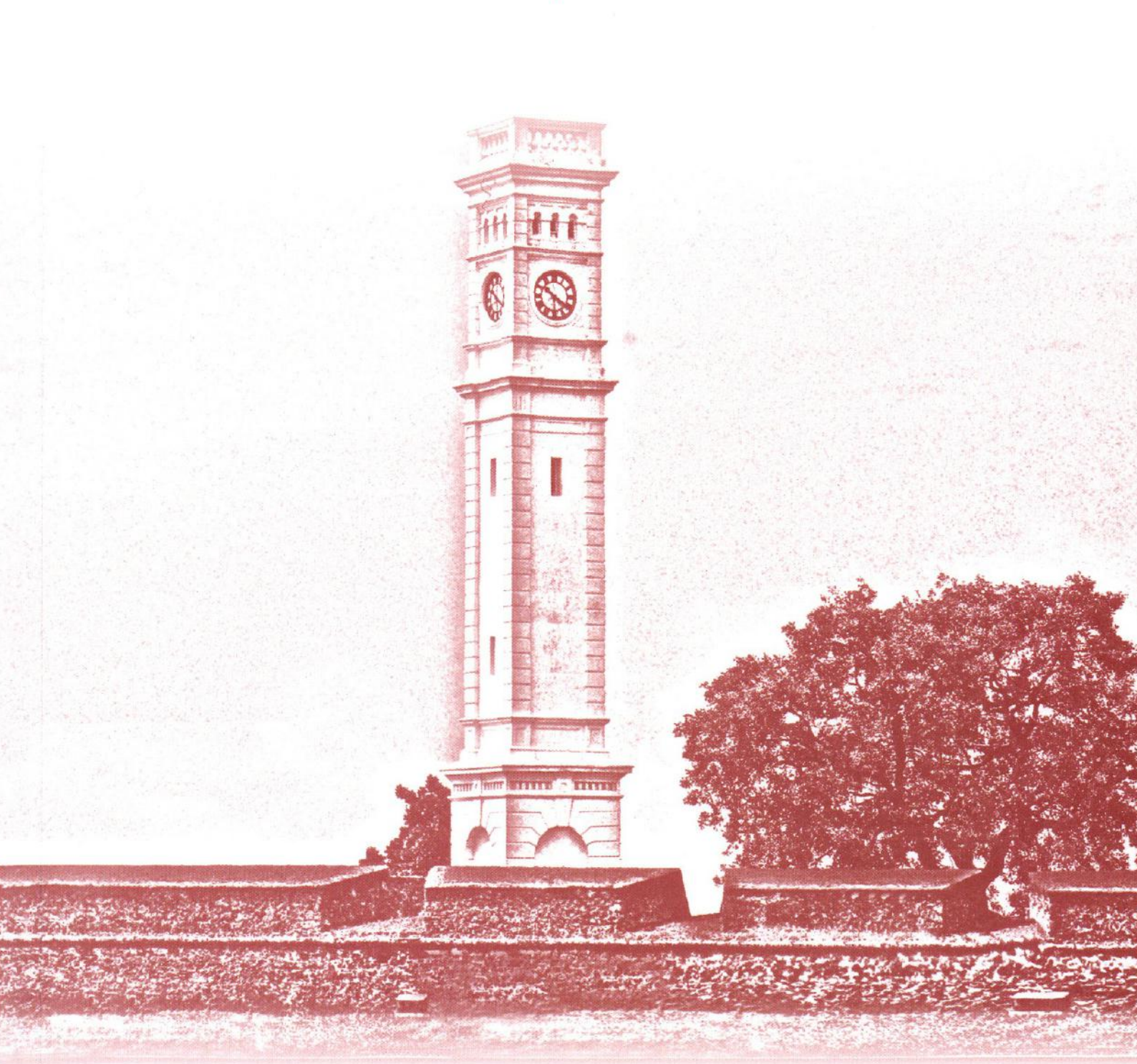


Annual Report 2015/16



HARISCHANDRA

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 64th 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 24th September 2016 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 2016 along with the report of the Auditors thereon.
02. To declare a final dividend of Rupees Forty five (LKR 45/-) per share for the financial year ended 31 March 2016 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 73 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 73 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 75 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 75 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 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. M.A. Bastiansz who has reached the age of 72 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 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. G.S.V. De Silva who has reached the age of 71 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 12th day of August 2016

*64th
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)

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



CHAIRMAN'S REVIEW

This is the 64th Annual General Meeting of Harischandra Mills PLC.

It gives me great pleasure to welcome and present to you, on behalf of the Board of Directors, the Annual Report and Audited Accounts of the Company for the financial year ended 31st March 2016.

Overall this was a year of mixed results. Although there was an increase in sales in the food sector, operating profits declined due to higher input costs. On the other hand, despite a decline in sales, lower input costs contributed to an operating profit of 54% in the soap sector. The Company's gross profit increased by 6% over the previous year, but the profit after tax declined by 8%.

The Company has paid an interim dividend of Rs. 40/- per share. The directors have now proposed the payment of a final dividend of Rs. 45/- per share bringing the total dividend for the year 2015/2016 to Rs. 85/- per share.

I am happy to state that, as in the past, the Company has been actively engaged in promoting community relations, and has made a significant contribution towards improving health and education facilities in the region.

On behalf of the Board of Directors, I would like to thank the management and all members of the staff for their dedicated and loyal service to the Company.

Maxwell A. Bastiansz
Chairman
12 August 2016



MANAGING DIRECTOR'S REPORT

During the year under review sales of food products increased by 9% compared to the previous year and operating profit of the segment has decreased by 4% due to the higher input costs.

operating profit of soap improved by 54% compared to the previous year due to the lower input cost whereas sales declined by 8%.

Fuel and Lubricant segment reported a decline in sales by 2% compared to the previous year. However, upward price revisions by the Ceylon Petroleum Corporation has resulted in increased profits by 23%.

Corporate Social Responsibility is one of the important aspects of company's annual plan. Accordingly, company completed the project started last financial year to upgrade the special care baby unit at the kamburupitya base hospital. The company provided the full requirement of desktop computers for the University of Ruhuna, Department of Chemistry. This will be used by about 400 chemistry undergraduates. Further, school shoes were provided by the Company for 600 children of Handapanagala M.V. and Mahaaragama Vidyalaya in Wellawaya.

The development of the Olcott Model School in Weheragampitiya, Matara is an ongoing project by the Company. For this year, Company has renovated the playground of the school.

Support for differently able population is another vital area that the Company focuses on every year. Accordingly, during the year Company sponsored the literacy competition organized by the Sri Lanka Council of Visually Handicapped Graduates.

S.N. Samarasinghe
Managing Director
12 August 2016



Company has completed the project started last financial year to upgrade the special care baby unit at the Kamburupitiya base hospital.



The Company provided the full requirement of desktop computers for the University of Ruhuna, Department of Chemistry. This will be used by about 400 chemistry undergraduates.



School shoes were provided by the Company for 600 children of Handapanagala M.V. and Mahaaragama Vidyalaya in Wellaway.



Company sponsored for the literacy competition organized by the Sri Lanka Council of Visually Handicapped Graduates.



The playground of the Olcott Model school in Weheragampitiya, Matara was renovated by the Company.



Corporate sponsor for the 23rd Annual Convocation of Association of Accounting Technicians of Sri Lanka.



Employees and their families enjoyed a three day trip organized by the Company to Nuwaraeliya.



Employees who completed 25 years continuous service were given gifts to show appreciation by the Company.



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 2016 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									
	30.04.15	27.05.15	30.07.15	07.08.15	09.10.15	23.10.15	06.11.15	04.12.15	08.01.16	12.02.16
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 17 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 10 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 statutory and 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 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 the Audit Committee meetings were as follows.

	Attendance of Audit Committee Meetings				
	22.05.15	24.07.15	07.08.15	23.10.15	10.02.16
Mr. T.K. Bandaranayake	✓	✓	✓	✓	✓
Mr. S.A.S. Jayasundara	✓	✓	✓	✓	✓

The detailed Audit Committee's report including areas reviewed during the financial year 2015/16 is given on Page 15 and 16 of the Annual Report.



CORPORATE GOVERNANCE (CONTD.)

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

The Remuneration Committee met in following occasion during the year.

	Attendance of Remuneration Committee Meetings
	12 February 2016
Mr. M.A. Bastiansz	✓
Mr. S.A.S. Jayasundara	✓

Related Party Transactions Review Committee

The main objective of the committee is to ensure consistency of the transactions with the code of best practices on related party transactions issued by the SEC. Following directors served as members of the committee during the financial year.

- Mr. M.A. Bastiansz (chairman of the committee)
- Mr. S.A.S. Jayasundara
- Mr. S.N. Samarasinghe

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.

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.



CORPORATE GOVERNANCE (CONTD.)

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 12 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.

At the 63rd Annual General Meeting of Harischandra Mills PLC held on 12 September 2015, 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.

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.



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 17
7.10.5 Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Please refer page 14
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 14
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 14
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 14 and 48
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 15, 16
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 15
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 15, 16
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 15 and 16



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 allow 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 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 building 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 the 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 are 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. The remuneration policy of the Company, takes into account market rates, experience and skill of the employees, employee grade and performance when determining the remuneration package of employees. This will help not only to retain the existing staff but also to attract high calibre employees.

Aggregate remuneration paid to executive directors and non executive directors are disclosed at page 48.

M.A. Bastiansz

Chairman - Remuneration Committee

12 August 2016



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 principal 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 statutory and regulatory 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 where considered necessary.

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, and 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 them. 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 discuss any sensitive issues and 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 2017 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
12 August 2016



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 a 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 2016.

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 32.

Group Financial Results;	2015/2016 Rs. 000	2014/2015 Rs. 000
Profit before taxation	218,034	219,644
Taxation	(76,646)	(69,886)
After tax profit attributable to shareholders	141,388	149,758
Other comprehensive income	1,856	(5,607)
Unappropriated profit brought forward from previous year	1,063,852	982,088
Profit available for appropriation	1,207,096	1,126,239
Distribution of Profit :		
Interim dividend paid	38,392	28,794
Final dividend paid	38,392	33,593
	76,784	62,387
	<u>1,130,312</u>	<u>1,063,852</u>

AUDITORS' REPORT

The auditors' report on the financial statements is given on page 25.

ACCOUNTING POLICIES

The Group and the Company prepared their Financial Statements for all periods up to and including the year ended 31 March 2016, in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS), all existing / new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS. The significant Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Company are given on pages 32 to 39 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 2016 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 confirmed 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 31 March 2016 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 12 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. 3,631,414/- compared to Rs. 3,523,816/- 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 12th May 2016, and propose a final dividend of Rs.45/- per share, to be paid out of the profits of Harischandra Mills PLC and dividend received for the financial year ended 2015/2016. Harischandra Mills PLC paid a dividend for the previous year of Rs. 80/- 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 page 43.

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 31 March 2016 amounted to Rs. 953,571,052/- (as at 31 March 2015 - Rs. 908,763,754/-) where as the Group total reserve amounted to Rs. 1,167,039,120/- (as at 31 March 2015 - Rs. 1,104,177,401/-) 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 2016.

HUMAN RESOURCES

As at 31 March 2016 Company employed 555 employees where as it was 555 in the last year end. Aggregate total remuneration in respect of the year was Rs. 319.3 Mn compared to Rs. 257.4 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 59 of the Annual Report. There were 483 (2014/15 - 433) registered shareholders as at 31 March 2016.



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 31.03.2016 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 17 in the Annual Report.

MAJOR SHAREHOLDERS

The 20 largest shareholders of Harischandra Mills PLC as at 31 March 2016 are given on page 59 together with an analysis of the shareholdings. As at that date Harischandra Mills PLC had 483 shareholders.

SUB-COMITTEES OF THE BOARD

There are three 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
3. Related Party Transactions
Review Committee : Mr. M.A. Bastiansz (Chairman)
Mr. S.A.S. Jayasundara
Mr. S.N. Samarasinghe

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.



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

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

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 2016 were recorded as Rs. 30,838,353/- (2014/2015 -Rs. 26,960,800/-).

DIRECTORS SHAREHOLDING

Name of Director	31 March 2016		01 April 2015	
	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	176,895	18.42	176,895	18.42

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 12 in this annual report.

AUDITORS

The Financial Statements for the year ended 31 March 2016 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 Rs. 1,000,000/- (2014 / 15 - Rs.- 1,000,000/-) for audit work, Rs.483,000/- (2014 / 15 - Rs. 394,000/-) for audit related services.

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

ANNUAL GENERAL MEETING

The sixty fourth 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 24th September 2016 at 11.00 a.m. The Notice of the sixty fourth 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

12 August 2016



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 or 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 transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The 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 25 sets out their responsibilities in relation to the Financial Statements.

By order of the Board

Corporate Services (Private) Limited

Secretaries

12 August 2016



KPMG
(Chartered Accountants)
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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 subsidiary (the "Group"), which comprise the statement of financial position as at 31st March 2016, 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 26 to 56.

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.

Auditor's 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 plan 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 auditor's 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 31st March 2016, 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:

- The basis of opinion and scope and limitations of the audit are as stated above
- 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 31st March 2016, 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

12th August 2016



INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Revenue	4	2,826,223,246	2,720,159,692	2,826,223,246	2,728,255,880
Cost of sales		(2,193,852,479)	(2,125,965,748)	(2,193,852,479)	(2,125,965,748)
Gross profit		632,370,767	594,193,944	632,370,767	602,290,132
Other income	5	30,889,396	31,807,326	30,889,396	67,391,347
		663,260,163	626,001,270	663,260,163	669,681,479
Distribution expenses		(257,235,705)	(245,709,016)	(257,235,705)	(245,650,720)
Administrative expenses		(207,256,714)	(174,534,494)	(207,062,924)	(174,059,697)
Operating profit	6	198,767,744	205,757,760	198,961,534	249,971,062
Net finance income	7	19,265,970	13,887,018	891,069	12,238,969
Profit before income tax expense		218,033,714	219,644,778	199,852,603	262,210,031
Income tax expense	8	(76,646,350)	(69,886,357)	(76,519,661)	(66,027,470)
Profit for the year		141,387,364	149,758,421	123,332,942	196,182,561
Profit attributable to equity holders		141,387,364	149,758,421	123,332,942	196,182,561
- of the Company					
Profit for the year		141,387,364	149,758,421	123,332,942	196,182,561
Basic earning per share - (Rs.)	9	147.31	156.03	128.50	204.40

Figures in bracket indicate deductions.

The notes to the financial statements from page 32 to 56 from an integral part of these consolidated financial statements.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit for the year		141,387,364	149,758,421	123,332,942	196,182,561
Other comprehensive income					
Net change in fair value of available for sale					
Financial assets	14	(3,597,757)	2,540,669	(3,597,757)	2,540,669
Actuarial gain/ (loss) from re-measurement of employee benefit obligation	22.1	1,029,366	(7,788,057)	1,029,366	(7,788,057)
Related tax	8.2	(288,222)	2,180,656	(288,222)	2,180,656
Total other comprehensive income for the year		<u>(2,856,613)</u>	<u>(3,066,732)</u>	<u>(2,856,613)</u>	<u>(3,066,732)</u>
Total comprehensive income attributable to owners of the Company		<u>138,530,751</u>	<u>146,691,689</u>	<u>120,476,329</u>	<u>193,115,829</u>

Figures in bracket indicate deductions.

The notes to the financial statements from page 32 to 56 form an integral part of these consolidated financial statements.



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH,	Note	GROUP		COMPANY	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Assets					
Non-current assets					
Property, plant and equipment	11	746,850,285	638,102,047	746,850,285	638,102,047
Intangible assets	12	4,018,618	4,801,662	4,018,618	4,801,662
Investment in subsidiary	13	-	-	70	70
Available for sale investment	14	35,357,494	37,951,000	35,357,494	37,951,000
Total non-current assets		786,226,397	680,854,709	786,226,467	680,854,779
Current assets					
Inventories	15	161,559,826	135,299,447	161,559,826	135,299,447
Trade and other receivables	16	305,935,404	305,415,180	305,935,404	305,415,180
Cash and cash equivalents	17	256,111,025	340,194,541	256,111,025	339,737,119
Total current assets		723,606,255	780,909,168	723,606,255	780,451,746
Total assets		1,509,832,652	1,461,763,877	1,509,832,722	1,461,306,525
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		16,875,371	20,473,128	16,875,371	20,473,128
General reserve	20	12,841,000	12,841,000	12,841,000	12,841,000
Retained earnings		1,130,311,805	1,063,852,329	923,843,667	875,438,612
Total equity attributable to owners of the Company		1,176,637,120	1,113,775,401	963,169,052	918,361,754
Liabilities					
Non-current liabilities					
Deferred tax liabilities	21	34,922,854	32,331,383	34,922,854	32,331,383
Employee benefit obligation	22	70,593,107	63,816,015	70,593,107	63,816,015
Related party payables	24	-	-	137,518,256	-
Total non-current liabilities		105,515,961	96,147,398	243,034,217	96,147,398
Current liabilities					
Trade and other payables	23	149,281,043	157,106,026	149,087,753	156,956,026
Related party payables	24	-	-	77,000,000	195,836,581
Current tax liabilities	25	10,877,587	27,070,767	10,020,759	26,340,481
Bank overdraft	17	67,520,941	67,664,285	67,520,941	67,664,285
Total current liabilities		227,679,571	251,841,078	303,629,453	446,797,373
Total liabilities		333,195,532	347,988,476	546,663,670	542,944,771
Total equity and liabilities		1,509,832,652	1,461,763,877	1,509,832,722	1,461,306,525

The notes to the financial statements from page 32 to 56 from an integral part of these consolidated financial statements.

I certify that these 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
12th August 2016

G.S.V. De Silva
Director



STATEMENT OF CHANGES IN EQUITY

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 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
Balance as at 01 April 2015	9,598,000	20,473,128	7,010,944	12,841,000	1,063,852,329	1,113,775,401
Total comprehensive income						
Profit for the year	-	-	-	-	141,387,364	141,387,364
Other comprehensive income						
Actuarial gain from re-measurement of employee benefits obligation	-	-	-	-	1,029,366	1,029,366
Related taxes	-	-	-	-	(288,222)	(288,222)
Net change in fair value of available for sale financial assets	-	(3,597,757)	-	-	741,144	(3,597,757)
Total other comprehensive income for the year		(3,597,757)	-	-	142,128,508	(2,856,613)
Total comprehensive income for the year		(3,597,757)	-	-	142,128,508	138,530,751
Transactions with owners of the company, recognized directly in equity						
Interim dividend	-	-	-	-	(38,392,000)	(38,392,000)
Final dividend	-	-	-	-	(38,392,000)	(38,392,000)
Forfeiture of unclaimed dividends - Note(a)	-	-	-	-	1,114,968	1,114,968
Total transactions with owners of the company					(75,669,032)	(75,669,032)
Balance as at 31 March 2016	9,598,000	16,875,371	7,010,944	12,841,000	1,130,311,805	1,176,637,120

Figures in bracket indicate deductions.
The notes to the financial statements from page 32 to 56 form an integral part of these consolidated financial statements.



STATEMENT OF CHANGES IN EQUITY (CONTD.)

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 2014	9,598,000	17,932,459	11,014	12,841,000	747,250,452	787,632,925
Total comprehensive income						
Profit for the year	-	-	-	-	196,182,561	196,182,561
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			190,575,160	193,115,829
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	11,014	12,841,000	875,438,612	918,361,754
Balance as at 01 April 2015	9,598,000	20,473,128	11,014	12,841,000	875,438,612	918,361,754
Total comprehensive income						
Profit for the year	-	-	-	-	123,332,942	123,332,942
Other comprehensive income						
Actuarial gain from re-measurement of employee benefits obligation	-	-	-	-	1,029,366	1,029,366
Related taxes	-	-	-	-	(288,222)	(288,222)
Net change in fair value of available for sale financial assets	-	(3,597,757)	-	-	-	(3,597,757)
Total other comprehensive income for the year		(3,597,757)			741,144	(2,856,613)
Total comprehensive income for the year		(3,597,757)			124,074,087	120,476,329
Transactions with owners of the company, recognized directly in equity						
Interim dividend	-	-	-	-	(38,392,000)	(38,392,000)
Final dividend	-	-	-	-	(38,392,000)	(38,392,000)
Forfeiture of unclaimed dividends - Note(a)	-	-	-	-	1,114,968	1,114,968
Total transactions with owners of the company					(75,669,032)	(75,669,032)
Balance as at 31 March 2016	9,598,000	16,875,371	11,014	12,841,000	923,843,667	963,169,052

Note(a) - The Group policy is to forfeit the dividends which are outstanding for more than six years from the year in which the dividends have been initially declared. During the year, Group/Company has forfeited such dividends amounting to Rs. 1,114,968/- after obtaining approval of the Board of directors.

Figures in bracket indicate deductions.

The notes to the financial statements from page 32 to 56 form an integral part of these financial statements.



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Cash flows from operating activities					
Profit before income tax expense		218,033,714	219,644,778	199,852,603	262,210,031
Adjustment for					
Provision for employee benefit	22	11,988,934	10,911,945	11,988,934	10,911,945
Depreciation/amortization	11,12	74,988,689	68,352,138	74,988,689	68,352,138
Interest expenses	7	173,752	79,153	18,547,190	79,153
Provision of slow moving inventories	15	3,000,047	-	3,000,047	-
Profit on disposal of property, plant & equipment		(16,839,034)	(17,965,669)	(16,839,034)	(17,965,669)
Dividend income		(1,379,251)	(1,891,334)	(1,379,251)	(37,927,077)
Interest income	7	(15,694,865)	(12,769,676)	(15,693,402)	(11,121,627)
Operating profit before working capital changes		274,271,986	266,361,335	274,465,776	274,538,894
Change in inventories		(29,260,427)	13,754,290	(29,260,427)	13,754,290
Change in trade and other receivables		4,152,882	14,272,514	4,152,882	3,759,267
Change in related party payables		-	-	308,238	18,919,918
Change in trade and other payables		(6,710,016)	3,504,107	(6,753,305)	6,546,304
Cash generated from operations		242,454,425	297,892,246	242,913,164	317,518,673
Gratuity paid	22	(4,182,476)	(4,863,505)	(4,182,476)	(4,863,505)
Interest paid		(173,752)	(79,153)	(173,752)	(79,153)
Income tax paid	25	(90,536,281)	(56,232,177)	(90,536,134)	(52,059,000)
Net cash flows generated from operating activities		147,561,916	236,717,411	148,020,802	260,517,015
Cash flows from investing activities					
Interest received		11,021,760	10,319,508	11,020,296	8,671,459
Dividends received		1,379,251	1,891,334	1,379,251	37,927,077
Proceeds from disposal of property, plant and equipment		16,918,901	18,061,814	16,918,901	18,061,814
Acquisition of property, plant and equipment		(183,033,749)	(58,819,265)	(183,033,749)	(58,819,265)
Investment in units		(1,004,251)	(1,441,335)	(1,004,251)	(1,441,335)
Cash flows from/ (used in) investing activities		(154,718,088)	(29,987,944)	(154,719,552)	4,399,750
Cash flows from financing activities					
Dividends paid		(76,784,000)	(62,387,000)	(76,784,000)	(62,387,000)
Cash flows used in financing activities		(76,784,000)	(62,387,000)	(76,784,000)	(62,387,000)
Net change in cash and cash equivalents		(83,940,172)	144,342,467	(83,482,750)	202,529,765
Cash and cash equivalents at the beginning		272,530,256	128,187,789	272,072,834	69,543,069
Cash and cash equivalents at the end (Note 17)		188,590,084	272,530,256	188,590,084	272,072,834

figures in bracket indicate deductions.

The notes to the financial statements from page 32 to 56 form an integral part of these consolidated financial statements.



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, 2016 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 sales of 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 the year 2014 directors of the Company decided 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 (2014/15-555) 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 2016 and for the period then ended have been prepared in accordance with 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 items, which are measured on alternative basis on each reporting date.

- 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.

2.4 Use of Estimates & Judgments

In preparing Financial Statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

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

Note 22 -Employee benefit obligation – Key actuarial assumptions.

2.5 Measurement of Fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non - financial assets and liabilities. The management has overall responsibility for overseeing all Significant fair value measurement including level 3 fair value.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

The management team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value the management assess the evidence obtained from the third party 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 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

The group consistently applied the following accounting policies for all periods presented in these financial Statements.

3.1 Basis of Consolidation

3.1.1 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 purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include

amounts related to the settlement of Pre- Existing relationship. Such amounts generally recognized in profit or loss.

3.1.2 Subsidiary

Subsidiary an entity 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.

3.1.3 Non - Controlling Interests

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.

3.1.4 Transactions Eliminated on Consolidation

Intra-group balances & transactions and any unrealized income and expenses arising from intra- group transactions are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated into functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rate at the reporting date.

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

Non-monetary assets & liabilities that are measured at fair value, denominated in foreign currencies are translated into functional currency at the exchange rate when the fair value were determined. Foreign exchange differences arising on transactions are recognized in the income statement.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.3. Property, Plant & Equipment

3.3.1 Basis of Recognition

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

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.

3.3.1.1 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.

3.3.1.2 De-recognition

Any gain or loss on disposal of an item of property, plant and equipment is recognized in Income Statement when the item is derecognized.

3.3.1.3 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. 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.

3.3.1.4 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, plant & equipment.

3.3.2 Intangible Assets

3.3.2.1 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."

3.3.2.2 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.

3.3.2.3 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.4 Financial Instruments

3.4.1 Non - derivative Financial Assets

The group classifies non – derivative financial assets into following categories. Financial assets at fair value through profit or loss, held to maturity financial assets, loan and receivable and available for sale financial assets.

As of reporting date, the group has available for sale financial assets, loans and receivables.

3.4.1.1 Initial Recognition and Measurement

The group initially recognizes loans and receivables on the date when they are originated. All other financial Assets are recognized when and only when the Group becomes a party to the contractual provisions of the financial instruments.

3.4.1.2 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. Loans and receivables comprise trade and other receivables and cash and cash equivalents.

3.4.1.3 Financial Assets Available-for-Sale (AFS)

These assets are initially measured at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition they are measured at fair value and the changes there, in other than impairment losses are recognized in other Comprehensive income and accumulated fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available for sale assets comprise of investment in unit trusts.

3.4.1.4 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.

3.4.2 Non-Derivative Financial Liabilities

3.4.2.1 Initial Recognition and Measurement

Financial liabilities are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the instrument.

Financial Liabilities are recognized initially at fair value less directly attributable transaction costs.

The group classifies non – derivative financial liabilities into other financial liabilities comprise of Trade and other payable, Related Party Payables and bank overdrafts.

3.4.2.2 Subsequent Measurement

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

3.4.2.3 Derecognition

The group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3.5 Impairment

3.5.1 Non Derivative financial assets

Financial assets not classified as fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. Objective evidence that financial assets are impaired includes;



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

- Default by debtor
- Indication that debtor will enter bankruptcy

3.5.2 Financial Assets measured at amortized cost;

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.

3.5.3 Available for sale financial assets:

Impairment losses on AFS financial assets are recognized by reclassifying the losses accumulated in fair value reserve to profit or loss, the amount reclassified is the difference between the acquisition cost and the current fair value less any impairment loss previously recognized in profit or loss.

3.5.4 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.

3.6 Share Capital

3.6.1 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.

3.7 Inventory

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

3.8 Liabilities and Provisions

3.8.1 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.8.2 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.

Provisions are determined by discounting the expected future cash flows at present rate that reflects current market assessments of time value of money and risks specific to the liability.

3.8.3 Employee Benefits

3.8.3.1 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.

3.8.4 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.

3.8.5 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.

3.8.6 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.

3.9 Statement of Profit or Loss and Other Comprehensive Income

3.9.1 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. 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.

3.9.2 Profit on Disposal of Property, Plants & Equipment

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



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.9.3 Rental Income

Rental income is recognized on an accrual basis.

3.9.4 Dividend Income

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

3.9.5 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.

3.9.6 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.

3.9.7 Income Tax

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 other comprehensive income.

3.9.7.1 Current Tax

Current tax comprises the expected tax payable on the taxable income for the year and adjustment to tax payable in respect of previous year. The amount of tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

3.9.7.2 Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purpose.

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 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. Deferred tax assets and liabilities are offset only if a certain criteria are met.

3.9.7.3 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.

3.10 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.11 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. Which is provided in note 32 to the Financial Statements.

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.

3.12 Comparative Information

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

3.13 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.

3.13.1 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
4. REVENUE				
Food products	1,793,853,236	1,647,163,956	1,793,853,236	1,653,364,946
Soap products	282,734,178	306,626,535	282,734,178	308,521,733
Fuel and Lubricants	749,635,832	766,369,201	749,635,832	766,369,201
	<u>2,826,223,246</u>	<u>2,720,159,692</u>	<u>2,826,223,246</u>	<u>2,728,255,880</u>
5. OTHER INCOME				
Dividend income	1,379,251	1,891,334	1,379,251	37,927,077
Rental income	721,076	-	721,076	-
Profit on disposal of property, plant & equipment	16,839,034	17,965,669	16,839,034	17,965,669
Staff loan interest income	2,458,599	3,071,098	2,458,599	3,071,098
Sundry income (Note 5.1)	9,491,436	8,879,225	9,491,436	8,427,503
	<u>30,889,396</u>	<u>31,807,326</u>	<u>30,889,396</u>	<u>67,391,347</u>
5.1 Sundry income				
Sale of disposable material	8,493,328	7,549,352	8,493,328	7,549,352
Sundry receipts	998,108	1,329,873	998,108	878,151
	<u>9,491,436</u>	<u>8,879,225</u>	<u>9,491,436</u>	<u>8,427,503</u>
6. RESULTS FROM OPERATING ACTIVITIES				
Results from operating activities are stated after charging all expenses including following;				
Directors' emoluments	30,838,353	26,960,800	30,838,353	26,960,800
Auditors' remuneration				
Audit	1,000,000	1,000,000	850,000	850,000
Audit related	483,000	394,000	451,000	191,000
Depreciation and amortization	74,988,689	68,352,138	74,988,689	68,352,138
Donations	3,631,414	3,523,816	3,631,414	3,523,816
Staff related expenses (Note 6.1)	319,311,898	257,411,023	319,311,898	257,411,023
Inventory slow moving provision	3,000,047	-	3,000,047	-
6.1 Staff related expenses				
Salaries and wages	215,960,061	172,861,159	215,960,061	172,861,159
Defined contribution plan	28,355,189	22,780,077	28,355,189	22,780,077
Bonus	38,964,718	32,556,489	38,964,718	32,556,489
Staff welfare	24,042,996	18,301,355	24,042,996	18,301,355
Defined benefit plan - Retiring gratuity	11,988,934	10,911,943	11,988,934	10,911,943
	<u>319,311,898</u>	<u>257,411,023</u>	<u>319,311,898</u>	<u>257,411,023</u>
Average number of employees	<u>555</u>	<u>555</u>	<u>555</u>	<u>555</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
7. NET FINANCE INCOME				
7.1 Finance income				
Interest income on fixed deposits	15,694,865	12,769,676	15,693,402	11,121,627
Profit from translation of foreign currencies	3,744,857	1,196,495	3,744,857	1,196,495
	<u>19,439,722</u>	<u>13,966,171</u>	<u>19,438,259</u>	<u>12,318,122</u>
7.2 Finance expenses				
Interest expenses on overdraft facilities	(173,752)	(79,153)	(173,752)	(79,153)
Interest expenses on related party payable (Note 24.1)	-	-	(18,373,438)	-
	<u>(173,752)</u>	<u>(79,153)</u>	<u>(18,547,190)</u>	<u>(79,153)</u>
Net finance income	<u>19,265,970</u>	<u>13,887,018</u>	<u>891,069</u>	<u>12,238,969</u>
8. INCOME TAX EXPENSE				
8.1 Amounts recognized in profit or loss				
Current tax expense				
On current year profits (Note 8.3)	60,172,077	56,288,442	56,863,115	56,288,442
Adjustments in respect of prior years	14,171,024	4,360,362	17,353,297	4,360,362
Taxes on inter company dividend	-	4,004,000	-	-
Deferred tax expense				
Origination of temporary differences (Note 21)	2,303,249	5,233,553	2,303,249	5,378,666
Tax expense on continuing operations	<u>76,646,350</u>	<u>69,886,357</u>	<u>76,519,661</u>	<u>66,027,470</u>
8.2 Amounts recognised in other comprehensive income				
Deferred tax reversal on actuarial loss (Note 21)	288,222	(2,180,656)	288,222	(2,180,656)
	<u>288,222</u>	<u>(2,180,656)</u>	<u>288,222</u>	<u>(2,180,656)</u>
8.3 Tax reconciliation statement				
Profit before income tax expense	218,033,714	219,644,778	199,852,603	262,210,031
Income not liable to tax	(1,379,251)	(3,991,106)	(1,379,251)	(37,927,077)
Expenses disallowed for tax	156,552,664	155,366,613	156,552,664	146,737,331
Expenses allowed for tax	(129,777,950)	(128,283,393)	(129,777,950)	(128,283,393)
Qualifying payments	(27,778,286)	(41,157,001)	(21,414,897)	(41,157,001)
Taxable profit	<u>215,650,891</u>	<u>201,579,891</u>	<u>203,833,169</u>	<u>201,579,891</u>
Income tax at 12%	157,631	115,447	157,631	115,447
Income tax at 28%	60,014,446	56,172,995	56,705,484	56,172,995
On current year profits	<u>60,172,077</u>	<u>56,288,442</u>	<u>56,863,115</u>	<u>56,288,442</u>
Effective tax rate	<u>27.60%</u>	<u>25.63%</u>	<u>28.45%</u>	<u>21.47%</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

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit attributable to ordinary shareholders	<u>141,387,364</u>	<u>149,758,421</u>	<u>123,332,942</u>	<u>196,182,561</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>147.31</u>	<u>156.03</u>	<u>128.50</u>	<u>204.40</u>

10. DIVIDEND PER SHARE

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

	GROUP/ COMPANY	
	2016 Rs.	2015 Rs.
Interim dividend	<u>38,392,000</u>	<u>28,794,000</u>
Final dividend	<u>38,392,000</u>	<u>33,593,000</u>
	<u>76,784,000</u>	<u>62,387,000</u>
Number of ordinary shares	<u>959,800</u>	<u>959,800</u>
Dividend per share (Rs.)	<u>80.00</u>	<u>65.00</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. PROPERTY , PLANT AND EQUIPMENT

GROUP / COMPANY

	Freehold land	Buildings	Plant & machinery	Office factory & laboratory equipment	Motor vehicles	Furniture & fittings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
As at 01 April	299,062,500	76,277,897	163,002,945	41,494,229	334,510,215	8,660,325	837,276,034
Additions	-	82,336	34,825	896,376	12,879,975	354,238	3,511,417
Transferred from related party	-	-	-	-	-	-	1,027,208
Transfers from CWIP (Note 11.1)	-	4,414,477	12,297,853	3,475,244	49,444,309	448,159	102,975,315
Disposals	-	-	-	(147,500)	(20,299,788)	(18,191)	(21,781,863)
As at 31 March	299,062,500	80,774,710	175,335,623	45,718,349	376,534,711	9,444,531	923,008,111
Accumulated depreciation							
As at 01 April	-	11,998,274	27,201,963	12,876,357	234,586,927	1,838,500	242,776,455
Charge for the year	-	3,537,809	11,344,792	4,220,788	53,824,445	682,152	73,609,986
On disposals	-	-	-	(147,500)	(20,234,763)	(3,349)	(21,685,718)
As at 31 March	-	15,536,083	38,546,755	16,949,645	268,176,609	2,517,303	288,502,021
Carrying amounts as at 31 March 2016	299,062,500	65,238,627	136,788,868	28,768,704	108,358,102	6,927,228	645,144,029
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
Capital work in progress (Note 11.1)							
Net carrying amount as at 31 March	101,706,256	746,850,285	168,785,999	(70,080,042)	(595,658)	101,706,256	3,595,957
11.1 Capital work in progress (CWIP)							
As at 01 April							55,370,875
Incurred during the year							55,307,847
Capitalized during the year							(102,975,315)
Tangible assets							(4,107,450)
Intangible assets							3,595,957
As at 31 March							

11.2 The cost of fully depreciated property, plant and equipment as at reporting date amounted to Rs. 162,825,206/- (2015, Rs. 130,685,162/-)



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	<u>160,312,500</u>
					<u>299,062,500</u>
Buildings	11, C.A. Harischandra Mawatha, Matara.	No of buildings			Value
		19			68,251,743
	455, Bauddhaloka Mawatha, Colombo 08	01			<u>12,522,967</u>
		20			<u>80,774,710</u>

AS AT 31 MARCH,	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
12. INTANGIBLE ASSETS				
Computer Software				
Cost				
As at 01 April	8,523,705	4,416,255	8,522,872	4,366,255
Transferred from CWIP	595,658	4,107,450	595,658	4,107,450
Transferred from related party	-	-	-	49,167
As at 31 March	<u>9,119,363</u>	<u>8,523,705</u>	<u>9,118,530</u>	<u>8,522,872</u>
Amortization				
As at 01 April	3,722,043	2,781,189	3,721,210	2,780,356
Amortization during the year	<u>1,378,702</u>	<u>940,854</u>	<u>1,378,702</u>	<u>940,854</u>
As at 31 March	<u>5,100,745</u>	<u>3,722,043</u>	<u>5,099,912</u>	<u>3,721,210</u>
Carrying values as at 31 March	<u>4,018,618</u>	<u>4,801,662</u>	<u>4,018,618</u>	<u>4,801,662</u>

13. INVESTMENT IN SUBSIDIARY	COMPANY	
	2016	2015
Ordinary shares		
Harischandra Mills (Distributors) Limited (Fully owned subsidiary)	<u>70</u>	<u>70</u>
	<u>70</u>	<u>70</u>
Number of shares		
1992/93 issued to subscribers	7	7
1995/96 script issue	<u>699,993</u>	<u>699,993</u>
Total	<u>700,000</u>	<u>700,000</u>

AS AT 31 MARCH,	GROUP / COMPANY			
	2016		2015	
	Cost of investment Rs.	Market value Rs.	Cost of investment Rs.	Market value Rs.
14. AVAILABLE FOR SALE INVESTMENTS				
Balance as at 01 April	17,461,340	37,951,000	16,020,005	33,968,996
Additions during the year	1,004,251	1,004,251	1,441,335	1,441,335
Net gain/ (loss) on fair value change	-	<u>(3,597,757)</u>	-	<u>2,540,669</u>
Balance as at 31 March	<u>18,465,591</u>	<u>35,357,494</u>	<u>17,461,340</u>	<u>37,951,000</u>

14.1 AFS investments comprise of;

Investment in units of National Equity Fund (Note 14.2)	16,965,591	30,497,494	15,961,340	32,767,000
Investment in units of NDB Growth and Income Fund (Note 14.3)	<u>1,500,000</u>	<u>4,860,000</u>	<u>1,500,000</u>	<u>5,184,000</u>
Balance as at 31 March	<u>18,465,591</u>	<u>35,357,494</u>	<u>17,461,340</u>	<u>37,951,000</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

14. AVAILABLE FOR SALE INVESTMENTS (CONTD.)

AS AT 31 MARCH,	GROUP / COMPANY			
	2016		2015	
	Cost of investment Rs.	Market value Rs.	Cost of investment Rs.	Market value Rs.
14.2 Investment in units of National Equity Fund				
Balance as at 01 April	15,961,340	32,767,000	14,520,005	29,305,496
Additions during the year	1,004,251	1,004,251	1,441,335	1,441,335
Net gain on fair value change	-	(3,273,757)	-	2,020,169
Balance as at 31 March	<u>16,965,591</u>	<u>30,497,494</u>	<u>15,961,340</u>	<u>32,767,000</u>
14.3 Investment in units of NDB Growth and Income Fund				
Balance as at 01 April	1,500,000	5,184,000	1,500,000	4,663,500
Net (loss)/ gain on fair value change	-	(324,000)	-	520,500
Balance as at 31 March	<u>1,500,000</u>	<u>4,860,000</u>	<u>1,500,000</u>	<u>5,184,000</u>

	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
15. INVENTORIES				
Raw materials and consumables	76,200,862	51,119,627	76,200,862	51,119,627
Work in progress	22,311,330	17,842,302	22,311,330	17,842,302
Finished goods	40,261,770	44,044,178	40,261,770	44,044,178
Machinery spares	27,080,588	23,588,017	27,080,588	23,588,017
	<u>165,854,550</u>	<u>136,594,124</u>	<u>165,854,550</u>	<u>136,594,124</u>
Less:				
Provision for slow moving machinery spares (Note 15.1)	(4,294,724)	(1,294,677)	(4,294,724)	(1,294,677)
	<u>161,559,826</u>	<u>135,299,447</u>	<u>161,559,826</u>	<u>135,299,447</u>
15.1 Provision for slow moving machinery spares				
As at 01 April	1,294,677	1,294,677	1,294,677	1,294,677
Provision made during the year	3,000,047	-	3,000,047	-
As at 31 March	<u>4,294,724</u>	<u>1,294,677</u>	<u>4,294,724</u>	<u>1,294,677</u>
16. TRADE AND OTHER RECEIVABLES				
Trade receivables	250,605,627	247,251,585	250,605,627	247,251,585
Other receivables (Note 16.1)	55,329,777	58,163,595	55,329,777	58,163,595
	<u>305,935,404</u>	<u>305,415,180</u>	<u>305,935,404</u>	<u>305,415,180</u>
16.1 Other receivables				
Loans to employees	31,120,477	24,842,610	31,120,477	24,842,610
Advances & prepayments	17,030,341	29,784,924	17,030,341	29,784,924
Trade deposits	2,680,704	3,107,987	2,680,704	3,107,987
Sundry debtors	4,498,255	428,074	4,498,255	428,074
	<u>55,329,777</u>	<u>58,163,595</u>	<u>55,329,777</u>	<u>58,163,595</u>
17. CASH & CASH EQUIVALENTS				
Cash in hand	2,453,491	1,996,714	2,453,491	1,996,714
Cash at bank	36,373,499	37,473,208	36,373,499	37,074,232
Short term deposits	217,284,035	300,724,619	217,284,035	300,666,173
Cash and cash equivalents	256,111,025	340,194,541	256,111,025	339,737,119
Bank overdrafts (secured) (Note 17.1)	(67,520,941)	(67,664,285)	(67,520,941)	(67,664,285)
Cash and cash equivalents for the purpose of statement of cash flows	<u>188,590,084</u>	<u>272,530,256</u>	<u>188,590,084</u>	<u>272,072,834</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	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
18. STATED CAPITAL				
959,800 ordinary shares 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 holders 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>
This can be utilized to settle any unknown future contingencies and strengthen the financial position and working capital needs of the company if required				
21. DEFERRED TAXATION				
Deferred tax liabilities arising on property plant and equipment (Note 21.1)	54,688,924	50,199,866	54,688,924	50,199,866
Deferred tax asset on employee benefit obligation (Note 21.2)	<u>(19,766,070)</u>	<u>(17,868,483)</u>	<u>(19,766,070)</u>	<u>(17,868,483)</u>
	<u>34,922,854</u>	<u>32,331,383</u>	<u>34,922,854</u>	<u>32,331,383</u>
21.1 Deferred tax liabilities				
Balance as at 01 April	50,199,866	43,272,750	50,199,866	43,127,637
Total deferred tax liability originating during the year	<u>4,489,058</u>	<u>6,927,116</u>	<u>4,489,058</u>	<u>7,072,229</u>
Balance as at 31 March	<u>54,688,924</u>	<u>50,199,866</u>	<u>54,688,924</u>	<u>50,199,866</u>
21.2 Deferred tax asset				
Balance as at 01 April	17,868,483	13,994,265	17,868,483	13,994,265
Total deferred tax asset originating during the year	<u>1,897,587</u>	<u>3,874,218</u>	<u>1,897,587</u>	<u>3,874,218</u>
Balance as at 31 March	<u>19,766,070</u>	<u>17,868,483</u>	<u>19,766,070</u>	<u>17,868,483</u>
22. EMPLOYEE BENEFIT OBLIGATION				
Retiring gratuity				
As at 01 April	63,816,015	49,979,518	63,816,015	49,979,518
Charge for the year (Note 22.1)	<u>10,959,568</u>	<u>18,700,002</u>	<u>10,959,568</u>	<u>18,700,002</u>
	<u>74,775,583</u>	<u>68,679,520</u>	<u>74,775,583</u>	<u>68,679,520</u>
Gratuity paid	<u>(4,182,476)</u>	<u>(4,863,505)</u>	<u>(4,182,476)</u>	<u>(4,863,505)</u>
Balance as at 31 March	<u>70,593,107</u>	<u>63,816,015</u>	<u>70,593,107</u>	<u>63,816,015</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

22. EMPLOYEE BENEFIT OBLIGATION(CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
22.1 Charge for the year				
Interest cost	6,062,521	5,497,747	6,062,521	5,497,747
Current service cost	5,926,413	5,414,198	5,926,413	5,414,198
Actuarial (gain)/ loss	(1,029,366)	7,788,057	(1,029,366)	7,788,057
	<u>10,959,568</u>	<u>18,700,002</u>	<u>10,959,568</u>	<u>18,700,002</u>
Amount charge in to Income Statement	11,988,934	10,911,945	11,988,934	10,911,945
Amount charge in to Other Comprehensive Income	(1,029,366)	7,788,057	(1,029,366)	7,788,057
	<u>10,959,568</u>	<u>18,700,002</u>	<u>10,959,568</u>	<u>18,700,002</u>

22.2 An actuarial valuation on the retiring gratuities was carried out as at 31 March 2016 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

	2016	2015
a. Financial assumptions		
Discount rate as at 31 March	11%	9.5%
Future salary increases	10%	10%

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%	3,932,533	(4,517,803)	(3,932,533)	4,517,803
Salary Increment 1 %	(4,744,170)	4,204,825	4,744,170	(4,204,825)

23. TRADE & OTHER PAYABLES

Trade payables	45,946,563	60,621,233	45,946,563	60,621,233
Other payables (Note 23.1)	103,334,480	96,484,793	103,141,190	96,334,793
	<u>149,281,043</u>	<u>157,106,026</u>	<u>149,087,753</u>	<u>156,956,026</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

23. TRADE & OTHER PAYABLES(CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
23.1 Other payables				
Accrued expenses	31,881,440	33,976,876	31,688,150	33,826,876
VAT payable	20,880,061	16,234,293	20,880,061	16,234,293
NBT payable	196,441	3,634,044	3,151	3,634,044
Trade & customer deposits	4,522,291	3,580,072	4,522,291	3,580,072
Provision for bonus	40,000,000	35,000,000	40,000,000	35,000,000
Others	5,854,247	4,059,508	6,047,537	4,059,508
	<u>103,334,480</u>	<u>96,484,793</u>	<u>103,141,190</u>	<u>96,334,793</u>

24. RELATED PARTY PAYABLES

Harischandra Mills (Distributors) Limited (Note 24.1)	-	-	214,518,256	195,836,581
	<u>-</u>	<u>-</u>	<u>214,518,256</u>	<u>195,836,581</u>
Amounts due within one year	-	-	77,000,000	-
Amounts due after one year	-	-	137,518,256	-
	<u>-</u>	<u>-</u>	<u>214,518,256</u>	<u>-</u>

24.1 During the year the Company had entered into an agreement specifying the terms of settlement of this related party payable to its fully owned subsidiary "Harischandra Mills (Distributors) Limited". The loan is payable on demand and interest will be accrued at AWPLR in the respective month +2% commencing from 01/04/2015.

25. CURRENT TAX LIABILITIES

As at 01 April	27,070,767	18,650,140	26,340,481	17,750,677
Provision for the year (Note 08)	60,172,077	56,288,442	56,863,115	56,288,442
Prior year under provision (Note 08)	14,171,024	4,360,362	17,353,297	4,360,362
Tax on inter company dividend	-	4,004,000	-	-
	<u>101,413,868</u>	<u>83,302,944</u>	<u>100,556,893</u>	<u>78,399,481</u>
Payments during the year	(90,536,281)	(56,232,177)	(90,536,134)	(52,059,000)
As at 31 March	<u>10,877,587</u>	<u>27,070,767</u>	<u>10,020,759</u>	<u>26,340,481</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.

As per the Company policy 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

26. TRANSACTIONS WITH RELATED PARTIES (CONTD.)

Key management personnel compensation comprised:

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Short term benefits	27,141,505	23,552,270	27,141,505	23,552,270
Long term benefits	3,696,848	3,408,530	3,696,848	3,408,530
Total (Note 06)	<u>30,838,353</u>	<u>26,960,800</u>	<u>30,838,353</u>	<u>26,960,800</u>

26.3 Transactions with subsidiary

Name of the related party	Nature of transaction	2016		2015	
		Volume of transaction	Balance as at 31.03.16	Volume of Transaction	Balance as at 31.03.15
Harischandra Mills (Distributors) Limited	Reimbursement of expenses	150,000	-	-	-
	Transfer of bank accounts	(458,237)	-	-	-
	Interest expense	18,373,438	-	-	-
	Outstanding balances	-	-	-	-
	Loan (Note 24.1)	-	(214,518,256)	-	(195,836,581)

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 12 May 2016.

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	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Revenue:								
Total sales	1,793,853,236	1,647,163,956	749,635,832	766,369,201	282,734,178	306,626,535	2,826,223,246	2,720,159,692
Less:								
Inter company sales	-	-	-	-	-	-	-	-
Consolidated Sales	<u>1,793,853,236</u>	<u>1,647,163,956</u>	<u>749,635,832</u>	<u>766,369,201</u>	<u>282,734,178</u>	<u>306,626,535</u>	<u>2,826,223,246</u>	<u>2,720,159,692</u>
Operating profit:								
Segment operating profit before depreciation	206,381,659	217,480,299	5,670,825	4,600,522	29,435,850	19,280,897	241,488,334	241,361,718
Depreciation	(63,361,720)	(56,659,635)	(226,025)	(172,168)	(10,022,241)	(10,579,481)	(73,609,986)	(67,411,284)
Segment operating profit	143,019,939	160,820,664	5,444,800	4,428,354	19,413,609	8,701,416	167,878,348	173,950,434
Other operating income/(expense)							30,889,396	31,807,326
Net finance income							19,265,970	13,887,018
Profit before income tax expense							<u>218,033,714</u>	<u>219,644,778</u>
Income tax expense							(76,646,350)	(69,886,357)
Profit after income tax							<u>141,387,364</u>	<u>149,758,421</u>
Assets:								
Operating assets	773,316,987	656,173,632	323,162,514	305,295,208	121,884,632	122,149,496	1,218,364,133	1,083,618,336
Other investments							35,357,494	37,951,000
Cash & cash equivalents							<u>256,111,025</u>	<u>340,194,541</u>
Total assets							<u>1,509,832,652</u>	<u>1,461,763,877</u>
Liabilities:								
Operating liabilities	182,414,682	174,750,400	76,229,526	81,305,400	28,750,883	32,530,526	287,395,091	288,586,326
Deferred tax liabilities							34,922,854	32,331,383
Income tax payable							<u>10,877,587</u>	<u>27,070,767</u>
Total liabilities							<u>333,195,532</u>	<u>347,988,476</u>



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	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Revenue:								
Total sales	1,793,853,236	1,653,364,946	749,635,832	766,369,201	282,734,178	308,521,733	2,826,223,246	2,728,255,880
Operating profit:								
Segment operating profit before depreciation	206,549,064	225,716,132	5,670,825	4,600,522	29,462,235	19,674,345	241,682,124	249,990,999
Depreciation	(63,361,720)	(56,638,174)	(226,025)	(172,169)	(10,022,241)	(10,600,941)	(73,609,986)	(67,411,284)
Segment operating profit	143,187,344	169,077,958	5,444,800	4,428,353	19,439,994	9,073,404	168,072,138	182,579,715
Other operating income/(expense)							30,889,396	67,391,347
Net finance income							891,069	12,238,969
Profit before income tax expense							199,852,603	262,210,031
Income tax expense							(76,519,661)	(66,027,470)
Profit after income tax							123,332,942	196,182,561
Assets:								
Operating assets	773,317,031	656,689,389	323,162,533	304,389,254	121,884,639	122,539,763	1,218,364,203	1,083,618,406
Other investments							35,357,494	37,951,000
Cash & cash equivalents							256,111,025	339,737,119
Total assets							1,509,832,722	1,461,306,525
Liabilities:								
Operating liabilities	318,450,480	293,476,816	133,077,715	136,032,637	50,191,862	54,763,454	501,720,057	484,272,907
Deferred tax liabilities							34,922,854	32,331,383
Income tax payable							10,020,759	26,340,481
Total liabilities							546,663,670	542,944,771



NOTES TO THE FINANCIAL STATEMENTS(CONTD.)

34. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

34.1 Financial Risk Management

The Group is exposed to following risks arising from financial instruments. In particular, the key financial risk categories are:

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

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 group if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the group 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,

AS AT 31 MARCH	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade and other receivables	288,905,064	275,630,256	288,905,064	275,630,256
Cash at bank	36,373,499	37,473,208	36,373,499	37,074,232
Short term deposits	217,284,035	300,724,619	217,284,035	300,666,173
Available for sale investment	35,357,494	37,951,000	35,357,494	37,951,000
	<u>577,920,092</u>	<u>651,779,083</u>	<u>577,920,092</u>	<u>651,321,661</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,

1 - 60 days	244,158,830	225,903,820	244,158,830	225,903,820
61 - 180 days	17,311,652	30,962,816	17,311,652	30,962,816
Above 181 days	27,434,582	18,763,620	27,434,582	18,763,620
	<u>288,905,064</u>	<u>275,630,256</u>	<u>288,905,064</u>	<u>275,630,256</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 behaviour and analysis of customer credit risk.

(b) Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 254 million as at 31 March 2016 (2015: Rs. 338 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 2016

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	67,520,941	67,520,941	-	-	-
Trade and other payables	149,281,043	149,281,043	-	-	-
Total liabilities	216,801,984	216,801,984	-	-	-

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	157,106,026	157,106,026	-	-	-
Total liabilities	224,770,311	224,770,311	-	-	-



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31 March 2016

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	67,520,941	67,520,941	-	-	-
Trade and other payables	149,087,753	149,087,753	-	-	-
Related party payables	214,518,256	-	77,000,000	137,518,256	-
Total liabilities	431,126,950	216,608,694	77,000,000	137,518,256	-

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	156,956,026	156,956,026	-	-	-
Related party payables	195,836,581	195,836,581	-	-	-
Total liabilities	420,456,892	420,456,892	-	-	-

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 (CONTD.)

Group
As at 31 March 2016

	Available for sale investments	Loans receivables	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	256,111,025	-	256,111,025	-	-	-	-
Trade and other receivables	-	288,905,064	-	288,905,064	-	-	-	-
Available for sale investments	35,357,494	-	-	35,357,494	35,357,494	-	35,357,494	-
Trade and other payables	-	-	(149,281,043)	(149,281,043)	-	-	-	-
Overdraft	-	-	(67,520,941)	(67,520,941)	-	-	-	-
	35,357,494	545,016,089	(216,801,984)	363,571,599	35,357,494	-	35,357,494	-

Company
As at 31 March 2016

	Available for sale investments	Loans receivables	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	256,111,025	-	256,111,025	-	-	-	-
Trade and other receivables	-	288,905,064	-	288,905,064	-	-	-	-
Available for sale investment	35,357,494	-	-	35,357,494	35,357,494	-	35,357,494	-
Trade and other payables	-	-	(149,087,753)	(149,087,753)	-	-	-	-
Related party payable	-	-	(214,518,256)	(214,518,256)	-	-	-	-
Overdraft	-	-	(67,520,941)	(67,520,941)	-	-	-	-
	35,357,494	545,016,089	(431,126,950)	149,246,633	35,357,494	-	35,357,494	-

Group
As at 31 March 2015

	Available for sale investments	Loans receivables	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
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	-	-	(157,106,026)	(157,106,026)	-	-	-	-
Overdraft	-	-	(67,664,285)	(67,664,285)	-	-	-	-
	37,951,000	615,824,797	(224,770,311)	429,005,486	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 hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
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	-	-	(156,956,026)	(156,956,026)	-	-	-	-
Related party payable	-	-	(195,836,581)	(195,836,581)	-	-	-	-
Overdraft	-	-	(67,664,285)	(67,664,285)	-	-	-	-
	37,951,000	615,367,375	(420,456,892)	232,861,483	37,951,000	-	37,951,000	-



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

The following table shows the valuation technique used in measuring level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investments in unit trusts	Fair value is based on the published unit prices	Based on published unit prices	The estimated fair value would increase (decrease) if: the published unit prices were higher (lower)

34.3 Capital Management

The Board's policy is to maintain a strong capital base to maintain confidence of the investors, creditors and the market while sustaining future development of the business capital consists to total equity. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Capital Structure of the group consists of debt and equity of the group. The capital structure of the Group is reviewed by the Board of Directors.

The Group monitors capital using the ratio of net debt to equity. For this purpose adjusted net debt is defined as total liabilities comprising interest bearing loans and borrowings, less cash and cash equivalents.

AS AT 31 MARCH,	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Total Liabilities	333,195,532	347,988,476	546,663,670	542,944,771
Less : Cash and Cash Equivalents	(256,111,025)	(340,194,541)	(256,111,025)	(339,737,119)
Adjusted Net Debt	77,084,507	7,793,935	290,552,645	203,207,652
Total Equity	1,176,637,120	1,113,775,401	963,169,052	918,361,754
Net Debt to Equity Ratio	0.07	0.01	0.30	0.22

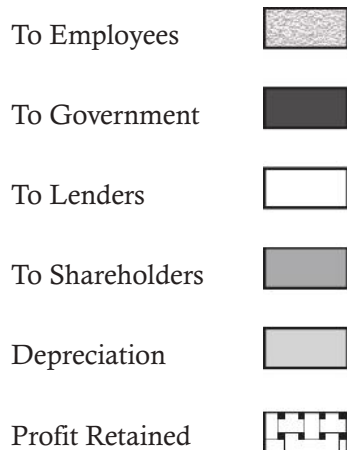
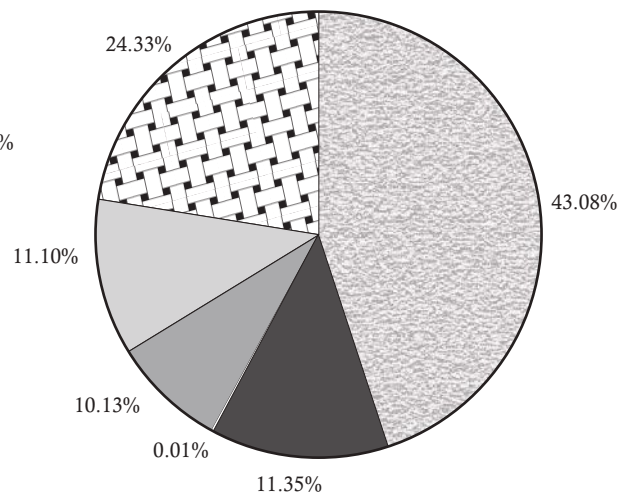
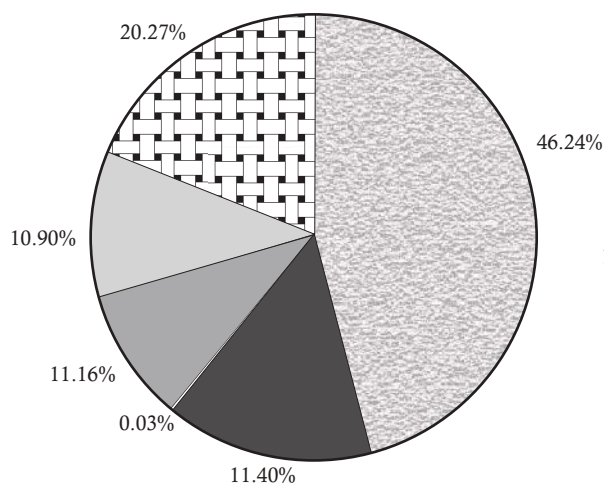


STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 MARCH,

	2016 Rs.'000	2015 Rs.'000
Turnover	2,826,223	2,720,160
Other Income	50,330	45,773
	<u>2,876,553</u>	<u>2,765,933</u>
Cost of Goods & Services bought in	(2,188,289)	(2,150,271)
Value Added	<u>688,264</u>	<u>615,662</u>

Distribution as follows	%	Rs.'000	%	Rs.'000
To Employees	46.24	318,283	43.08	265,199
To Government	11.40	78,463	11.35	69,886
To Lenders	0.03	174	0.01	79
To Shareholders	11.16	76,784	10.13	62,387
Retained in Business				
Depreciation	10.90	74,989	11.10	68,353
Profit Retained	20.27	139,571	24.33	149,758
	<u>100.00</u>	<u>688,264</u>	<u>100.00</u>	<u>615,662</u>





TEN YEARS STATISTICAL SUMMARY

Reported as per	SLAS						SLFRS/LKAS				
	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	2016 [*] Rs.000's
Results											
Group turnover	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	2,826,223
Profit before tax	56,976	44,372	83,097	111,017	134,781	115,317	150,554	138,773	172,727	219,644	218,034
Taxation	(23,449)	(19,123)	(46,686)	(43,837)	(61,962)	(51,227)	(49,572)	(42,338)	(55,409)	(69,886)	(76,646)
Profit after tax	33,527	25,249	36,411	67,180	72,819	64,090	100,982	96,435	117,318	149,758	141,388
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	90,245	90,245	90,245	89,871	30,849	32,643	19,852	19,852	19,852
Revenue reserves	247,742	259,750	281,764	327,829	376,654	414,244	850,872	908,915	1,000,021	1,084,325	1,147,187
Shareholders' funds	313,925	325,933	381,607	427,672	476,497	513,713	891,319	951,156	1,029,471	1,113,775	1,176,637
Assets Employed											
Non current assets	157,474	153,034	215,685	227,247	242,832	234,834	539,604	579,502	652,533	680,855	786,226
Current assets	258,009	306,573	362,918	408,143	479,701	536,254	596,997	641,114	697,172	780,909	723,606
Current liabilities	(65,277)	(105,220)	(119,722)	(135,420)	(175,689)	(197,442)	(184,499)	(200,413)	(240,976)	(251,841)	(227,679)
Provisions	(36,281)	(28,454)	(77,274)	(72,298)	(70,347)	(59,933)	(60,783)	(69,047)	(79,258)	(96,148)	(105,516)
Capital employed	313,925	325,933	381,607	427,672	476,497	513,713	891,319	951,156	1,029,471	1,113,775	1,176,637
Cash Flow											
Net cash inflow/(outflow)from operating activities	9,016	28,855	50,113	47,067	83,170	33,348	75,457	89,915	129,424	236,717	147,562
Net cash inflow/(outflow)from investing activities	(11,169)	(6,115)	(14,851)	(19,545)	(15,180)	(13,772)	(44,958)	(48,244)	(108,877)	(29,988)	(154,718)
Net cash inflow/(outflow)from financing activities	(13,629)	(21,149)	6,242	(25,720)	(29,240)	(37,791)	(28,794)	(38,392)	(43,191)	(62,387)	(76,784)
Increase/(decrease)in cash and cash equivalents	(15,782)	1,591	41,504	1,802	38,750	(18,215)	1,705	3,279	(22,644)	144,342	(83,940)
Key Indicators											
Earnings per share	34.60	26.31	37.94	69.99	75.87	66.77	106.25	100.47	122.23	156.03	147.31
Net assets per share	327.07	339.59	397.59	445.37	499.78	535.23	928.65	990.99	1,072.59	1,160.42	1,225.92
Market price per share	400.00	425.59	450.00	450.00	950.00	950.00	2,199.00	2,488.00	2,200.00	2,348.90	2,700.70
Return on equity	10.58	7.75	9.54	15.71	15.18	12.48	11.44	10.14	11.40	13.44	12.02
Price earning ratio	11.56	16.16	11.86	6.34	12.41	14.23	20.69	24.76	18.00	15.05	18.33
Dividend per share	10.00	20.00	15.00	22.00	25.00	30.00	30.00	40.00	45.00	65.00	80.00

***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		2016			2015		
		No. of Shareholders	Total Holdings	Percentage %	No. of Shareholders	Total Holding	Percentage %
From	To						
1	1,000	461	36,617	3.82	411	34,190	3.57
1,001	5,000	10	16,340	1.70	11	18,767	1.95
5,001	10,000	1	7,610	0.79	1	7,610	0.79
10,001	50,000	6	109,104	11.37	5	109,104	11.37
50,001	100,000	-	-	-	-	-	-
100,001	500,000	5	790,129	82.32	5	790,129	82.32
		483	959,800	100.00	433	959,800	100.00

2.2 Classification of Shareholders

	2016			2015		
	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	12	1,136	0.12	9	950	0.10
Employees	13	371	0.04	14	491	0.05
Others	454	781,398	81.41	406	781,464	81.42
	483	959,800	100.00	433	959,800	100.00

2.3 Twenty largest shareholders of the company

Shareholder's name	No. of Shares	%	No. of Shares	%
1. Seylan Bank PLC/Senthilverl T.	238,764	24.88	240,186	25.02
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.	133,377	13.90	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. De Silva M. P.	2,500	0.26	2,500	0.26
14. Sigamoney C.	2,247	0.23	2,247	0.23
15. Jayantha D.	1,900	0.20	1,700	0.18
16. Wijayawardhane C. J.	1,785	0.19	1,785	0.19
17. Senthilverl T.	1,434	0.15	1,434	0.15
18. Abeysekara S.	1,400	0.15	1,400	0.15
19. Jayasingha D.A.	1,360	0.14	1,360	0.14
20. Somawathie B. S.	1,260	0.13	-	-



INVESTOR INFORMATION (CONTD.)

FOR THE YEAR ENDED 31 MARCH	2016	2015
3. Details of Share transactions during the year		
No. of transactions	352	165
No. of share traded	4,263	2,253
Value of transactions (Rs.)	10,075,260	4,797,695
4. The transacted value of an ordinary share		
	Rs.	Rs.
Highest Price	3,174.90	2,500.00
Lowest Price	2,250.00	2,000.00
Last Traded Price	2,700.70	2,348.90
5. Dividend		
Interim	38,392,000	28,794,000
Final	38,392,000	33,593,000
	<u>76,784,000</u>	<u>62,387,000</u>
6. Earnings		
Earnings per share (Rs.)	147.31	156.03
Price earning ratio	18.33	15.05
7. Dividend per share (Rs.)	80.00	65.00
8. Dividend cover (Times)	1.84	2.40
9. Dividend Yield (%)	2.96	2.77
AS AT 31 MARCH	2016	2015
10. Public Holding		
No. of shares	410,764	410,764
Percentage	42.80%	42.80%
No. of public shareholders	477	427
11. Net Asset per share (Rs.)	1,225.92	1,160.42
12. Current asset ratio	3.18:1	3.10:1
13. Quick asset ratio	2.47:1	2.56:1
14. Debt equity ratio (%)	-	-
15. Equity to total asset ratio (%)	77.93	76.19



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 64th 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 24th September 2016 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 45/- 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 of2016

.....
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

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Web- www.harischandramills.com