

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

The Board of Directors of Haycarb PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and of the Group for the year ended 31st March 2024.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 ("the Companies Act") Listing Rules of the Colombo Stock Exchange (CSE), the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka and are guided by recommended best accounting practices.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW OF THE YEAR

The principal activities of the Group and its management team are shown on page 346 to 349 respectively of this Report. The Joint Statement from the Chairman and the Managing Director describe the Group's affairs and mention important events of the year. The results for the year are set out in the Consolidated Statement of Profit or Loss page 252.

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

The Financial Statements were reviewed and approved by the Board of Directors on 16th May 2024.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on page 252 to 259.

AUDITOR'S REPORT

Auditor's Report on the Financial Statements is given on page 250 to 251.

ACCOUNTING POLICIES

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on page 260 to 279. There were no changes in the accounting policies adopted.

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. Note 33 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

DIRECTORS' INTERESTS IN SHARES

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

INTERESTS REGISTER

The Company, in compliance with the Companies Act No.7 of 2007, maintains an

Interests Register. Particulars of entries in the Interests Register are detailed below.

Hayleys PLC holds 201,251,030 shares (67.73%) in Haycarb PLC. Mr. Mohan Pandithage, Mr. Sarath Ganegoda, Mr. Rajitha Kariyawasan and Mr. Yohan Perera are Directors of Hayleys PLC.

600,163 shares were purchased by Mr. Rajitha Kariyawasan, Managing Director (Executive Director) jointly with Mrs. K. H. S. Kariyawasan of Haycarb PLC during the year.

Mr. Yohan Perera held 2,500 shares of the Company as at the date of his appointment.

DIRECTORS' SHAREHOLDINGS

Details relating to shareholdings of Directors are given below.

Name of the Director	As at 31/03/2024	As at 31/03/2023
Mr. Mohan Pandithage (Chairman)	23,790	23,790
Mr. Rajitha Kariyawasan* (Managing Director)	2,979,671	2,379,508
Mr. Brahman Balaratnarajah (Deputy Managing Director)	30,040	30,040
Mr. Sarath Ganegoda	73,150	73,150
Mr. Arjun Senaratna	-	-
Mrs. Jeevani Abeyratne	-	-
Mr. M.S.P. Udaya Kumara	4,620	4,620
Mr. Ali Asgar Munaver Caderbhoy	-	-
Mr. James Naylor	-	-
Mr. Hisham Jamaldeen	-	-
Mrs. Shamalie Gunawardana	-	-
Ms. Brindhiini Perera	-	-
Mrs. Anomi Wanigasekera (Appointed w.e.f. 3rd January 2024)	-	-
Mr. Nanda Fernando (Appointed w.e.f. 3rd January 2024)	-	-
Mr. Yohan Perera **(Appointed w.e.f. 1st April 2024)	2,500	-
Dr. Sarath Abayawardana (Resigned w.e.f. 31st December 2023)	-	-
Mr. Sujeewa Rajapakse (Resigned w.e.f. 1st April 2024)	-	-

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

DIRECTORS' REMUNERATION

Executive Directors' Remuneration is determined within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2024 is Rs. 340,184,000 (2022/2023 - Rs. 341,821,500), which includes the value of perquisites granted to them as part of their term of service. The total remuneration of Non-Executive Directors for the year ended 31st March 2024 is Rs. 10,800,000 (2022/2023 - Rs. 8,632,500), determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

DIRECTORS' INDEMNITY AND INSURANCE

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

SUBSIDIARIES

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

- Recogen (Pvt) Limited
- Puritas (Pvt) Limited
- Utracarb (Pvt) Limited

DONATIONS GRI 415

The donations made during this year by the Company and the Group amounted to Rs. 21,624,000 and Rs. 34,078,000 respectively (2022/23 - Rs 14,914,000/- and Rs 22,830,000/-)

The Donations made by the Company and the Group are disclosed in Note 9.1 on page 282.

No donations were made for political purposes.

DIRECTORATE

The names of the Directors who served during the year are given below and their brief profiles appear on page 32 to 35 of this report.

Executive Directors

Mr. Mohan Pandithage (Chairman)

Mr. Rajitha Kariyawasan (Managing Director)

Mr. Brahman Balaratnarajah (Deputy Managing Director)

Mrs. Jeevani Abeyratne

Mr. M.S.P. Udaya Kumara

Mr. Ali Asgar Munaver Caderbhoy

Mr. James Naylor

Non-Executive Directors

Mr. Sarath Ganegoda

Mr. Arjun Senaratna

Ms. Brindhiini Perera

Independent Non-Executive Directors

Mr. Hisham Jamaldeen (Senior Independent Director)

Mrs. Shamalie Gunawardana

Mrs. Anomi Wanigasekera (appointed on 03rd January 2024)

Mr. Nanda Fernando (appointed on 03rd January 2024)

Mr. Yohan Perera (appointed on 01st April 2024)

Dr. Sarath Abayawardana (resigned on 31st December 2023)

Mr. Sujeewa Rajapakse (resigned on 01st April 2024)

With a view to improving the collective effectiveness and performance of the Board, Board and Sub-committee evaluations were carried out during the year, including an assessment of the systems and processes which are in place.

Mr. Nanda Fernando and Mrs. Anomi Wanigasekera were appointed to the Board with effect from 3rd January 2024 and Mr. Yohan Perera was appointed to the Board

with effect from 1st April 2024, in terms of Article 27(2) of the Articles of Association of the Company, Shareholders will be requested to re-elect them at the Annual General Meeting.

In terms of Article No. 29(1) of the Articles of Association of the Company, Mrs. Jeevani Abeyratne, Mr. Ali Asgar Munaver Caderbhoy and Mr. James Naylor retire by rotation and being eligible offer themselves for re-election.

Notice has been given of the intention to propose ordinary resolutions in terms of Section 211 of the Companies Act for the re-appointment of Mr. Mohan Pandithage and Mr. Arjun Senaratna and who are over seventy years of age, resolving that the age limit of seventy years stipulated in Section 210 of the Companies Act shall not apply to the aforesaid directors.

The Directors have provided declarations in terms of the Listing Rules on the fitness of Directors and CEO and the Board is satisfied that the Directors have continuously satisfied the 'fit and proper' criteria.

BOARD SUBCOMMITTEES

Other than the Audit Committee of the Company, the Parent Company's Sub Committees acted as the Remuneration Committee, Nominations and Governance Committee and Related Party Transactions Review Committee of the Company during the Financial year. On 16th May 2024, the Company established separate Sub Committees responsible to the Board. Please refer to Sub Committee Reports given on page 225 to 231.

RELATED PARTY TRANSACTIONS

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC and by Haycarb PLC subsequent to the constitution of the Company's own Related Party Transaction Review Committee. Accordingly, the Company is in compliance with Section 09 of the CSE Listing Rules Refer Related Party Transaction Review Committee Report on page 225.

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AUDITORS

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

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 2,568,000 (2022/23 – Rs 2,214,000) and Rs. 4,545,000 (2022/23 – Rs 3,588,000) as audit fees by the Company and the group respectively. In addition, they were paid Rs.3,336,000 (2022/23 – Rs 1,941,000) and Rs.4,602,000 (2022/23 – Rs 3,132,000) by the Company and the Group, for non-audit related work, which consisted mainly of tax advisory services.

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

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

GROUP REVENUE

The revenue of the Group was Rs. 43,179,205,000 (2022/23 – Rs.60,943,256,000) in the year under review. A detailed analysis of the Group's revenue is given in Note 06 to the Financial Statements.

The Group's revenue from international trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka amounted to Rs.41,646,596,000 (2022/23– Rs. 59,305,647,000). Trade between Group companies is conducted at fair market prices.

PROFITS

The Group's profit before tax amounted to Rs. 6,113,254,000 (2022/23 – Rs 8,258,032,000). After a deducting Rs. 1,807,625,000. (2022/23 – Rs 1,752,544,000) for taxation, the profit was Rs. 4,305,629,000 (2022/23– Rs 6,505,488,000). When non-controlling interest of Rs. 561,700,000 (2022/23 – Rs 682,328,000) was deducted, the profit attributable to the equity holders of the Company was Rs. 3,743,929,000 (2022/23 – Rs 5,823,160,000).

STATED CAPITAL AND RESERVES

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

Total Group reserves as at 31st March 2024 amount to Rs. 22,573,288,000 comprising Capital Reserves of Rs. 891,290,000 and Revenue Reserves of Rs. 21,681,998,000. Composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

DIVIDEND

The first interim dividend of Rs. 2.00 per share was paid to the shareholders on 20th October 2023. The second interim dividend of Rs. 2.00 per share was paid to the shareholders on 24th January 2024. The third interim dividend of Rs. 1.00 per share was paid to the shareholders on 29th April 2024.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act for all dividends paid. Solvency certificates were obtained from the Auditors in respect of the dividends paid.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 224.

CAPITAL EXPENDITURE

Capital expenditure during the year, on property, plant and equipment by the Group and by the Company amounted to Rs. 2,134,787,000 (2022/23 – Rs. 1,907,289,000) and Rs. 1,215,298,000 (2022/23– Rs 814,045,000) respectively. Information relating to movements in property, plant and equipment is given in Note 13 to the Financial Statements.

MARKET VALUE OF PROPERTIES

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations in respect of the Group were carried out as at 31st March 2022.

Details of revaluations, carrying values and market values are provided in Note 13 to the Financial Statements. The statement on the value of real estate on page 287 gives details of freehold land held by the Group.

EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Reporting date that would require adjustments, other than those disclosed in Note 38 to the Financial Statements.

ESG RISK AND OPPORTUNITIES

The Company's business activities can have direct and indirect effects on the environment. It is the policy of the Company to conduct its activities in an environmentally responsible manner in order to keep adverse effects to a minimum and to ensure compliance with the relevant regulations.

CORPORATE GOVERNANCE

The Company has complied with the revised Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange and the recommendations provided in the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance Report on page from 178 to 247 discusses this further.

Mr. Hisham Jamaldeen was appointed as the Senior Independent Director on 1st November 2023 in accordance with the Corporate Governance requirements. The Board was of the opinion that Mr. Mohan Pandithage should remain as the Executive Chairman of the Company due to his extensive experience, deep insights and domain knowledge evidenced through the leadership provided to the Group. Please refer the Senior Independent Director's Report on page 232

The Directors and the CEO satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. There were no non-compliances by any Director or CEO during the financial year.

The Directors have declared all material interests in contracts involving the Company and the Group and they refrain from voting on matters in which they have a material interest.

The Board has updated themselves with the applicable laws, rules and regulations and are aware of the changes to the Listing Rules and other regulatory requirements.

There has been no non-compliance with laws or regulations and the Directors to the best of their knowledge and belief confirm that the Company nor the Group have engaged in any activity that contravenes applicable laws and regulations. There have been no material fines imposed on the Company and the Group by the Government or any regulatory authority in any jurisdiction where the Group companies operate.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records, reliability of financial information generated and cyber security.

All internal controls which include financial controls, operational and compliance controls and risk management have been

reviewed by the Board of Directors and they have obtained reasonable assurance of the effectiveness of the existing controls. The successful adherence to existing controls has been ascertained and improvements have been carried out where necessary. The Board is satisfied with the Group's adherence to and the effectiveness of these controls.

POLICIES

The Company has adopted the policies established by the Parent Company on matters relating to the Board of Directors and Board Committees, Corporate Governance, Nominations and Re-election, Remuneration, Risk Management and Internal Control, Whistleblowing and Anti-Bribery and Corruption. 'The Hayleys Way' serves as the Internal Code of Business conduct and Ethics for all Directors, Key Management Personnel and other employees. The 'Hayleys Lifecode' includes a suite of environmental, social and governance related policies which are applicable across the Group. During the year the Company adopted own policies including "Activate" its ESG Roadmap 2030 in line with the ESG framework of Hayleys PLC. The Company is in the process of formulating the other required policies.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

Details relating to material issues pertaining to employees and industrial relations are given in Human Capital on page 140.

EXPOSURE TO RISK

The Group has a structured risk management process in place support its operations. The Audit Committee plays a major role in this process. The risk management section referred on page 66 to 83 elaborates these practices and the risk factors.

GOING CONCERN

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

SHAREHOLDERS

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

SHARE INFORMATION

Information relating to earnings, dividends, net assets, market value per share and share trading is given on page 341.

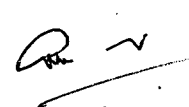
MAJOR SHAREHOLDINGS

The twenty major shareholders as at 31st March 2024 are given on page 341 in this Report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 27th June 2024 at 9.00 a.m. at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10. The Notice of the Annual General Meeting appears on page 352.

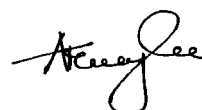
For and on behalf of the Board,



Mohan Pandithage
Chairman



Rajitha Kariyawasan
Managing Director



Hayleys Group Services (Private) Limited
Secretaries

No. 400, Deans Road
Colombo 10

16th May 2024