,719
As at 31 March 2022							862,717
Carrying amount							
As at 31 March 2023	936,221	755,096	1,330,910	57,631	29,576	17,806	4,365,959
As at 31 March 2022	835,486	594,550	1,169,482	42,801	24,590	16,995	3,546,621

(a) Property, plant and equipment include fully depreciated assets, the cost of which as at 31 March 2023 amounted to Rs.697,982,253/- (2022- Rs. 560,926,690/-).

(b) There were no assets pledged by the Company as securities for facilities obtained from the banks other than those disclosed below.

Company	Details of assets	Banks mortgaged to	Cost Rs.'000
Haycarb PLC	Land	HSBC (Sri Lanka)	56,809
	Building	HSBC (Sri Lanka)	34,458

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT OF USE ASSETS / LEASE LIABILITIES

14.1 Rights of Use Asset

	Consolidated		Company	
Lease hold Buildings	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost				
At the beginning of the year	246,970	231,514	152,904	152,904
Additions during the year	261,167	-	-	-
Derecognition during the year	(59,193)	-	-	-
Effects of movements in exchange rates	(11,703)	15,456	-	-
At the end of the year	437,241	246,970	152,904	152,904
Amortisation				
At the beginning of the year	141,100	67,665	83,778	49,216
Charge for the year	64,616	64,134	34,564	34,562
Derecognition during the year	(59,193)	-	-	-
Effects of movements in exchange rates	7,263	9,301	-	-
At the end of the year	153,786	141,100	118,342	83,778
At the end of the year	283,455	105,870	34,562	69,126

14.2 Lease Liability

	Consolidated		Company	
Lease liability	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	113,412	175,880	78,914	112,344
Additions	261,467	-	-	-
Accretion of interest	9,188	15,743	6,837	10,706
Payments to lease creditors	(71,011)	(80,357)	(44,136)	(44,136)
Effect of movement in exchange rates	(20,161)	2,146	-	-
At the end of the year	292,895	113,412	41,615	78,914
Current portion of lease liability	86,718	59,361	41,615	37,299
Non-current portion of lease liability	206,177	54,051	-	41,615
At the end of the year	292,895	113,412	41,615	78,914

14.3 Amounts recognised in the statement of profit or loss

	Consolidated		Company	
For the year ended 31st March	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amortisation of right-of-use assets	64,616	64,134	34,564	34,562
Accretion of interest	9,188	15,743	6,837	10,706
Total amount recognised in the statement of profit or loss	73,804	79,877	41,401	45,268

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

	Consolidated				Company		
	Software	Goodwill on	Product	Group	Software	Product	Company
	Rs.'000	acquisition	development	total	Rs.'000	development	total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost							
As at 31 March 2021	118,676	257,206	153,451	529,333	83,205	60,474	143,679
Additions during the year	10,764	-	27,314	38,078	10,764	27,314	38,078
Effect of movement in exchange rates	11,710	-	31,199	42,909	-	-	-
As at 31 March 2022	141,150	257,206	211,964	610,320	93,969	87,788	181,757
Additions during the year	11,396	-	34,714	46,110	11,396	34,714	46,110
Transfer from amalgamation	-	-	-	-	4,562	-	4,562
Effect of movement in exchange rates	3,970	-	10,692	14,662	-	-	-
As at 31 March 2023	156,516	257,206	257,370	671,092	109,927	122,502	232,429
Amortisation							
As at 31 March 2021	110,353	55,164	130,675	296,192	81,632	37,696	119,328
Amortisation for the year	7,534	-	6,185	13,719	2,252	6,185	8,437
Effect of movement in exchange rates	10,745	-	31,199	41,944	-	-	-
As at 31 March 2022	128,632	55,164	168,059	351,855	83,884	43,881	127,765
Amortisation for the year	5,850	-	9,831	15,681	3,052	9,831	12,883
Transfer from amalgamation	-	-	-	-	4,562	-	4,562
Effect of movement in exchange rates	3,465	-	10,692	14,157	-	-	-
As at 31 March 2023	137,947	55,164	188,582	381,693	91,498	53,712	145,210
Net book value							
As at 31 March 2023	18,569	202,042	68,788	289,399	18,429	68,790	87,219
As at 31 March 2022	12,518	202,042	43,905	258,465	10,085	43,907	53,992

Goodwill

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

The key assumptions used are given below:

- ▶ Business growth - based on historical growth rate and business plan.
- ▶ Inflation - based on the current inflation rate and the percentage of the total cost subjected to the inflation.
- ▶ Discount rate - average market borrowing rate adjusted for the risk premium, which is 21% for PT Mapalus Makawanua Charcoal Industry, 21% for Haycarb USA Inc. and 16% for Shizuka Co. Ltd.
- ▶ Margin - based on current margin and business plan.

Software

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

Production Development

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

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

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES

16.1 Company Investments in Subsidiaries

	Company Holding		No.of Shares		Value	
As at 31 March	2023	2022	2023	2022	2023	2022
	%	%			Rs. '000	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 Added Products (Pvt) Ltd.	0	100	-	40,000,001	-	400,000
PT.Haycarb Palu Mitra	60	60	1,290,000	1,290,000	168,268	168,268
Haycarb Activated Carbon (Pvt) Ltd.	100	100	336,797	336,797	7,874	7,874
Company investment in subsidiaries (at cost)					1,194,769	1,594,769
Provision for fall in value for investment in Recogen (Pvt) Ltd.					(100,000)	(100,000)
Company investment in subsidiaries					1,094,769	1,494,769

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

16.2 Indirect Investments in Subsidiaries

		Effective Holding		No.of Shares		Value	
As at 31 March		2023	2022	2023	2022	2023	2022
Investor	Investee	%	%			Rs. '000	Rs. '000
Unquoted investments							
Haycarb Holdings Bitung Ltd.	PT Mapalus Makawanua Charcoal Industry	98	98	36,395	36,395	362,574	362,574
Carbokarn Co. Ltd	CK Regen System 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
Puritas (Pvt) Ltd.	Puricarb (Pte) Ltd.	100	100	50,000	50,000	6,638	6,638

The countries of incorporation and the principal activities of the above companies are given on pages 290 and 291

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES CONTD.

16.3 Amalgamation of a subsidiary

Haycarb Value added Products (Pvt) Limited which was a fully owned subsidiary of Haycarb PLC was amalgamated with Haycarb PLC in accordance with the provisions of Part VIII of the Companies Act, No. 07 of 2007 from 28th of December 2022 and shall continue as Haycarb PLC.

The carrying amounts of the identifiable assets and liabilities of the acquiree as at 28th December, 2022 are as follows;

	Value as at 28th December 2022 Rs.'000
Assets	
Property plant and equipment	230,478
Trade and other receivables and prepayments	2,257
Amounts receivable from subsidiaries and related parties	131,017
Amounts receivable from Haycarb PLC	174,986
Inventories	4,383
Cash in hand and at bank	4,587
	547,708
Liabilities	
Trade and other payables	18,164
Amount due to related parties	556
Income Tax Payable	30,529
Provision for Deferred Taxation	30,168
	79,418
Carrying amount of identifiable net assets acquired	468,290
Results of the acquisitions of above entity are as follows;	
Carrying value of the investment	400,000
Carrying value of identifiable net assets Merged	468,290
Resulting Gain	68,290

Since this business combination is within entities under the common control of the parent Haycarb PLC, no goodwill is recognised upon the merger. An amalgamation reserve of Rs. 68,289,987/- was recognised in equity of Haycarb PLC.

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

As at 31 March	Holding %	Consolidated		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Carbotels (Pvt) Ltd. (Note 17.1)	25.2	576,438	565,413	92,903	92,903
Lakdiyatha (Pvt) Ltd. (Note 17.1)	49.0	16,315	24,923	-	-
		592,753	590,336	92,903	92,903

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17.1 Movement in Equity Accounted Investees

	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
As at 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	24,923	64,348	565,413	550,955	590,336	615,303
Share of profit of equity accounted investees(Note 17.2)	(8,608)	(39,425)	11,025	18,081	2,417	(21,344)
Dividends		-	-	(3,623)	-	(3,623)
Balance at the end of the year	16,315	24,923	576,438	565,413	592,753	590,336

17.2 Summarised Financials of Equity Accounted Investees

	Lakdiyatha (Pvt) Ltd.		Carbotels (Pvt) Ltd.		Consolidated	
As at 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Statement of financial position						
Non current assets	193,941	167,711	2,141,551	2,111,819	2,335,492	2,279,530
Current assets	49,022	46,135	160,456	140,845	209,478	186,980
Total assets	242,963	213,846	2,302,007	2,252,664	2,544,970	2,466,510
Non current liabilities	(74,540)	(55,871)	(13,150)	(6,387)	(87,690)	(62,258)
Current liabilities	(135,127)	(107,112)	(1,406)	(2,574)	(136,533)	(109,686)
Total liabilities	(209,540)	(162,983)	(14,556)	(8,961)	(224,223)	(171,944)
Net Assets	33,296	50,863	2,287,452	2,243,703	2,320,748	2,294,566
Group carrying amount of the investment	16,315	24,923	576,438	565,413	592,753	590,336
Revenue	39,519	19,594	-	-	39,519	19,594
Profit/ (loss) from continuing operation	(46,230)	(100,484)	52,415	76,554	6,185	(23,930)
Profit after tax	(17,567)	(80,459)	43,750	71,751	26,183	(8,708)
Total comprehensive income	(17,567)	(80,459)	43,750	71,751	26,183	(8,708)
Group share of profit for the year	(8,608)	(39,425)	11,025	18,081	2,417	(21,344)

18 RELATED PARTY DISCLOSURES

18.1 Amounts due to Subsidiaries

	Company	
As at 31 March	2023 Rs. '000	2022 Rs. '000
Haycarb USA Inc.	68,764	21,640
Haycarb Value Added Products (Pvt) Ltd.	-	21,922
Haycarb Holdings Australia (Pty) Ltd.	11,824	-
Haycarb Holdings Bitung Ltd.	13,109	-
PT Mapalus Makawanua Charcoal Industry	-	827
Puritas (Pvt) Ltd.	3,465	-
Recogen(Pvt) Ltd.	13,707	22,932
Ultracarb(Pvt) Ltd.	-	17,506
	110,869	84,827

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RELATED PARTY DISCLOSURES CONTD.

18.2 Amounts due to Other Related Parties

		Consolidated		Company	
As at 31st March		2023	2022	2023	2022
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Hayleys PLC	Parent	58,433	279,657	46,940	269,890
Advantis Freight (Pvt) Ltd.	Affiliate	12,256	3,961	12,207	3,871
Advantis Projects & Engineering (Pvt)Ltd	Affiliate	2,458	3,972	2,458	3,972
Chas P. Hayley & Company (Pvt) Ltd.	Affiliate	927	1,083	927	1,083
Energynet (Pvt) Ltd.	Affiliate	-	353	-	353
Fentons Limited	Affiliate	117	1,650	-	19
Hayleys Advantis Ltd	Affiliate	888	-	888	-
Hayleys Aventura (Pvt) Ltd.	Affiliate	-	4,572	-	2,844
Hayleys Business Solutions (Pvt) Ltd.	Affiliate	524	1,170	511	795
Hayleys Fibre PLC	Affiliate	7,454	215,853	-	-
Hayleys Lifesciences (Pvt) Ltd.	Affiliate	23	607	-	484
Hayleys Travels (Pvt) Ltd.	Affiliate	2,761	5,694	2,761	5,694
Key Management Personnel - Carbokarn Co. Ltd. *	Affiliate	1,542,158	1,663,826	-	-
Logiwiz Ltd	Affiliate	687	577	8	577
Mabroc Teas (Pvt) Ltd.	Affiliate	291	-	291	-
Mountain Hawk (Pvt) Ltd	Affiliate	405	1,102	404	1,101
Mountain Hawk Express (Pvt) Ltd.	Affiliate	3,268	1,489	3,269	1,476
Singer (Sri Lanka) PLC	Affiliate	228	-	-	-
The Kingsbury PLC	Affiliate	1,929	352	1,929	352
Toyo Cushion Lanka (Pvt) Ltd.	Affiliate	929	-	-	-
Other Hayleys companies	Affiliate	79	110	63	78
		1,635,815	2,186,028	72,656	292,589

*Equity partners of the Carbokarn Group have provided loans to these companies for working capital requirements and interest were charged at the rate of MLR - 1% per annum. (Minimum loan rate - Thailand)

18.3 Amounts due from Subsidiaries

		Company	
As at 31 March		2023	2022
		Rs. '000	Rs. '000
Puritas (Pvt) Ltd.		15,140	183,426
Haycarb Holdings Australia (Pty) Ltd.		194,497	-
Carbokarn Co. Ltd.		44,165	410,388
Eurocarb Products Ltd.		59,810	-
Haycarb Holdings Bitung Ltd.		-	517
PT Mapalus Makawanua Charcoal Industry		5,903	57,646
Ultracarb (Pvt) Ltd.		226,454	-
Puricarb Pte Ltd		4	4
Recogen (Pvt) Ltd		102,525	6,173
PT Haycarb Palu Mitra		893	124,323
		649,391	782,477

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18.4 Amounts due from Other Related Parties

		Consolidated		Company	
As at 31st March		2023	2022	2023	2022
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Hayleys PLC	Parent	2,199	300	-	-
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	99	112	-	-
Air Global (Pvt) Ltd.	Affiliate	-	7,860	-	7,860
Alco Industries (Pvt) Ltd.	Affiliate	194	194	-	-
Alumex PLC	Affiliate	498	9,975	-	8,420
Bonterra Ltd.	Affiliate	2,332	-	111	-
Chas P. Hayley & Company (Pvt) Ltd.	Affiliate	54,192	58,777	551	-
Clarion Shipping (Private) Limited	Affiliate	12	-	-	-
Creative Polymats (Pvt) Ltd.	Affiliate	-	303	-	-
D P L Universal Gloves Limited	Affiliate	-	1,292	-	-
Dipped Products PLC	Affiliate	22,319	21,912	20,751	20,344
Fentons Limited	Affiliate	2,321	2,321	2,321	2,321
Hanwella Rubber Products Ltd.	Affiliate	-	4,275	-	-
Hayleys Advantis Ltd	Affiliate	24	-	-	-
Hayleys Agriculture Holding Ltd.	Affiliate	115	384	-	-
Hayleys Agro Fertilizers (Pvt) Ltd.	Affiliate	-	513	-	513
Hayleys Aventura (Pvt) Ltd.	Affiliate	67	9,944	42	9,930
Hayleys Business Solutions (Pvt) Ltd	Affiliate	138	-	-	-
Hayleys Fibre PLC	Affiliate	7,651	89	255	-
Hayleys Free Zone Limited	Affiliate	94	-	-	-
Hayleys Lifesciences (Pvt) Ltd.	Affiliate	-	1,500	-	1,500
Hayleys Travels (Pvt) Ltd.	Affiliate	11	-	-	-
Haymat (Pvt) Ltd.	Affiliate	-	173	-	-
IML Delivery Systems (Pvt) Ltd	Affiliate	91	-	-	-
Kelani Valley Plantation PLC	Affiliate	21	-	-	-
Logiwiz Ltd	Affiliate	1,057	2,620	-	-
Martin Bauer Hayleys (Pvt) Ltd.	Affiliate	2,274	-	-	-
Mountain Hawk Express (Pvt) Ltd	Affiliate	93	-	-	-
North South Lines (Pvt) Ltd.	Affiliate	-	1,294	-	1,294
Ravi Industries Ltd	Affiliate	2,357	102	406	-
Rileys (Pvt) Ltd.	Affiliate	3,009	1,983	1,161	-
South Asia Textiles (Pvt) Ltd	Affiliate	100	-	-	-
Singer (Sri Lanka) PLC	Affiliate	1,958	50,374	-	48,734
Thalawakelle Tea Estates PLC	Affiliate	26	38	-	-
The Kingsbury PLC	Affiliate	216	291	-	-
Toyo Cushion Lanka (Pvt) Ltd.	Affiliate	550	403	403	-
Volanka (Pvt) Ltd.	Affiliate	154	-	132	-
Volanka Insurance Brokers (Pvt) Ltd.	Affiliate	6	-	-	-
Hayleys Group Other Companies	Affiliate	17	215	-	-
		104,195	177,244	26,133	100,916

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RELATED PARTY DISCLOSURES CONTD.

18.5 Amounts due from Equity Accounted Investees

		Consolidated		Company	
As at 31st March		2023	2022	2023	2022
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lakdiyatha (Pvt) Ltd.	Associate	101,824	59,988	247	179
Carbotels (Pvt) Ltd.	Associate	-	3,623	-	3,623
		101,824	63,611	247	3,802

19 INVENTORIES

		Consolidated		Company	
As at 31st March		2023	2022	2023	2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Raw materials and consumables		7,540,360	6,694,984	3,954,291	2,437,212
Finished and semi finished goods		8,120,278	9,760,859	1,313,751	2,727,034
Project in progress		232,080	399,297	-	-
Provision for unrealised profits		(1,402,222)	(806,617)	-	-
		14,490,496	16,048,523	5,268,042	5,164,246
Provision for write down of inventories		(503,727)	(241,379)	(161,477)	(101,837)
Total inventories at the lower of cost and net realisable value		13,986,769	15,807,144	5,106,565	5,062,409

20 TRADE AND OTHER RECEIVABLES

		Consolidated		Company	
As at 31st March		2023	2022	2023	2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables - External customers		6,859,479	8,612,344	1,079,454	1,503,761
- Inter company		-	-	3,117,570	3,902,320
Less: Provision for expected credit losses		(176,726)	(156,557)	-	-
		6,682,753	8,455,787	4,197,024	5,406,081
Loans to employees		27,166	17,693	27,166	17,693
		6,709,919	8,473,480	4,224,190	5,423,774

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The age analysis of trade receivables is as follows :

Consolidated	Total	Neither past due nor impaired	0-60 Days	61-120 Days	Above 120 Days
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2023	6,859,479	5,098,928	1,555,785	134,255	70,511
Balance as at 31st March 2022	8,612,344	4,968,638	2,940,210	360,112	343,384

Company	Total	Neither past due nor impaired	0-60 Days	61-120 Days	Above 120 Days
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2023	1,079,454	825,804	237,913	15,737	-
Balance as at 31st March 2022	1,503,761	949,346	553,571	844	-

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

	Consolidated		Company	
As at 31st March	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	2,283	2,445	2,283	2,445
Granted during the year	5,046	1,318	5,046	1,318
	7,329	3,763	7,329	3,763
Repaid during the year	(1,390)	(1,480)	(1,390)	(1,480)
At the end of the year	5,939	2,283	5,939	2,283
Number of loans over Rs. 20,000/-	37	29	37	29

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 OTHER NON - CURRENT FINANCIAL ASSET

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Financial instruments designated at FVTOCI				
Unquoted equity shares				
Quality Seed Co. Ltd.	490	490	490	490
Barrack Gold Corporation	193	193	-	-
Effect of movement in exchange rates	149	148	-	-
	832	831	490	490
Quoted equity shares-Dipped Products PLC				
Fair value of quoted equity shares at the beginning of the year	1,322,342	1,887,898	1,322,342	1,887,898
Change in fair value	(195,300)	(565,556)	(195,300)	(565,556)
Fair value of quoted equity shares at the end of the year	1,127,042	1,322,342	1,127,042	1,322,342
Fair value of financial instruments designated at FVTOCI	1,127,874	1,323,173	1,127,532	1,322,832
Financial assets at amortised cost				
Receivable from Suppliers				
At the beginning of the year	55,707	44,040	-	-
Settlements during the year	(4,250)	(5,413)	-	-
Effect of movement in exchange rates	5,335	17,080	-	-
At the end of the year	56,792	55,707	-	-
Total other non-current financial assets	1,184,666	1,378,880	1,127,532	1,322,832

22 OTHER CURRENT ASSETS

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deposits and payments in advance	719,480	605,299	295,199	330,420
Other receivables	651,657	354,315	118,437	71,351
Tax recoverable	35,741	51,205	16,816	23,479
	1,406,878	1,010,819	430,452	425,250

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CASH IN HAND AND AT BANK

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cash in hand	12,847	11,712	9,148	8,889
Bank balances	3,184,947	1,921,800	1,107,100	185,780
Short-term deposits	1,875,098	1,184,212	961,244	636,348
	5,072,892	3,117,724	2,077,492	831,017

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

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cash in hand and at bank	3,197,794	1,933,512	1,116,248	194,669
Short-term deposits	1,875,098	1,184,212	961,244	636,348
Bank overdrafts and short term borrowings	(6,618,921)	(10,022,932)	(2,868,196)	(6,065,277)
Cash and cash equivalents for the purpose of statement of cash flow	(1,546,029)	(6,905,208)	(790,704)	(5,234,260)

24 STATED CAPITAL

Issued and fully-paid - ordinary shares

	Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000
At the beginning of the year - 297,123,750 (1st April 2021 - 297,123,750)	331,774	331,774
At the end of the year - 297,123,750 (31 March 2022 - 297,123,750)	331,774	331,774

25 RESERVES

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Capital Reserve (25.1)	891,290	994,758	520,097	549,647
Revenue Reserves (25.2)	20,918,757	16,845,411	11,867,174	7,919,373

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RESERVES CONTD.

25.1 Capital Reserves

	Revaluation surplus Rs.'000	Reserve on amalgamation Rs.'000	Legal reserve Rs.'000	Total Rs.'000
Consolidated				
Balance as at 1st April 2021	653,858	25,885	6,541	686,284
Revaluation of lands	337,895	-	-	337,895
Tax effect on revaluation surplus	(29,421)	-	-	(29,421)
Balance as at 31st March 2022	962,332	25,885	6,541	994,758
Tax effect on revaluation surplus	(103,468)	-	-	(103,468)
Balance as at 31st March 2023	858,864	25,885	6,541	891,290
Company				
Balance as at 1st April 2021	418,700	23,758	-	442,458
Revaluation of lands	124,638	-	-	124,638
Tax effect on revaluation surplus	(17,449)	-	-	(17,449)
Balance as at 31st March 2022	525,889	23,758	-	549,647
Amalgamation of Haycarb Value Added Products (Pvt) Ltd	-	68,290	-	68,290
Tax effect on revaluation surplus	(97,840)	-	-	(97,840)
Balance as at 31st March 2023	428,049	92,048	-	520,097

- ▶ Legal reserve relates to a statutory reserve created under Carbokarn Co. Ltd. Thailand.
- ▶ Amalgamation reserve as at 01st April 2022 of Rs. 25,885,000/- in consolidated financial statements consists of Rs. 23,758,000/- created at the time of amalgamation of Deltacarb Ltd and Pelaco Ltd with Haycarb PLC in year 1999 and year 2004 respectively. Balance Rs. 2,127,000/- is attributable to amalgamation of PT Mapalus Makawanua Charcoal Industry in 2012.
- ▶ Reserve on amalgamation in company financial statements recorded in 2022/23 is due to amalgamation of Haycarb Value Added Products (Pvt) Ltd with Haycarb PLC on 28th December 2022.
- ▶ Revaluation surplus consists of net surplus resulting from the valuation of Property, plant and equipment. The unrealised amount cannot be distributed to shareholders.

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25.2 Revenue Reserves

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Fair Value Reserve of Financial Assets at FVTOCI	1,086,871	1,282,171	1,086,871	1,282,171
Foreign currency translation reserve	4,687,634	4,013,781	-	-
General reserve	519,353	519,353	519,353	519,353
Retained Earnings				
Haycarb PLC	10,260,950	6,117,849	10,260,950	6,117,849
Subsidiaries	3,888,599	4,439,324	-	-
Associates	475,350	472,933	-	-
	14,624,899	11,030,106	10,260,950	6,117,849
	20,918,757	16,845,411	11,867,174	7,919,373

General Reserve

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

Fair Value Reserve of Financial Assets at FVTOCI

Fair Value Reserve comprises the cumulative net change in fair value of Financial instruments designated as fair value through other comprehensive income(FVTOCI).

Foreign currency translation reserve

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

26 INTEREST-BEARING LOANS AND BORROWINGS

26.1 Non - current portion of interest bearing loans and borrowings

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Non-current interest-bearing loans and borrowings				
Secured term loans				
At the beginning of the year	982,583	679,141	967,029	656,946
loans obtained during the year	200,000	507,783	200,000	500,000
Effect of movements in foreign exchange rates	35,456	67,933	35,266	67,933
	1,218,039	1,254,857	1,202,295	1,224,879
Repayments during the year	(917,256)	(272,274)	(907,701)	(257,850)
At the end of the year	300,783	982,583	294,594	967,029
Repayable within one year	(160,589)	(305,431)	(159,133)	(296,123)
Repayable after one year	140,194	677,152	135,461	670,906

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 INTEREST-BEARING LOANS AND BORROWINGS CONTD.

26.2 Current portion of interest bearing loans and borrowings

	Consolidated		Company	
As at 31st March	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short-term interest bearing borrowings				
Short-term loans	5,561,399	8,918,521	1,846,958	4,969,770
Bank overdrafts	1,057,522	1,104,411	1,021,238	1,095,507
Short-term borrowings and bank overdraft	6,618,921	10,022,932	2,868,196	6,065,277
Current portion of long term interest bearing borrowings	160,589	305,431	159,133	296,123
Total current interest-bearing loans and borrowings	6,779,510	10,328,363	3,027,329	6,361,400

26.3 Analysis of secured term loans by year of repayment

	Consolidated		Company	
As at 31st March	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repayable between 1-2 years from the year end	105,806	397,217	104,350	390,971
Repayable between 2-5 years from the year end	34,388	279,935	31,111	279,935
Total non-current borrowings	140,194	677,152	135,461	670,906

26.4 Secured term loans repayable after one year

Company	Lender	31.03.2023 Rs.'000	31.03.2022 Rs.'000	Repayment terms	Security
Haycarb PLC	Standard Chartered Bank (1M LIBOR + 4.9%)	49,350	102,858	60 equal monthly installments commencing from November 2019	None
	Hatton National Bank PLC. - AWPLR	-	210,000	60 equal monthly installments commencing from October 2020	None
	Hatton National Bank PLC. - AWPLR+ 0.25%	-	358,050	60 equal monthly installments commencing from October 2020	None
	The Hongkong & Shanghai Banking Corporation Ltd (1 Month HSBC Bank cost of funds +3.2%)	77,778	-	36 monthly installments	Primary mortgage over land and building for Rs. 140 million at Epaladeniya, Kuliyaipitiya.
	The Hongkong & Shanghai Banking Corporation Ltd (1 Month HSBC Bank cost of funds +3%)	8,333	-	16 monthly installments	None
Haycarb Holdings Australia Pte Ltd.	Power Torque Finance - 2.95%	4,733	6,244	48 equal monthly installments commencing from March 2022	
Total secured term loans repayable after one year		140,194	677,152		

Fair value of the interest-bearing loans and borrowings of the Group Rs. 6,919,703,500/- (31 st March 2022-Rs. 11,005,515,000/-) Company Rs.3,162,790,444 /- (31st March 2022- Rs.7,032,306,000/-).

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DEFINED BENEFIT OBLIGATIONS GRI 201-3

		Consolidated		Company	
As at 31st March		2023	2022	2023	2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i)	Expenses recognised in the statement of profit or loss				
	Current service cost	33,686	83,066	53,442	63,047
	Interest cost on benefit obligation	133,745	61,991	114,875	52,609
	The total expense recognised in administrative expenses in the statement of profit or loss	167,431	145,057	168,317	115,656
(ii)	Actuarial gains and losses recognised directly in OCI				
	Actuarial loss recognised in OCI	47,461	82,188	34,828	73,303
		47,461	82,188	34,828	73,303
(iii)	Present value of defined benefit obligation				
	Present value of defined benefit obligation	1,230,526	1,143,285	903,328	831,502
		1,230,526	1,143,285	903,328	831,502
(iv)	Provision for defined benefit obligations				
	At the beginning of the year	1,143,285	858,505	831,502	672,672
	Interest cost	133,745	61,991	114,875	52,609
	Current service cost	33,686	83,066	53,442	63,047
	Benefits paid	(155,948)	(34,551)	(131,319)	(30,129)
	Actuarial loss on defined benefit obligation	47,461	82,188	34,828	73,303
	Effect of movement in exchange rates	28,297	92,086	-	-
	At the end of the year	1,230,526	1,143,285	903,328	831,502
	Legal Liability	817,677	948,875	674,710	646,358

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DEFINED BENEFIT OBLIGATIONS CONTD.

27.1 Actuarial assumptions

	Consolidated		Company	
As at 31st March	2023	2022	2023	2022
	%	%	%	%
Sri Lanka				
Discount rate:	18.00	15.00	18.00	15.00
Salary escalation rate	16.00	13.50	16.00	13.50
Indonesia				
Discount rate:	7.43	7.55		
Salary escalation rate	8.50	8.00		
Thailand				
Discount rate:	3.26	3.26		
Salary escalation rate	3	3		

Assumptions regarding future mortality are based on the A1967/70 for staff/executive and A1949/52 for worker, issued by the institute of Actuaries, London.

The demographic assumptions underlying the valuation are with respect to retirement age early withdrawal from service and retirement on medical grounds

27.2 Distribution of the Employee Benefit Obligations over Future Working Lifetime

	Consolidated		Company	
As at 31st March	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Less than or equal to 1 Year	122,902	176,558	44,154	112,664
Over 1 year and less than or equal to 5 year	345,258	296,728	287,947	231,524
Over 5 year and less than or equal to 10 year	391,007	318,874	300,224	226,419
Over 10 years	371,359	351,125	271,003	260,895
	1,230,526	1,143,285	903,328	831,502

The expenses recognised are included in administration expenses in the Financial Statements. LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the employee benefit that employees have earned in return for their service in the current and prior periods and discount that benefits using the Projected Unit Credit Method in order to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables that will influence the cost of the benefit. As per LKAS 19 gain or loss arising from actuarial valuation is recognised in other comprehensive income.

The Actuarial Valuation was carried out by a professionally qualified Actuary, Actuarial and Management consultant (Pvt) Ltd. for Sri Lanka, Thailand entities and Kantor Konsultant Akturia Yusi & Rekan for Indonesia entities as at 31st March 2023.

27.3 Sensitivity Analysis - Salary Escalation rate/Discount rate

Values appearing in the Financial Statements are sensitive to the changes in the financial and non financial assumptions used.

	Consolidated		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
One Percentage point increase (+ 1%) in Discount Rate	1,165,591	1,078,425	840,614	774,613
One Percentage point decrease (- 1%) in Discount Rate	1,349,984	1,262,999	973,585	895,588
One Percentage point increase (+ 1%) Salary Escalation Rate	1,354,209	1,267,513	978,383	899,739
One Percentage point decrease (- 1%) Salary Escalation Rate	1,160,603	1,073,275	835,468	770,094

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED TAX ASSETS / LIABILITIES

28.1 Deferred Tax Assets

	Consolidated	
As at 31st March	2023 Rs. '000	2022 Rs. '000
At the beginning of the year	132,820	62,403
Origination and reversal of temporary differences	111,339	70,417
At the end of the year	244,159	132,820

Deferred tax assets are attributable to the followings

	Consolidated	
As at 31st March	2023 Rs. '000	2022 Rs. '000
Consolidated		
Property, plant & equipment	(2,496)	(2,242)
Inventory provision	100,263	26,043
Debtor provision	49,005	30,579
Carried forward tax losses	-	19,176
Defined benefit obligations	89,770	64,672
Unrealised exchange gains	5,742	(6,159)
Other items	1,875	751
Net deferred tax asset	244,159	132,820

Movement of Deferred Tax Assets are Attributable to the Followings

Consolidated	Balance as at 31.03.2022	Recognized in the Statement of Profit or Loss	Recognised in Other Comprehensive Income	Effect of movement in exchange rate	Balance as at 31.03.2023
Property, plant & equipment	(2,242)	16	-	(270)	(2,496)
Inventory provision	26,043	74,220	-	-	100,263
Debtor provision	30,579	18,426	-	-	49,005
Carried forward tax losses	19,176	(19,176)	-	-	-
Defined benefit obligations	64,672	22,104	-	2,994	89,770
Unrealised exchange gains	(6,159)	11,901	-	-	5,742
Other items	751	1,124	-	-	1,875
Net deferred tax asset	132,820	108,615	-	2,724	244,159

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED TAX ASSETS / LIABILITIES CONTD.

Consolidated	Balance as at 31.03.2021	Recognized in the Statement of Profit or Loss	Recognised in Other Comprehensive Income	Effect of movement in exchange rate	Balance as at 31.03.2022
Property, plant & equipment	(1,511)	(200)	-	(531)	(2,242)
Inventory provision	3,430	22,613	-	-	26,043
Debtor provision	13,710	16,869	-	-	30,579
Carried forward tax losses	9,641	3,681	-	5,854	19,176
Defined benefit obligations	36,611	16,440	1,707	9,914	64,672
Unrealised exchange gains	-	(6,159)	-	-	(6,159)
Other items	522	229	-	-	751
Net deferred tax asset	62,403	53,473	1,707	15,237	132,820

28.2 Deferred tax Liabilities

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
At the beginning of the year	368,658	139,477	294,955	77,865
Transfers on amalgamation	-	-	30,168	-
Origination and reversal of temporary differences	(231,949)	229,181	(239,450)	217,090
At the end of the year	136,709	368,658	85,673	294,955

Differed tax liabilities are attributable to the followings

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Property, plant & equipment	(547,415)	(294,388)	(458,765)	(210,685)
Inventory provision	50,872	15,258	48,443	14,257
Carried forward tax losses	28,532	19,598	-	-
Defined benefit obligations	272,645	117,318	270,998	116,410
Debtor provision	-	-	-	-
Unrealised exchange gains	57,170	(227,966)	51,535	(216,308)
Other items	1,487	1,522	2,116	1,371
Net deferred tax liabilities	(136,709)	(368,658)	(85,673)	(294,955)

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movement of deferred tax liabilities are attributable to the following:

Consolidated	Balance as at 31st March 2022	Recognized in the Statement of Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st March 2023
Property, plant & equipment	(294,388)	(149,559)	(103,468)	(547,415)
Inventory provision	15,258	35,614	-	50,872
Carried forward tax losses	19,598	8,934	-	28,532
Defined benefit obligations	117,318	141,845	13,482	272,645
Unrealised exchange gain/loss	(227,966)	285,136	-	57,170
Other items	1,522	(35)	-	1,487
Net deferred tax liabilities	(368,658)	321,935	(89,986)	(136,709)

Consolidated	Balance as at 31st March 2021	Recognized in the Statement of Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st March 2022
Property, plant & equipment	(258,208)	(6,758)	(29,422)	(294,388)
Inventories Provisions	10,376	4,882	-	15,258
Carried forward tax losses	12,083	7,515	-	19,598
Defined benefit obligations	94,563	12,504	10,251	117,318
Debtor Provisions	400	(400)	-	-
Unrealised exchange gains/losses	-	(227,966)	-	(227,966)
Other items	1,309	213	-	1,522
Net deferred tax liabilities	(139,477)	(210,010)	(19,171)	(368,658)

Company	Balance as at 31st March 2022	Recognized in the Statement of Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st March 2023
Property, plant and equipment	(210,685)	(150,240)	(97,840)	(458,765)
Inventories Provision	14,257	34,186	-	48,443
Defined benefit obligations	116,410	144,140	10,448	270,998
Unrealised exchange gain/loss	(216,308)	267,843	-	51,535
Other items	1,371	745	-	2,116
Net deferred tax liabilities	(294,955)	296,674	(87,392)	(85,673)

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED TAX ASSETS / LIABILITIES CONTD.

Company	Balance as at 31st March 2021	Recognized in the Statement of Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st March 2022
Property, plant and equipment	(183,252)	(9,984)	(17,449)	(210,685)
Inventories Provisions	10,001	4,256	-	14,257
Defined benefit obligations	94,174	11,973	10,263	116,410
Unrealised exchange gains/losses	-	(216,308)	-	(216,308)
Other items	1,212	159	-	1,371
Net deferred tax liabilities	(77,865)	(209,904)	(7,186)	(294,955)

29 TRADE AND OTHER PAYABLES

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade payables	991,941	1,133,713	321,230	468,548
Freight Payables	692,610	597,617	612,430	494,864
Salaries and wages	634,164	94,364	602,032	73,535
Dividend payable (Note 29.1)	27,530	92,240	27,530	92,240
Accrued expenses and other payables	1,357,562	1,480,821	416,372	592,465
	3,703,807	3,398,755	1,979,594	1,721,652

29.1 Dividend Payable

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
At the beginning of the year				
Recognised under dividend payable	92,240	15,000	92,240	15,000
Recognised under related party	150,938	-	150,938	-
Declared during the year	1,678,749	831,947	1,678,749	831,947
Dividends paid to equity holders of the parent	(1,894,397)	(603,769)	(1,894,397)	(603,769)
As at 31st March payables under related party	-	(150,938)	-	(150,938)
As at 31st March	27,530	92,240	27,530	92,240

30 OTHER CURRENT LIABILITY

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 31st March	413,884	547,047	32,171	72,349
Payments received in advance	413,884	547,047	32,171	72,349

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 INCOME TAX PAYABLE/(RECEIVABLE)

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
At the beginning of the year	377,592	594,446	(23,479)	157,722
Taxation on current year's profit	2,070,152	730,564	1,033,865	138,966
Tax on dividend income	91,583	57,625	-	-
Under/(Over) provision in respect of previous years	21,358	(10,063)	(9,284)	(12,688)
Transfer from amalgamation	-	-	30,529	-
Payments made during the year	(1,976,015)	(1,010,211)	(838,774)	(307,479)
Effect of movement in exchange rates	24,874	15,231	-	-
At the end of the year	609,544	377,592	192,857	(23,479)
Income tax receivable at the end of the year	35,741	51,205	16,816	23,479
Income tax payable at the end of the year	645,285	428,797	209,673	-

32 PRINCIPAL SUBSIDIARIES WITH MATERIAL NON- CONTROLLING INTEREST

Summarised financial information in respect of Haycarb PLC's subsidiaries that have material non controlling interest, reflecting amount before inter-company eliminations, is set out below.

The significant figures extracted from the financials of subsidiaries with material-non controlling interest

	Carbokarn Co. Ltd (group)		PT.Haycarb Palu Mitra	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Revenue	11,744,024	6,663,726	2,825,090	1,825,160
Profit before tax	1,280,877	874,487	536,741	256,032
Cash flows from operating activities	852,044	1,068,103	289,434	(27,260)
Cash flows from investing activities	(475,188)	(452,944)	(8,660)	(3,244)
Cash flows from financing activities	(868,297)	(443,402)	(131,135)	(33,794)
Non-current assets	3,386,192	2,937,401	794,600	792,540
Current assets	4,235,757	5,926,195	1,113,833	1,403,789
Total assets	7,621,949	8,863,596	1,908,433	2,196,329
Non-current liabilities	227,344	125,578	19,921	28,410
Current liabilities	2,372,729	4,296,972	488,995	1,097,632
Total liabilities	2,600,073	4,422,550	508,916	1,126,042
Equity attributable to the owners of the company	2,510,938	2,220,523	839,710	642,172
Non-controlling interest	2,510,938	2,220,523	559,807	428,114
Non-controlling interest (%)	50	50	40	40

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

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

Loans to Directors

No loans have been granted to Directors of the Company

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

Relationship with subsidiaries and equity accounted investees are explained in Note 16 and 17 also under Group companies in page 290 and 291
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, company secretarial, data processing, personnel administration and other functions obtained from Hayleys PLC.
- iii) Haycarb PLC provides factory space to its subsidiaries and charges rent. In addition, the Company incurs common expenses such as administration and personnel cost which are allocated to subsidiaries
- iv) Transactions with Advantis Projects & Engineering (Pvt) Ltd, Air Global (Pvt) Ltd., Alco Industries (Pvt) Ltd., Alumex PLC, Hayleys Leisure PLC, Chas P. Hayley Company (Pvt) Ltd., Civaro Lanka (Pvt) Ltd., Creative Polymats (Pvt) Ltd., D P L Universal Gloves Limited, Dipped Products PLC, Fentons Limited, Hanwella Rubber Products Ltd., Haylex (Japan) Ltd., Hayleys Agriculture Holdings Ltd., Hayleys Agro Fertilizers (Pvt) Ltd., Hayleys Aventura (Pvt) Ltd., Hayleys Consumer Products (Pvt) Ltd., Hayleys Fabrics PLC, Hayleys Fibre PLC, Hayleys Industrial Solutions Ltd., Hayleys Lifesciences (Pvt) Ltd., Haymat (Pvt) Ltd., Horana Plantations PLC, Kelani Valley Plantations PLC, Logiventures (Pvt)Ltd., Logiwiz (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., MIT Cargo (Pvt) Ltd., Mountain Hawk Electronics Ltd., North South Lines (Pvt) Ltd., Pan Asia Bank PLC, Quality Seeds Co.Ltd., Ravi Industries (Pvt) Ltd., Rileys (Pvt) Ltd., Royal Ceramics PLC, Sampath Bank PLC, Singer (Sri Lanka) PLC, Singer Finance PLC, Thalawakelle Tea Estates PLC, The Kingsburry PLC and Toyo Cushion Lanka (Pvt) Ltd. are given below under details of related party transactions with affiliates.

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Related Party Transactions

	Consolidated		Company	
Year ended 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Transactions with related parties				
Fully-owned subsidiaries				
Sales of Activated Carbon	-	-	14,017,368	5,802,229
Purchase of raw material	-	-	101,021	26,867
Reimbursement of salaries/Bonus	-	-	311,710	294,964
Dividend Income	-	-	1,683,261	255,977
Current account interest received	-	-	63,173	13,177
Rental Income	-	-	13,346	9,020
Purchase of services	-	-	273,518	154,197
Income from guarantees and short term funds	-	-	-	1,446
Income on Services rendered	-	-	110,928	52,552
Partly-owned subsidiaries				
Sales of goods and services	-	-	6,751	3,431
Sale of raw material & consumables	-	-	62,215	-
Income from services provided	-	-	143,032	88,815
Dividend Income	-	-	441,347	342,017
Cost of guarantees and short term funds	-	-	-	1,321
Equity accounted investee				
Dividend Received	-	3,623	-	3,623
Parent - Hayleys PLC				
Services related expenses paid	516,971	364,527	475,689	343,985
Dividend paid	1,137,068	563,503	1,137,068	563,503
Affiliates				
Sales of goods and services	647,377	576,160	594,507	551,938
Purchase of goods and services	1,360,746	845,589	-	-
Dividend Income	118,401	101,866	118,401	101,866
Loans obtained from/(repaid to) Directors Carbokarn Co. Ltd.	(281,007)	203,453	-	-

v) Recurrent Related Party Transactions of which the aggregate value exceeds 10% of the gross revenue of the group are as follows,

	Year ended 31.03.2023		Year ended 31.03.2022	
Transactions with related parties	Value of transaction	Percentage of Gross Revenue	Value of transaction	Percentage of Gross Revenue
Sales of activated carbon from Haycarb PLC to Haycarb USA Inc.	10,319,247	17%	3,892,991	12%

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SEGMENT ANALYSIS GRI 207-1 to 4

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

Business Segments Turnover-Net

For the year ended 31st March	External Rs. '000	Intra-group Rs '000	Consolidated	
			2023 Rs. '000	2022 Rs. '000
Activated carbon	59,646,828	23,780,337	83,427,165	43,014,838
Environmental engineering	1,296,428	22,403	1,318,831	2,264,681
	60,943,256	23,802,740	84,745,996	45,279,519
Intra-group sales			(23,802,740)	(12,119,045)
			60,943,256	33,160,474

Profit before tax

For the year ended 31st March	Consolidated	
	2023 Rs. '000	2022 Rs. '000
Activated carbon	8,499,656	4,562,114
Environmental engineering	(244,041)	115,218
Purification -associate	(8,608)	(39,425)
Leisure-associate	11,025	18,081
	8,258,032	4,655,988

As at 31 March	Total Assets		Provision for Liabilities and Charges		Trade and Other Payables	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Activated carbon	37,947,535	37,033,821	1,367,235	1,511,943	3,741,111	3,303,106
Environmental engineering	1,650,901	2,387,920	-	-	376,578	642,696
	39,598,436	39,421,741	1,367,235	1,511,943	4,117,689	3,945,802
Investment in associates and others	592,753	590,336				
	40,191,189	40,012,077				

As at 31st March	Capital Expenditure		Depreciation	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Activated carbon	1,900,464	1,668,676	884,754	656,161
Environmental engineering	6,825	9,054	14,198	12,596
	1,907,289	1,677,730	898,952	668,757

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash flows

	2023		2022	
For the year ended 31st March	Activated carbon Rs. '000	Environmental engineering Rs. '000	Activated carbon Rs. '000	Environmental engineering Rs. '000
Operating activities	10,242,943	(120,989)	(2,955,672)	141,202
Investing activities	(1,616,588)	(2,553)	(1,481,088)	(23,692)
Financing activities	(3,119,317)	(24,317)	(801,945)	(14,314)
	5,507,038	(147,859)	(5,238,705)	103,196

Geographical Segments Turnover -Net

			Consolidated	
For the year ended 31st March	External Rs. '000	Intra-group Rs '000	2023 Rs. '000	2022 Rs. '000
USA	19,294,240	-	19,294,240	6,960,881
Europe	6,484,822	-	6,484,822	4,050,639
Australia	4,111,942	-	4,111,942	2,274,745
Sri Lanka	18,650,952	13,102,295	31,753,247	17,599,085
Thailand	8,922,672	4,630,282	13,552,953	8,124,526
Indonesia	3,478,629	6,070,164	9,548,793	6,269,643
	60,943,256	23,802,740	84,745,996	45,279,519
Intra-group sales			(23,802,740)	(12,119,045)
			60,943,256	33,160,474

Profit before tax

	Consolidated	
For the year ended 31st March	2023 Rs. '000	2022 Rs. '000
USA	564,846	275,607
Europe	133,011	82,229
Australia	329,715	319,126
Sri Lanka	5,348,085	2,855,773
Thailand	1,280,887	874,487
Indonesia	1,179,121	586,969
	8,835,665	4,994,191
Consolidation adjustments	(577,633)	(338,203)
	8,258,032	4,655,988

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SEGMENT ANALYSIS CONTD.

Assets and Liabilities

As at 31 March	Total Assets		Non-Interest Bearing Liabilities			
	2023 Rs. '000	2022 Rs. '000	Provision for Liabilities and Charges		Trade and Other Payables	
			2023 Rs. '000	2022	2023 Rs. '000	2022 Rs. '000
USA	6,146,976	6,203,559	-	-	420,597	245,170
Europe	2,079,373	1,781,884	-	-	54,923	109,958
Australia	1,546,057	1,666,484	-	-	150,343	136,927
Sri Lanka	13,832,498	12,611,960	1,045,524	1,244,656	2,653,296	2,291,176
Thailand	8,362,656	8,859,352	177,654	126,822	611,796	751,360
Indonesia	7,630,876	8,298,502	144,057	140,465	226,736	411,211
	39,598,436	39,421,741	1,367,235	1,511,943	4,117,691	3,945,802
Investments in associates and other	592,753	590,336				
	40,191,189	40,012,077				

As at 31 March	Capital Expenditure		Depreciation	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
USA	548	548	3,744	1,731
Europe	4,020	4,020	15,029	11,915
Australia	7,554	7,554	2,839	1,700
Sri Lanka	946,665	946,665	308,294	285,563
Thailand	554,143	704,918	385,040	242,765
Indonesia	180,022	14,025	184,005	125,083
	1,907,289	1,677,730	898,952	668,757

35 COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments The approximate amount of capital expenditure approved by the Directors and contracted for as at 31st March 2023, for, which no provision has been made in the Financial Statements amounts to Rs. 381,923,911/- (2021/22 – Rs. 307,927,990/-) for the Group and Rs.259,067,398/- (Rs. 2021/22 – Rs. 177,934,074/- for the Company. Capital expenditure approved by the Directors but not contracted for was Rs. 380,165,324/- (2021/22 – Rs. 416,413,946/-) for the Group and Rs.105,925,500/- (2021/22 – Rs. 272,741,206/-) for the Company.

Contingent Liabilities

The contingent liability as at 31st March 2023 on guarantees given by Haycarb Group to third parties amounted to Rs. 7,876,928,434/- (2021/22 – Rs. 7,850,421,491/-). Of this sum, Rs. 7,123,509,891/- (2021/22 – Rs. 6,406,259,890/-) relates to facilities obtained by subsidiaries

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 FAIR VALUE MEASUREMENT

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants of the measurement date.

Set out below is a comparison by class of the carrying amount and fair value of the Group's financial instruments and certain non-financial asset that are carried in the financial statements.

	Carrying Amount		Fair Value	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Consolidated				
Financial Assets				
Equity instruments designated at fair value through OCI				
- Quoted equity shares	1,127,042	1,322,342	1,127,042	1,322,342
- Unquoted equity shares	832	831	832	831
Total	1,127,874	1,323,173	1,127,874	1,323,173
Financial assets at amortised cost				
- Trade and other receivables	6,709,919	8,473,480	6,709,919	8,473,480
- Amounts due from other related parties	104,195	177,244	104,195	177,244
- Amounts due from equity accounted investees	101,824	63,611	101,824	63,611
- Cash and short term deposits	5,072,892	3,117,724	5,072,892	3,117,724
Total	11,988,830	11,832,059	11,988,830	11,832,059
Non-Financial Assets				
Freehold land	2,262,784	1,976,291	2,262,784	1,976,291
Total	2,262,784	1,976,291	2,262,784	1,976,291
Financial Liabilities				
Interest-bearing loans and borrowings				
- Lease liabilities	292,895	113,412	292,895	113,412
- Long term loans	300,783	982,583	300,783	982,583
- Short term loans and bank overdraft	6,618,921	10,022,932	6,618,921	10,022,932
Trade and other payables	3,703,807	3,398,755	3,703,807	3,398,755
Amounts due to other related parties	1,635,815	2,186,028	1,635,815	2,186,028
Total	12,552,221	16,703,710	12,552,221	16,703,710

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 FAIR VALUE MEASUREMENT CONTD.

	Carrying Amount		Fair Value	
Company	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Financial Assets				
Equity instruments designated at fair value through OCI				
- Quoted equity shares	1,127,042	1,322,342	1,127,042	1,322,342
- Unquoted equity shares	490	490	490	490
Total	1,127,532	1,322,832	1,127,532	1,322,832
Financial assets at amortised cost				
- Trade and other receivables	4,224,190	5,423,774	4,224,190	5,423,774
- Amounts due from subsidiaries	649,391	782,477	649,391	782,477
- Amounts due from other related parties	26,133	100,916	26,133	100,916
- Amounts due from equity accounted investees	247	3,802	247	3,802
- Cash and short term deposits	2,077,492	831,017	2,077,492	831,017
Total	6,977,453	7,141,986	6,977,453	7,141,986
Non-Financial Assets				
Freehold land	936,221	835,486	936,221	835,486
Total	936,221	835,486	936,221	835,486
Financial Liabilities				
Interest-bearing loans and borrowings				
- Lease liabilities	41,615	78,914	41,615	78,914
- Long term loans	294,594	967,029	294,594	967,029
- Short term loans and bank overdraft	2,868,196	6,065,277	2,868,196	6,065,277
Trade and other payables	1,979,594	1,721,652	1,979,594	1,721,652
Amounts due to subsidiaries	110,869	84,827	110,869	84,827
Amounts due to other related parties	72,656	292,589	72,656	292,589
Total	5,367,524	9,210,288	5,367,324	9,210,288

The following methods and assumptions were used to estimate the fair values;

Cash and short term deposits, trade and other receivables, amounts due to/from related parties and trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.

Long term loans and lease liabilities approximate their carrying amount as majority of the loan portfolio consist loan obtained at variable interest rates.

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Hierarchy

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

Level 1 : Quoted (Unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : Other techniques for which all inputs that have a significant effect on the recorded fair value that are not based on observable market data

Level 3 : Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31st March 2023 the Group/Company held the following financial assets carried at fair value in the Statement of Financial Position.

Assets Measured at Fair Value

As at 31st March 2023	Consolidated				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>Fair value through OCI</i>								
Quoted equity shares	1,127,042	-	-	1,127,042	1,127,042	-	-	1,127,042
Unquoted equity shares	-	-	832	832	-	-	490	490
<i>Property, plant and equipment</i>								
Freehold land	-	-	2,262,784	2,262,784	-	-	936,221	936,221

During the reporting period ended 31st March 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 31st March 2022 the Group/Company held the following financial assets carried at fair value in the Statement of Financial Position.

Assets Measured at Fair Value

As at 31st March 2022	Consolidated				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>Fair value through OCI</i>								
Quoted equity shares	1,322,342	-	-	1,322,342	1,322,342	-	-	1,322,342
Unquoted equity shares	-	-	831	831	-	-	490	490
<i>Property, plant and equipment</i>								
Freehold land	-	-	1,976,291	1,976,291	-	-	835,486	835,486

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 FINANCIAL RISK MANAGEMENT

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

- 1 Credit risk
- 2 Liquidity risk
- 3 Market risk

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

Financial risk management framework

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

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

The Group Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of financial risk management policies and procedures, the results of which are reported to the Group Audit Committee.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum risk position of above mentioned assests which are generally subject to credit risk are equal to their carrying amount (without consideration of collateral, if available). Following table shows the maximum credit risk positions.

For the year ended 31 March 2023	Non current financial assests Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Short term investments Rs. '000	Amounts due to related parties Rs. '000	Total Rs. '000
Consolidated						
Short term deposits	-	-	-	1,875,098	-	1,875,098
Loans to employees	-	-	27,166	-	-	27,166
Equity shares - Unquoted	832	-	-	-	-	832
- Quoted	1,127,874	-	-	-	-	1,127,874
Trade and other receivables	-	-	6,682,753	-	-	6,682,753
Financial assets at amortised cost	56,792	-	-	-	-	56,792
Amounts due from related parties	-	-	-	-	104,195	104,195
Amounts due from equity accounted investees	-	-	-	-	101,824	101,824
Cash in hand and at bank	-	3,197,794	-	-	-	3,197,794
Total credit risk exposure	1,185,498	3,197,794	6,709,919	1,875,098	206,019	13,174,328

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022	Non current financial assets Rs.'000	Cash in hand and at bank Rs.'000	Trade and other receivables Rs.'000	Short term investments Rs.'000	Amounts due to related parties Rs.'000	Total Rs.'000
Consolidated						
Short term deposits	-	-	-	1,184,212	-	1,184,212
Loans to employees	-	-	17,693	-	-	17,693
Equity shares - Unquoted	831	-	-	-	-	831
- Quoted	1,322,342	-	-	-	-	1,322,342
Trade and other receivables	-	-	8,455,787	-	-	8,455,787
Financial assets at amortised cost	55,707	-	-	-	-	55,707
Amounts due from related parties	-	-	-	-	177,244	177,244
Amounts due from equity accounted investees	-	-	-	-	63,611	63,611
Cash in hand and at bank	-	1,933,512	-	-	-	1,933,512
Total credit risk exposure	1,378,880	1,933,512	8,473,480	1,184,212	240,855	13,210,939

For the year ended 31 March 2023	Non current financial assets Rs.'000	Cash in hand and at bank Rs.'000	Trade and other receivables Rs.'000	Short term investments Rs.'000	Amounts due to related parties Rs.'000	Total Rs.'000
Company						
Short term deposits	-	-	-	961,244	-	961,244
Loans to employees	-	-	27,166	-	-	27,166
Equity shares - Unquoted	490	-	-	-	-	490
- Quoted	1,127,042	-	-	-	-	1,127,042
Trade and other receivables	-	-	4,197,024	-	-	4,197,024
Amounts due from subsidiaries	-	-	-	-	649,391	649,391
Amounts due from related parties	-	-	-	-	26,133	26,133
Amounts due from equity accounted investees	-	-	-	-	247	247
Cash in hand and at bank	-	1,116,248	-	-	-	1,116,248
Total credit risk exposure	1,127,532	1,116,248	4,224,190	961,244	675,771	8,104,985

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 FINANCIAL RISK MANAGEMENT CONTD.

For the year ended 31 March 2022	Non current financial assets Rs. '000	Cash in hand and at bank Rs. '000	Trade and other receivables Rs. '000	Short term investments Rs. '000	Amounts due to related parties Rs. '000	Total Rs. '000
Company						
Short term deposits	-	-	-	636,348	-	636,348
Loans to employees	-	-	17,693	-	-	17,693
Equity shares - Unquoted	490	-	-	-	-	490
- Quoted	1,322,342	-	-	-	-	1,322,342
Trade and other receivables	-	-	5,406,081	-	-	5,406,081
Amounts due from subsidiaries	-	-	-	-	782,477	782,477
Amounts due from related parties	-	-	-	-	100,916	100,916
Amounts due from equity accounted investees	-	-	-	-	3,802	3,802
Cash in hand and at bank	-	194,669	-	-	-	194,669
Total credit risk exposure	1,322,832	194,669	5,423,774	636,348	887,195	8,464,818

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group has established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Further, SLECIC cover or other forms of credit insurance is obtained for most exports.

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

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

	Consolidated		Company	
As at 31st March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sri Lankan Rupees	267,145	262,558	78,061	2,879
Australian Dollar	303,219	434,753	-	-
Sterling Pound	42,044	477,733	90,090	218,964
Euro	259,644	465,793	168,415	181,390
United States Dollar	4,362,583	5,178,159	3,860,459	5,002,848
Thai Baht	486,975	781,157	-	-
Maldivian Rupiah	223,860	58,595	-	-
Indonesian Rupiah	737,282	797,039	-	-
	6,682,752	8,455,787	4,197,025	5,406,081

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Investments

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

Cash in banks and short term deposits

The Group held cash in bank and short term deposits of Rs. 5,060,045,000/- at 31st March 2023 (Rs. 3,106,012,000/- at 31st March 2022), 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 Group Treasury monitors the cash flows in subsidiary and Group level and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the expose to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and group level by funding the long term investment with long term loans.

Short term investments are funded using short term loans. Group has been successful in arranging short term funding from overseas as measure to diversify its funding sources which enabled reducing the sole dependency on domestic market for working capital.

The monthly liquidity position is monitored by the Hayleys group treasury. All liquidity policies and procedures are subject to review and approval by Board of Directors.

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

As at 31st March 2023	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	> 5 years Rs. '000	Total Rs. '000
Consolidated						
Interest bearing loans and borrowings	1,057,522	1,907,329	3,814,659	140,194	-	6,919,704
Lease liability	-	21,680	65,039	206,176	-	292,895
Trade and other payables	634,164	1,357,562	1,712,081	-	-	3,703,807
	1,691,686	3,286,571	5,591,779	346,370	-	10,916,406
As at 31st March 2022						
Consolidated						
Interest bearing loans and borrowings	1,104,411	8,798,321	425,631	677,152	-	11,005,515
Lease liability	-	19,768	39,593	54,051	-	113,412
Trade and other payables	583,356	2,628,599	186,800	-	-	3,398,755
	1,687,767	11,446,688	652,024	731,203	-	14,517,682

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 FINANCIAL RISK MANAGEMENT CONTD.

As at 31st March 2023	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	> 5 years Rs. '000	Total Rs. '000
Company						
Interest bearing loans and borrowings	1,021,238	159,133	1,846,958	135,461	-	3,162,790
Lease liability	4,317	8,945	28,353	-	-	41,615
Trade and other payables	429,562	1,033,660	516,372	-	-	1,979,594
	1,455,117	1,201,738	2,391,683	135,461	-	5,183,999
As at 31st March 2022	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	> 5 years Rs. '000	Total Rs. '000
Company						
Interest bearing loans and borrowings	1,098,527	4,842,440	420,431	670,908	-	7,032,306
Lease liability	-	8,018	25,413	45,483	-	78,914
Trade and other payables	134,900	1,482,184	104,568	-	-	1,721,652
	1,233,427	6,332,642	550,412	716,391	-	8,832,872

Market risk

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

The sensitivity analyses in the following sections relate to the position as at 31st March 2023.

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

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

- ▶ The statement of financial position sensitivity relates to equity instruments designated at fair value through OCI.
- ▶ The sensitivity of the relevant Statement of Profit or Loss 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 2023.

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.

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	Effect on Profit before Tax			
	Consolidated		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Increase in borrowing rates by 50 basis points	(66,031)	(55,027)	46,324	(35,162)
Decrease in borrowing rates by 50 basis points	66,031	55,027	(46,324)	35,162

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 and Euros.

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

Foreign currency sensitivity

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

Foreign Currency	Increase/(Decrease) %	Effect on Profit before Tax			
		Consolidated		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
US Dollar	0.50%	7,970	10,632	(8,147)	(10,437)
	-0.50%	(7,970)	(10,632)	8,147	10,437
Thai Baht	0.50%	3,260	7,055	-	-
	-0.50%	(3,260)	(7,055)	-	-
Indonesian Rupiah	0.50%	(5,650)	(9,661)	-	-
	-0.50%	5,650	9,661	-	-
GBP	0.50%	233	2,350	(516)	(972)
	-0.50%	(233)	(2,350)	516	972
Australian Dollar	0.50%	1,521	1,518	-	-
	-0.50%	(1,521)	(1,518)	-	-
Euro	0.50%	1,172	2,909	(899)	-
	-0.50%	(1,172)	(2,909)	899	-
Maldivian Rupiah	0.50%	1,309	882	-	-
	-0.50%	(1,309)	(882)	-	-

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 FINANCIAL RISK MANAGEMENT CONTD.

Equity price risk

The Group does not engage in equity trading other than holding of equity shares as a strategic investments on long term basis. Equity shares are assessed at fair value using valuation techniques of fair value hierarchy.

Capital management

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

The Group has not given any collateral as at 31st March 2023 other than those disclosed in Note 13.

The gearing ratio at the reporting date was as follows:

	Consolidated		Company	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Interest bearing borrowings -external	6,919,704	11,005,515	3,162,790	7,032,306
Interest bearing borrowings -related party	1,542,158	1,663,826	-	-
Total equity	25,212,566	20,820,580	12,719,045	8,800,794
Total equity and debt	33,674,428	33,489,921	15,881,835	15,833,100
Gearing ratio percentage (%)	25%	38%	20%	44%

38 EVENTS OCCURRING AFTER THE REPORTING DATE

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

At the Board Meeting held on 18th May 2023, the Directors have recommended the Final Dividend of Rs. 1.00/- (one rupee) per share subject to the approval by the shareholders at the Annual General Meeting to be held on 29th June 2023 to be paid to the share holders.

39 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		Year End	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
US Dollar	360.163	210.814	329.000	293.875
Australian Dollar	246.010	155.629	220.891	220.327
Pound Sterling	434.146	287.060	407.499	385.561
Thai Baht	10.203	6.438	9.657	8.813
Indonesian Rupiah	0.0239	0.0147	0.0220	0.0205
Euro	375.259	244.392	358.577	328.185
Indian rupee	4.472	2.833	4.002	3.880

➤ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 FUNCTIONAL CURRENCY

The Group's functional currency is Sri Lanka Rupee, 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.	Euro
Haycarb Activated Carbon (Pvt) Limited (Chennai,India)	Indian rupee

41 COMPANIES WITH DIFFERENT ACCOUNTING YEARS

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

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

TEN YEAR FINANCIAL REVIEW

Year ended 31st March	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000
Trading Results				
Group Turnover	60,943,256	33,160,474	25,484,559	22,822,743
Profit before taxation	8,258,032	4,655,988	4,490,262	2,175,806
Group taxation	(1,752,544)	(934,848)	(923,755)	(409,762)
Profit after taxation (Continuing operations)	6,505,488	3,721,140	3,566,507	1,766,044
Minority Interest	(682,328)	(433,586)	(519,673)	(207,448)
Profit attributable to equity holders of the parent	5,823,160	3,287,554	3,046,834	1,558,596
Balance Sheet				
Share capital	331,774	331,774	331,774	331,774
Capital reserves	891,290	994,758	686,284	675,744
Revenue reserves	20,918,757	16,845,411	12,383,079	8,313,697
Minority interest	3,070,745	2,648,637	1,751,304	1,335,444
	25,212,566	20,820,580	15,152,441	10,656,659
Property, plant & equipment, investments and non-current assets	12,519,315	11,103,590	9,198,546	6,672,299
Intangible assets	289,399	258,465	233,141	226,873
Current assets	27,382,477	28,650,022	15,961,230	12,546,480
Current liabilities	(13,265,019)	(16,948,351)	(8,662,229)	(7,733,503)
Provisions and creditors due after one year	(1,713,606)	(2,243,146)	(1,578,247)	(1,055,490)
	25,212,566	20,820,580	15,152,441	10,656,659
Ratios & Statistics				
Return on shareholders' equity (%)	26%	18%	23%	17%
Dividend (Rs.'000)	1,678,749	831,946	1,099,358	445,686
Dividend per share	5.65	2.80	3.70	1.50
Annual sales growth index (Base - 2013)	600%	327%	251%	225%
Earnings per share at year end * (Rs.)	19.60	11.06	10.25	5.25
Net assets per share at year end * (Rs.)	74.52	60.80	44.55	31.37
Market price per share (Rs.)	56.30	50.20	93.00	160.00
Price earning ratio	2.87	4.54	9.07	3.05
Current ratio (Times)	2.06	1.69	1.84	1.62
Liquidity ratio (Times)	1.56	0.76	1.07	0.76

Figures in brackets indicate deductions.

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

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

	2019	2018	2017	2016	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	20,917,945	15,518,079	13,553,576	11,705,825	11,933,848	10,338,684
	1,352,898	926,423	1,189,535	1,119,078	1,070,336	1,044,083
	(271,196)	(152,799)	(249,735)	(220,910)	(196,404)	(152,106)
	1,081,702	773,624	939,800	898,168	873,932	891,977
	(126,291)	(101,260)	(135,436)	(216,950)	(178,947)	(104,197)
	955,411	672,364	804,364	681,218	694,985	787,780
	331,774	331,774	331,774	331,774	331,774	331,774
	675,744	648,703	717,597	570,848	570,848	373,907
	7,242,868	6,447,363	5,696,455	5,013,363	4,800,584	4,061,796
	1,102,415	909,771	776,762	710,435	590,724	468,418
	9,352,801	8,337,611	7,522,588	6,626,420	6,293,930	5,235,895
	6,412,662	6,105,545	5,953,584	5,161,474	5,059,453	4,275,533
	248,504	285,856	279,201	263,598	260,903	251,223
	12,313,966	8,891,056	8,002,701	7,204,985	5,696,413	4,986,749
	(8,802,222)	(6,041,736)	(5,808,013)	(5,244,079)	(3,923,488)	(3,357,492)
	(820,109)	(903,110)	(904,885)	(759,558)	(799,351)	(920,118)
	9,352,801	8,337,611	7,522,588	6,626,420	6,293,930	5,235,895
	12%	9%	12%	12%	12%	17%
	237,699	178,274	178,274	178,274	178,274	178,274
	0.80	0.60	0.60	0.60	0.60	0.60
	206%	153%	134%	115%	118%	102%
	3.22	2.26	2.71	2.29	2.34	2.65
	27.77	25.00	22.70	19.91	19.19	16.05
	127.00	120.00	151.00	160.00	183.00	181.00
	3.95	4.08	5.58	6.98	7.82	6.83
	1.40	1.47	1.38	1.37	1.45	1.47
	0.93	0.80	0.77	0.70	0.68	0.85

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS FOR INFORMATION PURPOSE ONLY

	Consolidated		Company	
For the year ended 31 March	2023 USD '000	2022 USD '000	2023 USD '000	2022 USD '000
Revenue	169,210	157,297	78,044	70,949
Cost of sales	(127,899)	(123,060)	(59,225)	(58,801)
Gross profit	41,311	34,237	18,819	12,148
Other operating income	557	1,186	6,645	4,305
Selling and distribution expenses	(1,528)	(1,236)	(337)	(211)
Administrative expenses	(17,366)	(19,582)	(7,144)	(9,217)
Results from operating activities	22,974	14,605	17,983	7,025
Finance income	9,420	11,010	6,001	8,912
Finance cost	(9,472)	(3,428)	(4,796)	(2,064)
Net Finance cost	(52)	7,582	1,205	6,848
Share of profit of equity accounted investees (net of tax)	7	(101)	-	-
Profit before tax	22,929	22,086	19,188	13,873
Tax expense	(4,866)	(4,434)	(1,937)	(1,595)
Profit for the year	18,063	17,652	17,251	12,278
Attributable to:				
Equity holders of the parent	16,169	15,595	17,251	12,278
Non-controlling interest	1,894	2,057	-	-
Profit for the year	18,063	17,652	17,251	12,278
Earnings per share				
Basic/Diluted earnings per share (Rs.)	0.05	0.05	0.06	0.04
Dividend per share (Rs.)	0.02	0.01	0.02	0.01

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS

The above should be read together with the Auditors opinion and the notes to the Financial Statements.

➤ INDICATIVE US DOLLAR FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

	Consolidated		Company	
For the year ended 31 March	2023	2022	2023	2022
	USD '000	USD '000	USD '000	USD '000
Assets				
Non-current assets				
Property, plant and equipment	31,046	30,270	13,270	12,068
Right-of-use assets	862	360	105	235
Intangible assets	880	880	265	184
Investments in subsidiaries	-	-	3,328	5,086
Investment in equity accounted investees	1,802	2,009	282	316
Other non-current financial assets	3,601	4,692	3,428	4,502
Deferred tax assets	742	452	-	-
Total non-current assets	38,933	38,663	20,678	22,391
Current assets				
Inventories	42,513	53,788	15,522	17,227
Trade and other receivables	20,395	28,834	12,839	18,456
Amounts due from subsidiaries	-	-	1,974	2,663
Amounts due from other related parties	317	603	79	343
Amounts due from equity accounted investees	309	216	1	13
Other current assets	4,276	3,440	1,308	1,447
Cash in hand and at bank	15,419	10,609	6,315	2,828
Total current assets	83,229	97,490	38,038	42,977
Total assets	122,162	136,153	58,716	65,368
Equity and liabilities				
Equity				
Stated capital	1,129	1,129	1,129	1,129
Capital reserves	2,709	3,385	1,581	1,870
Revenue reserves	63,462	57,322	35,950	26,948
Total equity attributable to equity holders of the Company	67,300	61,836	38,660	29,947
Non-controlling interests	9,334	9,013	-	-
Total equity	76,634	70,849	38,660	29,947
Non-current liabilities				
Interest bearing loans & borrowings	426	2,304	412	2,283
Non Current Lease liability	627	184	-	142
Defined benefit obligations	3,740	3,890	2,746	2,829
Deferred tax liabilities	416	1,254	260	1,004
Total non-current liabilities	5,209	7,632	3,418	6,258

➤ INDICATIVE US DOLLAR FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

	Consolidated		Company	
For the year ended 31 March	2023 USD '000	2022 USD '000	2023 USD '000	2022 USD '000
Current liabilities				
Trade and other payables	11,258	11,566	6,017	5,858
Other current Liabilities	1,258	1,861	98	246
Amounts due to subsidiaries	-	-	337	289
Amounts due to other related parties	4,972	7,439	221	996
Income tax payable	1,961	1,459	637	-
Current Lease liability	264	202	126	127
Interest bearing loans & borrowings	20,606	35,145	9,202	21,647
Total current liabilities	40,319	57,672	16,638	29,163
Total liabilities	45,528	65,304	20,056	35,421
Total equity and liabilities	122,162	136,153	58,716	65,368

HISTORY OF DIVIDENDS AND SCRIP ISSUES

Year ended 31st March	Issue	Basis	No.of shares '000	Cum.No.of shares '000	Dividend	Dividend Rs.'000
1975	-	-	-	125	-	-
1976	Right issue (at Rs.10)	2:05	50	175	5%	88
1977	-	-	-	175	15%	263
1978	Right issue (at Rs.10)	-	67	242	15%	375
1979	Right issue (at Rs.10)	-	133	375	15%	600
1980	Right issue (at Rs.10)	-	271	646	15%	1,050
1981	Right issue (at Rs.10)	-	460	1,105	18%	2,013
1982	Right issue (at Rs.10)	-	382	1,487	20%	3,000
1983	Right issue (at Rs.10)	-	432	1,920	0%	-
1984	Right issue (at Rs.10)	-	527	2,446	25%	5,750
1985	Right issue (at Rs.10)	-	554	3,000	20%	6,000
1986	Right issue (at Rs.10)	1:06	500	3,500	30%	9,750
1987	Right issue (at Rs.10)	-	935	4,435	50%	19,500
1988	Right issue (at Rs.10)	-	65	4,500	33%	14,850
1989	Script Issue	1:03	1,500	6,000	50%	30,000
1990	Script Issue	1:03	1,500	7,500	45%	33,750
1991	Script Issue	1:05	1,500	9,000	35%	31,500
1992	Script Issue	1:06	1,500	10,500	30%	31,500
1993	-	-	-	10,500	25%	26,250
1994	Issued to employees	1:10	1,050	11,550	25%	28,875
1995	-	-	-	11,550	25%	28,875
1996	Script Issue	1:05	2,310	13,860	35%	48,510
1997	Script Issue	1:05	2,772	16,632	35%	58,212
1998	Script Issue	1:06	2,772	19,404	30%	58,212
1999	Script Issue	1:06	3,234	22,638	30%	67,914
2000	-	-	-	22,638	35%	79,233
2001	Script Issue	1:06	3,773	26,411	40%	105,644
2002	-	-	-	29,712	Rs.3.00 p.s	89,137
2003	-	-	-	29,712	Rs.3.00 p.s	89,137
2004	-	-	-	29,712	Rs.1.50 p.s	44,569
2005	-	-	-	29,712	Rs.1.50 p.s	44,569
2006	-	-	-	29,712	-	-
2007	-	-	-	29,712	Rs.1.00 p.s	29,712
2008	-	-	-	29,712	Rs.2.50 p.s	74,282
2009	-	-	-	29,712	Rs.2.75 p.s	81,709
2010	-	-	-	29,712	Rs.5.00 p.s	148,562
2011	-	-	-	29,712	Rs.5.00 p.s	148,562
2012	-	-	-	29,712	Rs.5.50 p.s	163,418
2013	-	-	-	29,712	Rs.7.00 p.s	207,986
2014	-	-	-	29,712	Rs.6.00 p.s	178,274
2015	-	-	-	29,712	Rs.6.00 p.s	178,274
2016	-	-	-	29,712	Rs.6.00 p.s	178,274
2017	-	-	-	29,712	Rs.6.00 p.s	178,274
2018	-	-	-	29,712	Rs.6.00 p.s	178,274
2019	-	-	-	29,712	Rs.8.00 p.s	237,699
2020	-	-	-	29,712	Rs.15.00 p.s	445,686
2021	Share Split	1:10	-	297,124	Rs.3.70 p.s	1,099,358
2022	-	-	-	297,124	Rs.2.80 p.s	831,946

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The Interim Financial Statements for the fourth quarter ended 31st March 2023, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. SHAREHOLDERS

Haycarb PLC - Ordinary Shareholders as at 31st March 2023

No. of shares held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 _ 1,000	4,384	1,380,978	0.47	11	3,221	0.00	4,395	1,384,199	0.47
1,001 _ 10,000	2,622	10,101,099	3.40	26	137,322	0.05	2,648	10,238,421	3.45
10,001 _ 100,000	796	23,087,172	7.77	14	422,833	0.14	810	23,510,005	7.91
100,001 _ 1,000,000	105	25,650,750	8.63	8	2,416,910	0.81	113	28,067,660	9.44
OVER 1,000,000	8	226,567,451	76.25	3	7,356,014	2.48	11	233,923,465	78.73
	7,915	286,787,450	96.52	62	10,336,300	3.48	7,977	297,123,750	100.00

No. of shares held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Category									
Individuals	7,514	58,682,940	19.75	56	8,732,738	2.94	7,570	67,415,678	22.69
Institutions	401	228,104,510	76.77	6	1,603,562	0.54	407	229,708,072	77.31
	7,915	286,787,450	96.52	62	10,336,300	3.48	7,977	297,123,750	100.00

As at 31st March 2023, there were 7977 (31st March 2022 - 8,491) registered shareholders.

3. MARKET VALUE

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

	2023		2022	
	Rs.	Date	Rs.	Date
Highest Price	80.00	20th September, 2022	119.75	15 April, 2021
Lowest Price	40.00	27th April, 2022	49.00	31 March, 2022
Closing Price	56.30	31st March, 2023	50.20	31 March, 2022
No. of Transactions	22,383		100,525	
No. of shares traded	22,294,453		70,052,220	
Value of shares traded (Rs.)	1,412,145,330		6,293,368,957	

INVESTOR INFORMATION

4. QUARTERLY FINANCIAL DATA

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	15,041,682	7,396,534	33,386,078	14,849,536	48,092,894	23,287,196	60,943,256	33,160,474
Profit before tax	3,685,067	717,855	5,635,888	1,462,985	7,319,468	2,404,663	8,258,032	4,655,988
Tax expense	661,558	184,098	1,193,081	317,416	1,698,292	483,337	1,752,544	934,848
Profit after tax	3,023,509	533,757	4,442,807	1,145,569	5,621,176	1,921,326	6,505,488	3,721,140
Profit attributable to owners of the parent	2,890,190	441,988	4,091,292	975,259	5,002,312	1,564,200	5,823,160	3,287,554
Profit attributable to non-controlling interest	133,319	91,769	351,515	170,310	618,863	357,126	682,328	433,586
Total comprehensive income for the period, net of tax	4,620,754	698,211	6,293,283	1,460,410	7,371,377	1,975,355	7,057,662	6,867,728
Non current assets	11,901,298	9,890,059	12,511,614	10,305,928	12,596,594	10,285,059	12,808,714	11,362,055
Current assets	37,837,721	15,501,517	36,744,461	17,315,453	30,924,079	18,953,898	27,382,477	28,650,022
Total Equity	24,796,527	15,670,267	25,651,967	16,194,767	26,231,534	16,486,869	25,212,566	20,820,580
Non current liabilities	2,245,490	1,524,292	1,976,500	1,486,810	1,699,806	1,864,060	1,713,606	2,243,146
Current liabilities	22,697,002	8,197,017	21,627,608	9,939,804	15,589,332	10,888,028	13,265,019	16,948,351

TOP 20 SHAREHOLDERS

	Name of the Shareholder	No. of Shares as at 31/03/2023	%	No. of Shares as at 31/03/2022	%
1	Hayleys PLC No. 3 Share Investment Account	201,251,030	67.73	201,251,030	67.73
2	Employee's Provident Fund	13,230,763	4.45	13,230,763	4.45
3	Mr. T. Ueda	4,126,014	1.39	3,624,685	1.22
4	Dr. D. Jayanthna	3,630,000	1.22	2,400,000	0.81
5	Mr. H. S. R. Kariyawasan/Mrs. K.H.S. Kariyawasan	2,379,508	0.80	1,465,000	0.49
6	Mrs. J. K. P. Singh	2,000,000	0.67	2,000,000	0.67
7	Mr. S. Rameshan	1,649,680	0.56	362,510	0.12
8	Employees Trust Fund Board	1,546,470	0.52	994,632	0.33
9	Mrs. J. N. Ambani	1,530,000	0.51	-	-
10	Mr. Z. G. Carimjee	1,350,000	0.45	1,350,000	0.45
11	Mr. H. S. Gill	1,230,000	0.41	1,230,000	0.41
12	Mrs. V. Saraswathi/Mr. S. Vasudevan	945,120	0.32	975,000	0.33
13	Harnam Holdings SDN BHD	770,000	0.26	785,000	0.26
14	Miss. M. P. Radhakrishnan	740,100	0.25	726,100	0.24
15	Miss A. Radhakrishnan	740,000	0.25	725,000	0.24
16	Mr. A. A. Thakshann	710,780	0.24	710,780	0.24
17	Mr. R. Maheswaran	700,010	0.24	670,010	0.23
18	Mr. W. K. G. N. Perera	700,000	0.24	550,000	0.19
19	Seylan Bank PLC/Mr. M. N. Deen	649,877	0.22	649,877	0.22
20	Dr. C.C. Miranda	550,000	0.19	550,000	0.19
	SUBTOTAL	240,429,352	80.92		
	OTHERS	56,694,398	19.08		
	TOTAL	297,123,750	100.00		

> INVESTOR INFORMATION

DIRECTORS' SHAREHOLDINGS-(AS DEFINED IN COLOMBO STOCK EXCHANGE RULES)

Name of the Director	As at 31/03/2023	As at 31/03/2022
Mr. Mohan Pandithage	23,790	23,790
Mr. Sarath Ganegoda	73,150	48,150
Mr. Rajitha Kariyawasan*	2,379,508	1,465,000
Mr. Prasanna Udaya Kumara	4,620	4,620
Mr. Brahman Balaratnarajah	30,040	10,040
	2,511,108	1,551,600

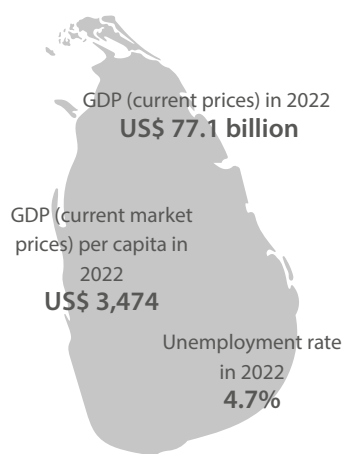
* Shares held jointly with Mrs. K. H. S. Kariyawasan

Public Holding	As at 31/03/2023	As at 31/03/2022
Market Capitalization as at 31 March 2023 (Rs.)	16,728,067,125.00	14,915,612,250.00
Public holding percentage of the Company (%)	31.42	31.74
Float-adjusted market capitalization (Rs.)	5,255,958,690.67	4,734,920,224.00

The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2023, was 31.42% (2022 - 31.74%) held by 7971 ordinary shareholder (2022 - 8485).

The Company complies with option 3 of the Listing Rules 7.14.1 (i) (a) – which requires 7.5% Public Holding.

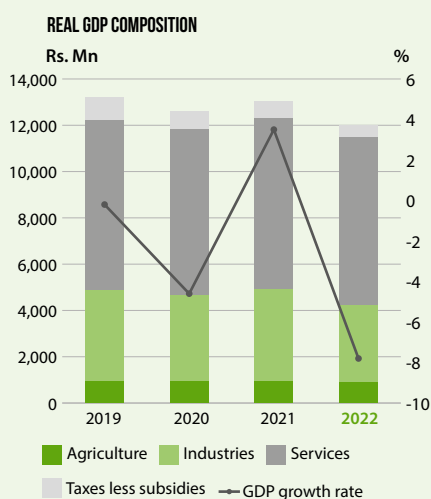
COUNTRY REPORT



RECENT DEVELOPMENTS

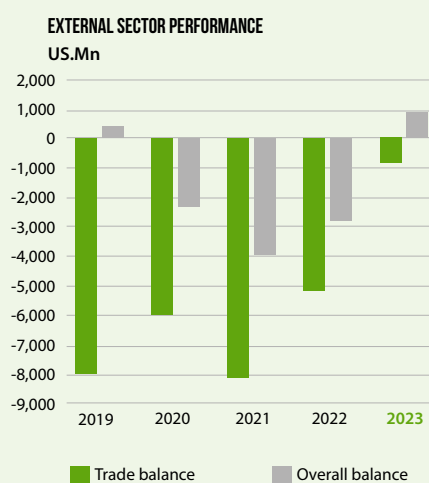
- ▶ Sri Lanka experienced an unprecedented economic crisis in 2022.
- ▶ In March 2023, the country obtained IMF Board approval for an Extended Fund Facility (EFF) amounting to approximately USD 3 billion. The EFF was linked to an economic adjustment programme spanning 48 months aimed at addressing structural impediments that has hindered the country's growth potential in the past.
- ▶ Coordinated policy measures and reforms implemented by the GoSL and CBSL to stabilise the economy have yielded notable success.
- ▶ The anticipated normalisation of foreign exchange inflows, the completion of the debt restructuring process, and extensive public sector reforms in 2023, are expected to set the country on the path to sustainable economic growth.

Gross Domestic Product



External sector

Sri Lanka's external sector performance noted an improving trend, underpinned by increased export earnings, declining imports and improved forex inflows from workers' remittances, tourism and financial flows as market sentiments improved following IMF Board approval and the disbursement of the first tranche under the EFF.

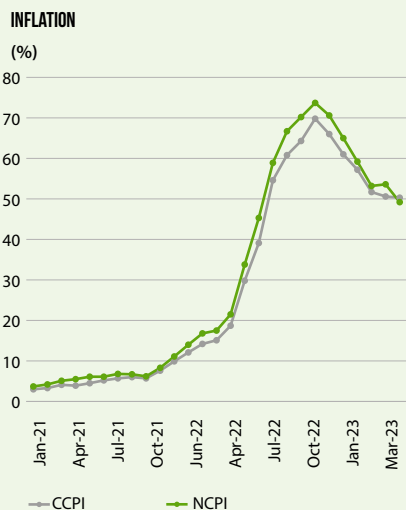


> COUNTRY REPORT

Gross Domestic Product

Inflation

Having peaked in September 2022, inflation has since followed a disinflationary path.



External sector

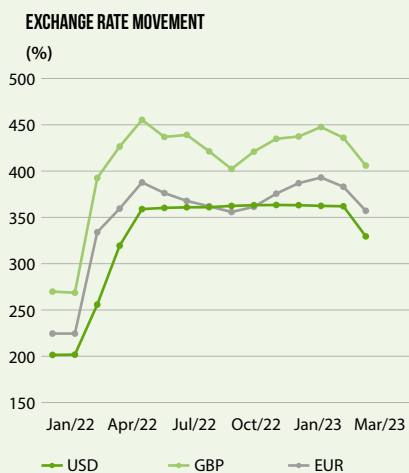
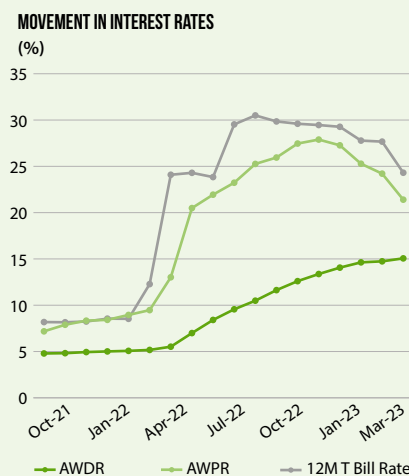
Interest rates

Interest rates spiked in 2022 as the CBSL maintained a tight monetary policy stance. However, rates have since trended downward with AWPR improving to 21.4% by end-March 2023.

Exchange rate

The Sri Lankan Rupee depreciated sharply in against the US dollar in 2022.

However, as the foreign currency market liquidity position improved from early 2023, the Sri Lankan Rupee, appreciated 9.2% to Rs. 329.00/US\$.



GLOSSARY

ACTUARIAL GAINS AND LOSSES

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

CASH EQUIVALENTS

Liquid investments with original maturity periods of three months or less.

CURRENT RATIO

Current assets divided by current liabilities. A measure of liquidity.

DIVIDEND PAYOUT

Dividend per share as a percentage of the earnings per share. Dividend Yield Dividend per share as a percentage of the market price. A measure of return on investment.

DPS

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends declared during the year by the number of outstanding ordinary shares issued.

EBIT

Earnings Before Interest and Tax.

EBITDA

Earnings before interest expense, tax, depreciation and amortisation (includes other operating income). Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees, but excludes exchange gains or losses on its foreign currency denominated debt and cash.

EFFECTIVE TAX RATE

Income tax expense divided by profit before tax.

EPS

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

EQUITY

The value of an asset after all the liabilities or debts have been paid.

GEARING

Proportion of total interest bearing borrowings to capital employed.

INTEREST COVER

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

MARKET CAPITALISATION

Number of shares in issue multiplied by the market value of a share at the reported date.

NET ASSETS PER SHARE

Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Non-controlling Interest Equity in subsidiary not attributable, directly or indirectly, to a parent.

PRICE EARNINGS RATIO

Market price of a share divided by earnings per share as reported at that date.

RETURN ON CAPITAL EMPLOYED

Profit before tax and net finance cost divided by average capital employed.

SEGMENTS

Constituent business units grouped in terms of similarity of operations and location.

VALUE ADDITION

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

WORKING CAPITAL

Capital required to finance day- to-day operations, computed as the excess of current assets over current liabilities.

GROUP PROFILE

	Incorporation	Stated/Share Capital	Group Interest
HAYCARB PLC Manufacturing and Marketing of Activated Carbon			Parent Company
EUROCARB PRODUCTS LTD. Distributors of Activated Carbon Products and Technology in Europe	1986 in UK (Bristol, England)	£ 100,000	100% (Subsidiary)
HAYCARB HOLDINGS AUSTRALIA (PTY) LTD. Distributors of Activated Carbon Products and Technology in Australia	1989 in Australia (Victoria, Australia)	AUD 150,000	100% (Subsidiary)
CARBOKARN CO. LTD. Manufacture and Sale of Activated Carbon	1993 in Thailand (Bangkok, Thailand)	THB 50,000,000	50% (Subsidiary)
CK REGEN SYSTEMS CO. LTD. Regeneration of Spent Carbon	2002 in Thailand (Bangkok, Thailand)	THB 15,000,000	50% (Subsidiary)
HAYCARB USA INC. Distributors of Activated Carbon Products and Technology and Coir Fibre Pith in the USA	1983 in USA (Woodlands, Texas, USA)	USD 1,287,900	100% (Subsidiary)
PURITAS (PVT) LTD. Environmental Engineering	1995 in Sri Lanka	Rs. 18,000,000	100% (Subsidiary)
RECOGEN (PVT) LTD. Charcoal Making and Power Generation	1997 in Sri Lanka	Rs. 370,000,000	100% (Subsidiary)
PT MAPALUS MAKAWANUA CHARCOAL INDUSTRY Manufacture and Sale of Activated Carbon	1985 in Indonesia (Bitung, Indonesia)	IDR. 37,102,000,000	100% (Subsidiary)
HAYCARB HOLDINGS BITUNG LTD. Investment	2005 in British Virgin Islands	USD 1,400,000	100% (Subsidiary)
CARBOTELS (PVT) LTD. Investor in Tourist Resorts	1991 in Sri Lanka	Rs. 368,665,000	25.2% (Associate)
ULTRACARB (PVT) LTD. Manufacture and Sale of Value Added Activated Carbon	2010 in Sri Lanka	Rs. 250,000,000	100% (Subsidiary)
LAKDIYATHA (PVT) LTD. Sewage and Wastewater Treatment Plant	2011 in Sri Lanka	Rs. 50,000,000	49% (Associate)
SHIZUKA CO. LTD. Manufacture and Sale of Activated Carbon	2012 in Thailand (Ratchaburi Province, Thailand)	THB 20,000,000	50% (Subsidiary)
PT HAYCARB PALU MITRA Manufacture and Sale of Activated Carbon	2012 in Indonesia (Palu, Indonesia)	IDR 20,508,850,000	60% (Subsidiary)
PURICARB (PTE.) LTD. Engineering Consultancy Services	2014 in Singapore	USD 50,001	100% (Subsidiary)
HAYCARB ACTIVATED CARBON (PVT) LTD. Business Development	2017 in India	INR 3,367,970	100% (Subsidiary)

Directors

A.M. Pandithage (Chairman) H.S.R. Kariyawasan (Managing Director) B. Balaratnarajah (Deputy Managing Director) A.M. Senaratna S.C. Ganegoda Ms. M.J.A.S. Abeyratne	Dr. S.A.K. Abayawardana S. Rajapakse M.S.P. Udaya Kumara A.A.M. Caderbhoy J.D. Naylor M.H. Jamaldeen	Ms. H.M.N. Sharmalie Gunawardana Ms. K.A.D.B. Perera (appointed w.e.f 19th October 2022) Ms. S.S. Ragunathan (resigned from 30th April 2022) Dhammika Perera (resigned w.e.f. 10th June 2022) Ms. Yogadinusha Bhaskaran (Alternate Director to Dhammika Perera; ceased to be alternate w.e.f 10th June 2022)
A.M. Pandithage (Chairman) J.D. Naylor (Managing Director)	H.S.R. Kariyawasan R. Bittel	Ms. K.A.D.B Perera (appointed w.e.f 19th October 2022) Ms. M.J.A.S. Abeyratne (appointed w.e.f 1st January 2023)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	M. Marques B.P.R. Liyanage S.C. Ganegoda	L.R.M.R.A.L Karunaratne (appointed w.e.f 1st April 2022) A.A.M. Caderbhoy (appointed w.e.f 1st January 2023)
A.M. Pandithage (Chairman) P. Kanchanabatr (Managing Director) H.S.R. Kariyawasan	B. Karnchanabatr K. Karnchanabatr Y.P.A.S. Pathirathna	Ms. C. Karnchanabatr Ms. M.J.A.S. Abeyratne B. Balaratnarajah T. Karnchanabatr
A.M. Pandithage (Chairman) P. Kanchanabatr (Managing Director) H.S.R. Kariyawasan B. Karnchanabatr	K. Karnchanabatr Y.P.A.S. Pathirathna Ms. C. Karnchanabatr	Ms. M.J.A.S. Abeyratne B. Balaratnarajah T. Karnchanabatr
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	Y.P.A.S. Pathirathna A.M. Senaratne	B. Balaratnarajah (appointed w.e.f 1st April 2022) M S P Udaya Kumara (appointed w.e.f. 1st April 2022) L.R.M.R.A.L Karunaratne (appointed w.e.f. 1st January 2023)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne I.A.S.L. Athukorala	B. Balaratnarajah (appointed w.e.f 1st May 2022) M.L. Wickramasinghe (appointed w.e.f 1st May 2022) Ms. S.S. Ragunathan (resigned from 30th April 2022)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	A.R. De Silva B. Balaratnarajah	
A.M. Pandithage (President Commissioner) S.C. Ganegoda (Vice-President Commissioner) H.S.R. Kariyawasan (President Director)	B. Balaratnarajah M.S.P. Udaya Kumara A.A.M. Caderbhoy R. Mapahena	Ms. M.J.A.S Abeyratne L.R.M.R.A L. Karunaratne (appointed w.e.f 1st April 2022) G.M.G Gunawardena (appointed w.e.f 1st April 2022)
A.M. Pandithage (Chairman) A.M. Senaratna	H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	
A.M. Pandithage (Chairman) S.C. Ganegoda		
A.M. Pandithage (Chairman) H.S.R. Kariyawasan Ms. M.J.A.S. Abeyratne	B. Balaratnarajah M.S.P. Udaya Kumara A.A.M. Caderbhoy	S. P. Weerawardena (resigned w.e.f. 28th July 2022)
A.M. Pandithage H.S.R. Kariyawasan	L. Teague G. Dourdin	Ms. S.R Singh (resigned w.e.f 31st January 2023) Ms. B. G. Brar (appointed w.e.f 31st January 2023) Ms. S.S. Ragunathan (resigned w.e.f. 30th April 2022)
A.M. Pandithage (Chairman) P. Kanchanabatr (Managing Director) H.S.R. Kariyawasan	Y.P.A.S. Pathirathna Ms. M.J.A.S. Abeyratne Ms. C. Karnchanabatr	B. Karnchanabatr K. Karnchanabatr
J. Yauri (President Commissioner) Ms. M.J.A.S. Abeyratne (Commissioner) M.S.P. Udaya Kumara (Commissioner)	A.M. Pandithage (President Director) H.S.R. Kariyawasan A.A.M. Caderbhoy	B. Balaratnarajah Ronny K.A. Karaman
A.M. Pandithage (Chairman) H.S.R. Kariyawasan	Ms. M.J.A.S. Abeyratne Wong Yong Fei	Ms. S.S. Ragunathan (resigned w.e.f. 30th April 2022)
A.M. Pandithage (Chairman) H.S.R. Kariyawasan A.A.M. Caderbhoy	Ms. M.J.A.S. Abeyratne	Elindram Srinivasulu

FINANCIAL CALENDAR

01st Quarter Report	10th August 2022
02nd Quarter Report	09th November 2022
03rd Quarter Report	10th February 2023
04th Quarter Report	19th May 2023
Annual Report 2022/23	06th June 2023
50th Annual General Meeting	29th June 2023
1st Interim Dividend declared	30th September 2022
1st Interim Dividend paid	21st October 2022
2nd Interim Dividend declared	30th December 2022
2nd Interim Dividend paid	23rd January 2023
3rd Interim Dividend declared	15th March 2023
3rd Interim Dividend paid	10th April 2023
Final Dividend declared	18th May 2023
Final Dividend payable	14th July 2023

CORPORATE INFORMATION

NAME OF COMPANY

Haycarb PLC

LEGAL FORM

A quoted public company with limited liability. Incorporated in Sri Lanka in 1973

COMPANY NUMBER

PQ 59

STOCK EXCHANGE LISTING

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

SECRETARIES

Hayleys Group Services (Pvt) Ltd.
400, Deans Road, Colombo 10, Sri Lanka
Phone: +94 11 262 7650
Email: info.sec@hayleys.com

REGISTERED OFFICE

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

BANKERS

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

AUDITORS

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

PARENT COMPANY

Hayleys PLC
Accounting Year End
31st March

NOTICE OF ANNUAL GENERAL MEETING

HAYCARB PLC

Company Registration No. PQ 59

NOTICE IS HEREBY GIVEN THAT THE FIFTIETH ANNUAL GENERAL MEETING OF HAYCARB PLC will be held on Thursday, 29th June 2023 at 3.30 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes;

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2023, with the Report of the Auditors thereon.
2. To declare the final dividend of Rs. 1.00 (Rupees One) per share as recommended by the Board.
3. To re-elect as a Director Mr. B. Balaratnarajah, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. M.H. Jamaldeen, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
5. To re-elect as a Director Mrs. H.M.N.S. Gunawardana, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
6. To re-elect as a Director Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
7. To re-elect as a Director Ms. K.A.D.B. Perera, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
8. To propose the following resolution as an ordinary resolution for the re-appointment of Dr. S.A.K. Abayawardana, in terms of Section 211 of the Companies Act No.07 of 2007.

Ordinary Resolution

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

9. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Senaratna, in terms of Section 211 of the Companies Act No.07 of 2007.

Ordinary Resolution

'That, Mr. Arjun Michael Senaratna, who has attained the age of seventy three years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to him.'

10. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007.

Ordinary Resolution

'That, Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy two years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to him.'

11. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
12. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.
13. To consider and if thought fit, to pass the following Special Resolutions to amend the existing articles in the Articles of Association of the Company, in order to be in line with the model articles provided in Schedule 1 of the Companies Act No 7 of 2007;

Special Resolution (1)

That the existing Article 15 be deleted in its entirety and be substituted with the following Article 15;

"Article 15 - Method of Holding General Meetings

A meeting of shareholders may be held either;

- a) by number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting."

Special Resolution (2)

That Article 16 (2) be amended as follows;

"16 (2) A quorum for a meeting of shareholders is present if three (03) shareholders are present in person or through audio visual communication by themselves or by their proxy."

Special Resolution (3)

That Article 18 (1) be amended as follows:

- "18(1) (a) In the case of a meeting of shareholders held under paragraph (a) of Article 15, unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting -
- i. voting by voice; or
 - ii. voting by a show of hands
- (b) In the case of a meeting of shareholders held under paragraph (b) of Article 15, unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice or any other electronic means."

By Order of the Board,

HAYCARB PLC

HAYLEYS GROUP SERVICES (PVT) LTD

Secretaries

Colombo.

29th May 2023

NOTES TO SHAREHOLDERS:

1. The Annual Report of the Company for 2022/23 is available on the corporate website www.haycarb.com and on the Colombo Stock Exchange website - www.cse.lk.
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. For your reference, the existing Articles are available in the Colombo Stock Exchange website - www.cse.lk.
4. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form-Annexure A' to the office of the Secretaries.
5. In relation to the final dividend, the XD date will be 30th June 2023.

FORM OF PROXY

HAYCARB PLC

Company Registration No. PQ 59

I/We full name of Shareholder
NIC No./Reg. No. of Shareholder
of being Shareholder/Shareholders
of HAYCARB PLC hereby appoint:

..... full name of proxy holder
NIC No./Reg. No. of proxy holder
of or, failing him/them.

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors the Company as my/our proxy to attend and vote as indicated hereunder for me/us and on my/our behalf of at the Fiftieth Annual General Meeting of the Company to be held on Thursday, 29th June 2023 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2023, with the Report of the Auditors thereon.	☐	☐
2. To declare the final dividend of Rs. 1.00 (Rupees One) per share as recommended by the Board.	☐	☐
3. To re-elect as a Director Mr. B. Balaratnarajah, as set out in the Notice.	☐	☐
4. To re-elect as a Director Mr. M.H. Jamaldeen, as set out in the Notice.	☐	☐
5. To re-elect as a Director Mrs. H.M.N.S. Gunawardana, as set out in the Notice.	☐	☐
6. To re-elect as a Director Mr. S.C. Ganegoda, as set out in the Notice.	☐	☐
7. To re-elect as a Director Ms. K.A.D.B. Perera, as set out in the Notice.	☐	☐
8. To re-appoint Dr. S.A.K. Abayawardana as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007.	☐	☐
9. To re-appoint Mr. A.M. Senaratna as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007.	☐	☐
10. To re-appoint Mr. A. M. Pandithage as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007.	☐	☐
11. To authorise the Directors to determine donations and contributions to charities for the ensuing year.	☐	☐
12. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.	☐	☐
13. To pass the Special Resolutions to amend the Articles of Association of the Company as set out in the Notice.		
Special Resolution (1)	☐	☐
Special Resolution (2)	☐	☐
Special Resolution (3)	☐	☐

Signed on this day of2023.

.....
Signature of Shareholder

(Instructions are given overleaf)

> FORM OF PROXY

INSTRUCTIONS:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Proxy Form must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.



HAYCARB
Activated carbon solutions





HAYCARB
Activated carbon solutions

50 YEARS OF SUSTAINABLE INNOVATION

Commencing as a carbon manufacturer of a mere 700MT per annum capacity, Haycarb has grown to one of the world's largest coconut shell activated carbon manufacturers and marketers with sales in over 50 countries.

As we celebrate our 50th anniversary in 2023, we wish to pay tribute to those who nurtured the growth of the Haycarb Group and those who shared our journey, supporting the Group through the ups and downs faced by an ambitious start up. The hard work, the camaraderie and the values passed down through shared encounters reinforced through mentoring and coaching has created a unique value based and innovation driven culture that differentiates the Group.

"HOLD FAST THE HERITAGE WE LEAVE YOU"

PASSING THE BATON

PAST CHAIRMEN



G.C. BOBBIESE
1968-1976



**DESHABANDU
DR. D. S.
JAYASUNDERA**
1977-1993



SUNIL MENDIS
1993-2004



RAJAN YATAWARA
2004-2006
Managing Director
1980-2004



**N. G.
WICKREMERATNE**
2007-2009

CURRENT CHAIRMAN AND MANAGING DIRECTOR



MOHAN PANDITHAGE
Chairman
2009 to date



RAJITHA KARIYAWASAN
Managing Director
2010 to date

It is a story of sustainable innovation from the beginning as our products are formed from discarded coconut shells which are transformed through innovative processes to provide solutions for a variety of applications. From the first export of coconut shell charcoal activated carbon, sustainable innovations have grown our portfolio to 1,500+ activated carbon products, reflecting the Group's capacity to innovate and move up the value chain to increasingly more sophisticated products. Memoirs of our founders reflect the sustainability mindset which is now hard coded into our DNA.

Commercial success followed innovation, as innovation was always anchored to purpose. Visionary and prudent stewardship of our resources is part of our legacy as it provided a solid foundation for launching new ventures. Strategic relationships based on fair dealing, which earned the trust of our customers and partners paved the way to new markets and market segments. Loyal and committed employees have grown with the Group to fruitful careers affirming the opportunities provided for career progress within the Group.

SUSTAINABLE INNOVATION

"For more than a decade we had been hellbent on converting waste to value. Although the first 2 kilns fed the flue gases into the boiler, this was blanked off due to difficulties in balancing gas flows without detriment to carbon quality. All subsequent kilns used oil and vented the combusted flue gases and separately generated steam, firing oil and at one time, chipped firewood. Over the past 2-3 years, all boilers in all our factory locations have been hooked up to the kiln flue gases bringing about a tremendous saving in oil costs. Not only that, just from this year, at Madampe the steam also runs a turbine producing nearly all of the electricity needs of the complex."

PRUDENT STEWARDSHIP

"The Charcoal Trading activities brought in good fortune in the years 1974/75 and returned to Hayleys even more than its initial investment in Haycarb. Between January and March 1974, we had built a long position (more purchases than sales) of 910 tonnes at an average cost of Rs. 784/-, and the market had moved to Rs. 2,000/- per tonne. We didn't actually have the space to carry such a stock and much of the "position" was on paper contracts with suppliers and some exporters. The Directors were horrified that I was sitting on a potential bomb and very prudently asked me to liquidate the position. This I did in the period April-August whilst still purchasing and selling at prevailing market levels. The market started slipping from Rs. 2,000/- in August to Rs. 700/- in November, and Rs. 400/- in March 1975. I reckon we made over Rs. 2.0 million profit that year."

Rajan Yatawara, 1998

(Past Chairman and MD of Haycarb PLC)

JOINT MESSAGE BY CHAIRMAN & MANAGING DIRECTOR

We are proud to be at the helm of Haycarb PLC as it celebrates 50 years of operations and growth as a conglomerate specializing in coconut shell activated carbon. Haycarb now accounts for almost half of Sri Lanka's exports of coconut shell activated carbon in the country. Haycarb's global operations footprint is spread, across 7 countries including manufacturing and marketing offices. The journey of the past 50 years is inspiring as it is rooted in principles of sustainability which are only now being articulated around the world. The lean principles followed in restoring and maintaining machinery, managing costs and people are as relevant to the current era as it was 40 to 50 years ago as are the lessons in diplomacy and customer retention. Underlying it all is the determination to succeed by doing the right thing, taking the tough decisions early and honestly which is a legacy that we will hold on to as we set course for the future.

The past few years have tested our mettle and we have come through united and stronger than before as we ensured that people were taken care of, whether they were employees or micro-entrepreneurs supplying charcoal or an agent in another country. The future will also be about the people and the planet as the two are inseparable as we move towards tipping points. Haycarb will continue to innovate and grow, expanding its horizons to provide leading edge activated carbon technology for every industry and purpose.

Mohan Pandithage

(Chairman)

Rajitha Kariyawasan

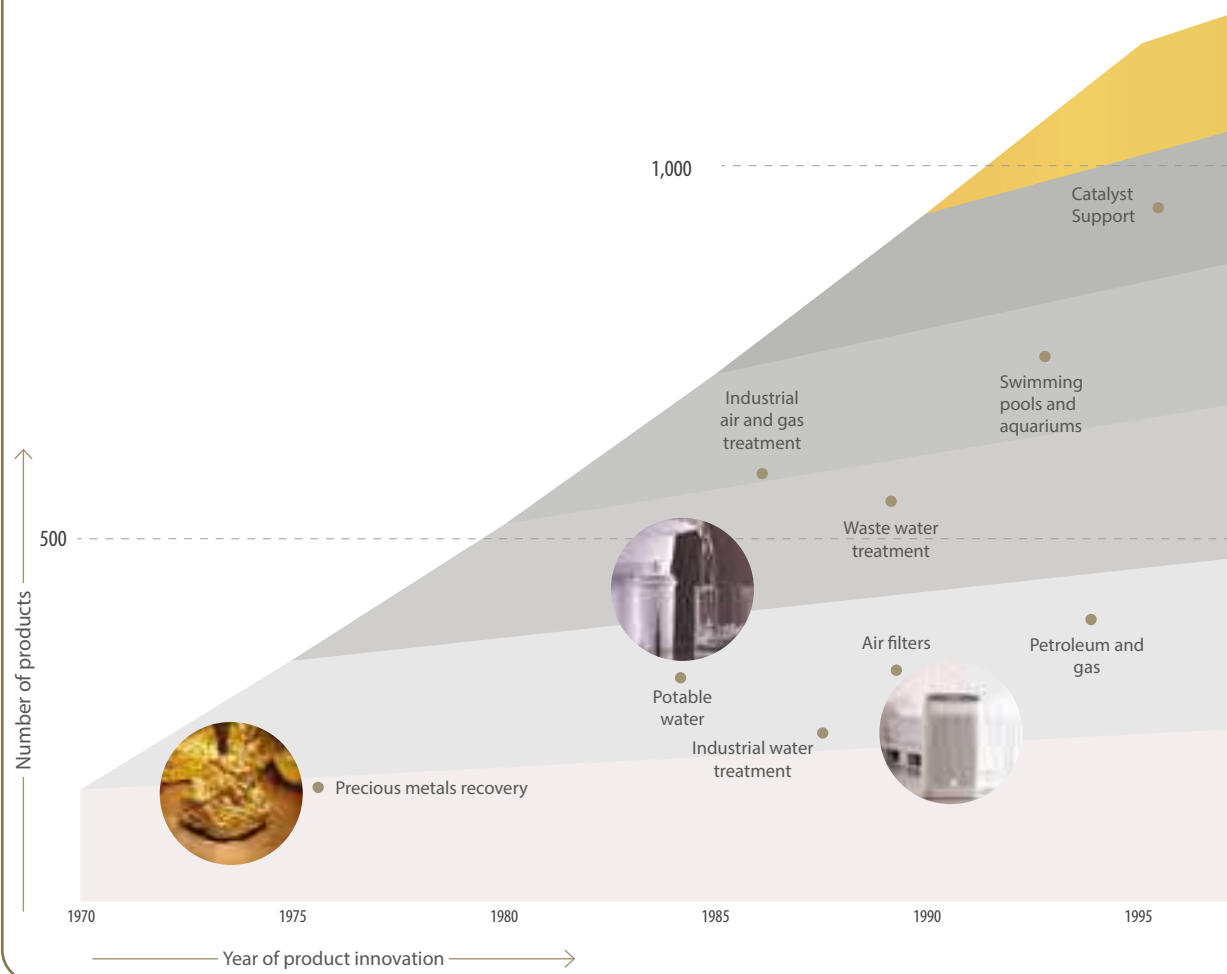
(Managing Director)

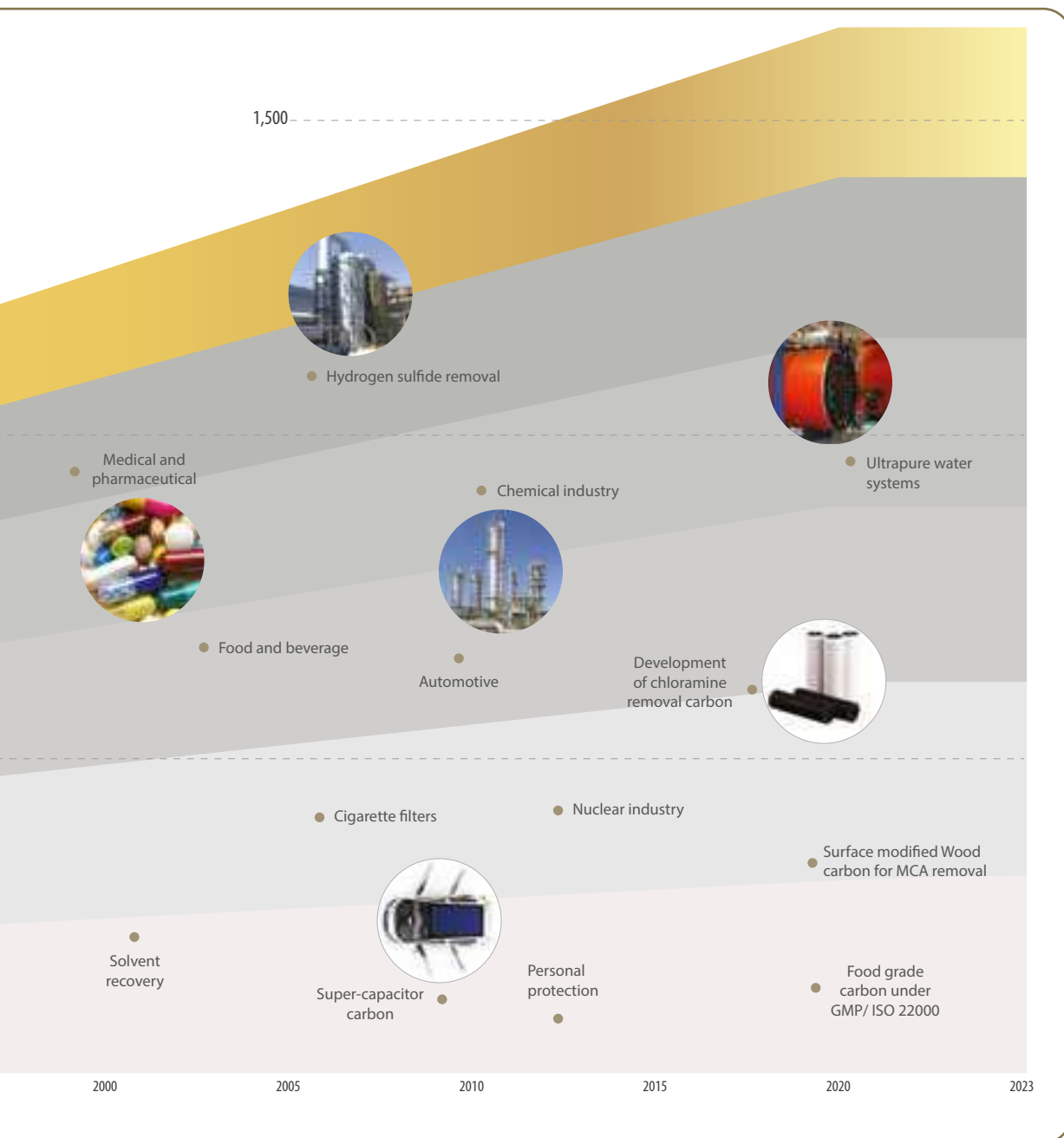
SUSTAINABLE INNOVATION

Our capacity to innovate has been the driving force underpinning our success, giving rise to new products and innovative solutions that have become increasingly vital for the health, safety and well-being of people and the planet. As we look to the future, innovation will remain the cornerstone of our strategy, enabling us to stay competitive and relevant in today's dynamic business landscape.

1,500 SHADES OF BLACK

Standard, surface treated and impregnated, in granules, powders and pellets, activity ranging from 15 to 75 butane activity: the Haycarb product range reflects the multitude of applications in which activated carbon is put to work – in many fields, such as air and water purification, gold recovery, gas treatment and storage, decolourization and energy storage. Our specialty is developing new solutions or customizing existing ones to better meet current and new requirements in any industry. This innovative spirit has enabled us to move beyond the traditional applications – purification and separation – to new areas, such as gas and energy storage.





CORPORATE EVOLUTION

Key Milestones



▲ Incorporation of Haycarb

First major sale of activated carbon to a gold mine in Nevada, USA



Haycarb Holdings Australia

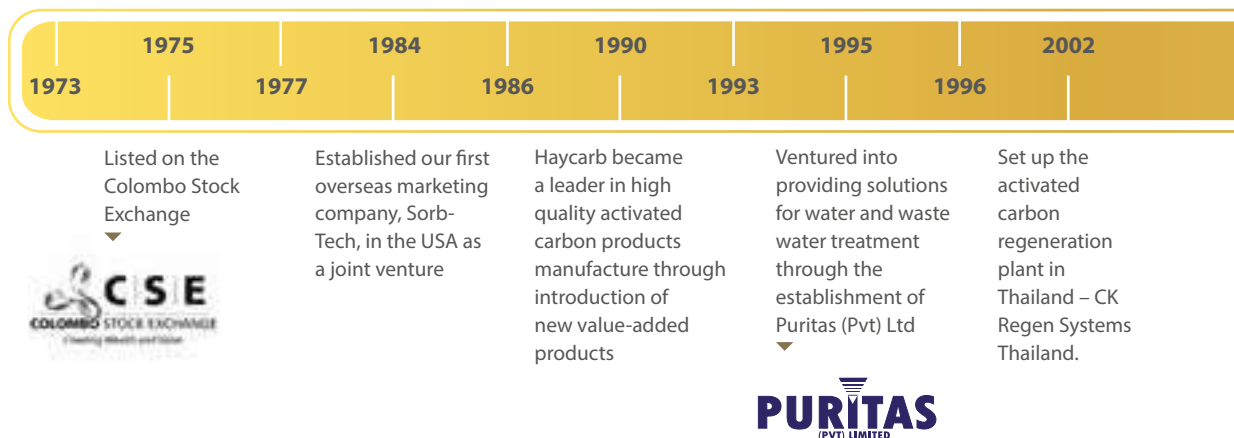
▲ Established our wholly owned marketing subsidiaries Haycarb Holdings Australia and Eurocarb Products in the UK



▲ We commenced operations in Thailand, through acquiring shares of Carbokarn Co. Ltd, our first manufacturing plant outside Sri Lanka



▲ Expanded our manufacturing footprint in Sri Lanka through the acquisition of the Badalgama factory



A Global Value Chain





Technology to green the charcoaling process through the establishment of Recogen (Pvt) Ltd



Launch of our new logo and Innovation of EDLC Carbon through fully owned subsidiary Ultracarb (Pvt) Ltd



First greenfield plant set up in Indonesia - PT Haycarb Palu Mitra

Virtual Experience set up to provide virtual tours of our factories



50 years of sustainable innovation

Adoption of ESG framework



First manufacturing plant in Indonesia, PT Mapalus Makawanua Charcoal Industry



Expanded our manufacturing footprint in Thailand with the acquisition of Shizuka



Commencement of Haritha Angara green charcoaling programme



Global manufacturing capacity crosses 55,000 MT



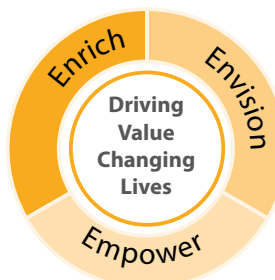
HAVING COMMENCED OPERATIONS IN 1973 WITH A SINGLE MANUFACTURING PLANT IN MADAMPE WITH CAPACITY OF 700MT PER YEAR IN SRI LANKA, OUR BUSINESS HAS GROWN TO INCLUDE 7 MANUFACTURING FACILITIES IN 3 COUNTRIES, MARKETING OFFICES IN 5 KEY OVERSEAS MARKETS AND A DISTRIBUTOR NETWORK SPREAD ACROSS THE WORLD, WITH OVER 50,000MT SALES PER YEAR.

Our Purpose Statement



Enrich

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



Envision

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



Empower

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

CORPORATE EVOLUTION

SUSTAINABILITY – OUR CORE VALUE PROPOSITION

Haycarb's core value proposition is sustainability, as we take the by product, coconut shells from coconut-based industries and households and convert it into a value added product while utilizing waste gases and heat generated from our process to produce steam and generate electricity – the very definition of

HAYCARB'S SOCIO-ECONOMIC IMPACT IN 2023

Supported the livelihoods of **over 500** suppliers through coconut shell and coconut shell charcoal procurement

Our operations created job opportunities for **1,880 people** in **7 countries**

We generated foreign exchange of **USD 127 Mn** benefiting 3 developing and emerging market economies from a consolidated revenue of **Rs. 61 Bn** (USD 169 Mn)

Created value to governments through tax payments of **LKR 3.95 Bn**

Positively impacted the lives of over **100,000 beneficiaries** through meaningful CSR initiatives

GREENING OUR SUPPLY CHAINS

Through our award-winning programme, Haritha Angara and patented technology Recogen, we have strived to build a sustainable supply chain that is conscious of and minimizes its impact on the environment. The vertical charcoaling kiln project also focusing on green charcoaling was established in Thailand.



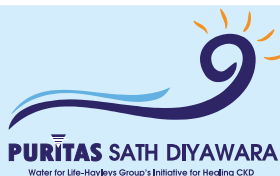
PRESERVING THE WELL-BEING OF OUR COMMUNITIES AND EMPOWERING OUR CHILDREN THROUGH EDUCATION

Puritas Sath Diyawara

The Hayley's Group's flagship community programme contributes towards preserving the well-being of people living in areas affected by chronic kidney disease by providing purified drinking water. Now in its 8th year of operations, Puritas maintains projects in 19 communities with over 190,000 litres of water purified per day benefiting over 43,000 people daily.

🏆 "Recognised as Asia's leading SME CSR project at Asia Responsible Entrepreneurship Awards in 2015"

🏆 "Recognised as the World's Best CSR project in the water category at Energy Globe Awards 2017/18"



Puritas Sath Diyawara – Going Beyond

As an extension to the Puritas Sath Diyawara programme, this initiative aims to address the broader socio-economic needs of communities living in areas affected by chronic kidney disease through the provision of infrastructure and facilities for school children, empowering youth and women and uplifting domestic entrepreneurship.

🏆 "Recognised as Asia's leading Social Empowerment Project at Asia Responsible Entrepreneurship Awards in 2016"

circularity. Our products are used in applications that extend the concept, enabling recovery of rare metals and minerals and purifying air and water, helping corporates manage their impacts and helping people enjoy healthier living. It is also an industry that has moved from commoditized products to higher value addition within the country, supporting economic sustainability in the countries where manufacturing facilities are located.



Recogen

Established in 2003, this patented technology enables environmentally friendly charcoaling while generating electricity using the heat generated during the process.



Haritha Angara Project

Launched in 2016, Haritha Angara, is a unique initiative that promotes the use of proprietary green charcoaling technology among supply partners, while contributing towards their socio-economic development.



Vertical charcoaling kiln project

A similar concept on green charcoaling was initiated in Thailand through the vertical kiln charcoaling project

🏆 **"Recogen is registered under the International Environmental Treaty of the United Nations Framework Convention on Climate Change (UNFCCC) and was the winner of the "Science and Technology National Awards-Sri Lanka" in 2007"**

🏆 **"Haritha Angara recognised as Asia's leading Green Leadership Project at Asia Responsible Entrepreneurship Awards in 2017"**

Sisu Divi Pahana

- Provision of nutritious mid-day meals for 700 students in 13 schools across Madampe, Badalgama, Wewalduwa, Kalutara, Mahiyanganaya, Padaviya and Batticaloa.

Supporting the medical needs of our communities

- Renovation of the Day Procedure Section-Plastic Surgery unit of the National Hospital, Sri Lanka
- Renovation of 56 & 57 wards of the cancer treatment unit at the Teaching Hospital Karapitiya, Galle and provision of medical equipment.
- Donation of medical equipment and medicines to 10 hospitals.



A SHARED JOURNEY

We thrive because of the robust relationships we continue maintain with our stakeholders in our journey of success. These are some testimonials from those who shared our journey.

VALUED BY CUSTOMERS

“ Haycarb has continued to deliver excellent quality and value to our organization for the past decade. After personally meeting Haycarb staff and visiting their facilities in Sri Lanka, I became even more confident in their pursuit of excellence and desire to better serve their customers. I look forward to continuing to work with Haycarb for the next decade and beyond”

USA Region

“ Many businesses talk of their values using words like trust, integrity and people as their most important asset. In most cases this is quickly forgotten in reality, and Haycarb is one of the few companies I have come across that lives by these standards. I have been doing business with Haycarb over a period of many years and we have worked closely together under a relationship I value highly. Haycarb has proven to not only be a reliable and trusted supplier but one that is continually striving to improve productivity, quality and the lives of their staff while reducing negative impacts on the environment.”

South African Region

“ We have provided sales and technical support for Activated Carbon to gold mines in west Africa since 1990 with a different manufacturer. In recent years we engaged with Haycarb after struggling to maintain consistent quality supplies both in product and delivery service. Since our cooperation commenced with Haycarb we have found what we were looking for, consistent efficiency in the supply chain process, technical support, a high-quality product with a respected industry brand name and importantly, excellent personnel interaction and cooperation enhancing the delivery expectations of our customers”

West African Region

“ Since 2013, your company has been the most important supplier to us. Your company has maintained your status as a leader in the coconut shell based activated carbon market, covering 16% of the market share in the world. The development of high-tech products such as EDLC carbon greatly sharpens your competitive edge. Although we have been associated with you for only one fifth of your corporate life, we have found those 10 years to be very helpful and profitable to us. May the success of your first 50 years be the foundation for an even more successful second 50!”

Asian Region



SUPPLIER APPRECIATION

" In 2015, the Central Environment Authority completely banned the production of coconut shell charcoal in the coconut triangle, citing concerns on negative environmental impacts. Haycarb PLC's unique and innovative programme, "Haritha Angara" was instrumental in reviving coconut charcoaling, paving way for high-quality, environmentally-friendly charcoaling.

Due to its simplicity, cost effectiveness to the entrepreneur, safety and ability to produce high quality output, the Haritha Angara programme became extremely popular among manufacturers. The Company also offered interest-free loans and technical training, which was a key factor in encouraging us and supporting the development of our businesses.

As Haycarb celebrates its 50th anniversary, I take this opportunity to extend my warmest congratulations and heartfelt appreciation for the Company's efforts in supporting the coconut charcoaling industry. I wish the Company and its employees all the very best in its future endeavors."

Suranga Wanasinghe
Sri Lanka

BUSINESS PARTNER RELATIONSHIPS

" Congratulations to Haycarb Group for their incredible business success over the past 50 years. The business has made a huge contribution to the betterment of the livelihood of people all over the world.

The business makes use of agricultural wastes to create much more valuable products. This helps correcting the imbalance of the distribution of income, particularly the people in the agricultural sector.

The main factor of Haycarb's success comes from their valuable human resources, their team spirit and the strong capable leadership.

We hope for every success in Haycarb's future endeavours."

Prasarsk Kanchanabatr
Managing Director, Carbokarn Co. Ltd., Thailand

" Haycarb is not only a company, it is also a family that I'm grateful to be part of. It's been years we are in this business together, through ups and downs. I truly appreciate all the hard work from our stakeholders from day one until now. It's been a remarkable journey with all of you!"

Jafri Yauri
President Commissioner
PT Haycarb Palu Mitra, Indonesia



A SHARED JOURNEY

EMPOWERING EMPLOYEES

"I joined Haycarb almost 27 years ago as a fresher and it was more like a campus hire; from an entry level I have grown with this awesome organization to board levels, and believe me every bit of it was thrilling and enigmatic. Every day presented new learning opportunity and challenges carving out the mettle in me in many positions and responsibilities taken forward over the period. All these challenges became opportunities as I worked with extremely talented peers and leaders alike, not to mention the amazing passion to perform that's infectious. Haycarb to me was a great place to work with a friendly team environment where work-life balance was essence, needless to say sharpening the skills was the backbone that emulated the core making of the company. "Survival of the fittest" is the name of the game and it stays as a norm in the roll out of key strategies and work platforms. All the leaders and senior management knew me by name and never was any one just a number! A wonderful family feel that has furthered into comradeship at all levels which has inspired 'work feel'. The successes, milestones and achievements of individuals are always recognized where inclusiveness becomes a key factor, and compassion is the driver. At Haycarb, something unique is that if you are ambitious with the positive attitude and commitment, then opportunities are limitless and therein it's a win-win where it'll lead to a rewarding and satisfying career.

I have been blessed and fortunate to have rendered my work life at Haycarb!! May Haycarb flourish for another 5 decades and more!"

Brahman Balaratnarajah



"I joined Haycarb right after my graduation, it's now 21 years working here and it has indeed been enriching experience for me. It is an organization which offers opportunities for everyone to foster and grow both job wise and personally. I have not only learned a lot over years about my own domain in the environmental engineering services sector, but it also involved significant cross-functional learning opportunities which helped the overall growth in my career.

The work place and the culture are fantastic and the most enjoyable part is the interaction with different customers and stakeholders in the business. Another great thing about working at Haycarb, is that a "typical day" is never typical, and there are different challenges every day filled with new learning prospects.

Haycarb also has a very proactive approach towards employees' well-being and career growth, which is evident by the frequent opportunities and benefits provided to employees.

Thank you so much HAYCARB, may the company prosper more in the years to come!"

Manura Wickramasinghe

"My first experience with Haycarb was when I was at Montan Chemicals (Division of Protea Chemicals) as a Technical Representative from 1988 to 1992 under Bruce Harvey.

At the time Montan was agent for Haycarb in South Africa and some of the countries in the north bordering South Africa such as Zimbabwe, Zambia and Tanzania. As a Metallurgist my focus was mainly on the gold mining industry and I was involved in the sales of Activated Carbon, Flocculants, Ion Exchange Resins & Guar Gums for the Mining and Water Treatment applications.

In 1997, my family and I decided to immigrate to Australia due to the political and security problems in South Africa. I happened to mention this to Bruce Harvey who unbeknownst to me spoke to Mr Jerry Perera who was the General Manager for HHAL. I was obviously ecstatic with this opportunity and started working with HHAL on 1st October 1997. I can certainly say that this has been an excellent company to work for and most of all, with a great team of people. Haycarb has grown tremendously since, and hopefully expand even more in the future under the leadership of Rajitha Kariyawasan. It has been an outstanding 30 years so far."

Manuel Marques

50 YEARS OF CREATING VALUE

A summary of the value created by the Haycarb Group over the past 50 years.

VALUE TO INVESTORS



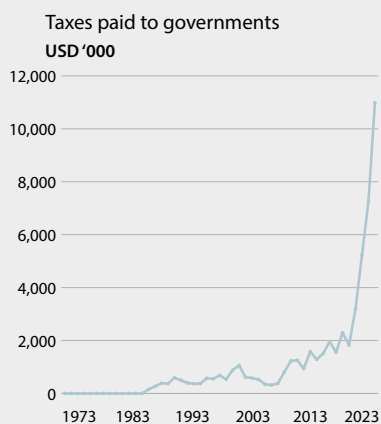
VALUE TO CUSTOMERS



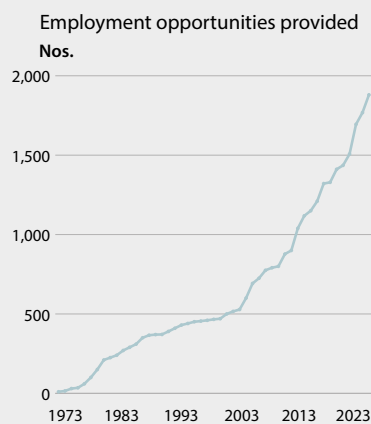
VALUE TO SUPPLIERS



VALUE TO THE GOVERNMENT



EMPLOYMENT OPPORTUNITIES CREATED





HAYCARB
Activated carbon solutions



50 YEARS OF TOGETHERNESS

Presented below are a few memorable moments shared at Haycarb during the past five decades in a snapshot.

“HOLD FAST THE HERITAGE WE LEAVE YOU”







HAYCARB
Activated carbon solutions

