



HARISCHANDRA *Annual Report 2014 / 15*

The Trusted Name for Quality





Our Vision

*To enhance our heritage
brand status and
serve the nation*

Our Mission

*To provide the public with a
variety of high quality
foods and soaps*



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NOTICE OF MEETING

Notice is hereby given that the 63rd Annual General Meeting of Harischandra Mills PLC, will be held at the Registered office of the Company, No. 11, C.A. Harischandra Mawatha, Matara on 12th September 2015 at 11.00 a.m. for the following purposes.

01. To receive and consider the Report of the Directors and Audited Statement of Accounts for the year ended 31 March, 2015 along with the report of the Auditors thereon.
02. To declare a final dividend of Rupees Forty (LKR 40/-) per share for the financial year ended 31 March 2015 as recommended by the Board of Directors.
03. To re-elect Mr. S.A.S. Jayasundara as a Director, who retires in terms of Article 98 of the Articles of Association.
04. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. T.K. Bandaranayake who has reached the age of 72 years.

IT IS HEREBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. T.K. Bandaranayake who has reached the age of 72 years prior to the Annual General Meeting and that he shall accordingly be re-appointed.

05. To propose the following resolution as an ordinary resolution for the re-appointment of Mrs. R.K. Samarasinghe who has reached the age of 74 years.

IT IS HEREBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mrs. R.K. Samarasinghe who has reached the age of 74 years prior to the Annual General Meeting and that she shall accordingly be re-appointed.

06. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. M.A. Bastiansz who has reached the age of 71 years.

IT IS HEREBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. M.A. Bastiansz who has reached the age of 71 years prior to the Annual General Meeting and that he shall accordingly be re-appointed.

07. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. G.S.V. De Silva who has reached the age of 70 years.

IT IS HEREBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. G.S.V. De Silva who has reached the age of 70 years prior to the Annual General Meeting and that he shall accordingly be re-appointed.

08. To re-appoint KPMG, Chartered Accountants,
 - (a) As Auditors of the Company until the next Annual General Meeting and to authorise the Directors to determine their remuneration.
 - (b) To authorise the auditors to audit the accounts of the Company for the next succeeding financial year.
09. To approve the donations and contributions made by the Directors during the year under review, and to authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board
CORPORATE SERVICES (PRIVATE) LIMITED.
Secretaries

Dated on this 7th day of August 2015

*63rd
Annual General Meeting*

Note

1. A member unable to attend the above meeting is entitled to appoint a proxy who need not be a member.
2. A form of Proxy is attached to the report.
3. The completed form of Proxy should be deposited at the Registered Office of the Company at No 11, C.A. Harischandra Mawatha, Matara, not less than 48 hours before the time fixed for the meeting.



CORPORATE INFORMATION

Legal Form

A public Company with limited liability incorporated in Sri Lanka, whose shares are listed in the Colombo Stock Exchange.

Company Registration Number

PQ.225

Date of Incorporation

9th January, 1953

Registered Office

No. 11, C.A. Harischandra Mawatha, Matara.

Secretaries

Corporate Services (Private) Limited,
216, De Saram Place,
Colombo 10.

Auditors

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Marker Mawatha,
Colombo 3.

Internal Auditors

Ernst & Young,
Chartered Accountants
201, De Saram Place,
Colombo 10.

Legal Advisors

F J & G De Saram
Attorneys - at - Law
216, De Saram Place,
Colombo 10.

Bankers

Sampath Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC
NDB Bank PLC
DFCC Bank PLC

Subsidiary Company

Harischandra Mills (Distributors) Limited (wholly owned)
incorporated in Sri Lanka.

Board of Directors

Bastiansz M.A.
(Chairman)

Samarasinghe S.N.
(Managing Director)

De Silva G.S.V.

De Silva M.P. (Mrs.)

Bandaranayake T.K.

Jayasundara S.A.S

Samarasinghe R.K. (Mrs.)

Executive Management

Gajanayake C.T.
(Chief Financial Officer)

Nanayakkara S.N.K.
(Sales Manager)

Gamini Lokuralage D.S.
(Commercial Manager)

Kodithuwakku A.P.R.
(Human Resources Manager)

Ranasinghe N.P.
(Production Engineer)

Sanjewa H.M.R.S.
(Chief Accountant)



CHAIRMAN'S REVIEW

It is my great pleasure to welcome all our members to the 63rd Annual General Meeting of your Company, and to present, on behalf of the Board of Directors, the Annual Report and Audited Accounts of the year ended 31st March 2015.

The year under review began in difficult circumstances with sales affected by drought conditions prevailing in the Northern and Eastern areas of the country, as well as low overall demand. Although economic conditions improved in the 4th quarter, company sales increased by just 5% over the previous year reflecting the low spending patterns operating in the country.

I am happy to state that despite these difficulties the company's profit before taxes increased by 27% to Rs. 219 million, a record for your company, led by a significant increase in the soap segment profits.

The Board of Directors has recommended the payment of a final dividend of Rs. 40 per share which, together with the payment of the interim dividend of Rs. 40, amounts to a total dividend of Rs. 80 per share for the year. This is a 23% increase over the previous year, and the highest ever dividend paid by your company.

As in previous years your company has maintained its commitment to help deserving community projects through generous contributions.

In conclusion I would like, on behalf of the Board of Directors, to thank all the members of our staff for their loyal service to the company.

Maxwell A. Bastiansz

Chairman

07 August 2015



MANAGING DIRECTOR'S REPORT

Sale of food products increased by 3% during the year compared to the previous financial year and 25% increase in operating profits due to the lower input costs.

Soap segment showed an increased operating profit of 119% due to the high sales volume of toilet soaps. However, sale of laundry soaps have declined during the year which resulted drop in total sales by 2%.

Price reductions by the Ceylon Petroleum Corporation during the year resulted in decline the profits of Fuel and Lubricant segment by 23% compared to the previous year.

Company continued to support uplifting the local community through various donations and sponsorships. During the year we have donated Infant Incubator to the Base Hospital, Kamburupitiya fulfilling an essential need of the pediatric unit. School books were donated to the Olcott Model School, Matara to support primary education. We sponsored for the International Science and Technology Conference organized by the University of Ruhuna. Further, we were one of the sponsors of "The best annual report and accounts competition of National schools" organized by the Association of Accounting Technicians of Sri Lanka. We realized that supporting for differently able population is a vital aspect and hence, donated 250 white canes to visually handicapped graduates, commemorating International White Cane Day.

Further, we were the main sponsor for the Matara District Best Entrepreneur Award Ceremony 2014, "Mathota Abhiman" which evaluates and appreciate courageous entrepreneurs with the objective of motivating and enhancing the small medium industrial sector. We were the main sponsor of the screening of the film, "Sri Siddhartha Gautama" in Kandy and Moneragala Districts.

S.N. Samarasinghe
Managing Director
07 August 2015



We donated an Infant incubator, an essential machine for the Paediatric unit, which had been unavailable for a long period, to the Kamburupitiya Base Hospital.



Donated online UPS system to the Accounting Resource Centre of Accountancy Department, Faculty of Management, University of Sri Jayawardenepura which supports uninterrupted power supply for online access and online examinations.



We sponsored "RISTCON 2015", 2nd Ruhuna International Science and Technology Conference held at the University premises in Matara.



Harischandra Mills initiated and supported a study of bird and dragonfly biodiversity at Kirala Kele wetland, Matara by the Department of Zoology, University of Ruhuna. The study outcomes included ecology research papers, vegetation mapping and biodiversity ebook.



We were the main sponsor for the Matara District Best Entrepreneur Award Ceremony 2014, "Mathota Abhiman", which evaluated and appreciated entrepreneurs with the objective of motivating and enhancing the small and medium scale industrial sector.



Donated white canes for visually handicapped graduates for the International White Cane Day celebrations.



School books and stationery distributed for the children of all staff members as an annual event.



Special event for appreciating employees who completed 25 years continuous service.



CORPORATE GOVERNANCE

"Corporate Governance" is a generic term that describes the ways in which rights and responsibilities are distributed among the various corporate bodies according to the rules, processes or laws to which they are subject. In practice, corporate governance defines the decision-making systems and structure through which owners directly or indirectly control a company. The Board of Directors of Harischandra Mills PLC is committed to ensuring business integrity and professionalism in all its activities. As a part of this commitment, the Board of Directors has proactively encouraged good corporate governance practice within the Company based on a generally accepted policy framework, which emphasizes transparency, control and accountability.

Board of Directors and its Role

The Board of Directors as of 31 March 2015 has seven members, four executives and three non-executives. Three non executive directors are considered as independent in terms of the listing rules laid down by the Colombo Stock Exchange and have submitted annual independence declarations. The directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of Harischandra Mills PLC. They are well aware of your Company's activities and give direction for long-term strategy, seeking and contributing views and opinions on strategic options proposed by the senior management of the Company. The directors also ensure that the Company is compliant with the provisions of the Companies Act No. 07 of 2007.

The board meets quarterly basis and has timely access to information needed to effectively discharge its duties. Directors receive a comprehensive package of relevant and timely information on all issues prior to each meeting , thus providing them with the opportunity to make effective contributions to the decisions of the board.

Such meetings are attended by both the executive as well as the non executive board members and are headed by the Chairman. At these meetings the board reviews;

- Monthly performance of the Company against the budget
- Formulation, monitoring and implementation of sound business strategies, internal controls and risk management procedures that are in place and monitor their effectiveness and initiate changes where required
- Secure effective information, control and audit systems
- Compliance with legal/ethical standards

The details of attendance of board meetings are as follows.

	Attendance of Board Meetings						
	30.04.14	23.05.14	25.07.14	15.08.14	17.10.14	12.11.14	11.02.15
Mr. M.A. Bastiansz	✓	✓	✓	✓	✓	✓	✓
Mr. S.N. Samarasinghe	✓	✓	✓	✓	✓	✓	✓
Mr. G.S.V. De Silva	✓	✓	✗	✓	✓	✓	✓
Mrs. M.P. De Silva	✓	✓	✗	✓	✓	✓	✓
Mr. T.K. Bandaranayake	✓	✓	✓	✓	✗	✗	✓
Mr. S.A.S. Jayasundara	✓	✓	✓	✓	✓	✓	✓
Mrs. R.K. Samarasinghe	✓	✗	✓	✓	✓	✓	✓



CORPORATE GOVERNANCE (CONTD.)

At the Annual General Meeting in every year, one of the directors retires by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The retiring director eligible for re-election this year is mentioned in the Notice of the AGM on page 02.

Composition of the Board

Non Executive, Independent Directors

- Mr. M.A. Bastiansz (Chairman)
- Mr. T.K. Bandaranayake
- Mr. S.A.S. Jayasundara

Executive Directors

- Mr. S.N. Samarasinghe (Managing director/CEO)
- Mr. G.S.V. De Silva
- Mrs. M.P. De Silva
- Mrs. R.K. Samarasinghe

At present, there are seven directors on the board, whose profiles are given on page 18 in this Annual Report. All the directors have the necessary skills and experience to direct and lead the Company.

The Board has determined that Mr. M.A. Bastiansz is an independent Director in spite of serving on the Board for more than 9 years as it is beneficial to the Company and its shareholders and because Mr. M.A. Bastiansz is not directly involved in the management of the Company.

Board Committees

Audit Committee

The Board formally constituted the Audit Committee comprising of Mr. T.K. Bandaranayake, the Chairman and Mr. S.A.S. Jayasundara, non-executive directors to oversee the financial reporting and internal control systems of the Company. This committee is also directed with the task of ensuring that all regulatory requirements are complied with in preparation of the Financial Statements of the Company in order that they give a true and fair view of the Company's state of affairs. The report of the Audit Committee is given in page 16 of the Annual Report.

Remuneration Committee

The board also has a Remuneration Committee comprising of following two non executive independent directors and its responsibility is to establish and develop the Company's general policy on remuneration package for executive directors.

- Mr. M.A. Bastiansz (Chairman of the Committee)
- Mr. S.A.S. Jayasundara

Directors' Interest and Responsibilities

The directors of the Company have made the general disclosures provided for in Section 199(2) of the Companies Act No.07 of 2007 and have been duly entered in the interest register of the Company.



CORPORATE GOVERNANCE (CONTD.)

The directors are required by relevant statutory provision to prepare Financial Statements for each financial year, which gives a true and fair view of the state of affairs of the Company for that period. In preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently and reasonably and prudent judgments and estimates have been made. The applicable Sri Lanka Accounting Standards have been followed and explained in the notes to the financial statements.

The directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy of the financial position of the Company and to ensure that the Company's Financial Statements comply with the provisions of the Companies Act. No. 07 of 2007, the Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange.

The directors are also responsible to ensure that reasonable measures are taken to safeguard the assets of the Company at all times. In this context, they have established appropriate systems of internal controls with a view to preventing and detecting of frauds and other irregularities.

In preparing accounts, the directors continue to adopt the going concern basis. The directors after reviewing the Company's budget and borrowing facilities are of the view that the Company has adequate resources to continue in operation.

Compliance with Legal Requirements

The board is conscious of its responsibilities to the shareholders, the government and the society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board of Directors requires that Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards and the requirements of the Colombo Stock Exchange.

Relationship with Shareholders

Harischandra Mills PLC aims to ensure that shareholders have access to relevant, up-to-date and consistent financial and non-financial information pertaining to the Company. The Annual Report and quarterly Financial Statements provide the shareholders as well as prospective investors with the required information to assess the Company's past performance and analyse its future prospects.

Corporate Governance Requirements under the Listing Rules of Colombo Stock Exchange

Section 7 of the Listing Rules of the Colombo Stock Exchange requires all Listed Companies to include in their Annual Reports an affirmative statement relating to compliance with the Corporate Governance Rules specified in that section. The table in page 11 contains the required affirmative statement in that regards.

Company Secretary

The Company secretary is qualified to act in this role as per the provisions of the Companies Act No. 07 of 2007

Internal and External Auditors

The Company's Internal Audit function has been outsourced and quarterly reports are submitted by the Internal Auditor. The management decides on the areas that need to be audited by the Internal Auditor for a given quarter.

The External Auditors are appointed by the shareholders at the Annual General Meeting and are responsible to give their opinion on the Financial Statements prepared by the Company.



CORPORATE GOVERNANCE (CONTD.)

Rule	Requirement	Company Status	Remarks
7.10.1 Non-Executive Directors	At least one third of the total number of directors should be non-executive directors	Complied	There are three non executive directors in the board
7.10.2a Independent Directors	Two or one third of non-executive directors, whichever is higher should be Independent	Complied	All three non-executive directors are independent.
7.10.2b Independent Directors	Each non-executive director should submit a declaration of independence/non-independence in the prescribed format	Complied	Submitted the independent declarations accordingly.
7.10.3c Disclosure relating to Directors	Names of independent directors should be disclosed in the Annual Report	Complied	Please refer page 09
7.10.3c Disclosure relating to Directors	A brief resume of each director should be included in the Annual Report including the areas of expertise	Complied	Please refer page 18
7.10.5 Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Please refer page 15
7.10.5a Composition of Remuneration Committee	The Remuneration Committee shall comprise of non-executive directors amajority of whom will be independent	Complied	Please refer page 15
7.10.5b Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Complied	Please refer page 15
7.10.5c Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to executive & non-executive directors	Complied	Please refer pages 12, 15 and 51
7.10.6 Audit Committee	The Company shall have an Audit Committee	Complied	Names of the members of Audit Committee are set out in Pages 16, 17
7.10.6a Composition of Audit Committee	The Audit Committee ; * Shall comprise of non-executive directors a majority of whom will be independent. * One non-executive director shall be appointed as the Chairman of the committee * 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	Complied Complied Complied Complied	Please refer page 09 Please refer page 09 Please refer page 16
7.10.6b Audit Committee functions	The Audit Committee ; Should be as outlined in the Section 7.10.6b of the listing rules	Complied	Please refer pages 16, 17
7.10.6c Disclosure in the Annual Report relating to Audit Committee	The Annual Report should set out; a) Names of 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 setting out the manner of compliance of the functions	Complied	Please refer pages 16 and 17



CORPORATE GOVERNANCE (CONTD.)

At the 62nd Annual General Meeting of Harischandra Mills PLC held on 20 September 2014, the shareholders reappointed the Auditors M/s. KPMG and authorised the directors to fix their remuneration. The independent auditors conduct the annual audit in order to provide an external and objective assurance on the way in which the Financial Statements have been prepared and presented.

Audit Committee

The Audit Committee of the Company comprises,

- Mr. T.K.Bandaranayake (Chairman of the committee)
- Mr. S.A.S. Jayasundara

All members of the committee are non executive, independent directors of the Company.

The Audit Committee is empowered to evaluate the adequacy and effectiveness of the accounting and internal control systems of the Company and monitor compliance with the statutory requirements. At these meetings, Audit committee reviews the quarterly and annual Financial Statements of the Company prior to publication and examine the findings of the Internal Audit Reports.

The Committee is of the view that the directors are held responsible for accuracy, reliability and completeness of the Financial Statements prepared and published by the Company and that they are in compliance with all statutory requirements.

The Committee is also responsible for the consideration and the appointment of External Auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in preparation of public financial information & examining all documents representing the interim & final Financial Statements.

The Audit Committee also receives direct reports from the External Auditors on their audit findings & provides a form for the impartial review of these reports. The committee also reviews the External Auditor's management letter and examines the actions taken by management in response thereto.

The Managing Director (CEO) and Chief Financial Officer are invited to the meetings of the Audit Committee as it is required by the members of the committee. Attendance of Audit Committee meetings were as follows.

	Attendance of audit Committee Meetings				
	22.05.14	24.07.14	15.08.14	11.11.14	09.02.15
Mr. T.K. Bandaranayake	✓	✓	✓	✓	✓
Mr. S.A.S. Jayasundara	✓	✓	✓	✓	✓

The detailed Audit Committee's report including areas reviewed during the financial year 2014/15 is given on Page 16 and 17 of the Annual Report.

Remuneration Committee and Policy

The Remuneration Committee of the Company comprises,

- Mr. M.A. Bastiansz (Chairman)
- Mr. S.A.S. Jayasundara



CORPORATE GOVERNANCE (CONTD.)

The Remuneration Committee comprises solely of non-executive directors and conforms with the Listing Rules of the Colombo Stock Exchange.

The Remuneration Committee is responsible for establishing & developing the Company's general policy on remuneration packages for executive directors. The committee engaged itself in assessing the appropriateness of the Company's compensation levels by evaluating it against those prevailing at other comparable organizations. The Remuneration Committee met in following occasion during the year.

	Attendance of Remuneration Committee Meetings
	11 February 2015
Mr. M.A. Bastiansz	✓
Mr. S.A.S. Jayasundara	✓

The remuneration policy of the company is formulated to attract and retain high caliber executives and to motivate them to develop and implement the business strategy in order to optimize long term shareholder value creation.

The aggregate amount paid to the executive and non executive directors are disclosed in Note 06 and Note 26.2 to the Financial Statements and in the Annual Report of the Board of Directors on the affairs of the Company.

The Company believes that the real value of corporate governance lies not in blindly satisfying a code of best practice principle but rather in actually securing the confidence of the investors and thereby achieving a lower cost of equity by conducting its affairs with utmost integrity & fairness to all stakeholders.



RISK MANAGEMENT

Risk management

Risk Management process is implemented in order to understand, evaluate and address the inherited risks for the Company to maximize the chance of objectives being achieved while ensuring its sustainability. As it is impossible to mitigate these risks completely, an effective process of this management is required to exploit the opportunities bring and allowing Company to be aware of possibilities. Hence the following identified risks are major to Company's performance and position and are included in the risk management procedure.

Supply Chain Management

Constant supply of high quality materials, efficient and effective manufacturing and the timely distribution of products is a must for the success of the Company.

Further the cost of raw materials represents the largest portion of manufacturing cost of the Company's product; hence the quality of the product is of paramount importance. The Company is inevitably exposed to the risk of contaminated raw materials accidentally or maliciously throughout the supply chain or product defects which occur due to human error or an equipment failure.

In order to mitigate and minimize these problems, the Company has developed contingency plans of having strong relationship with its key suppliers to control quality by periodical reviews to ensure that they meet the rigorous testing and acceptance procedure.

Market Risk

Loss of market share or market leadership in relevant segments due to intense competition, new entrants, changes in customer attitude and economic conditions are treated as identifiable market risk.

Successful customer relationships are vital to our business and continual growth. Maintaining a strong relationship with our customers is necessary for our brand to be well presented and available for purchase all time. Further, great customer satisfaction and the confidence in our products lead to build brand loyalty.

A Well maintained quality assurance department always works according to the procedures and standards to deliver the best to the customer, it will also ensure continuous focus on innovation, regular monitoring of consumer trends, enhance productivity or efficiency to improve price competitiveness, Also Monitor market data, the competitor prices and always strive to give the best price to our customers and strengthen market position of our brand. Combination of these strategies minimizes the market risk to a considerable level.

Regulatory and Legal Risks

Potential losses arising due to violation of or non-conformance with laws, rules, regulation, prescribed practices, internal policies and procedures or ethical standards are included as regulatory and legal risks. The company is governed by Various laws and regulations including Companies Act, Inland Revenue Act, SEC regulations, and CSE rules.

Failure to comply with laws and regulations could expose Company to civil criminal action leading to damages, fines and criminal sanctions against our employees with possible consequences to our reputation. And also changes to laws and regulations could have a material impact on the cost of doing business.

Therefore we have implemented strong risk management processes to monitor and comply with all laws and regulations applicable to the company. Management of the Company always coordinates with Company lawyers and secretaries to ensure compliance.

Internal audits also carried out every quarter to mitigate the possible risks of not complying with relevant standards.

Financial and Liquidity Risks

The responsibility of the management of the financial risks through continuous monitoring along with financial risk has reduced exposure to credit risk and external financing is very low. Also the liquidity risks, the risk of being unable to fund the business by maintaining adequate cash flows. Cash flows are reviewed continuously and strong relationship are being maintained with financial institutions. The financial indicators and the regular items on the board agenda and emerging trends of both local and global are also taken as ways of managing financial risk.

Human Resources

The Company places strong emphasis on retaining key talent through its employee engagements and talent management strategies including performance evaluation, career guidance, training and development. The Company is aware that the lack of skills and competence in staff could result in the ability of the Company to grow and sustain its performance in the face competition in the market and may also lead to lower productivity and increased costs. The structured and relevant training and development programs is designed to mitigate all risks related to Human Resources.



REMUNERATION COMMITTEE REPORT

The Remuneration Committee consists of two non executive directors, Mr. M.A. Bastiansz (Chairman of the committee) and Mr. S.A.S. Jayasundara.

The role of the Remuneration Committee includes review and recommends to the board total remuneration for executive and non executive directors for the year. The committee evaluates the remuneration by considering the existing market rates and compensation packages offered by other similar companies.

Apart from recommending remuneration of executive directors, the committee reviews the remuneration policy of the Company. According to the remuneration policy of the Company, it takes in to account market rates, experience and skill of the employees, employee grade and performance when determining the remuneration package of other employees. This will help not only to retain the existing staff but also to attract high calibre employees.

The remuneration policy of the Company is disclosed in page 13 under corporate governance and aggregate remuneration paid to executive directors and non executive directors are disclosed in page 51.

M.A. Bastiansz

Chairman - Remuneration Committee

07 August 2015



AUDIT COMMITTEE REPORT

Role of the Committee

The board has delegated to the committee responsibility for overseeing the financial reporting and internal control of the company as well as the internal audit process and the external audit. The main role of the Committee is to encourage and safeguard the highest standards of integrity, financial reporting, risk management and internal control. In doing this the principle responsibilities of the committee include:

- Reviewing the form and content and monitoring the integrity of the Company's and the Group's Financial Statements
- Monitoring and reviewing the arrangements for ensuring the objectivity and effectiveness of the external and internal audit functions and in particular, the independence of the External Auditors.
- Recommending to the Board, the appointment, re-appointment or removal of the External Auditors and the fees payable to them.
- Reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems; and
- Reviewing and monitoring the Company's ethical standards, procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities.

Composition

The Audit Committee consists of independent non-executive directors and presently comprises, Mr. T.K. Bandaranayake (Chairman) and Mr. S.A.S. Jayasundara.

Meetings of the Committee

The Audit committee met five times in the financial year. The Managing Director (Chief Executive Officer) and Chief Financial Officer attended by invitation and briefed the committee on specific issues. The external and internal auditors were also required to attend meetings when matters pertaining to their function came up for consideration.

Activities

During the year under review the committee has carried out the following activities.

Financial Reporting ;

During the year, the committee reviewed financial reporting and related matters including the quarterly and annual Financial Statements, other related annual report information, an announcements prior to submission to the board. The committee focused in particular on key accounting policies and practices adopted by the Company and any significant areas of judgment that materially impacted on reported results.

Internal Audit and Control Issues ;

At its meetings during the year, the committee reviewed the results of the audits undertaken by the Internal Auditors, Messrs, Ernst & Young, and considered the adequacy of management's response to the matters raised, including the implementation of recommendations made by the auditors. It reviewed and approved the internal audit plan for the coming year and the level of resources allocated to the internal audit function.



AUDIT COMMITTEE REPORT (CONTD.)

External Audit;

The committee met with the External Auditors, Messrs KPMG prior to commencement of the annual audit and approved the audit plan presented by the External Auditors. At the conclusion of the annual audit, the committee met the auditors to discuss the findings of the audit. Non-executive directors had separate meetings with auditors to ensure they had no cause to compromise on their independence. Auditors' Management Letter together with the Management's response thereto and the Audited Financial Statements were reviewed with the auditors. The Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31st March 2016 subject to the approval of shareholders at the next Annual General Meeting at a fee to be determined by the Board.

Conclusion

The other members of the Board of Directors, through the annual evaluation conducted, has assessed effectiveness of the committee as satisfactory.

T.K. Bandaranayake
Chairman - Audit Committee
07 August 2015



BOARD OF DIRECTORS

Mr. M.A. Bastiansz

Independent Non Executive Chairman

Mr. Bastiansz was appointed to the Board as the Chairman of Harischandra Mills PLC in November 2005. He is the Chairman of the Remuneration Committee of the Board. He holds a LLB Degree from the University of Ceylon and is an Attorney-at-Law by profession.

Mr. S.N. Samarasinghe

Managing Director / Executive Director

Mr. Samarasinghe joined the Company in 1990 as Commercial Manager and was appointed to the Board of Directors in 1993. In October 2000 he was appointed as the Managing Director. He has overall responsibility for the production, finance, marketing and human resource functions of the Company.

He has a BSc.(Hons) from the University of Leeds UK, Post Graduate Diploma in Business and Financial Administration awarded by the Institute of Chartered Accountants of Sri Lanka and a Post Graduate Certificate in Corporate Business Finance from the Post Graduate Institute of Management, University of Sri Jayawardenapura.

Mr. G.S.V. De Silva

Executive Director

Mr. De Silva joined Harischandra Mills PLC as a Non executive director in July 1978. He has gained wide and varied experience in all aspects of the Company. Prior to joining Harischandra Mills PLC he worked as an Accountant at Sri Lanka Transport Board.

Mrs. M.P. De Silva

Executive Director

Mrs. De Silva joined Harischandra Mills PLC as a Non executive director in January 1993, and was appointed as an executive director in February 1999. She currently heads the bakery division of the Company. She has been responsible for the innovation of a wide range of bottled and packeted Food Products which are made under her supervision.

Mr. Tissa K. Bandaranayake

Independent Non Executive Director

A Fellow member of the Institute of Chartered Accountants of Sri Lanka. Holds a BSc. degree from the University of Ceylon.

Retired from Ernst & Young as senior partner in 2009 after 27 year of service.

A former Chairman of the Audit Faculty and the current Chairman of the Quality Assurance Board of Sri Lanka established by the Institute of Chartered Accountants of Sri Lanka comprising senior professional representatives from both the private sector and state regulatory bodies.

Serves as an independent director of Overseas Realty (Ceylon) PLC, Nawaloka Hospitals PLC, Samson International PLC, Laugfs Gas PLC, Renuka Foods PLC, Renuka Holdings PLC, Micro Holdings Ltd and Brown & Company PLC.

Also serves as a consultant to the Board of Noritake Lanka Porcelain (Pvt) Ltd.

Mr. S.A.S. Jayasundara

Independent Non Executive Director

Mr. Jayasundara joined the Board in June 2007. He holds a LLB degree from the University of Colombo and is an Attorney-at-Law by profession. He is a member of both Audit and Remuneration Committee of the Board.

He is a Non Executive Director of Bogawanthalawa Tea Estates PLC, Metropolitan Resource Holdings PLC, Bimpuh Finance PLC and Sithara Limited.

Mrs. R.K. Samarasinghe

Executive Director

Holds Master of Arts from University of Sussex and Master of Social Science from University of Birmingham, and a Post Graduate Diploma in Counselling Psychotherapy. Served as a Counsellor at the University of Fine Arts, Colombo and MIND, Enfield, London.

Mrs. Samarasinghe also served as a lecturer in Social Science Sutton Coldfield College of Further Education, Birmingham England and Kingsway College, London.



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

The directors of the Harischandra Mills PLC have pleasure in presenting their report and the audited Financial Statements for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The principal activities of Harischandra Mills PLC and the group are manufacturing and distribution of Food Products, Soaps and Fuel and Lubricants which are described under Note 1 to the financial Statements on page 33.

Group Financial Results;	2014/2015 Rs. 000	2013/20104 Rs. 000
Profit before taxation	219,644	172,727
Taxation	(69,886)	(55,409)
After tax profit attributable to shareholders	149,758	117,318
Other comprehensive income	(5,607)	(953)
Unappropriated profit brought forward from previous year	982,088	908,914
Profit available for appropriation	1,126,239	1,025,279
Distribution of Profit :		
Interim dividend paid	28,794	19,196
Final dividend paid	33,593	23,995
	62,387	43,191
	<u>1,063,852</u>	<u>982,088</u>

AUDITORS' REPORT

The auditors' report on the financial statements is given on page 26.

ACCOUNTING POLICIES

The Group and the Company prepared their Financial Statements for all periods up to and including the year ended 31 March 2015, in accordance with Sri Lanka Accounting Standards (SLAS) which were in effect up to the date. Followings the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards(IFRS), all existing / new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS to represent, Sri Lanka Financial Reporting Standards (SLFRS) corresponding to International Financial Reporting standards (IFRS). Accordingly, the Group and the Company adopted these new Sri Lanka Accounting Standards which are Commonly Known as SLFRS applicable for financial periods commencing from 1 January, 2013. The significant Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Company are given on 33 to 41 of Annual Report.

REVIEW OF BUSINESS

The Chairman's Review, the Managing Director's Report and the Corporate Governance Report which form an integral part of the Director's Report on the state of affairs of the Company, contain a detailed description of the operations of Harischandra Mills PLC during the year ended 31 March 2015 and contain a fair review of the affairs of Harischandra Mills PLC and the Group.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTD.)

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for the preparation of the Financial statements of Harischandra Mills PLC to reflect a true and fair view of the state of its affairs. The directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The directors are satisfied that Financial Statements give a true and fair view of the state of affairs of Harischandra Mills PLC and the Group as at 31st March 2015 as well as the profit for the year then ended.

The directors consider that, in preparing these Financial Statements, appropriate accounting policies have been used which are applied consistently and that all applicable accounting standards have been followed. The Financial Statements are prepared on a going concern basis.

CORPORATE GOVERNANCE

Detail report on corporate governance practices and principles of the Company are set out on pages 08 to 13 of this report. The directors are responsible for the governance of Harischandra Mills PLC including the establishment and maintenance of the systems of internal financial control of the Company.

The directors are satisfied that a strong control environment is established within Harischandra Mills PLC and those internal control systems are operating effectively.

CORPORATE SOCIAL RESPONSIBILITY

Details of social work carried out are included in the Managing Director's report set out on Page 05.

DONATIONS

Donations were Rs. 3,523,816/- compared to Rs. 2,960,135/- donated in the last year. No donations to political organizations were made by the group during the year.

GROUP TURNOVER

The turnover of the Company and its subsidiary together with the segmental performance are set out on the "Notes to the Financial Statements".

FINAL DIVIDEND

The directors paid an interim dividend of Rs. 40/- per share on 22nd May 2015, and propose a final dividend of Rs.40/- per share, to be paid out of the profits of Harischandra Mills PLC and dividend received for the financial year ended 2014/2015. Harischandra Mills PLC paid a dividend for the previous year of Rs. 65/- per share. In recommending the payment of this dividend, the directors unanimously declare that, in their opinion, the Company will satisfy the solvency test stipulated in section 57 of the Companies Act No. 07 of 2007 immediately after the distribution is made and have obtained a certificate of solvency from the Auditors to this effect.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTD.)

PROVISION FOR TAXATION

Provision made for taxation considering the relevant tax rates laid down by the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, the details are stated in Note 08 to the Financial Statements.

PROPERTY, PLANT & EQUIPMENT AND DEPRECIATION

Details of the property, plant & equipment of Harischandra Mills PLC, additions made during the year and the depreciation charges for the year are shown in Note 11 to the Financial Statements on pages 45 to 46.

STATED CAPITAL & RESERVES

The stated capital of Harischandra Mills PLC at the beginning and end of the year under review was Rs. 9,598,000/-, consisting of 959,800 Ordinary Shares.

The total reserves of the Company as at 31st March 2015 amounted to Rs.908,763,754/- (as at 31 March 2014 - Rs. 778,034,925/-) where as the Group total reserve amounted to Rs. 1,104,177,401/- (as at 31 March 2014 - Rs. 1,019,872,712/-) The composition of the reserves is shown in the Statement of Changes in Equity and details of reserves are set out in Note 18 and 19 to the Financial Statements.

POST BALANCE SHEET EVENTS

There have been no significant events subsequent to the balance sheet date that requires adjustment to or disclosure in the Financial Statements, other than interim dividend paid for the year explained in Note 29 to the Financial Statements.

GOING CONCERN

The board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and the directors have adopted the going concern basis in preparing the Financial Statements.

CAPITAL COMMITMENTS AND CONTINGENCIES

There were no significant capital commitments and contingencies as at 31 March 2015

HUMAN RESOURCES

As at 31 March 2015 Company employed 555 employees where as it was 528 in the last year end. Aggregate total remuneration in respect of the year was Rs. 265.2 Mn compared to Rs. 247.4 Mn for the last year.

STOCK EXCHANGE LISTING

The issued ordinary shares of the Company are listed in the Colombo Stock Exchange of Sri Lanka.

SHAREHOLDERS' INFORMATION

Distribution of the issued shares among the shareholders and classification of shareholders are indicated in page 61 of the Annual Report. There were 433 (2013/14 - 436) registered shareholders as at 31 March 2015.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTD.)

DIRECTORATE

The directors of Harischandra Mills PLC during the year ended 31.03.2015 are as follows.

Mr. M.A. Bastiansz (Chairman)	- Non Executive, Independent Director
Mr. S.N. Samarasinghe (Managing Director)	- Executive, Non Independent Director
Mr. G.S.V. De Silva	- Executive, Non Independent Director
Mrs. M.P. De Silva	- Executive, Non Independent Director
Mrs. R.K. Samarasinghe	- Executive, Non Independent Director
Mr. T.K. Bandaranayake	- Non Executive, Independent Director
Mr. S.A.S. Jayasundara	- Non Executive, Independent Director

Directors profiles are set out on page 18 in the Annual Report.

MAJOR SHAREHOLDERS

The 20 largest shareholders of Harischandra Mills PLC as at 31 March 2015 are given on page 61 together with an analysis of the shareholdings. As at that date Harischandra Mills PLC had 433 shareholders.

SUB-COMITTEES OF THE BOARD

There are two permanent sub-committees of the Board which are as follows:

1. Audit Committee : Mr. T.K. Bandaranayake (Chairman)
Mr. S.A.S. Jayasundara
2. Remuneration Committee : Mr. M.A. Bastiansz (Chairman)
Mr. S.A.S. Jayasundara

INTEREST REGISTER

The Company has maintained interest register as required by Companies Act No. 07 of 2007.

All directors have made declarations as provided for in section 192 (2) of the Companies Act aforesaid. The related entries were made in the interest register during the year under review.

DIRECTORS' INTEREST IN CONTRACTS

Details of directors' interests in contracts of the Company are disclosed below and provided in note 26 of the Financial Statements. The directors have no direct or indirect interest or proposed contract other than those disclosed.

Following directors of the Company are also directors of the Harischandra Mills (Distributors) Limited, which is a fully owned subsidiary.

Name of Director	Position	Shareholding
Mr. M.A. Bastiansz	Director (Non - Executive)	Non
Mr. S.N. Samarasinghe	Managing Director	1 Share
Mr. G.S.V. De Silva	Director (Executive)	1 Share
Mrs. M.P. De Silva	Director (Executive)	1 Share



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTD.)

DIRECTORS' REMUNERATION

The aggregate remuneration paid to executive and non executive directors in respect of the Group and the Company for the financial year ended 31 March 2015 were recorded as Rs. 30,605,524 (2013/2014 -22,658,811).

DIRECTORS SHAREHOLDING

Name of Director	31 March 2015		01 April 2014	
	No of Shares	%	No. of Shares	%
Mrs. R.K. Samarasinghe	135,060	14.07	135,060	14.07
Mr. S.N. Samarasinghe	38,335	3.99	38,335	3.99
Mr. G.S.V.De Silva	1,000	0.10	1,000	0.10
Mrs. M.P.De Silva	2,500	0.26	2,500	0.26
Mr. M.A. Bastiansz	-	-	-	-
Mr. T.K. Bandaranayake	-	-	-	-
Mr. S.A.S.Jayasundara	-	-	-	-
Total	<u>176,895</u>	<u>18.42</u>	<u>176,895</u>	<u>18.42</u>

APPLICATION OF THE CORPORATE GOVERNANCE RULES OF THE COLOMBO STOCK EXCHANGE

As per the section 7 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance, the details on compliance are set out on page 11 in this annual report.

AUDITORS

The Financial Statements for the year ended 31 March 2015 have been audited by M/s. KPMG Chartered Accountants. The auditors do not have any relationship with or any interest in the Company or its subsidiary other than auditors.

Fees to Auditors

The fees of the Auditors during the year were 1,029,133 (2013 / 14 - Rs.- 1,382,050/-) for audit work, Rs109,201 (2013 / 14 - Rs. 107,000) for audit related services and Rs.303,950 (2013/2014 - 528,821/-) for non audit work.

Re-Appointment of Auditors

The Auditors have indicated their willingness to offer themselves for re-appointment. A resolution appointing M/s. KPMG as Auditors and authorizing the directors to fix their remuneration will be proposed at the Annual General Meeting.



ANNUAL GENERAL MEETING

The sixty third Annual General Meeting of the Company will be held at the registered office of the Company, No. 11, C.A. Harischandra Mawatha, Matara., on the 12 September 2015 at 11.00 a.m. The Notice of the sixty third Annual General Meeting is on page 2 of the Annual Report.

For and on behalf of the Board

Harischandra Mills PLC

S. N. Samarasinghe - Managing Director

G. S. V. De Silva - Director

Corporate Services (Private) Limited

Secretaries

07 August 2015



STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible, Under the Companies Act. No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year. The directors are also responsible for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and to enable the preparation of the Financial Statements.

The directors confirm that they have complied with these requirements.

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

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

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

The External Auditors, Messrs KPMG appointed in accordance with the resolution passed at the last Annual General Meeting were provided with every opportunity to undertake whatever inspections they consider appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 26 sets out their responsibilities in relation to the Financial Statements.

By order of the Board

Corporate Services (Private) Limited

Secretaries

07 August 2015



KPMG
(Chartered Accountants)
32 A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

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Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HARISCHANDRA MILLS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Harischandra Mills 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 2015, the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 27 to 58.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- (a) The basis of opinion and scope and limitations of the audit are as stated above
- (b) In our opinion:
 - 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.
 - The financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
Colombo
30 July 2015

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG international cooperative ("KPMG International") a Swiss entity.

M. R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
R.H. Rajani ACA
Principals - S.R.L.Perera ACMA, LLB, Attorney-at-Law, H.S.Goonewardene ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA



INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue	4	2,720,159,692	2,599,068,852	2,728,255,880	2,284,864,048
Cost of sales		(2,125,965,748)	(2,051,224,566)	(2,125,965,748)	(1,913,924,091)
Gross Profit		<u>594,193,944</u>	<u>547,844,286</u>	<u>602,290,132</u>	<u>370,939,957</u>
Other income	5	<u>31,807,326</u>	<u>16,873,618</u>	<u>67,391,347</u>	<u>52,598,263</u>
		626,001,270	564,717,904	669,681,479	423,538,220
Distribution expenses		(245,709,016)	(241,400,294)	(245,650,720)	(139,146,842)
Administrative expenses		(174,534,494)	(168,224,244)	(174,059,697)	(119,881,478)
Results from operating activities	6	<u>205,757,760</u>	<u>155,093,366</u>	<u>249,971,062</u>	<u>164,509,900</u>
Net finance income	7	<u>13,887,018</u>	<u>17,633,895</u>	<u>12,238,969</u>	<u>12,022,447</u>
Profit before income tax expense		219,644,778	172,727,261	262,210,031	176,532,347
Income tax expense	8	(69,886,357)	(55,409,326)	(66,027,470)	(44,098,652)
Profit for the year		<u>149,758,421</u>	<u>117,317,935</u>	<u>196,182,561</u>	<u>132,433,695</u>
Profit attributable to equity holders - of the Company		149,758,421	117,317,935	196,182,561	132,433,695
Profit for the year		<u>149,758,421</u>	<u>117,317,935</u>	<u>196,182,561</u>	<u>132,433,695</u>
Basic earning per share - (Rs.)	9	156.03	122.23	204.40	137.98
Dividend per share - (Rs.)	10	65.00	45.00	65.00	45.00

Figures in bracket indicate deductions.

The notes to the financial statements from page 33 to 58 from an integral part of these consolidated financial statements.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	GROUP		COMPANY	
FOR THE YEAR ENDED 31 MARCH,		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit for the year		<u>149,758,421</u>	<u>117,317,935</u>	<u>196,182,561</u>	<u>132,433,695</u>
Other comprehensive income					
Net change in fair Value of Available for sale Financial Assets	14	2,540,669	5,141,450	2,540,669	5,141,450
Actuarial loss from re-measurement of employee benefit obligation	22.1	(7,788,057)	(953,562)	(7,788,057)	(953,562)
Related tax	8.2	2,180,656	-	2,180,656	-
Total other comprehensive (loss)/ income for the year		<u>(3,066,732)</u>	<u>4,187,888</u>	<u>(3,066,732)</u>	<u>4,187,888</u>
Total comprehensive income for the year		<u>146,691,689</u>	<u>121,505,823</u>	<u>193,115,829</u>	<u>136,621,583</u>

Figures in bracket indicate deductions.

The notes to the financial statements from page 33 to 58 from an integral part of these consolidated financial statements.



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH,	Note	GROUP		COMPANY	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	11	638,102,047	650,897,663	638,102,047	649,870,453
Intangible assets	12	4,801,662	1,635,066	4,801,662	1,585,899
Investment in subsidiary	13	-	-	70	70
Available for sale investment	14	37,951,000	33,968,996	37,951,000	33,968,996
Total non-current assets		680,854,709	686,501,725	680,854,779	685,425,418
Current assets					
Inventories	15	135,299,447	149,053,736	135,299,447	149,053,736
Trade and other receivables	16	305,415,180	317,237,525	305,415,180	306,724,278
Cash and cash equivalents	17	340,194,541	196,911,445	339,737,119	138,266,725
Total current assets		780,909,168	663,202,706	780,451,746	594,044,739
Total assets		1,461,763,877	1,349,704,431	1,461,306,525	1,279,470,157
EQUITY & LIABILITIES					
Equity					
Stated capital	18	9,598,000	9,598,000	9,598,000	9,598,000
Other capital reserves	19	7,010,944	7,010,944	11,014	11,014
Available for sale reserve		20,473,128	17,932,459	20,473,128	17,932,459
General reserve	20	12,841,000	12,841,000	12,841,000	12,841,000
Retained earnings		1,063,852,329	982,088,309	875,438,612	747,250,452
Total equity attributable to owners of the company		1,113,775,401	1,029,470,712	918,361,754	787,632,925
Non-current liabilities					
Deferred tax liabilities	21	32,331,383	29,278,485	32,331,383	29,133,372
Employee benefit obligation	22	63,816,015	49,979,518	63,816,015	49,979,518
Total non-current liabilities		96,147,398	79,258,003	96,147,398	79,112,890
Current liabilities					
Trade and other payables	23	157,106,026	153,601,920	156,956,026	150,409,722
Related party payables	24	-	-	195,836,581	175,840,287
Current tax liabilities	25	27,070,767	18,650,140	26,340,481	17,750,677
Bank overdraft	17	67,664,285	68,723,656	67,664,285	68,723,656
Total current liabilities		251,841,078	240,975,716	446,797,373	412,724,342
Total liabilities		347,988,476	320,233,719	542,944,771	491,837,232
Total equity and liabilities		1,461,763,877	1,349,704,431	1,461,306,525	1,279,470,157

The notes to the financial statements from page 33 to 58 from an integral part of these consolidated financial statements.

I certify that these consolidated financial statements comply with the requirements of Companies Act. No.07 of 2007.

C.T. Gajanayake
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these consolidated financial statements.
Approved & Signed on behalf of the Board.

S.N. Samarasinghe
Managing Director
30 July 2015

G.S.V. De Silva
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

GROUP

	Stated Capital Rs.	Available for sale Reserve Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2013	9,598,000	12,791,009	7,010,944	12,841,000	908,914,936	951,155,889
Total comprehensive income						
Profit for the year	-	-	-	-	117,317,935	117,317,935
Other comprehensive income						
Actuarial loss from re-measurement of employee benefits obligation	-	-	-	-	(953,562)	(953,562)
Net change in fair value of available for sale financial assets	-	5,141,450	-	-	-	5,141,450
Total other comprehensive income for the year		5,141,450	-	-	(953,562)	4,187,888
Total comprehensive income for the year		5,141,450	-	-	116,364,373	121,505,823
Transactions with owners of the company, recognized directly in equity						
Interim dividend	-	-	-	-	(19,196,000)	(19,196,000)
Final dividend	-	-	-	-	(23,995,000)	(23,995,000)
Total transactions with owners of the company		-	-	-	(43,191,000)	(43,191,000)
Balance as at 31 March 2014	9,598,000	17,932,459	7,010,944	12,841,000	982,088,309	1,029,470,712
Balance as at 01 April 2014	9,598,000	17,932,459	7,010,944	12,841,000	982,088,309	1,029,470,712
Total comprehensive income						
Profit for the year	-	-	-	-	149,758,421	149,758,421
Other comprehensive income						
Actuarial loss from re-measurement of employee benefits obligation	-	-	-	-	(7,788,057)	(7,788,057)
Related taxes	-	-	-	-	2,180,656	2,180,656
Net change in fair value of available for sale financial assets	-	2,540,669	-	-	-	2,540,669
Total other comprehensive income for the year		2,540,669	-	-	(5,607,401)	(3,066,732)
Total comprehensive income for the year		2,540,669	-	-	144,151,020	146,691,689
Transactions with owners of the company, recognized directly in equity						
Interim dividend	-	-	-	-	(28,794,000)	(28,794,000)
Final dividend	-	-	-	-	(33,593,000)	(33,593,000)
Total transactions with owners of the company		-	-	-	(62,387,000)	(62,387,000)
Balance as at 31 March 2015	9,598,000	20,473,128	7,010,944	12,841,000	1,063,852,329	1,113,775,401

Figures in brackets indicate deductions.

The notes to the financial statements from page 33 to 58 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY (CONTD.)

FOR THE YEAR ENDED 31 MARCH 2015

COMPANY

	Stated Capital Rs.	Available for sale Reserve Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2013	9,598,000	12,791,009	11,014	12,841,000	658,961,319	694,202,342
Total comprehensive income	-	-	-	-	132,433,695	132,433,695
Profit for the year	-	-	-	-	(953,562)	(953,562)
Other comprehensive income	-	5,141,450	-	-	-	5,141,450
Actuarial loss from re-measurement of employee benefits obligation	-	5,141,450	-	-	(953,562)	4,187,888
Net change in fair value of available for sale financial assets	-	5,141,450	-	-	131,480,133	136,621,583
Total other comprehensive income for the year	-	5,141,450	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(19,196,000)	(19,196,000)
Transaction with owners of the company, recognized directly in equity	-	-	-	-	(23,995,000)	(23,995,000)
Interim dividend	-	-	-	-	(43,191,000)	(43,191,000)
Final dividend	-	-	-	-	747,250,452	787,632,925
Total transactions with owners of the company	9,598,000	17,932,459	11,014	12,841,000	-	-
Balance as at 31 March 2014	9,598,000	17,932,459	11,014	12,841,000	747,250,452	787,632,925
Balance as at 01 April 2014	9,598,000	17,932,459	11,014	12,841,000	196,182,561	196,182,561
Total comprehensive income	-	-	-	-	(7,788,057)	(7,788,057)
Profit for the year	-	-	-	-	2,180,656	2,180,656
Other comprehensive income	-	2,540,669	-	-	-	2,540,669
Actuarial loss from re-measurement of employee benefits obligation	-	2,540,669	-	-	(5,607,401)	(3,066,732)
Related Taxes	-	2,540,669	-	-	190,575,160	193,115,829
Net change in fair value of available for sale financial assets	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	(28,794,000)	(28,794,000)
Total comprehensive income for the year	-	-	-	-	(33,593,000)	(33,593,000)
Transactions with owners of the company, recognized directly in equity	-	-	-	-	(62,387,000)	(62,387,000)
Interim dividend	-	-	-	-	875,438,612	918,361,754
Final dividend	-	-	-	-	-	-
Total transactions with owners of the company	9,598,000	20,473,128	11,014	12,841,000	-	-
Balance as at 31 March 2015	9,598,000	20,473,128	11,014	12,841,000	875,438,612	918,361,754

Figures in brackets indicate deductions.

The notes to the financial statements from page 33 to 58 form an integral part of these financial statements.



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Operating activities					
Profit before income tax expense		219,644,778	172,727,261	262,210,031	176,532,347
Adjustment for					
Provision for employee benefit	22	10,911,945	7,961,701	10,911,945	7,961,701
Depreciation/amortization	11,12	68,352,138	58,323,557	68,352,138	58,074,714
Interest expenses	7	79,153	800,068	79,153	800,068
Provision of Slow moving inventories	15	-	606,662	-	606,662
Profit on disposal of property, plant & equipment		(17,965,669)	(3,717,831)	(17,965,669)	(3,717,831)
Dividend income		(1,891,334)	(1,230,575)	(37,927,077)	(29,580,372)
Interest income	7	(12,769,676)	(18,458,837)	(11,121,627)	(12,847,389)
Operating profit before working capital changes		266,361,335	217,012,006	274,538,894	197,829,900
Change in inventories		13,754,290	(25,228,004)	13,754,290	(27,911,638)
Change in trade and other receivables		11,822,346	(26,325,326)	1,309,099	(181,518,879)
Change in related party payables		-	-	18,919,918	129,584,801
Change in trade and other payables		3,504,107	3,721,882	6,546,304	20,952,372
Cash generated from operations		295,442,078	169,180,558	315,068,505	138,936,556
Gratuity paid	22	(4,863,505)	(7,640,489)	(4,863,505)	(4,499,451)
Interest paid		(79,153)	(800,068)	(79,153)	(800,068)
Income tax paid	25	(56,232,177)	(31,316,390)	(52,059,000)	(21,058,647)
Cash flows from operating activities		234,267,243	129,423,611	258,066,847	112,578,390
Investing activities					
Interest received		12,769,676	18,458,837	11,121,627	12,847,389
Dividends received		1,891,334	1,230,575	37,927,077	29,580,372
Proceeds from disposal of property, plant and equipment		18,061,814	3,784,392	18,061,814	3,784,392
Acquisition of property, plant and equipment		(58,819,265)	(131,420,565)	(58,819,265)	(130,771,493)
Investment in units		(1,441,335)	(930,574)	(1,441,335)	(930,574)
Cash flows from/ (used in) investing activities		(27,537,776)	(108,877,335)	6,849,918	(85,489,914)
Financing activities					
Dividends paid		(62,387,000)	(43,191,000)	(62,387,000)	(43,191,000)
Cash flows used in financing activities		(62,387,000)	(43,191,000)	(62,387,000)	(43,191,000)
Net change in cash and cash equivalents		144,342,467	(22,644,724)	202,529,765	(16,102,524)
Cash and cash equivalents at the beginning		128,187,789	150,832,513	69,543,069	85,645,593
Cash and cash equivalents at the end (Note 17)		272,530,256	128,187,789	272,072,834	69,543,069

figures in bracket indicate deductions.

The notes to the financial statements from page 33 to 58 form an integral part of these consolidated financial statements.

Independent Auditors' Report is provided on page 26.



NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Harischandra Mills PLC (the "Company") is a public quoted Company incorporated and domiciled in Sri Lanka since 14th December 1959 with limited liability. The Registered Office and the principal place of business of the Company are located at No.11, C. A. Harischandra Mawatha, Matara.

The consolidated Financial Statements of the Group as at and for year ended 31 March, 2015 comprise the financial information of the Company and its subsidiary, Harischandra Mills (Distributors) Limited (together referred to as the "Group" and individually as "Group entities").

The Company does not have any identifiable parent of its own.

The principal activities of the Company and the Group are manufacturing and distributing of food, soap items and fuel and lubricants.

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

In Previous year directors of the Company decide to transfer the distributorship of Harischandra Mills (Distributors) Limited to Harischandra Mills PLC. Accordingly, the Principal commercial operation of Harischandra Mills (Distributors) Limited is now been transferred to the parent Company.

The Financial Statements of both companies in the Group are prepared to a common financial year, which is ended on 31 March.

Both Company and the Group had 555 (2013/14-Company 407 and Group 528) employees at the end of the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Statement of Financial Position, Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Statement of Cash Flows together with the notes, (the "Financial Statements") of the Company and the Group as at 31 March 2015 and for the period then ended have been prepared in accordance with new Sri Lanka Accounting

Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and complies with requirements of the Companies Act No 07 of 2007.

2.2 Basis of Measurement

The Financial Statements have been prepared on historical cost basis except for following material items in the statement of financial position.

- Actuarial valuation method has been adopted to estimate defined benefit liability.
- Financial assets classified as Available for sale are measured at fair value.

2.3 Functional & Presentation Currency

The Financial Statements of the Company and the Group are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee.

2.4 Use of Estimates & Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if revision affects both current and future periods.

In particular information about significant areas of estimates and uncertainty and critical judgment in applying accounting polices that have the most significant effect on the amounts recognized in consolidated Financial Statements are described in following notes.

Note 11 - Property, plant and equipment

Note 21 -Deferred tax liabilities

Note 22 -Employee benefit obligation



NOTES TO THE FINANCIAL STATEMENTS

2.5 Measurement of Fair value

Few of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. The Group regularly reviews significant unobservable inputs and valuation adjustments.

If third party information is used to measure fair values, Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices.)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in Accounting Policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st April 2014.

1. SLFRS 10 - Consolidated Financial Statements

As a result of SLFRS 10, the Group has changed its accounting policy for determining whether it has control over and

consequently whether it consolidates other entities. SLFRS10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

This standard require the Company to review the group structure in the context of the requirement of the new standard.

2. SLFRS 13 - Fair Value Measurement

In accordance with the SLFRS 13, the Group has applied the new definition of fair value, it unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the Financial Statements, which are required under SLFRS 13.

Except for the changes specified above, the accounting policies set out below have been consistently applied to all period presented in these financial statement.

3.2 Basis of Consolidation

3.2.1 Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiary is included in the consolidated financial statements from date on which control commences until the date on which control ceases.



NOTES TO THE FINANCIAL STATEMENTS

The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent

liabilities are measured at their fair value at the date of acquisition. Subsequent to the acquisition, the company continues to recognize the investment in subsidiary at cost.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. The Company does not have any non controlling interest as of the reporting date.

3.2.3 Transactions Eliminated on Consolidation

Intra group balances & transactions and any unrealized gains arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transaction with subsidiary are eliminated to the extent of the Group's interest in the subsidiary against the investment in the subsidiary. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling as at the reporting date. Foreign exchange differences arising on the settlement or reporting of the Company's monetary items at rates different from those which were initially recorded are dealt with in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost at the reporting date are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of initial transaction.

Non monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate ruling at the dates that the value were determined. Foreign exchange differences arising on transactions are recognized in the income statement, except for the differences arising on the translations of available for sale investments which

recognized in other comprehensive income.

3.4 Assets and Bases of their Valuation

Assets classified as current assets in the Statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle, or within one year from the reporting date, whichever is shorter.

3.4.1 Property, Plant & Equipment

3.4.1.1 Basis of Recognition

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self constructed asset includes the cost of materials and direct labour, the initial estimate, when relevant of the cost of the dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of overheads.

The cost of acquisition includes purchase cost together with any incidental expenses incurred in bringing the assets to working condition for the intended use.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

3.4.1.2 Subsequent Cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The cost of day to day servicing of property, plant and equipment is charged to the Income Statement as incurred.

3.4.1.3 De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de recognition of an item of property, plant and equipment is included in Income Statement when the item is derecognized.



NOTES TO THE FINANCIAL STATEMENTS

When replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection cost is capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

3.4.1.4 Depreciation

Depreciation is recognized in the Income Statement on straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease terms and useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease period. Freehold land is not depreciated. The estimated useful lives for the current and comparative periods are as follows.

Buildings	50 years
Plant & machinery	13.3 years
Office, factory & Laboratory equipments	10 years
Furniture & fittings	20 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized.

3.4.1.5 Capital Work- In - Progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as Capital Work-in-Progress, whilst the capital assets which have been completed during the year and put to use have been transferred to property, plants & equipment.

3.4.2 Intangible Assets

3.4.2.1 Basis of Recognition

An Intangible asset is recognized if it is probable that future

economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standards - LKAS 38 "Intangible Assets."

3.4.2.2 Subsequent Expenditure

Subsequent expenditure is capitalized only when it is increased the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the Income Statement when it is incurred.

3.4.2.3 Useful Economic Life and Amortization

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The intangible assets included in the financial statements represent cost of computer software and the amortization rate is as follows.

Computer Software - 5 years

Above rate is consistent with the rate in the previous years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.5 Financial Instruments

3.5.1 Non Derivative Financial Assets

3.5.1.1 Initial Recognition and Measurement

Financial Assets are recognized when and only when the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized they are measured at fair value plus directly attributable transaction costs. However in the case of financial assets classified as fair value through profit & loss, the directly attributable cost are not considered. The financial assets include cash and cash equivalents, available for sale investment and trade and other receivables.

3.5.1.2 Subsequent Measurement

The Group classifies non derivative financial assets into the following categories. Namely, financial assets at fair value



NOTES TO THE FINANCIAL STATEMENTS

through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets and the subsequent measurement of non - derivative financial assets depends on their classification. Financial assets of the Group are limited to loans and receivables and available for sale financial assets and their subsequent measurement are as follows.

The Group has the following non - derivative financial assets.

(a) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an actual market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade & other receivables and cash and cash equivalents.

(b) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of change in value. For the purpose of statement of cash flows cash and cash equivalent comprise of cash in hand and deposits at banks net of outstanding bank overdrafts.

(c) Financial Assets Available-for-Sale (AFS)

Financial assets available-for-sale consist of investments in units which are non-derivative instruments, AFSs are carried at fair value. Dividend income is recognized in the income statement when the Group becomes entitled to receive the dividend.

After initial measurement, AFSs are subsequently measured at fair value with unrealized gain of losses recognized through other comprehensive income in the 'financial assets available-for-sales reserve' (AFS reserve) until the investment is derecognized at which time the cumulative gain or loss is recognized under other operating income. In the event of the financial asset is being deemed to be impaired, the cumulative loss is shown in the income statement under the finance cost at which time it will be removed from the 'AFS reserve'.

3.5.1.3 Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate assets or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRS, or for gains and losses arising on similar transactions such as in the Company's trading activity.

3.5.2 Non-Derivative Financial Liabilities

3.5.2.1 Initial Recognition and Measurement

Financial liabilities within the scope of SLFRS are recognized when and only when the Group becomes a party to the contractual provisions of the financial instrument.

Financial Liabilities are recognized initially at fair value plus directly attributable transaction costs, however in the case of financial liabilities classified as fair value through profit & loss the directly attributable costs are not considered.

3.5.2.2 Subsequent Measurement

The Group classifies non derivative financial liabilities into other financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Such financial liabilities measured at amortized cost includes trade and other payables, amounts due to related companies and bank overdrafts.



NOTES TO THE FINANCIAL STATEMENTS

3.5.2.3 Derecognition

A financial liability is derecognized when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts are recognized in the Profit or Loss.

3.5.3 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.6 Impairment

3.6.1 Financial Assets (Including Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at specific asset level. All receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.6.2 Non Financial Assets

The carrying amount of the Group's non-financial assets other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of the impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 Share Capital

3.7.1 Ordinary shares

Ordinary shares are classified as equity, incremental cost directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

3.8 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in-first out principle, and includes expenditure incurred in acquiring the inventories, production or conversion cost and



NOTES TO THE FINANCIAL STATEMENTS

other cost incurred in bringing them to their existing location and condition. In relation to Work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3.9 Liabilities and Provisions

3.9.1 Liabilities

Liabilities classified as current liabilities on the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date.

Non - Current liabilities are those balances that fall due for payment after one year from the reporting date.

3.9.2 Provisions

A provision is recognized in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of the past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.9.3 Employee Benefits

3.9.3.1 Defined Contribution Plans

A defined contribution plan is a post employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as expense in the Income Statement in the periods during which services are rendered by employees.

Employees' Provident Fund - Managed by Central Bank of Sri Lanka

The Company and employees who are paid on daily rate (Check roll Employees), contribute 12% & 8% respectively on the salary of each employee to the Approved Provident Fund.

Employees Provident Fund - Managed by Harischandra Mills PLC Provident Fund Association

Both the Company and employees who are paid on monthly pay basis (Payroll Employees), contribute 15% on the salary of

each employee to the Approved Private Provident Fund.

Employees Trust Fund

The Group/Company contributes 3% of the salary of each employee to the employees' Trust Fund. Contributions to defined contribution plans are recognized as an expense in the income statement as it is incurred.

3.9.4 Retiring Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

In accordance with the Gratuity Act No. 12 of 1963, a liability arises for a defined benefit obligation to employees. Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS 19-'Employee Benefits.'

The calculation is performed annually by a qualified actuary using the projected until credit method (PUC). The Group recognizes all actuarial gains or losses arising from defined benefit obligation immediately in other comprehensive income.

3.9.5 Capital Commitments & Contingencies

Contingent liabilities are possible obligation whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the financial statements.

3.9.6 Events Subsequent to Reporting Period

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the Financial Statement wherever necessary.

3.10 Statement of Profit or Loss and Other Comprehensive Income

3.10.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group, and the associated costs incurred or to be incurred can be reliably measured.



NOTES TO THE FINANCIAL STATEMENTS

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and revenue related taxes, and after eliminating sales within the Group.

Revenue from the sale of goods is recognized in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer.

3.10.2 Profit on Disposal of Property, Plants & Equipment

Profits or losses resulting from disposal of property, plants & equipment have been accounted in the Income Statement.

3.10.3 Rental Income

Rental income is recognized on an accrual basis.

3.10.4 Dividend Income

Dividend Income is recognized in profit or loss on the date that the Group's right to receive payment is established.

3.10.5 Expenditure

All expenditure incurred in running of the business and maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of income statement, the Directors are of the opinion that function of expense present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

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

The profit earned by the Group before taxation as shown in the income statement is after making provision for all known liabilities and for the depreciation of property, plants & equipments.

3.10.6 Net Finance Expense

Finance expense comprises interest payable on borrowing and foreign exchange losses.

Finance income comprises interest received on funds invested and foreign exchange gains. Interest income and expenses are recognized on an accrual basis.

3.10.7 Income Tax Expenses

Income tax expenses comprise current and deferred tax. Income tax expenses are recognized directly in income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

3.10.7.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.10.7.2 Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.10.7.3 Withholding tax on Dividends

Dividend distributed out of taxable profit of the subsidiary attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Thus the Withholding tax deducted at the source is added to the tax expense of the subsidiary in the consolidated financial statement as a consolidation adjustment.



NOTES TO THE FINANCIAL STATEMENTS

3.11 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method." Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of Statement of Cash Flows.

3.12 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or service (business segment) , or in providing products or service with in a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segmentation has been determined based on the Group's management and internal reporting structure. Segment information is based on the primary format representing the industry segments of the Group.

Based on the nature of the Group, segment information has not been provided on a secondary format representing the geographical area. Inter segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.13 Comparative Information

Previous year figures and phrases have been rearranged and reclassified wherever necessary to conform to the current year's presentation.

3.14 New Accounting Standard Not Effective at the Reporting Date.

The following SLFRS have been issued by the institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future Financial Statements.

3.14.1 Standards issued but not yet adopted which may have significant impact.

Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments Classification and Measurement".

The objective of SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of Financial Statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instrument Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

The Group is assessing the potential impact on its Financial Statement resulting from the application of SLFRS 9.

Sri Lanka Accounting Standard - SLFRS 15 "Revenue from Contracts with Customers"

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 15.

3.14.2 Standards issued but not yet adopted which is not expected to have an impact.

The following new or amended standards are not expected to have an impact of the Group's Financial Statements.

- (a) SLFRS 14 - Regulatory Deferral Account - effective from 01st January 2016.
- (b) Agriculture Bearer Plants (Amendments to LKAS 16 and LKAS 41) - effective from 1st January 2016.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
4. GROSS REVENUE				
Food products	1,647,163,956	1,605,907,469	1,653,364,946	1,350,368,989
Soap products	306,626,535	314,344,159	308,521,733	255,677,835
Fuel and Lubricants	766,369,201	678,817,224	766,369,201	678,817,224
	<u>2,720,159,692</u>	<u>2,599,068,852</u>	<u>2,728,255,880</u>	<u>2,284,864,048</u>
5. OTHER INCOME				
Dividend income	1,891,334	1,230,575	37,927,077	29,580,372
Management income	-	-	-	818,452
Rental income	-	-	-	982,143
Vehicle hire income	-	-	-	7,098,214
Profit on disposal of property, plant & equipment	17,965,669	3,717,831	17,965,669	3,717,831
Staff loan interest income	3,071,098	3,745,571	3,071,098	2,221,610
Sundry income (Note 5.1)	8,879,225	8,179,641	8,427,503	8,179,641
	<u>31,807,326</u>	<u>16,873,618</u>	<u>67,391,347</u>	<u>52,598,263</u>
5.1 Sundry income				
Sale of disposable material	7,549,352	7,357,516	7,549,352	7,357,516
Sundry receipts	1,329,873	822,125	878,151	822,125
	<u>8,879,225</u>	<u>8,179,641</u>	<u>8,427,503</u>	<u>8,179,641</u>
6. RESULTS FROM OPERATING ACTIVITIES				
Results from operating activities are stated after charging all expenses including following;				
Directors' emoluments	30,605,524	22,658,811	30,605,524	9,447,377
Auditors' remuneration	1,029,133	1,382,050	879,133	732,050
Depreciation and amortization	68,352,138	58,323,557	68,352,138	58,074,714
Donations	3,523,816	2,960,135	3,523,816	644,464
Staff related expenses (Note 6.1)	257,411,023	247,406,375	257,411,023	188,247,091
6.1 Staff related expenses				
Salaries and wages	172,861,159	166,250,342	172,861,159	120,266,104
Defined contribution plan	22,780,077	18,475,333	22,780,077	10,440,517
Bonus	32,556,489	37,118,081	32,556,489	35,769,326
Staff welfare	18,301,355	17,600,918	18,301,355	13,809,443
Defined benefit plan - Retiring gratuity	10,911,943	7,961,701	10,911,943	7,961,701
	<u>257,411,023</u>	<u>247,406,375</u>	<u>257,411,023</u>	<u>188,247,091</u>
Average number of employees	<u>555</u>	<u>528</u>	<u>555</u>	<u>407</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
7. NET FINANCE INCOME				
7.1 Finance income				
Interest income	12,769,676	18,458,837	11,121,627	12,847,389
Profit from translation of foreign currencies	1,196,495	-	1,196,495	-
	<u>13,966,171</u>	<u>18,458,837</u>	<u>12,318,122</u>	<u>12,847,389</u>
7.2 Finance expenses				
Interest expenses	(79,153)	(800,068)	(79,153)	(800,068)
Loss on translation of foreign currencies	-	(24,874)	-	(24,874)
	<u>(79,153)</u>	<u>(824,942)</u>	<u>(79,153)</u>	<u>(824,942)</u>
Net finance income	<u>13,887,018</u>	<u>17,633,895</u>	<u>12,238,969</u>	<u>12,022,447</u>
8. INCOME TAX EXPENSE				
8.1 Amounts recognized in profit or loss				
Current tax expense				
On current year profits (Note 8.3)	56,288,442	43,323,707	56,288,442	38,789,437
Prior year under provision	4,360,362	-	4,360,362	-
Taxes on inter company dividend	4,004,000	3,150,000	-	-
Deferred tax expense				
Origination of temporary differences (Note 21)	5,233,553	8,935,619	5,378,666	5,309,215
Tax expense on continuing operations	<u>69,886,357</u>	<u>55,409,326</u>	<u>66,027,470</u>	<u>44,098,652</u>
8.2 Amounts recognised in other comprehensive income				
Deferred tax reversal on actuarial loss (Note 21)	(2,180,656)	-	(2,180,656)	-
	<u>(2,180,656)</u>	<u>-</u>	<u>(2,180,656)</u>	<u>-</u>
8.3 Tax reconciliation statement				
Profit before income tax expense	219,644,778	172,727,261	262,210,031	176,532,347
Income not liable to tax	(3,991,106)	(1,230,575)	(37,927,077)	(29,580,372)
Expenses disallowed for tax	155,366,613	122,276,299	146,737,331	114,731,399
Expenses allowed for tax	(128,283,393)	(98,245,350)	(128,283,393)	(83,193,731)
Qualifying payments	(41,157,001)	(39,498,905)	(41,157,001)	(39,498,905)
Taxable profit	<u>201,579,891</u>	<u>156,028,730</u>	<u>201,579,891</u>	<u>138,990,738</u>
Income tax at 12%	115,447	95,977	115,447	95,977
Income tax at 28%	56,172,995	43,227,730	56,172,995	38,693,460
On current year profits	<u>56,288,442</u>	<u>43,323,707</u>	<u>56,288,442</u>	<u>38,789,437</u>
Effective tax rate	<u>21.47%</u>	<u>25.08%</u>	<u>21.47%</u>	<u>21.97%</u>

The provision for income tax has been made in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, at the rate of 28% and the tax on export profit at 12%.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

9. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profits attributable to ordinary shareholders of the Company and weighted average number of ordinary shares outstanding during the year, and calculated as follows.

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit attributable to ordinary shareholders	<u>149,758,421</u>	<u>117,317,935</u>	<u>196,182,561</u>	<u>132,433,695</u>
Number of ordinary shares	<u>959,800</u>	<u>959,800</u>	<u>959,800</u>	<u>959,800</u>
Basic earnings per share (Rs.)	<u>156.03</u>	<u>122.23</u>	<u>204.40</u>	<u>137.98</u>

10. DIVIDEND PER SHARE

Equity dividend on ordinary shares declared and paid during the year.

	GROUP / COMPANY	
	2015 Rs	2014 Rs
Interim dividend	<u>28,794,000</u>	<u>19,196,000</u>
Final dividend	<u>33,593,000</u>	<u>23,995,000</u>
	<u>62,387,000</u>	<u>43,191,000</u>
Number of ordinary shares	<u>959,800</u>	<u>959,800</u>
Dividend per share (Rs.)	<u>65.00</u>	<u>45.00</u>

10.1 As required by Section 56 of the Companies Act No 7 of 2007, the Board of Directors of the Company is satisfied that the solvency of the Company in accordance with the Section 57, prior to recommending the final dividend. A statement of solvency was completed and was duly signed by the Directors.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. PROPERTY, PLANT AND EQUIPMENT
AS AT 31 MARCH
A. GROUP

	Freehold Land	Buildings	Plant & machinery	Office factory & laboratory equipment	Motor vehicles	Furniture & fittings	Total 2015	Total 2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
As at 01 April	299,062,500	70,237,056	119,368,536	34,379,170	309,739,240	6,264,007	839,050,509	741,040,178
Additions	-	-	288,010	2,488,625	-	734,782	3,511,417	5,292,121
Transfers from CWIP (Note 11(A).1)	-	6,040,841	43,346,399	5,408,764	46,357,582	1,821,729	102,975,315	97,191,838
Disposals	-	-	-	(192,823)	(21,586,607)	(2,433)	(21,781,863)	(4,473,628)
As at 31 March	299,062,500	76,277,897	163,002,945	42,083,736	334,510,215	8,818,085	923,755,378	839,050,509
Accumulated depreciation								
As at 01 April	-	8,751,098	17,075,667	9,864,975	206,418,489	1,413,492	243,523,721	190,760,382
Charge for the year	-	3,247,176	10,126,296	3,736,066	49,718,971	582,775	67,411,284	57,170,406
On disposals	-	-	-	(135,175)	(21,550,530)	(12)	(21,685,717)	(4,407,067)
As at 31 March	-	11,998,274	27,201,963	13,465,866	234,586,930	1,996,255	289,249,288	243,523,721
Carrying amounts as at 31 March 2015	299,062,500	64,279,623	135,800,982	28,617,870	99,923,285	6,821,830	634,506,090	
Carrying amounts as at 31 March 2014	299,062,500	61,485,958	102,292,869	24,514,195	103,320,751	4,850,515		595,526,788
Capital work in progress (Note 11(A).1)							3,595,957	55,370,875
Net carrying amount as at 31 March							638,102,047	650,897,663
11(A).1 Capital work in progress (CWIP)								
As at 01 April							55,370,875	26,524,269
Incurred during the year							55,307,847	126,128,444
Capitalized during the year							(102,975,315)	(97,191,838)
Tangible assets							(4,107,450)	(90,000)
Intangible assets							3,595,957	55,370,875
As at 31 March								

11(A).2 The cost of fully depreciated property, plant & equipment as at reporting date amounted to Rs. 130,685,162/- (2014, Rs. 123,932,115/-)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. PROPERTY, PLANT AND EQUIPMENT
AS AT 31 MARCH
B. COMPANY

	Freehold Land	Buildings	Plant & machinery	Office factory & laboratory equipment	Motor vehicles	Furniture & fittings	Total 2015	Total 2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
As at 01 April	299,062,500	70,237,056	119,368,536	33,261,566	309,739,240	5,607,136	837,276,034	739,864,774
Additions	-	-	288,010	2,488,625	-	734,782	3,511,417	4,750,649
Transferred from related party	-	-	-	528,097	-	499,111	1,027,208	-
Transfers from CWIP (Note 11 (B).1)	-	6,040,841	43,346,399	5,408,764	46,357,582	1,821,729	102,975,315	97,134,239
Disposals	-	-	-	(192,823)	(21,586,607)	(2,433)	(21,781,863)	(4,473,628)
As at 31 March	299,062,500	76,277,897	163,002,945	41,494,229	334,510,215	8,660,325	923,008,111	837,276,034
Accumulated depreciation								
As at 01 April	-	8,751,098	17,075,667	9,275,466	206,418,487	1,255,737	242,776,455	190,261,126
Charge for the year	-	3,247,176	10,126,296	3,736,066	49,718,971	582,775	67,411,284	56,922,396
On disposals	-	-	-	(135,175)	(21,550,531)	(12)	(21,685,718)	(4,407,067)
As at 31 March	-	11,998,274	27,201,963	12,876,357	234,586,927	1,838,500	288,502,021	242,776,455
Carrying amounts as at 31 March 2015	299,062,500	64,279,623	135,800,982	28,617,872	99,923,288	6,821,825	634,506,090	
Carrying amounts as at 31 March 2014	299,062,500	61,485,958	102,292,869	23,986,100	103,320,753	4,351,399		594,499,578
Capital work in progress (Note 11 (B). 1)							3,595,957	55,370,875
Net carrying amount as at 31 March							638,102,047	649,870,453
11(B).1 Capital work in progress (CWIP)								
As at 01 April								
Incurred during the year							55,370,875	26,524,269
Capitalized during the year							55,307,847	126,020,845
Tangible assets							(102,975,315)	(97,134,239)
Intangible assets							(4,107,450)	(40,000)
As at 31 March							3,595,957	55,370,875

11 (B).2 The cost of fully depreciated property, plant & equipment as at reporting date amounted to Rs. 130,685,162/- (2014 Rs. 123,932,115/-)



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11.1 Company properties

Asset type	Location	Extent			Value
		A	R	P	
Land	11, C.A. Harischandra Mawatha, Matara.	04	02	20	138,750,000
	455, Bauddhaloka Mawatha, Colombo 08	00	01	2.75	160,312,500
					<u>299,062,500</u>

AS AT 31 MARCH,	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
12. INTANGIBLE ASSETS				
Computer Software				
Cost				
As at 01 April	4,416,255	4,326,255	4,366,255	4,326,255
Transferred from CWIP	4,107,450	90,000	4,107,450	40,000
Transferred from related party	-	-	49,167	-
As at 31 March	<u>8,523,705</u>	<u>4,416,255</u>	<u>8,522,872</u>	<u>4,366,255</u>
Amortization				
As at 01 April	2,781,189	1,628,038	2,780,356	1,628,038
Amortization during the year	940,854	1,153,151	940,854	1,152,318
As at 31 March	<u>3,722,043</u>	<u>2,781,189</u>	<u>3,721,210</u>	<u>2,780,356</u>
Carrying values as at 31 March	<u>4,801,662</u>	<u>1,635,066</u>	<u>4,801,662</u>	<u>1,585,899</u>

13. INVESTMENT IN SUBSIDIARY	COMPANY	
	2015	2014
Ordinary shares		
Harischandra Mills (Distributors) Limited (Fully owned subsidiary)	<u>70</u>	<u>70</u>
	<u>70</u>	<u>70</u>
No of shares		
1992/93 issued to subscribers	7	7
1995/96 script issue	699,993	699,993
Total	<u>700,000</u>	<u>700,000</u>

AS AT 31 MARCH,	GROUP / COMPANY			
	2015 Cost of investment Rs.	Market value Rs.	2014 Cost of investment Rs.	Market value Rs.
14. AVAILABLE FOR SALE INVESTMENTS				
Balance as at 01 April	16,036,537	33,968,996	15,105,963	27,896,972
Additions during the year	1,441,335	1,441,335	930,574	930,574
Net gain on fair value change	-	2,540,669	-	5,141,450
Balance as at 31 March	<u>17,477,872</u>	<u>37,951,000</u>	<u>16,036,537</u>	<u>33,968,996</u>
a) Investment in units of National Equity Fund				
Balance as at 01 April	14,520,005	29,305,496	13,605,963	23,510,972
Additions during the year	1,441,335	1,441,335	930,574	930,574
Net gain on fair value change	-	2,020,169	-	4,863,950
Balance as at 31 March	<u>15,961,340</u>	<u>32,767,000</u>	<u>14,536,537</u>	<u>29,305,496</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP / COMPANY			
	2015		2014	
	Cost of investment Rs.	Market value Rs.	Cost of investment Rs.	Market value Rs.
14. AVAILABLE FOR SALE INVESTMENTS (CONTD.)				
b) Investment in units of NDB Growth and Income Fund				
Balance as at 01 April	1,500,000	4,663,500	1,500,000	4,386,000
Net gain on fair value change	-	520,500	-	277,500
Balance as at 31 March	<u>1,500,000</u>	<u>5,184,000</u>	<u>1,500,000</u>	<u>4,663,500</u>
	GROUP		COMPANY	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
15. INVENTORIES				
Raw materials and consumables	51,119,627	78,876,082	51,119,627	78,876,082
Work in progress	17,842,302	13,818,170	17,842,302	13,818,170
Finished goods	44,044,178	38,083,968	44,044,178	38,083,968
Machinery spares	<u>23,588,017</u>	<u>19,570,193</u>	<u>23,588,017</u>	<u>19,570,193</u>
	136,594,124	150,348,413	136,594,124	150,348,413
Less:				
Provision for slow moving machinery spares (Note 15.1)	<u>(1,294,677)</u>	<u>(1,294,677)</u>	<u>(1,294,677)</u>	<u>(1,294,677)</u>
	135,299,447	149,053,736	135,299,447	149,053,736
15.1 Provision for slow moving machinery spares				
As at 01 April	1,294,677	688,015	1,294,677	688,015
Provision made during the year	-	606,662	-	606,662
As at 31 March	<u>1,294,677</u>	<u>1,294,677</u>	<u>1,294,677</u>	<u>1,294,677</u>
16. TRADE AND OTHER RECEIVABLES				
Trade receivables	247,251,585	247,786,612	247,251,585	238,597,526
Other receivables (Note 16.1)	<u>58,163,595</u>	<u>69,450,913</u>	<u>58,163,595</u>	<u>68,126,752</u>
	305,415,180	317,237,525	305,415,180	306,724,278
16.1 Other receivables				
Loans to employees	24,842,610	21,376,647	24,842,610	21,211,301
Advances & prepayments	29,784,924	42,412,689	29,784,924	41,826,623
Trade deposits	3,107,987	1,910,217	3,107,987	1,910,217
Sundry debtors	<u>428,074</u>	<u>3,751,360</u>	<u>428,074</u>	<u>3,178,611</u>
	58,163,595	69,450,913	58,163,595	68,126,752
17. CASH & CASH EQUIVALENTS				
Cash in hand & bank balances	39,469,922	31,938,582	39,070,946	28,843,299
Short term deposits	<u>300,724,619</u>	<u>164,972,863</u>	<u>300,666,173</u>	<u>109,423,426</u>
Cash and cash equivalents	340,194,541	196,911,445	339,737,119	138,266,725
Bank overdrafts (secured) (Note 17.1)	(67,664,285)	(68,723,656)	(67,664,285)	(68,723,656)
Cash and cash equivalents for the purpose of statement of cash flows	<u>272,530,256</u>	<u>128,187,789</u>	<u>272,072,834</u>	<u>69,543,069</u>

17.1 Bank overdraft is fully secured on short term deposits held with banks.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
18. STATED CAPITAL				
959,800 ordinary share at Rs. 10/- each	<u>9,598,000</u>	<u>9,598,000</u>	<u>9,598,000</u>	<u>9,598,000</u>
18.1 The holder of ordinary shares entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders Meetings of the Company.				
19. OTHER CAPITAL RESERVES				
19.1 Other capital reserves				
Reserve on script issue (Note 19.1.1)	6,999,930	6,999,930	-	-
Reserve on share issue (Note 19.1.2)	<u>11,014</u>	<u>11,014</u>	<u>11,014</u>	<u>11,014</u>
	<u>7,010,944</u>	<u>7,010,944</u>	<u>11,014</u>	<u>11,014</u>
19.1.1. Reserve on script issue in consolidated financial statements has arisen on script issue of 699,993 shares of Rs. 10/- each by the fully owned subsidiary, Harischandra Mills (Distributors) Limited in the year 1995/96.				
19.1.2. Reserve on share issue comprise unclaimed funds of share application and allotment account transferred to capital reserves. This reserve can not be directly distributed to shareholders.				
20. GENERAL RESERVES				
General reserves	<u>12,841,000</u>	<u>12,841,000</u>	<u>12,841,000</u>	<u>12,841,000</u>
	<u>12,841,000</u>	<u>12,841,000</u>	<u>12,841,000</u>	<u>12,841,000</u>
21. DEFERRED TAXATION				
Deferred tax liabilities arising on property plant and equipment (Note 21.1)	50,199,866	43,272,750	50,199,866	43,127,637
Deferred tax asset on employee benefit obligation (Note 21.2)	<u>(17,868,483)</u>	<u>(13,994,265)</u>	<u>(17,868,483)</u>	<u>(13,994,265)</u>
	<u>32,331,383</u>	<u>29,278,485</u>	<u>32,331,383</u>	<u>29,133,372</u>
21.1 Deferred tax liabilities				
Balance as at 01 April	43,272,750	33,980,194	43,127,637	33,840,149
Total deferred tax liability originating the year	6,927,116	9,292,556	7,072,229	9,287,488
Balance as at 31 March	<u>50,199,866</u>	<u>43,272,750</u>	<u>50,199,866</u>	<u>43,127,637</u>
21.2 Deferred tax asset				
Balance as at 01 April	13,994,265	13,637,328	13,994,265	10,015,992
Total deferred tax asset originating the year	3,874,218	356,937	3,874,218	3,978,273
Balance as at 31 March	<u>17,868,483</u>	<u>13,994,265</u>	<u>17,868,483</u>	<u>13,994,265</u>
22. EMPLOYEE BENEFIT OBLIGATION				
Retiring gratuity				
As at 01 April	49,979,518	48,704,744	49,979,518	35,771,400
Transferred from Harischandra Mills (Distributor) Limited	-	-	-	9,792,306
Charge for the year (Note 22.1)	<u>18,700,002</u>	<u>8,915,263</u>	<u>18,700,002</u>	<u>8,915,263</u>
	<u>68,679,520</u>	<u>57,620,007</u>	<u>68,679,520</u>	<u>54,478,969</u>
Gratuity paid	<u>(4,863,505)</u>	<u>(7,640,489)</u>	<u>(4,863,505)</u>	<u>(4,499,451)</u>
Balance as at 31 March	<u>63,816,015</u>	<u>49,979,518</u>	<u>63,816,015</u>	<u>49,979,518</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
22. EMPLOYEE BENEFIT OBLIGATION(CONTD.)				
22.1 Charge for the year				
Interest cost	5,497,747	3,934,854	5,497,747	3,934,854
Current service cost	5,414,198	4,026,847	5,414,198	4,026,847
Actuarial loss	7,788,057	953,562	7,788,057	953,562
	<u>18,700,002</u>	<u>8,915,263</u>	<u>18,700,002</u>	<u>8,915,263</u>

22.2 An actuarial valuation on the retiring gratuities was carried out as at 31 March 2015 by Mr. M.Poopalanathan, AIA, M/s Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method", the method recommended by the Sri Lanka Accounting Standard No. 19 (LKAS 19) "Employee Benefits."

22.3 Actuarial assumptions	2015	2014
a. Financial assumptions		
Discount rate as at 31 March	9.5%	11%
Future salary increases	10%	12%

b. Demographic assumptions

The demographic assumptions underlying the valuation are retirement age at 55 years, early withdrawal from services and death before and after retirement. Assumption regarding the future mortality are based on the 1967 - 70 mortality table issued by the Institute of Actuaries, London.

22.4 Sensitivity of Assumptions Used

Possible changes at the reporting date to one of the actuarial assumptions, holding other assumptions constant would have affected the defined benefit obligations as follows;

	Effect on charged to Statement of Profit or Loss and Other comprehensive Income		Effect on Employee Benefit Obligations In the Statement of Financial Position	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate 1%	3,401,894	(3,799,392)	(3,401,894)	3,799,392
Salary Increment 1 %	(3,988,801)	3,633,488	3,988,801	(3,633,488)

23. TRADE & OTHER PAYABLES

	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade payables	60,621,233	67,745,802	60,621,233	67,284,546
Other payables (Note 23.1)	96,484,793	85,856,118	96,334,793	83,125,176
	<u>157,106,026</u>	<u>153,601,920</u>	<u>156,956,026</u>	<u>150,409,722</u>
23.1 Other payables				
Accrued expenses	33,976,876	23,467,451	33,826,876	22,117,231
VAT payable	16,234,293	19,211,372	16,234,293	19,211,372
NBT payable	3,634,044	3,431,204	3,634,044	3,487,147
Trade & customer deposits	3,580,072	3,500,440	3,580,072	2,575,440
Provision for bonus	35,000,000	32,000,000	35,000,000	32,000,000
Others	4,059,508	4,245,651	4,059,508	3,733,986
	<u>96,484,793</u>	<u>85,856,118</u>	<u>96,334,793</u>	<u>83,125,176</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

24. RELATED PARTY PAYABLES

	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Harischandra Mills (Distributors) Limited	-	-	195,836,581	175,840,287
	<u>-</u>	<u>-</u>	<u>195,836,581</u>	<u>175,840,287</u>

25. CURRENT TAX LIABILITIES

As at 01 April	18,650,140	3,492,823	17,750,677	19,887
Provision for the year (Note 08)	56,288,442	43,323,707	56,288,442	38,789,437
Prior year under provision	4,360,362	-	4,360,362	-
Tax on inter company dividend	4,004,000	3,150,000	-	-
	<u>83,302,944</u>	<u>49,966,530</u>	<u>78,399,481</u>	<u>38,809,324</u>
Payments during the year	(56,232,177)	(31,316,390)	(52,059,000)	(21,058,647)
As at 31 March	<u>27,070,767</u>	<u>18,650,140</u>	<u>26,340,481</u>	<u>17,750,677</u>

26. TRANSACTIONS WITH RELATED PARTIES

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures.", the details of which are reported below.

The pricing applicable to such transactions are based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

26.1 Parent and ultimate controlling party

The Company does not have an identifiable parent of its own.

26.2 Key management personnel compensation

According to Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures", key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the directors of the Company have been classified as KMP of the Company.

As the Company is the ultimate parent of its subsidiary, Harischandra Mills (Distributors) Limited and the Board of the Company has the authority and responsibility for planning, directing and controlling of the Group, the directors of the Company have been identified as the KMP of the Group.

Key management personnel compensation comprised:

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Short term benefits	23,552,270	17,776,410	23,552,270	7,110,564
Long term benefits	7,053,254	4,882,401	7,053,254	2,336,813
Total (Note 06)	<u>30,605,524</u>	<u>22,658,811</u>	<u>30,605,524</u>	<u>9,447,377</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

26. TRANSACTIONS WITH RELATED PARTIES (CONTD.)

26.3 Transactions with subsidiary

Name of the related party	Nature of transaction	2015		2014	
		Volume of transaction	Balance as at 31.03.15	Volume of Transaction	Balance as at 31.03.14
Harischandra Mills (Distributors) Limited	Sales	-	-	1,091,745,200	-
	Purchases	-	-	901,454	-
	Vehicle hire	-	-	7,098,214	-
	Rent	-	-	982,143	-
	Management fee	-	-	818,452	-
	VAT on above transaction	-	-	128,100,767	-
	Settlement dues	195,836,581	-	1,083,148,062	-
	Outstanding balances				
	Current account	-	(195,836,581)	-	(175,840,287)
	Trade receivables	-	-	-	3,365,124

26.4 Transactions with other entities

Other related entities are those which are controlled or significantly influenced, directly by key Management Personnel (KMP) of the Company. There were no significant transactions with other related entities during the year.

27. CAPITAL EXPENDITURE COMMITMENTS

There were no material commitments which require disclosure as at the reporting date.

28. CONTINGENT LIABILITIES

The Company did not have any contingent liabilities outstanding as at the reporting date.

29. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which require adjustments to or disclosure in the Financial Statements other than the interim dividend of Rs. 40.00 per share paid on 22 May 2015.

30. COMPARATIVE INFORMATION

Comparative information has been rearranged and reclassified to conform with the current year presentation

31. DIRECTORS' RESPONSIBILITY

Directors of the Company are responsible for the preparation and presentation of these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

32. SEGMENTAL INFORMATION

GROUP

Information based on the primary segments

For the year end 31 March	Food Products		Fuel and Lubricant		Soap		Total	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue:								
Total sales	1,647,163,956	2,501,542,298	766,369,201	678,817,224	306,626,535	510,454,530	2,720,159,692	3,690,814,052
Less:								
Inter company sales	-	(895,634,829)	-	-	-	(196,110,371)	-	(1,091,745,200)
Consolidated Sales	1,647,163,956	1,605,907,469	766,369,201	678,817,224	306,626,535	314,344,159	2,720,159,692	2,599,068,852
Operating profit:								
Segment operating profit before depreciation	217,480,299	176,174,017	4,600,522	5,830,317	19,280,897	13,385,820	241,361,718	195,390,154
Depreciation	(56,659,635)	(47,391,038)	(172,168)	(90,482)	(10,579,481)	(9,688,886)	(67,411,284)	(57,170,406)
Segment operating profit	160,820,664	128,782,979	4,428,354	5,739,835	8,701,416	3,696,934	173,950,434	138,219,748
Other operating income/(expense)							31,807,326	16,873,618
Net finance income							13,887,018	17,633,895
Profit before income tax expense							219,644,778	172,727,261
Income tax expense							(69,886,357)	(55,409,326)
Profit after income tax							149,758,421	117,317,935
Assets:								
Operating assets	656,173,632	758,311,173	305,295,208	205,774,927	122,149,496	154,737,890	1,083,618,336	1,118,823,990
Other investments							37,951,000	33,968,996
Cash & cash equivalents							340,194,541	196,911,445
Total assets							1,461,763,877	1,349,704,431
Liabilities:								
Operating liabilities	174,750,400	184,561,644	81,305,400	50,082,553	32,530,526	37,660,897	288,586,326	272,305,094
Deferred tax liabilities							32,331,383	29,278,485
Income tax payable							27,070,767	18,650,140
Total liabilities							347,988,476	320,233,719



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

33. SEGMENTAL INFORMATION
COMPANY

Information based on the primary segments

For the year end 31 March	Food Products		Fuel and Lubricant		Soap		Total	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue:								
Total sales	1,653,364,946	1,350,368,989	766,369,201	678,817,224	308,521,733	255,677,835	2,728,255,880	2,284,864,048
Operating profit:								
Segment operating profit before depreciation	225,716,132	158,754,378	4,600,522	5,830,317	19,674,345	4,249,338	249,990,999	168,834,033
Depreciation	(56,638,174)	(47,770,039)	(172,169)	(90,482)	(10,600,941)	(9,061,875)	(67,411,284)	(56,922,396)
Segment operating profit	169,077,958	110,984,339	4,428,353	5,739,835	9,073,404	(4,812,537)	182,579,715	111,911,637
Other operating income/(expense)							67,391,347	52,598,263
Net finance income							12,238,969	12,022,447
Profit before income tax expense							262,210,031	176,532,347
Income tax expense							(66,027,470)	(44,098,652)
Profit after income tax							196,182,561	132,433,695
Assets:								
Operating assets	656,689,389	654,382,499	304,389,254	328,951,653	122,539,763	123,900,284	1,083,618,406	1,107,234,436
Other investments							37,951,000	33,968,996
Cash & cash equivalents							339,737,119	138,266,725
Total assets							1,461,306,525	1,279,470,157
Liabilities:								
Operating liabilities	293,476,816	262,970,123	136,032,637	132,192,497	54,763,454	49,790,563	484,272,907	444,953,183
Deferred tax liabilities							32,331,383	29,133,372
Income tax payable							26,340,481	17,750,677
Total liabilities							542,944,771	491,837,232



NOTES TO THE FINANCIAL STATEMENTS(CONTD.)

AS AT 31 MARCH 2015

34. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

34.1 Financial Risk Management

The Group is exposed to a range of financial risks through its number of financial instruments. In particular, the key financial risk categories are:

- A. Credit risk / Counterparty risk
- B. Liquidity risk and
- C. Market risk

This note present information about the group exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included through out these financial statement.

34.1.1 Risk Management Framework

The Board of directors has overall responsibility for the establishment and oversee the Group's risk management framework. The Group's risk management policies are established, identify and analyze the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and system are regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its role by internal audit. Internal audit undertakes both regular and ad hoc review management controls and procedures, the results of which are reported to the Audit Committee.

34.1.2 Credit Risk

Credit risk is the financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivable from customers.

34.1.2.1 Exposure to Credit Risk

The carrying amount of financial assets representing the maximum credit exposure. The maximum exposure to credit risk at the reporting date was,

	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade and other receivables	275,630,256	274,824,836	275,630,256	264,897,655
Cash at bank	37,473,207	30,856,928	37,074,231	27,761,645
Short term diposits	300,724,619	164,972,863	300,666,173	109,423,426
Available for sale investment	37,951,000	33,968,996	37,951,000	33,968,996
	<u>651,779,082</u>	<u>504,623,623</u>	<u>651,321,660</u>	<u>436,051,722</u>

(a) Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, management also consider the demographics of the company's customer base, including the default risk of the industry and country in which customer operate, as these factors may have an influence on credit risk.

The aging of trade and other receivables at the end of the reporting period that were not impaired was as follows,

	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
1 - 60 days	225,903,820	264,263,126	225,903,820	256,159,530
61 - 180 days	30,962,816	4,821,125	30,962,816	3,559,718
Above 181 days	18,763,620	5,740,585	18,763,620	5,178,407
	<u>275,630,256</u>	<u>274,824,836</u>	<u>275,630,256</u>	<u>264,897,655</u>



NOTES TO THE FINANCIAL STATEMENTS

To minimize the credit risk from customers, Company obtains bank guarantees from its trading customers when initiating the business relationships. The Company monitors the level of transaction with the guarantee and increases the guarantee amount where necessary. Further, credit periods are established and the receivable balances are monitored continuously. The amounts past due by more than 181 days are still considered collectible in full, based on historical payment behavior and analysis of customer credit risk.

(b) Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 340 million as at 31 March 2015 (2014: Rs. 197 million), which represent its maximum credit exposure on these assets. Cash and cash equivalents are held with bank, Which are rate AA (LKA) to A+ (LKA), based on fitch ratings.

(c) Available for Sales Investments

Available for sales investments are made in unit trusts managed by National Asset Management Ltd and NDB wealth management Ltd.

34.1.3 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.

Cash flow forecasting is done by the Company on a regular basis. The finance division monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient funds to meet operational needs. Further, the Group has not obtained borrowings from any third party except temporary bank overdraft.

As at 31 March 2015

The Maturity Analysis of Liabilities

Group	Carrying amount	Contractual cash flows			
		6 month or less	6 - 12 month	2 - 5 years	More than 5 years
LIABILITIES					
Bank overdraft	67,664,285	67,664,285	-	-	-
Trade and other payables	88,129,150	88,129,150	-	-	-
Total liabilities	155,793,435	155,793,435	-	-	-

As at 31 March 2014

The Maturity Analysis of Liabilities

Group	Carrying amount	Contractual cash flows			
		6 month or less	6 - 12 month	2 - 5 years	More than 5 years
LIABILITIES					
Bank overdraft	68,723,656	68,723,656	-	-	-
Trade and other payables	140,252,060	140,252,060	-	-	-
Total liabilities	208,975,716	208,975,716	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

The Maturity Analysis of Liabilities

Company	Contractual cash flows				
	Carrying amount	6 month or less	6 - 12 month	2 - 5 years	More than 5 years
LIABILITIES					
Bank overdraft	67,664,285	67,664,285	-	-	-
Trade and other payables	88,129,150	88,129,150	-	-	-
Related party payables	195,836,581	195,836,581	-	-	-
Total liabilities	351,630,016	351,630,016	-	-	-

As at 31 March 2014

The Maturity Analysis of Liabilities

Company	Contractual cash flows				
	Carrying amount	6 month or less	6 - 12 month	2 - 5 years	More than 5 years
LIABILITIES					
Bank overdraft	68,723,656	68,723,656	-	-	-
Trade and other payables	136,160,399	136,160,399	-	-	-
Related party payables	175,840,287	175,840,287	-	-	-
Total liabilities	380,724,342	380,724,342	-	-	-

34.1.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risks currency risk, interest rate risk and other market price risk.

34.1.4.1 Currency Risk

Company's functional currency is Sri Lankan Rupees and received foreign currencies from export sales. At present, 99.5% of the total sales are made to local customer and hence currency risk is insignificant in relation to the Company as such the sensitivity analysis on foreign currency fluctuations will not apply.

34.1.4.2 Interest Rate Risk

Interest rate risk is the risk to the Group's earnings and Economic Value of Equity (EVE) arising from adverse movements in interest rates.

At present, the Group has not obtained funds from any interest bearing financial liabilities except temporary bank overdrafts as such sensitivity analysis on interest rate fluctuation will not apply.

The Group's short term investments are at fixed interest rates and mature within one year.

34.2. Accounting Classifications and Fair Values

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following tables analyze financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized and a comparison of the carrying amounts and fair values of the financial assets and liabilities of the Company and Group which are not measured at fair value in the Financial Statements. The amounts are based on the values recognised in the statement of financial position.

The carrying values of financial assets and liabilities which has a shorter maturity period and based on normal market conditions, have been considered as a reasonable approximation to the fair value. Accordingly, the fair value hierarchy does not apply to cash and cash equivalents, trade and other receivables, related party payables, trade and other payable and bank overdraft.



NOTES TO THE FINANCIAL STATEMENTS

Group

As at 31 March 2015

	Available for sale investments	Loans receivables	Other financial liabilities	Total carrying amount	Fair value	Fair value hierachy level		
						Rs.	Rs.	Rs.
Cash and cash equivalents	-	340,194,541	-	340,194,541	-	-	-	-
Trade and other receivables	-	275,630,256	-	275,630,256	-	-	-	-
Available for sale investments	37,951,000	-	-	37,951,000	37,951,000	37,951,000	-	-
Trade and other payables	-	-	(88,129,150)	(88,129,150)	-	-	-	-
Overdraft	-	-	(67,664,285)	(67,664,285)	-	-	-	-
	37,951,000	615,824,797	(155,793,435)	497,982,362	37,951,000	37,951,000	-	-

Company

As at 31 March 2015

	Available for sale investments	Loans receivables	Other financial liabilities	Total carrying amount	Fair value	Fair value hierachy level		
						Rs.	Rs.	Rs.
Cash and cash equivalents	-	339,737,119	-	339,737,119	-	-	-	-
Trade and other receivables	-	275,630,256	-	275,630,256	-	-	-	-
Available for sale investment	37,951,000	-	-	37,951,000	37,951,000	37,951,000	-	-
Trade and other payables	-	-	(88,129,150)	(88,129,150)	-	-	-	-
Related party payable	-	-	(195,836,581)	(195,836,581)	-	-	-	-
Overdraft	-	-	(67,664,285)	(67,664,285)	-	-	-	-
	37,951,000	615,367,375	(351,630,016)	301,688,359	37,951,000	37,951,000	-	-

Group

As at 31 March 2014

	Available for sale investments	Loans receivables	Other financial liabilities	Total carrying amount	Fair value	Fair value hierachy level		
						Rs.	Rs.	Rs.
Cash and cash equivalents	-	196,911,445	-	196,911,445	-	-	-	-
Trade and other receivables	-	274,824,836	-	274,824,836	-	-	-	-
Available for sale investments	33,968,996	-	-	33,968,996	33,968,996	33,968,996	-	-
Trade and other payables	-	-	(140,252,060)	(140,252,060)	-	-	-	-
Overdraft	-	-	(68,723,656)	(68,723,656)	-	-	-	-
	33,968,996	471,736,281	(208,975,716)	296,729,561	33,968,996	33,968,996	-	-

Company

As at 31 March 2014

	Available for sale investments	Loans receivables	Other financial liabilities	Total carrying amount	Fair value	Fair value hierachy level		
						Rs.	Rs.	Rs.
Cash and cash equivalents	-	138,266,725	-	138,266,725	-	-	-	-
Trade and other receivables	-	264,897,655	-	264,897,655	-	-	-	-
Available for sale investment	33,968,996	-	-	33,968,996	33,968,996	33,968,996	-	-
Trade and other payables	-	-	(136,160,399)	(136,160,399)	-	-	-	-
Related party payable	-	-	(175,840,287)	(175,840,287)	-	-	-	-
Overdraft	-	-	(68,723,656)	(68,723,656)	-	-	-	-
	33,968,996	403,164,380	(380,724,342)	56,409,034	33,968,996	33,968,996	-	-

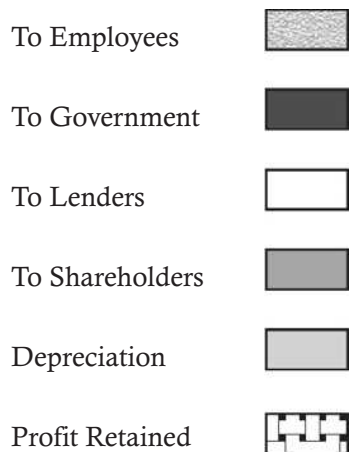
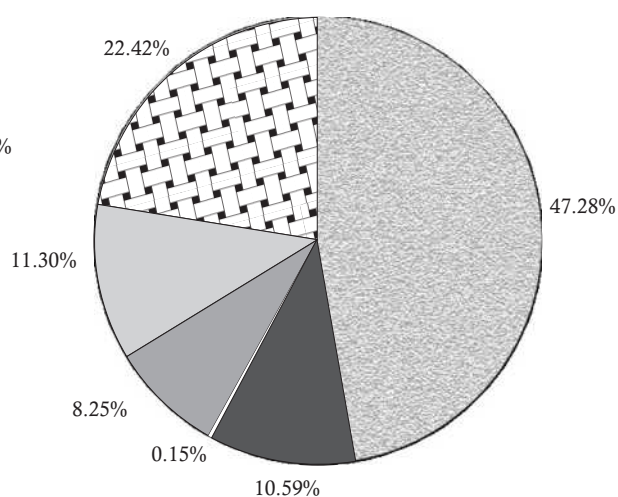
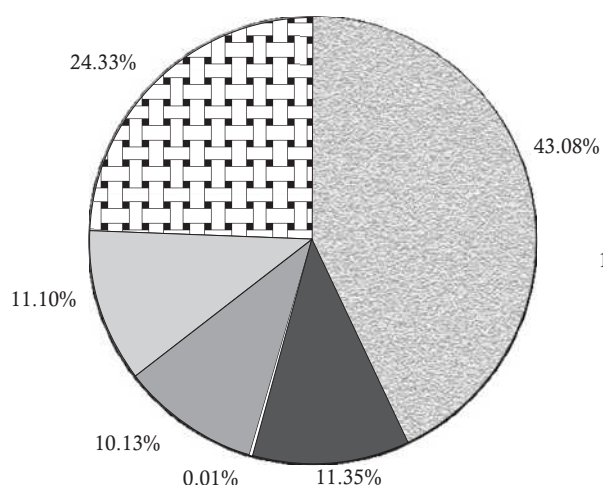


STATEMENTS OF VALUE ADDED

FOR THE YEAR ENDED 31 MARCH,

	2015 Rs.'000	2014 Rs.'000
Turnover	2,720,160	2,599,069
Other Income	<u>45,773</u>	<u>35,332</u>
	2,765,933	2,634,401
Cost of Goods & Services bought in	<u>(2,150,271)</u>	<u>(2,111,153)</u>
Value Added	<u>615,662</u>	<u>523,248</u>

Distribution as follows		%	Rs.'000	%	Rs.'000
	To Employees	43.08	265,199	47.28	247,406
	To Government	11.35	69,886	10.59	55,409
	To Lenders	0.01	79	0.15	800
	To Shareholders	10.13	62,387	8.25	43,191
Retained in Business	Depreciation	11.10	68,353	11.30	59,124
	Profit Retained	<u>24.33</u>	<u>149,758</u>	<u>22.42</u>	<u>117,318</u>
		100.00	615,662	100.00	523,248





TEN YEARS STATISTICAL SUMMARY

Reported as per	SLAS						SLFRS/LKAS				
	2005 Rs.000's	2006 Rs.000's	2007 Rs.000's	2008 Rs.000's	2009 ^{**} Rs.000's	2010 ^{**} Rs.000's	2011 ^{**} Rs.000's	2012 ^{**} Rs.000's	2013 ^{**} Rs.000's	2014 ^{**} Rs.000's	2015 ^{**} Rs.000's
Results											
Group turnover	621,549	713,878	872,860	1,214,145	1,311,139	1,326,383	1,475,664	2,245,167	2,577,927	2,599,069	2,720,160
Profit before tax	41,687	56,976	44,372	83,097	111,017	134,781	115,317	150,554	138,773	172,727	219,644
Taxation	(16,962)	(234,49)	(19,123)	(46,686)	(43,837)	(61,962)	(51,227)	(49,572)	(42,338)	(55,409)	(69,886)
Profit after tax	24,725	33,527	25,249	36,410	67,180	72,819	64,090	100,982	96,435	117,318	149,758
Funds Employed											
Stated Capital	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598
Capital reserves	56,585	56,585	56,585	90,245	90,245	90,245	89,871	30,849	32,643	19,852	19,852
Revenue reserves	224,355	247,742	259,750	281,764	327,829	376,654	414,244	850,872	908,915	1,000,021	1,084,325
Shareholders' funds	290,538	313,925	325,933	381,607	427,672	476,497	513,713	891,319	951,156	1,029,471	1,113,775
Assets Employed											
Non current assets	155,111	157,474	153,034	215,685	227,247	242,832	234,834	539,604	579,502	652,533	680,855
Current assets	229,475	258,009	306,573	362,918	408,143	479,701	536,254	596,997	641,114	697,172	780,909
Current liabilities	(58,618)	(65,277)	(105,220)	(119,722)	(135,420)	(172,490)	(197,442)	(184,499)	(200,413)	(240,976)	(251,841)
Provisions	(35,430)	(36,281)	(28,454)	(77,274)	(72,298)	(70,346)	(59,933)	(60,783)	(69,047)	(79,258)	(96,148)
Capital employed	290,538	313,925	325,933	381,607	427,472	479,697	513,713	891,319	951,156	1,029,471	1,113,775
Cash Flow											
Net cash inflow/(outflow)from operating activities	33,956	9,016	28,855	50,113	47,067	83,170	33,348	75,457	89,915	129,424	234,267
Net cash inflow/(outflow)from investing activities	(22,241)	(11,169)	(6,115)	(14,851)	(19,545)	(15,180)	(13,772)	(44,958)	(48,244)	(108,877)	(27,538)
Net cash inflow/(outflow)from financing activities	(9,790)	(13,629)	(21,149)	6,242	(25,720)	(29,240)	(37,791)	(28,794)	(38,392)	(43,191)	(62,387)
Increase/(decrease)in cash and cash equivalents	1,925	(15,782)	1,591	41,504	1,802	38,750	(18,215)	1,705	3,279	(22,644)	144,342
Key Indicators											
Earnings per share	25.76	34.60	26.31	37.94	69.99	75.87	66.77	106.25	100.47	122.23	156.03
Net assets per share	302.71	327.07	339.59	397.59	445.37	499.78	535.23	928.65	990.99	1,072.59	1,160.42
Market price per share	357.00	400.00	425.59	450.00	450.00	950.00	950.00	2,199.00	2,488.00	2,200.00	2,000.00
Return on equity	8.63	10.58	7.75	9.54	15.71	15.18	12.48	11.44	10.14	11.396	13.44
Price earning ratio	13.86	11.56	16.16	11.86	6.34	12.41	14.23	20.69	24.76	18.00	12.82

^{**}Share capital previously reported have been reclassified to reflect stated capital as defined in the Companies Act. No. 07 of 2007.



INVESTOR INFORMATION

1. Stock Exchange Listing

The issued Ordinary Shares of Harischandra Mills PLC are listed with the Colombo Stock Exchange in 1983.

2. Ordinary Shareholders

2.1 Distribution of stated capital

As at 31st March

Range		2015			2014		
		No. of Shareholders	Total Holdings	Percentage %	No. of Shareholders	Total Holding	Percentage %
From 1	To 1,000	411	34,190	3.61	414	35,473	3.70
1,001	5,000	11	18,767	1.98	10	17,170	1.79
5,001	10,000	1	7,610	0.80	2	16,416	1.71
10,001	50,000	5	96,724	10.21	6	109,104	11.37
50,001	100,000	-	-	-	-	-	0.00
100,001	500,000	5	790,129	83.40	4	781,637	81.44
		433	947,420	100.00	436	959,800	100.00

2.2 Classification of Shareholders

	2015			2014		
	No. of Shareholders	Total Holdings	Percentage %	No. of Shareholders	Total Holding	Percentage %
Directors	4	176,895	18.43	4	176,895	18.43
Institutional investors	9	950	0.10	9	866	0.09
Employees	14	491	0.05	14	495	0.05
Others	406	781,464	81.42	409	781,544	81.43
	433	959,800	100.00	436	959,800	100.00

2.3 Twenty largest shareholders of the company

Shareholder's name	2015		2014	
	No. of Shares	%	No. of Shares	%
1. Seylan Bank PLC/Senthilverl T.	240,186	25.02%	363,649	37.89%
2. De Silva U.	143,468	14.95%	143,468	14.95%
3. Rodrigo C. P.	139,460	14.53%	139,460	14.53%
4. Samarasinghe R. K.	135,060	14.07%	135,060	14.07%
5. Sampath Bank PLC/Senthilverl T.	131,955	13.75%	-	-
6. Samarasinghe S. N.	38,335	3.99%	38,335	3.99%
7. Rodrigo N.	15,368	1.60%	15,368	1.60%
8. Rodrigo S. A.	15,368	1.60%	15,368	1.60%
9. Ekanayake D. H. C.	14,146	1.47%	14,146	1.47%
10. Selvaraj A. G. I.	13,507	1.41%	13,507	1.41%
11. Wijayanandana H. D.	12,380	1.29%	12,380	1.29%
12. Woodward H. W. M.	7,610	0.79%	7,610	0.79%
13. Ranadheera S. S.	2,627	0.27%	2,720	0.28%
14. De Silva M. P.	2,500	0.26%	2,500	0.26%
15. Sigamoney C.	2,247	0.23%	-	0.00%
16. Wijayawardhane C. J.	1,785	0.19%	1,529	0.16%
17. Jayantha D.	1,700	0.18%	1,700	0.18%
18. Senthilverl T.	1,434	0.15%	8,806	0.92%
19. Abeysekara S.	1,400	0.15%	1,400	0.15%
20. Jayasingha D.A.	1,360	0.14%	1,360	0.14%



INVESTOR INFORMATION (CONTD.)

FOR THE YEAR ENDED 31 MARCH	2015	2014
3. Details of Share transactions during the year		
No. of transactions	165	66
No. of share traded	2,253	5,633
Value of transactions (Rs.)	4,797,695	11,959,668
4. The transacted value of an ordinary share		
	Rs.	Rs.
Highest Price	2,500.00	2,500.00
Lowest Price	2,000.00	1,879.00
Last Traded Price	2,000.00	2,200.00
5. Dividend		
Interim	38,392,000	28,794,000
Final - Proposed	38,392,000	33,593,000
	<u>76,784,000</u>	<u>62,387,000</u>
6. Earnings		
Earnings per share (Rs.)	156.03	122.23
Price earning ratio	12.82	18.00
7. Dividend per share (Rs.)	65.00	45.00
8. Dividend cover (Times)	2.40	2.72
9. Dividend Yield (%)	3.25	2.05
AS AT 31 ST MARCH	2015	2014
10. Public Holding		
No. of shares	410,764	419,256
Percentage	42.80%	43.68%
No. of public shareholders	427	-
11. Net Asset per share (Rs.)	1,160.42	1,072.59
12. Current asset ratio	3.10:1	2.75:1
13. Quick asset ratio	2.56:1	2.13:1
14. Debt equity ratio (%)	-	-
15. Equity to total asset ratio (%)	76.19	76.27



FORM OF PROXY

*I/We :
of

being a Shareholder / Shareholders of Harischandra Mills PLC, do hereby appoint:

- | | |
|---------------------------|------------------|
| 1. Mr. M.A. Bastiansz | (or failing him) |
| 2. Mr. S.N. Samarasinghe | (or failing him) |
| 3. Mr. G.S.V. De Silva | (or failing him) |
| 4. Mrs. M.P. De Silva | (or failing her) |
| 5. Mr. S.A.S. Jayasundara | (or failing him) |
| 6. Mr. T.K. Bandaranayake | (or failing him) |
| 7. Mrs. R.K. Samarasinghe | (or failing her) |

.....(holder of National Identity Card No.)
ofas *my / our Proxy to attend and vote at
the Annual General Meeting of the Company to be held at the registered office of the Company at No. 11, C.A.
Harischandra Mawatha, Matara on 12th September 2015 at 11.00 a.m. and at any adjournment thereof.

	For	Against
1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend of LKR 40/- per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director, Mr. S.A.S. Jayasundara as a Director, who retires in terms of Article 98 of Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint as a Director, Mr. T.K. Bandaranayake in terms of Section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint as a Director, Mrs. R.K. Samarasinghe in terms of Section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint as a Director, Mr. M.A. Bastiansz in terms of Section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint as a Director, Mr. G.S.V. De Silva in terms of Section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint M/s KPMG, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
9. To approve the donations and contributions made by the Directors during the year under review, and to authorise the Directors to determine contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of2015

.....
Signature/s

Note : Instructions as to completion are noted on the reverse hereof.



INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.
3. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a Shareholder, to attend and vote instead of him.
4. In the case of a Corporate Shareholder, the Form must be completed under its Common Seal or otherwise signed by its attorney or by an officer on behalf of the Corporation. The Corporate Shareholder may, but shall not be bound to require evidence of the authority of any such attorney or officer.
5. If the Form of Proxy is signed by an attorney, the relevant power of attorney should also accompany the completed Form of Proxy, in the manner prescribed by Articles of Association.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 11, C.A. Harischandra Mawatha, Matara not less than forty eight (48) hours before the appointed time for the Meeting
7. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.
8. A shareholder appointing a proxy (other than a Director of the Company) to attend the meeting should indicate the Proxy holder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxy holder to bring his/her National Identity Card to the Meeting.



Harischandra Mills PLC.

No.11, C. A. Harischandra Mw,
Matara.

Tel. : 041-2224701-8

Fax : 041-2222003

Email : info@harischandramills.com

Web : www.harischandra.com