HARISCHANDRA MILLS PLC

ANNUAL REPORT | 23/24

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.

NOTICE OF MEETING

Notice is hereby given that the 72nd Annual General Meeting ("AGM") of Harischandra Mills PLC (the "Company"), will be held at the Registered office of the Company, No. 11, C.A. Harischandra Mawatha, Matara on Wednesday, 04th September 2024 at 11.00 AM for the purpose of considering and if thought fit, passing the following resolutions:

1. To receive and consider the annual report of the board of directors together with the financial statements of the Company for the year ended 31st March 2024 and the report of the auditors thereon.

2. To re-elect Mr. S. A. S. Jayasundara as a director, who retires in terms of Article 98 of the articles of association.

3. To re-appointment of Mr. T. K. Bandaranayake who has reached the age of 81 years to dispense the age limit referred to in section 210 of the Companies Act, No. 7 of 2007.

4. To the re-appointment of Mrs. R. K. Samarasinghe who has reached the age of 83 years to dispense the age limit referred to in section 210 of the Companies Act No 7 of 2007.

5. To the re-appointment of Mr. G.S.V. De Silva who has reached the age of 79 years to dispense the age limit referred to in section 210 of the Companies Act, No. 7 of 2007.

6. To re-appointment of Mrs. M. P. De Silva who has reached the age of 72 years to dispense the age limit referred to in section 210 of the Companies Act, No. 7 of 2007.

7. To declare a final dividend of Rupees Forty (Rs.40/-) per share for the financial year ended 31st March 2024 as recommended by the directors.

8. To pass the following Special Resolution:
   IT IS HEREBY RESOLVED that the exiting articles of association of Company be replaced in its entirety by substituting in place thereof the articles of association attached hereto as Annexure 1, to ensure that the articles of association of the Company complies with the provisions of the Companies Act, No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange ("CSE"), the revised Corporate Governance Rules of the CSE and other relevant laws and regulations.

9. To appoint Mr. G.K. Sudath Kumar as a director of the Company with effect from 04th September 2024. A brief profile of Mr. Sudath Kumar is attached hereto as Annexure 2.

10. To re-appoint KPMG, Chartered Accountants, as auditors of the Company until the next AGM and to authorise the directors to determine their remuneration.

11. 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
HARISCHANDRA MILLS PLC

72nd Annual General Meeting

Colombo, on this 14th day of August 2024

Note:

1. *Proxy forms should be duly completed as per the instructions given therein and sent via registered post to No. 11, C.A. Harischandra Mawatha, Matara or forwarded via e-mail to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.*
2. *For any questions, please contact Mr. C. T. Gajanayake on 041 2224702 or ctgajanayake@harischandramills.com.*

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
NDB Bank PLC
DFCC Bank PLC
Nations Trust Bank PLC

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

Board of Directors
Bandaranayake T.K.
(Chairman)

Samarasinghe S.N.
(Managing Director)

De Silva G.S.V.

De Silva M.P. (Mrs.)

Jayasundara S.A.S.

Samarasinghe R.K. (Mrs.)

Kobbekaduwa R. (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)

Sanjeewa H.M.R.S.
(Finance Manager)

Jayawardane N.
(Quality Assurance Manager)

Samarawickrama R.G.P.P
(Management Accountant)

CHAIRMAN'S REVIEW

It is my pleasure to present to you the annual report of Harischandra Mills PLC for the financial year ended 31 March 2024. Despite the many challenges faced, I am pleased to report that the company has demonstrated remarkable resilience and operational excellence.

During the year, our sales experienced a slight decrease of 2.5%. This decline was primarily attributable to external economic pressures and shifts in market dynamics. However, I am proud to announce that our profit after tax surged by an impressive 149%. This substantial increase in profitability is a testament to our strategic focus on key areas such as operational efficiency, cost management, and supply chain optimization.

The remarkable improvement in our profitability underscores the effectiveness of these strategies. Our efforts have significantly enhanced the company's operational effectiveness and efficiency, enabling us to deliver an outstanding financial performance despite an extremely challenging sales environment.

Continuing with the company's tradition, our esteemed shareholders are aware that we have already paid an interim dividend of Rs 40/- per share. Moreover, in accordance with the decision made by the Board of Directors, a proposed final dividend payment of Rs 40/- per share has been recommended.

I would like to extend my heartfelt gratitude to the Managing Director and other members of the Board for their continued strategic guidance and support. I extend my sincere appreciation to our dedicated employees, whose hard work and unwavering commitment have played a pivotal role in achieving these outstanding results. Additionally, I would like to thank our valued shareholders, customers, suppliers, business and banking partners, and the authorities for their continued trust and support.

Going forward, we remain committed to driving growth and delivering value to all our stakeholders. We will continue to build on our strengths, endeavor to adapt to changing market conditions, and pursue opportunities that will ensure sustainable long-term success.

Thank you for your continued confidence in our company.

T.K. Bandaranayake
Chairman
26 July 2024

MANAGING DIRECTOR'S REPORT

In 2023, after facing severe economic and operational challenges in 2022, the company experienced a period of stabilization and gradual recovery. This year saw improved supply chain conditions, moderated cost pressures, a cautious return to discretionary spending, and enhanced consumer confidence. Meanwhile, the company continued to focus on survival strategies, implementing stringent cost-cutting measures and maintaining essential supply chains to ensure resilience and operational efficiency.

Despite this stability, company's sales have decreased slightly 2.5%. However, despite this dip, the company achieved a remarkable 149% surge in profitability for the year. Further,in the latter part of the year, the government increased the VAT rate to 18%. The company decided to absorb this additional cost without passing it on to customers, ensuring that the prices of its products remained unchanged.

The company's soap segment demonstrated remarkable growth, with a 71% increase in sales during the year. In contrast, the food segment experienced a 6% decline in sales compared to the previous year. Despite this decrease, the food segment's operating profit surged by 85%, showcasing the company's operational efficiency and effective supply chain management. This is further evidenced by the increase in operating cash flow, which rose to Rs. 495 million from Rs. 159 million in the previous year. This significant improvement in profitability underscores the company's ability to optimize operations and manage resources effectively, even in segments facing sales challenges.

As part of our corporate social responsibility initiatives, the company undertook the renovation of the waiting area in the outpatient division of Karapitiya Teaching Hospital. This project aimed to enhance both the aesthetics and the facilities available to patients, providing a more comfortable and welcoming environment. The renovation included modernizing the space with improved seating, better lighting, and updated decor, significantly improving the patient experience and demonstrating the company's commitment to community well-being.

Additionally, the company undertook various projects primarily targeting the education sector. A children's park was donated to Unalla Primary School, and several essential pieces of equipment, including computers and photocopy machines, were donated to multiple schools. These contributions reflect the company's dedication to supporting educational development and providing valuable resources to enhance the learning environment.

In conclusion, I would like to extend my heartfelt gratitude to the Chairman and Board of Directors, our dedicated employees, and all stakeholders for their unwavering support to the company.

S.N. Samarasinghe
Managing Director
26 July 2024

Development in the Outpatient Department of Karapitiya Teaching Hospital

This project marks a significant milestone in our commitment to enhancing healthcare services. By improving the infrastructure and seating facilities in the outpatient department of Teaching Hospital Karapitiya, we aim to provide patients with a more comfortable and conducive environment while they await medical attention. This initiative underscores our dedication to ensuring quality healthcare delivery and prioritizing patient well-being.

A New Children's Park for MR/ Unella Jayanthi Vidyalaya

Addressing a longstanding need, a children's park was constructed for MR/ Unella Jayanthi Vidyalaya, featuring a variety of play equipment. This initiative offers primary students a vibrant and secure environment for recreational activities, enhancing their physical and social development.

Restoration of MOH Clinic Building in Welipitiya

This initiative has been instrumental, particularly for pregnant mothers commuting from afar to seek medical assistance. The refurbishment guarantees a secure and accommodating space for their healthcare requirements, underscoring our dedication to supporting maternal health.






Essential Support for Schools and Students

In our commitment to advancing education accessibility, we have undertaken several initiatives as below to support underserved and rural schools and various societies.

- Provided building materials and school band instruments to MA/Hathamunagala Vidyalaya, Matale
- Supplied library cupboards to H/Walasmulla Model Primary School
- Furnished MR/Godapitiya M.V. with steel cupboards and photocopy machine
- Equipped MR/Bibulewela Primary School with photocopy machine and equipment
- Distributed school materials and stationaries to MR/ Warakapitiya Maha Vidyalaya

Food Distribution to Flood-Affected Families in Collaboration with Ayurveda Bikku Hospital, Walgama

In response to the recent flooding, we have partnered with Ayurveda Bikku Hospital in Walgama to provide essential food supplies to affected families. This collaboration aims to ensure that those impacted by the floods receive the necessary support and resources during this challenging time.







Support for Blood Donation Initiatives

In celebration of World Blood Donors' Day, we contributed to the appreciation program organized by the Southern Regional Blood Centre. Additionally, we supported several blood donation campaigns throughout the year, including those organized by the University of Moratuwa and the Sadisa Social Development Foundation in Thelijjawila. These efforts reflect our commitment to promoting community health and recognizing the vital role of blood donors.

MANAGEMENT DISCUSSION AND ANALYSIS

Sri Lankan Economy in 2023

The Sri Lankan economy witnessed a gradual revival in 2023 from its deepest post-independence economic downturn. Through decisive policy adjustments and structural reforms, both the government and the Central Bank restored macroeconomic stability. Despite short-term challenges, the prompt policy measures, structural reforms, and IMF-EFF support significantly reinforced the economic stability.

In 2023, the Sri Lankan economy demonstrated signs of recovery, with a contraction of 2.3% compared to 7.3% in 2022. Agricultural activities experienced a notable resurgence, marked by a 2.6% increase in value added, primarily due to improved supply conditions in fertilizer, agrochemical inputs, and fuel. Despite this positive development, subdued demand continued to impact all industrial activities, resulting in a 9.2% contraction. Growth in accommodation, food and beverage services, and transport activities, fueled by the gradual revival of the tourism sector and stable energy provision, limited the overall contraction in services to 0.2% in 2023.

By the end of 2023, inflation was reduced to single-digit levels from its peak in 2022. Although food prices rose, the increase was slower than in 2022. Favorable harvests, ample fertilizer supplies, and lower fuel costs led to a decline in some domestic food prices. However, extreme weather and festive demand caused substantial increases in volatile food prices later in the year. Consequently, year-on-year headline inflation (CCPI 2021=100) slowed to 1.3% in September 2023, with food and transport sectors experiencing deflation during several months.

In 2023, the primary balance showed a surplus, and the overall budget deficit decreased compared to the previous year. The labor force participation declined further while unemployment remained unchanged. Improved foreign exchange inflows from tourism, service exports, and remittances, along with reduced import demand, alleviated the foreign exchange crisis. Consequently, the Sri Lankan rupee strengthened in 2023 and early 2024, and interest rates stabilized. However, statutory income tax revisions and the increase in VAT resulted in a decline in consumer's disposable income. These developments, along with factors such as inflation, fiscal policy, and external trade dynamics, played a crucial role in shaping the economic landscape.

Operational Review

In 2023, following a year of severe economic and operational challenges in 2022, the company experienced a period of stabilization and gradual recovery. This year reflected improved supply chain conditions, moderated cost pressures, cautious return to discretionary spending, and enhanced consumer confidence. Concurrently, the company remained focused on survival strategies, including stringent cost-cutting measures and the maintenance of essential supply chains, ensuring resilience and operational efficiency.

Following an unprecedented year characterized by economic crisis and lower profits in 2023, our Financial Capital highlighted robust regeneration of financial health in 2024 and became a stable level with the industry. This period witnessed notable advancements in both profitability and asset growth, underscoring the resilience and adaptability of our organization. Following a year marked by hyperinflation, the economy experienced reduced price volatility in 2024. This stability resulted in a slight decrease in the company's revenue by 2.5%. Despite this, the company achieved a remarkable increase in profitability, with profit for the year surging by 149%. This substantial rise in profit underscores the company's enhanced operational efficiency and effective cost management strategies.

Financial Capital	2024	2023	Change
Revenue	6,301,494,101	6,464,392,609	-2.5%
Profit for the year	224,665,290	90,195,126	149%
Total assets	2,737,343,633	2,244,621,790	22%
Total liabilities	997,878,470	653,574,995	52.7%
Shareholders' Funds	1,739,465,163	1,591,046,795	9.3%
Dividend paid per share	40	55	-
Dividend payout	85.12%	50.42%	-

During the year, the company encountered the challenge of an increase in the VAT rate to 18%. Rather than transferring this additional financial burden to its customers, the company implemented cost reduction strategies to absorb the increased VAT. Consequently, the prices of its products remained unchanged.

Manufactured Capital

The manufactured capital of our company encompasses a range of essential assets, including buildings, plant and machinery, furniture and fittings, and motor vehicles. We place great emphasis on the quality of our manufactured capital, recognizing its direct correlation to the quality of our production. By prioritizing the maintenance and enhancement of these assets, we ensure optimal conditions for delivering high-quality products.

Our manufacturing plants in Matara and Udukawa, along with our stores in Kaduwela, collectively support our commitment to excellence in production and operational efficiency. We place great emphasis on the quality of our manufactured capital, recognizing its direct correlation to the quality of our production. By prioritizing the maintenance and enhancement of these assets, we ensure optimal conditions for delivering high-quality products.

The following key assets support for our operations:

Item	Net Carrying Value 2024	Net Carrying Value 2023	Change
Buildings	167,904,015	159,803,261	5%
Plant & Machinery	191,851,099	188,394,491	1.8%
Furniture, Fittings & Equipment	78,129,554	76,517,947	2.1%
Motor Vehicle	82,318,390	36,141,928	127.8%

Human Capital

We highly value our employees, recognizing them as our most valuable asset. We are dedicated to fostering a supportive work environment that enables our employees to achieve a healthy work-life balance. Despite challenging economic circumstances, we have remained steadfast in our commitment to welfare activities for our employees. Our initiatives include strict adherence to our health and safety policy, ensuring a safe work environment, and a strong commitment to non-discrimination. Throughout the year, we have made significant investments in employee welfare initiatives as below mentioned.

Employee Welfare Initiatives	• Medical Reimbursements • Funeral Grants • 25 - year Service Appreciation • Sponsorship for Employees' Higher Studies • School Materials and Shoes for Employees' Children • Higher Study Scholarships for Employees' Children • Welfare Commodities • Training & Development Programs

Natural Capital

Environmental sustainability is a fundamental aspect of our corporate responsibility, reflecting our deep commitment to safeguarding the environment through the integration of sustainable practices across all operations. During the year, we have placed a high priority on managing solid waste, water, energy, and air quality. Notable initiatives include the installation of a polythene incinerator and improved adherence to the 3R principle for waste management, establishment of wastewater treatment plant for water conservation, and an advanced energy conservation system supplemented by solar power. For air quality, we utilize a wet scrubber system in our coffee production factory. Our cleaner production system ensures continuous improvement in environmental performance. To strengthen our commitment, we have established a dedicated team responsible for ensuring strict compliance with all environmental regulations. Moreover, adherence to the Central Environmental Authority licenses ensuring our steadfast commitment to maintaining stringent environmental standards throughout the manufacturing facilities. These efforts collectively underscore our dedication to maintaining and enhancing natural capital.

Social and Relationship Capital

Over the past year, we have significantly enhanced our social and relationship capital through a series of strategic initiatives. By emphasizing supplier value creation, we have prioritized quality through collaboration with local suppliers and the cultivation of long-term partnerships. Our marketing channels adeptly cater to both local and international markets, bolstered by a comprehensive distribution network encompassing supermarkets, dealers, retailers, and our own Harischandra outlets. Additionally, we actively engage with various chambers and trade associations to foster robust business relationships and stay attuned to industry developments. Our corporate social responsibility initiatives have predominantly focused on advancing health and education development projects. Collectively, these efforts are designed to contribute meaningfully to economic growth and sustainable development, underscoring our unwavering commitment to community engagement and the enhancement of stakeholder value.

Intellectual Capital

Our commitment to intellectual capital is deeply ingrained in the unique corporate culture that the Harischandra brand has cultivated over the past 81 years. Built on the visionary concepts of our founder, Mr. C.A. Harischandra, our intellectual capital represents the collective knowledge, expertise, and innovation of our workforce. We prioritize effective management of our intellectual capital as it enables us to compete in the market and ensures customer confidence in the quality of our products.

Our key certifications are listed below:

Certifications	• ISO 22000:2018 Food Safety Management System • HACCP- Hazard Analysis Critical Point System (SLS 1266:2011) • ISO 9001:2015 Quality Management System • Good Manufacturing Practices System (SLS 143: 2022) • NMRA Certificate for Toilet Soap • Permit for use SLS certification mark - Ground Coffee (SLS 258) - Kurakkan Flour (SLS 928) - Rice Flour (SLS 913) - String Hopper Flour (SLS 913) - Instant Thosai Mixture (SLS 1629) - Instant Hopper Mixture (SLS 1631) - Noodles (SLS 420) - Rice Noodles (SLS 858) - Toilet Soap (SLS 34) - Laundry Soap (SLS 554)

Representatives, along with the Managing Director, proudly display their newly received HACCP and ISO 22000:2018 Food Safety Management System certificates, symbolizing the commitment to rigorous food safety standards.

AWARDS & RECOGNITION

The company was honored with the Silver Award in the Processed Food Category at the National Industry Excellence 2023, organized by the Industrial Development Board. This prestigious recognition highlights the company's commitment to quality and innovation within the processed food sector, reflecting its dedication to industry excellence and continuous improvement.

NATIONAL INDUSTRY EXCELLENCE AWARD-2023

LARGE SCALE PROCESSED FOOD AND RICE RELATED SECTOR

SILVER AWARD

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 practices 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 2024 has seven members; four executive 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 and other statutory and regulatory requirements including the Listing Rules and circulars of the Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka.

The board meets on a 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.

Director	Attendance of Board Meetings					
	26.05.2023	21.07.2023	11.08.2023	10.11.2023	19.01.2024	08.02.2024
Mr. T.K. Bandaranayake	✓	✓	✓	✓	✓	✓
Mr. S. N. Samarasinghe	✓	✓	✓	✓	✓	✓
Mr. S. Jayasundara	✓	✓	✓	✓	✓	✓
Mr. G. S. V. de Silva	✓	-	✓	-	✓	✓
Mrs. M. P. de Silva	✓	-	✓	-	✓	✓
Mrs. R. K. Samarasinghe	✓	-	✓	✓	-	✓
Mrs. R. Kobbekaduwa	✓	-	-	✓	✓	✓

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 is eligible for re-election. The retiring director eligible for re-election this year is mentioned in the Notice of the AGM on page 04.

Composition of the Board:

Non Executive, Independent Directors

- Mr. T.K. Bandaranayake (Chairman)
- Mr. S.A.S.Jayasundara
- Mrs. R. Kobbekaduwa

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 28 in this Annual Report. All the directors have the necessary skills and experience to direct and lead the Company.

Independence and Managing Conflicts of Interests

The independence of all Non-Executive Independent Directors was reviewed and no Non-Executive Independent Director has a conflict of interest as at 31st March 2024.

Even though, Mr. T.K. Bandaranayake is over the age of seventy (70) and has been serving as a non-executive independent director of the Board for over nine (9) years, the Board has determined that Mr. T. K. Bandaranayake is an independent director irrespective of Section 7.10.4 (e) of the CSE Listing Rules after taking into consideration all the relevant circumstances, including the fact that he is not directly or indirectly involved in the day-to-day management of the Company.

Similarly, Mr. S. A. S. Jayasundara has been serving as a non-executive independent director of the Board for over nine (9) years. Nevertheless, the Board has determined that Mr. S. A. S. Jayasundara is an independent director irrespective of Section 7.10.4 (e) of the CSE Listing Rules after taking into consideration all the relevant circumstances, including the fact that he is not directly or indirectly involved in the day-to-day management of the Company.

However, in light of the amendments to the section 9 of the Listing Rules of the Colombo Stock Exchange published in September 2023, as amended, Mr. T. K. Bandaranayake and Mr. S. A. S. Jayasundara will remain as non-executive independent directors of the Board only until 01st January 2025.

Board Committees:

Audit Committee

The Board formally constituted the Audit Committee comprising of Mr. T.K. Bandaranayake as the Chairman and Mr. S.A.S. Jayasundara, independent 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.

However, the company has taken the necessary steps to comply with Rule 9.3.3 of the amended Corporate Governance rules, which will take effect on October 1, 2024.

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.

Director	Attendance of Audit Committee Meetings				
	26.05.2023	21.07.2023	11.08.2023	10.11.2023	08.02.2024
Mr. T.K. Bandaranayake	✓	✓	✓	✓	✓
Mr. S. Jayasundara	✓	✓	✓	✓	✓

The detailed Audit Committee's report including areas reviewed during the financial year 2023/2024 is given on Page 23 and 24 of the Annual Report.

Remuneration Committee

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

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

However, the company has taken the necessary steps to comply with Rule 9.3.3 of the amended Corporate Governance rules, which will take effect on October 1, 2024.

The Remuneration Committee met on following occasions during the year.

Director	Attendance of Remuneration Committee Meetings
	08.02.2024
Mr. T. K. Bandaranayake	✓
Mr. 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. T.K. Bandaranayake (Chairman of the committee)
- Mr. S.A.S. Jayasundara
- Mr. S.N. Samarasinghe

However, the company has taken the necessary steps to comply with Rule 9.3.3 of the amended Corporate Governance rules, which will take effect on October 1, 2024.

During the Financial year 2023/2024, the Committee held four meetings.

Director	Attendance of Related Party Transactions Review Committee				
	26.05.2023	21.07.2023	11.08.2023	10.11.2023	08.02.2024
Mr. T.K. Bandaranayake	✓	✓	✓	✓	✓
Mr. S.N. Samarasinghe	✓	✓	✓	✓	✓
Mr. S.A.S. Jayasundara	✓	✓	✓	✓	✓

During the year, the Board of Directors confirmed that no material related party transactions occurred, based on the reports presented by the Related Party Transactions Review Committee.

CORPORATE GOVERNANCE (CONTD.)

Directors' Interest and Responsibilities

The directors of the Company have made the general disclosures provided for in Section 19 2(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 for ensuring 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 for the foreseeable future.

Fitness of Directors

The Company assessed fitness of Directors of the Company and obtained the declaration of fitness and propriety confirming that all Directors of the Company have satisfied the Fit and Proper Assessment Criteria set out in the Section 9.7.3 of the Listing Rules of Colombo Stock Exchange.

Policies

The board has ensured that the company operates according to internal mechanisms based on the Articles of Association and adheres to following internal policies:

- Policy on the matters relating to the Board of Directors
- Whistleblower Policy
- Anti-Corruption and Anti- Bribery Policy
- Risk Management and Internal Control Policy
- Environment, Social, and Governance (ESG) Sustainability Policy
- Remuneration Policy
- Information Technology (IT) policies and procedures
- Group accounting procedures and policies

Further, the Board will ensure that the Company will comply with requirement to establish the policies referred to in 9.7.3 of the Listing Rules of Colombo Stock Exchange by 01st October 2024.

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 and Communication 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 analyze its future prospects. Additionally, important matters are communicated to relevant stakeholders through AGMs, EGMs, announcements to the CSE, press releases, and the corporate website.

Corporate Governance Requirements under the Listing Rules of Colombo Stock Exchange

Section 7and 9 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 16 and 21 contains the required affirmative statement in that regard.

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 under the guidance of Audit Committee.

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 71st Annual General Meeting of Harischandra Mills PLC held on 09th September 2023, the shareholders reappointed the Auditors M/s. KPMG and authorized 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.

Statement of Compliance under section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosures

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Compliance Status	Reference
(I)	Names of persons who were Directors of the Company	Complied	page 5
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Complied	page 29
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	page 84

(iv)	a) The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum P ublic Holding requirement	Complied	page 85
	b) The public holding percentage in respect of non- voting Shares (where applicable)	Not Applicable	-
	c) The public holding percentage in respect of Foreign Currency denominated Shares	Not Applicable	-
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Complied	page 33
(vi)	Information pertaining to material foreseeable risk factors of theEntity	Complied	page 22 & 23
(vii)	Details of material issues pertaining to employees and industrial	Complied	page 32
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	page 64
(ix)	Number of shares representing the Entity's stated capital	Complied	page 84
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	page 84
(xi)	Financial ratios and market price information	Complied	page 85
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value	Complied	page 63 & 64
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Complied	page 85
(xiv)	Information in respect of employee share option scheme or share purchase schemes	Not Applicable	-
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Complied	page 17
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	page 71
(xvii) to (xxi)	Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities. Infrastructure Bonds and/or Shariah Compliant Debt Securities listed on the CSE	Not Applicable	-

Statement of Compliance under section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Compliance Status	Remark/ Reference
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	Page 15

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	Page 28
7.10.5 Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Page 16
7.10.5a Composition of Remuneration Committee	The Remuneration Committee shall comprise of non-executive directors a majority of whom will be independent	Complied	Page 16
7.10.5b Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Complied	Page 24
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	Page 24 & 71
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 23 & 24
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 independent 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	Page 15 Page 15 Page 25
7.10.6c Disclosure in the Annual Report relating to Audit Comittee	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	Page 25 & 26

The Company has complied with the following listed sections of the amendments to Rule 7.10 and section 9 of the Listing Rules of the Colombo Stock Exchange published in September 2023.

Rule	Requirement	Compliance Status	Remark/ Reference
9.2 Policies	Establish the following policies: a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re-election d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f) Policy on Risk management and Internal controls g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability I) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption.	08 Policies out of the 12 policies are in place	The following policies are in place: - The Policy on the matters relating to the Board of Directors - Whistleblower Policy - Anti-Corruption and Anti-Bribery Policy - Risk Management and Internal Control Policy - Environment, Social, and Governance (ESG) Sustainability Policy - Remuneration Policy - Information Technology (IT) policies and procedures - Group accounting procedures and policies.

9.3.1 Board Committees	The Company has established the following committees: a) Remuneration Committee; b) Audit Committee; and c) Related Party Transaction Review Committee; and d) Nomination and Governance Committee.	Partially Complied	The Company will establish and Nomination and Governance Committee and comply with the said rule by 01st October 2024. All other Board Committees are in compliance with the said rules.
9.3.2 Composition of the Board Committees	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above-Board committees as set out in these Rules	Not complied	The Company will comply with the requirement by 01st October 2024
9.3.3 Chairperson	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1	Not complied	The Company will comply with the requirement by 01st October 2024
9.4 Principle of democracy	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	Complied	Compliance with Corporate Governance Rules
9.5 Policy on Board Director	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors	Not Complied	The Company will comply with the requirement by 01st October 2024
9.6.1 Chairperson and CEO	The Chairperson shall be a Non-Executive Director. The position of Chairperson and CEO shall not be held by the same individual	Complied	Compliance with Corporate Governance Rules
9.6.3 SID	The requirement of SID	N/A	Chairperson and CEO are not the same person
9.7Fitness of Directors and CEO	Directors and the CEO are, at all times, fit and proper persons	Complied	Compliance with Corporate Governance Rules. Refer page 17
9.8.1 Board Composition	Board of Directors shall, at a minimum, consist of five (05) Directors	Complied	07 Directors Articles will be amended at the Annual General Meeting of the Company.
9.8.2 Minimum Number of Independent Directors	The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.	Complied	Compliance with Corporate Governance Rules
9.8.5 Make a determination as to the independence based on declaration	Submit a signed and dated declaration annually against Independence criteria and make determination based on the same.	Complied	Compliance with Corporate Governance Rules
9.9 Alternate Directors	Alternate Directors Company to provide the appointment and such requirement to be incorporated into the Articles of Association	Complied	Amendment to Articles is scheduled at the AGM by passing special resolution
9.10 Disclosures relating to directors	- Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement. - Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees. - Disclosures relating to the Directors in the Annual Report.	Complied	Compliance with Corporate Governance Rules

RISK MANAGEMENT

Risk management is integrated process to understand, evaluate, and address inherent risks, maximizing goal achievement while ensuring sustainability. Recognizing the impossibility of completely eliminating risks, the company emphasizes the importance of remaining vigilant to opportunities. Identified risks are systematically managed within the company's procedures, fostering resilience, agility, and long-term viability through embedded risk management practices.

Operational Risk

Several operational risks are inherent in our operations, as a manufacturing company. These include ensuring a constant and timely supply of high-quality materials, managing the risks of contaminated raw materials or product defects due to human error or equipment failure, and addressing production capacity constraints. Additionally, the cost of raw materials constitutes the largest portion of manufacturing expenses, making price fluctuations a significant financial concern.

To mitigate these risks, the company has implemented a range of strategic actions. Loyal, long-term relationships with both customers and suppliers have been established to ensure a reliable supply chain and enhance brand loyalty. Regular quality reviews and inspections are conducted to maintain stringent quality control standards, while periodic maintenance of machinery and equipment prevents failures and optimizes production capacity. Through these measures, along with robust contingency plans, the company effectively manages costs and ensures the efficient and timely distribution of products.

Market Risk

The company faces significant market risks that could affect its financial performance and competitive position. These risks include the potential loss of market share or market leadership in key segments due to intense competition, the emergence of new entrants, changes in customer attitudes, and varying economic conditions. The volatility in market prices, particularly for raw materials, packaging materials, fuel, and electricity, poses a substantial risk. Sharp and unexpected price fluctuations in these essential inputs, which cannot always be passed on to customers, can adversely impact profit margins.

To mitigate these risks, the company took strategic steps. We closely monitored market trends and competitor activities, adapting our product offerings to meet evolving customer preferences to maintain market leadership. Employing hedging strategies and long-term supplier contracts stabilized production costs amidst price volatility. Additionally, investments in energy-efficient technologies reduced reliance on volatile fuel and electricity prices, ensuring resilience and profitability amidst market uncertainties.

Economic Risk

The company faces macroeconomic risks stemming from broader economic conditions, including fluctuations in GDP growth, interest rates, inflation, and changes in tax rates. This has significantly impacted the purchasing power of consumers and, consequently, negatively affected the performance of businesses due to the discretionary nature of product offerings.

In response to the macroeconomic risks, the company adopted a proactive approach, implementing several strategic measures to mitigate their impact effectively. We optimized operational efficiencies, streamlining processes, and enhancing productivity to offset increased costs. Further, strategic negotiations with suppliers helped manage input costs, ensuring favorable terms despite economic pressures. Additionally, intensified marketing efforts sustained consumer demand amid pricing changes.

Environmental Risk

Environmental risks, spanning concerns like waste water management, waste disposal, air pollution, resource depletion, and the impacts of extreme weather events such as floods and droughts, alongside regulatory non-compliance, present considerable threats to both the operational integrity and reputation of the company. These risks are compounded by the effects of climate change, which have the potential to disrupt supply chains and escalate operational expenses significantly.

In response to these challenges, the company implemented sustainable practices, conducted routine environmental impact assessments, and collaborated with stakeholders to ensure regulatory compliance. This included installing advanced wastewater treatment facilities, wet scrubber systems, and incineration technologies, along with establishing integrated waste management protocols and regular risk assessment procedures. These efforts mitigated environmental risks, enhanced resilience, and bolstered the company's reputation as a socially conscientious entity.

Regulatory and Legal Risks

Regulatory and legal risks encompass potential losses arising from violations or nonconformance with laws, regulations, internal policies, and ethical standards. The company operates within a framework governed by various laws and regulations, including the Companies Act, Inland Revenue Act, SEC regulations, and CSE rules. Non-compliance with these regulations could lead to civil or criminal action, resulting in damages, fines, and reputational harm. Moreover, changes in laws and regulations may significantly impact the company's operational costs, further exacerbating regulatory risks.

To address these challenges, the company has implemented robust risk management processes to ensure compliance with all applicable laws and regulations. Management actively coordinates with legal experts and company secretaries to stay abreast of regulatory changes and maintain adherence to prescribed standards. Additionally, internal audits are conducted quarterly to identify and mitigate any potential risks associated with non-compliance. Through these proactive measures, the company mitigates regulatory and legal risks, safeguarding its reputation and operational continuity.

Financial and Liquidity Risks

The management's vigilant oversight of financial risks has significantly reduced exposure to credit risk, while maintaining a minimal reliance on external financing.

Additionally, proactive measures have been taken to mitigate liquidity risks, ensuring the company's ability to sustain operations by maintaining robust cash flows. Continuous review of cash flows and fostering strong relationships with financial institutions have been instrumental in managing liquidity risks effectively. Furthermore, financial indicators and regular board agenda items serve as crucial tools for monitoring and responding to emerging local and global trends, further enhancing the company's resilience against financial risks.

Human Resources Risks

Human risk encompass a range of challenges related to the workforce, including talent retention, labor disputes, and compliance with labor laws and regulations. Additionally, issues such as employee misconduct, accidents, and health and safety concerns pose significant threats to the company's operations and reputation.

Throughout the year, the company prioritized mitigating human risks by enhancing talent retention with competitive staff welfare and development opportunities. Regular training on workplace safety and health conduct was introduced to reduce accidents and misconduct. Additionally, proactive measures like open communication channels and fair grievance resolution addressed potential labor disputes. These efforts underscore the company's commitment to a positive and resilient organizational culture.

Technological Risks

Last year, the company faced technological risks, including cybersecurity vulnerabilities, system failures, and the challenge of rapid technological advancements. These risks threatened operational continuity and data security, necessitating proactive mitigation measures.

To address these challenges, the company prioritized robust cybersecurity protocols, employee training on data security best practices, and advanced encryption technologies. Additionally, strategic investments were made to upgrade IT infrastructure, enhancing resilience against system failures and ensuring seamless operations. These steps fortified the company's technological defenses, minimizing vulnerabilities to external threats.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee consists of two non executive directors, Mr. T.K. Bandaranyake and Mr. S.A.S. Jayasundara.

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

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

The aggregate remuneration paid to executive directors and non executive directors is disclosed in the annual Report.

T.K. Bandaranayake
Chairman-Remuneration Committee
26 July 2024

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), a senior Chartered Accountant with extensive audit experience, particularly a retired senior partner of Ernst & Young Sri Lanka after 27 years of service, and Mr. S.A.S. Jayasundara, an attorney at law with many years of commercial sector experience as an independent director of several other companies too.

Meetings of the Committee

The Audit committee met four 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.

With the introduction of the new Audit Report Previous year, the audit committee has introduced a process to discuss the areas which are identified as Key Audit Matters by Messrs KPMG for reporting in the Audit Report at the Audit planning and completion stage.

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.

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. Having satisfied themselves with the quality and independence of the auditors the Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2025 subject to the approval of shareholders at the next Annual General Meeting at a fee to be determined by the Board.

T.K. Bandaranayake
Chairman - Audit Committee
26 July 2024

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee ('The Committee") was formed on 01st January 2016 in terms of the Code of Best Practice on Related Party Transactions ("Code") issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange ("Listing Rules"). The Committee comprises three Directors including two Non Executive Directors. The composition of the Committee as at 31 March 2024 is;

- Mr. T.K. Bandaranayake (Chairman, Non Executive Independent Director)
- Mr. S.A.S. Jayasundara (Non Executive , Independent Director)
- Mr. S.N. Samarasinghe (Executive Director)

Objective of the Committee

The objective of the Committee is to ensure that the interests of shareholders as a whole are taken into account by the Company when entering into Related Party Transactions, in compliance with the provisions of the Code and Listing Rules.

Role and Responsibilities

The mandate of the Committee is derived from the Code and the Listing Rules and includes mainly the following:

- Developing and maintaining a Related Party Transactions Policy consistent with the provisions of the Code and the Listing Rules.
- Reviewing all proposed Related Party Transactions ("RPT") to ensure compliance with the provisions of the Code and the Listing Rules.
- Advising the Board of Directors on making immediate Market Disclosures and Disclosures in the Annual Report where necessary, in relation to non-recurrent and recurrent related party transactions.
- Setting guidelines for senior management to follow in such circumstances.

Reporting to the Board

The Committee held meetings every quarter and reviewed all related party transactions of the Company in order to ensure that those transactions have taken place in accordance with the guidelines established by the Committee in compliance with the Code and Listing rules. The minutes of the meetings are tabled at Board meetings.

On behalf of the Board Related Party Transactions Review Committee.

T.K. Bandaranayake
Chairman - Related Party Transactions Review Committee
26 July 2024

BOARD OF DIRECTORS

Mr. T.K. Bandaranayake
Independent Non Executive Chairman

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 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, 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.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 an 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. 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 Audit, Remuneration and Related Party Transactions Review Committees of the Board.

He is the chairman of Blue Diamond Jewellery Ltd, Shraddha Media Network and Lakviru Radio (Pvt) Ltd. He serves as the acting chairman of Bimputh Finance PLC. and a non executive director of Bogawanthalawa Tea Estates PLC. Metropolitan Resource Holdings (Pvt) Ltd. Sithara Limited and Teleshan Networks (Pvt) Ltd.

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.

Mrs. R. Kobbekaduwa
Independent Non Executive Director

Mrs Kobbekaduwa, an Attorney at Law by profession, was a Partner of M/s. F J & G De Saram from 2002 to 2017. She was also a director of Sunshine Holdings PLC in 2016/2017 and is currently a consultant for the Sunshine Group.

Ms. Kobbekaduwa's experience is primarily in all aspects of corporate and commercial law including IP law.

She is a director of the Foundation for Advancing Rural Opportunities and is currently involved in work relating to creating higher education opportunities for rural youth.

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 2024.

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 46.

Group Financial Results;	**2023/2024**	2022/2023
	Rs. 000	Rs. 000
Profit before taxation	365,497	**135,692**
Taxation	(140,832)	**(45,497)**
After tax profit attributable to shareholders	224,665	**90,195**
Profit brought forward from previous year	1,465,617	**1,482,127**
Other comprehensive income	3	**(1,669)**
Profit available for appropriation	1,690,285	**1,570,653**
Distribution of Profit:		
Interim dividend paid for financial year 2022/2023	38,392	**47,990**
Final dividend paid for financial year 2022/2023	38,392	**57,588**
Forfeiture of unclaimed dividend	(534)	**(542)**
	76,250	**105,036**
	1,614,035	**1,465,617**

AUDITORS' REPORT

The auditors' report on the financial statements is given on page 36.

ACCOUNTING POLICIES

The Group and the Company prepared their Financial Statements for all periods up to and including the year ended 31 March 2024, 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 46 to 58 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 2024 and contain a fair review of the affairs of Harischandra Mills PLC and the Group.

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 2024 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 14 to 21 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 08.

DONATIONS

Donations were Rs.5,815,477/- compared to Rs.905,265/- 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 amounting to Rs. 76,784,000/- on 04 June 2024, and propose a final dividend of Rs.40/- per share, to be paid out of the profits of Harischandra Mills PLC and dividend received for the financial year ended 2023/2024. 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. Harischandra Mills PLC paid an interim dividend of Rs. 20/= and final dividend of Rs. 20/= per share for the previous year.

PROVISION FOR TAXATION

Provision made for taxation considering the relevant tax rates laid down by the Inland Revenue Act No. 24 of 2017 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 63.

STATED CAPITAL & RESERVES

The stated capital of Harischandra Mills PLC at the beginning of the year under review was Rs. 105,578,000/-, consisting of 1,919,600 Ordinary Shares.

The total reserves of the Company as at 31 March 2024 amounted to Rs.1,631,575,491/- (as at 31 March 2023 - Rs.1,483,090,523/-) where as the Group total reserve amounted to Rs.1,633,887,163/- (as at 31 March 2023 - Rs.1,485,468,795/-) The composition of the reserves is shown in the Statement of Changes in Equity and details of reserves are set out in Note 20 and 21 to the Financial Statements.

POST BALANCE SHEET EVENTS

Interim dividend of Rs.40/- per share were paid on 04 June 2024.

Other than the above, there have been no significant events subsequent to the balance sheet date that requires adjustments or disclose in 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 2024.

RELATED PARTY TRANSACTIONS

We declare that the Company did not engage in any Non-Recurrent Related Party Transactions during the year under review. Furthermore, the Company did not participate in any Recurrent Related Party Transactions exceeding 10% of the consolidated revenue or 5% of the total assets of the Entity, as per the Audited Financial Statements dated March 31, 2024.

HUMAN RESOURCES

As at 31 March 2024 Company employed 624 employees whereas it was 629 in the last year end. Aggregate total remuneration in respect of the year was Rs.709 Mn compared to Rs.616 Mn for the last year.

ISSUES PERTAINING TO EMPLOYEES AND INDUSTRY RELATIONS

There were no material issues pertaining to employees and industry relations during the year under review to disclose as required under rule 7.6 (vii) of the CSE Listing rules.

SHAREHOLDERS' INFORMATION

Distribution of the issued shares among the shareholders and classification of shareholders are indicated in page 84 of the Annual Report. There were 485 (2022/23-502) registered shareholders as at 31 March 2024.

DIRECTORATE

The directors of Harischandra Mills PLC during the year ended 31.03.2024 are as follows.

Mr. T.K. Bandaranayake (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
Mrs. R. Kobbakaduwa	- Non Executive, Independent Director
Mr. S.A.S. Jayasundara	- Non Executive, Independent Director

Directors profiles are set out on page 28 in the Annual Report.

MAJOR SHAREHOLDERS

The 20 largest shareholders of Harischandra Mills PLC as at 31 March 2024 are given on page 84 together with an analysis of the shareholdings. As at that date Harischandra Mills PLC had 485 shareholders.

SUB-COMITTEES OF THE BOARD

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

01.	Audit Committee	:	Mr. T.K. Bandaranayake (Chairman) Mr. S.A.S. Jayasundara
02.	Remuneration Committee	:	Mr. T.K. Bandaranayake (Chairman) Mr. S.A.S. Jayasundara
03.	Related Party Transactions Review Committee	:	Mr. T.K. Bandaranayake (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 27 of the Financial Statements. The directors have no direct or indirect interest or proposed contract other than those disclosed.

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

Name of Director	Position	Shareholding
Mr. 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 2024 were recorded as Rs.64,102,180/- (2022/2023 Rs.55,595,820/-).

DIRECTORS SHAREHOLDING

Name of Director	31 March 2024		01 April 2023	
	No of Shares	%	No of Shares	%
Mrs. R.K. Samarasinghe	**3,200**	**0.17**	270,120	14.07
Mr. S.N. Samarasinghe	**76,670**	**3.99**	76,670	3.99
Mr. G.S.V. De Silva	**2,000**	**0.10**	2,000	0.10
Mrs. M.P. De Silva	**5,000**	**0.26**	5,000	0.26
Mr. T.K. Bandaranayake	**-**	**-**	-	-
Mr. S.A.S. Jayasundara	**-**	**-**	-	-
Mrs. R. Kobbakaduwa	**-**	**-**	-	-
Total	**86,870**	**4.52**	353,790	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 18 in this annual report.

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

AUDITORS

The Financial Statements for the year ended 31 March 2024 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.2,716,250/- (2022/23 - Rs.1,800,000/-) for audit work, tax service Rs.503,500/- (2022/23 - Rs.430,288/-) and Rs.1,858,260/- (2022/23 - Rs. 400,000/-) 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 GENERAL MEETING

The Seventy Second Annual General Meeting of the Company will be held at No. 11, C.A. Harischandra Mawatha, Matara on the 04th September 2024 at 11.00 a.m. The Notice of the Seventy Second Annual General Meeting is on page 04 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
26 July 2024

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 36 to 39 sets out their responsibilities in relation to the Financial Statements

By order of the Board

Corporate Services (Private) Limited

Secretaries

26 July 2024

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HARISCHANDRA MILLS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the 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 31 March 2024, 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 notes to the Financial Statements, including Material accounting policies as set out on pages 46 to 81 of this Annual Report.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to the accounting policies in "Note 3.17 to the Financial Statements: Revenue recognition" and "Note 4 to the Financial Statements: Revenue".

Risk Description	Our response
Revenue from sale of goods Rs. 6,301,494,101/- is recognized when control has been transferred to the buyer for which judgement is required by management to estimate accruals. Under Auditing Standards, we are required to consider that the fraud risk from revenue recognition is a significant risk. We identified revenue recognition as a key audit matter because of its significance to the financial statements. We focused on whether transactions have been recorded in the period in which the Group becomes entitled to record revenue in accordance with SLFRS 15.	Our audit procedures included; • Obtaining an understanding of the design, implementation and operating effectiveness of management's key internal controls in relation to recognition of revenue. • Evaluating the integrity of the general IT control environment and testing the operating effectiveness of key IT application controls over revenue. • Comparing revenue transactions recorded during the current year, on a sample basis, with invoices with customer acknowledgement and credit notes, to assess whether the related revenue was recognized in accordance with the Company's revenue recognition accounting policies. • Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying invoices with customer acknowledgement to assess whether the related revenue had been recognized in the correct financial period.

KPMG

Carrying value of Inventories

Refer to the accounting policies in "Note 3.10 to the Financial Statements: Inventories" and "Note 16 to the Financial Statements: Inventories".

Risk Description	Our response
The Group has recognized a total provision of Rs. 12,029,777/- in relation to the total inventory valued at Rs. 526,134,217/- as at 31 March 2024. As discussed in Note 3.10, management judgment is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This primarily relates to the assessment of direct labor costs incurred, manufacturing overheads to be absorbed and other relevant production costs. A risk surrounding the carrying value of inventory when compared to the net realizable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete and damaged inventory involves estimates and judgments, taking into account forecast sales and historical usage information. We identified assessing the carrying value of inventories as a key audit matter because of the inherent risk that the Group's inventories may become obsolete or may be sold at prices below their carrying values and because the judgment exercised by management in determining the appropriate provision for inventories involves management's bias.	Our audit procedures included; • Performing the observations of inventory physical verifications in order to verify the existence and identify any damaged, obsolete inventory. • Obtaining an understanding and assessing the design implementation and operating effectiveness of the Group's key controls relating to the assessment of inventory valuation and inventory provisioning. On a sample basis, we have performed the following: • Agreeing the cost of raw materials to third party supplier invoices. • For work in progress and finished goods, we obtained the bill of material and tested the underlying costs within each stock item. We challenged the key assumptions concerning overhead absorption by assessing the appropriateness of costs included in the calculation. • Checked the parameters and system accuracy of first in first out (FIFO) method with the assistance of IT audit specialist. • Assessing the net realizable value (NRV) on a sample basis of stock items by agreeing their subsequent sales price to customer invoices to ensure that the items are held at the lower of cost and NRV. • Obtaining an understanding of the movements in the inventory for the year and evaluating the adequacy of the provision for non-moving and slow-moving inventory. • Verifying manual adjustments to inventory provision by inspecting supporting documentation. • Assessing whether the Group's policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimation made in respect of inventory provisioning.

KPMG

Recoverability of trade receivables

Refer to the accounting policies in "Note 3.4 to the Financial Statements: Impairment" and "Note 17 to the Financial Statements: Trade and other receivables".

Risk Description	Our response
As disclosed in Note 17 to the Financial Statements, the Group has recognized trade receivables balance of Rs. 602,553,918/- as at 31 March 2024, after provision for impairment of Rs. 2,161,540/-. The Group's customers operate in a number of sectors, having different credit profiles. SLFRS 9 – "Financial Instruments" ECL Model takes into account judgment in setting the assumptions such as forward-looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. Provision for impairment of trade receivables remains one of the most significant judgment made by the management particularly in light of the prevailing uncertain and volatile macro-economic environment in Sri Lanka as at the reporting date. We identified impairment of trade receivables as a key audit matter for our audit, as it requires management to exercise subjective judgment in making assumptions and estimates for the assessment of provision for impairment of trade receivables.	Our audit procedures included; • Evaluating the appropriateness of the impairment methodology used by the Group in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management. • Evaluating the completeness, accuracy and relevance of data used in preparation of the impairment provision. • Challenging how management had assessed the impact of the prevailing uncertain macro-economic outlook within the ECL model to assess whether that it was appropriately considered in the measurement of ECLs at year end. • Assessing the adequacy of the Group's disclosures regarding the degree of judgments and estimation involved in arriving at the allowance for impairment losses of trade receivables.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
09 August 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
FOR THE YEAR ENDED 31 MARCH,		**2024**	2023	**2024**	2023
	Note	**Rs.**	Rs.	**Rs.**	Rs.
Revenue	**4**	**6,301,494,101**	6,464,392,609	**6,301,494,101**	6,464,392,609
Cost of sales		**(5,127,740,398)**	(5,608,056,459)	**(5,127,740,398)**	(5,608,056,459)
Gross profit		**1,173,753,703**	856,336,150	**1,173,753,703**	856,336,150
Other income	**5**	**26,774,315**	28,963,197	**26,774,315**	28,963,197
Distribution expenses		**(391,774,713)**	(353,422,327)	**(391,774,713)**	(353,422,327)
Administrative expenses		**(498,978,585)**	(413,794,274)	**(498,911,985)**	(413,390,927)
Operating profit	**6**	**309,774,720**	118,082,746	**309,841,320**	118,486,093
Finance income	**7.1**	**60,336,819**	32,848,083	**60,336,819**	32,848,083
Finance expenses	**7.2**	**(4,614,401)**	(15,238,827)	**(4,614,401)**	(15,238,827)
Profit before tax		**365,497,138**	135,692,002	**365,563,738**	136,095,349
Income tax expense	**8**	**(140,831,848)**	(45,496,876)	**(140,831,848)**	(45,496,876)
Profit for the year		**224,665,290**	90,195,126	**224,731,890**	90,598,473
Profit attributable to equity holders - of the Company		**224,665,290**	90,195,126	**224,731,890**	90,598,473
Profit for the year		**224,665,290**	90,195,126	**224,731,890**	90,598,473
Earnings per share	**9**	**117.04**	46.99	**117.07**	47.20

Figures in bracket indicate deductions.

The notes to the financial statements from page 46 to 81 form an integral part of these consolidated financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
FOR THE YEAR ENDED 31 MARCH,		**2024**	2023	**2024**	2023
	Note	**Rs.**	Rs.	**Rs.**	Rs.
Profit for the year		**224,665,290**	90,195,126	**224,731,890**	90,598,473
Other comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Re-measurement of defined benefit obligation	**23.1**	**4,198**	(2,384,432)	**4,198**	(2,384,432)
Related tax	**8.2**	**(1,259)**	715,330	**(1,259)**	715,330
Total other comprehensive income net of tax		**2,939**	(1,669,102)	**2,939**	(1,669,102)
Total comprehensive income attributable to owners of the Company		**224,668,229**	88,526,024	**224,734,829**	88,929,371

Figures in bracket indicate deductions.

The notes to the financial statements from page 46 to 81 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH,	Note	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
Assets					
Non- current assets					
Property, plant and equipment	**11**	**869,531,296**	803,497,475	**869,531,296**	803,497,475
Intangible assets	**12**	**844,918**	977,968	**844,918**	977,968
Right of use asset	**13**	**19,780,336**	34,615,576	**19,780,336**	34,615,576
Investment in subsidiary	**14**	**-**	-	**70**	70
Total non-current assets		**890,156,550**	839,091,019	**890,156,620**	839,091,089
Current assets					
Inventories	**16**	**514,104,440**	434,609,902	**514,104,440**	434,609,902
Trade and other receivables	**17**	**698,178,460**	621,131,558	**698,178,460**	621,131,558
Investment in unit trusts	**15**	**70,450,298**	6,537,000	**70,450,298**	6,537,000
Investment in fixed deposits		**457,614,016**	240,808,233	**457,614,016**	240,808,233
Cash and cash equivalents	**18**	**106,839,869**	102,444,078	**106,794,953**	102,398,812
Total current assets		**1,847,187,083**	1,405,530,771	**1,847,142,167**	1,405,485,505
Total assets		**2,737,343,633**	2,244,621,790	**2,737,298,787**	2,244,576,594
Equity					
Stated capital	**19**	**105,578,000**	105,578,000	**105,578,000**	105,578,000
Other capital reserves	**20**	**7,010,944**	7,010,944	**11,014**	11,014
General reserve	**21**	**12,841,000**	12,841,000	**12,841,000**	12,841,000
Retained earnings		**1,614,035,219**	1,465,616,851	**1,618,723,477**	1,470,238,509
Total equity attributable to owners of the Company		**1,739,465,163**	1,591,046,795	**1,737,153,491**	1,588,668,523
Liabilities					
Non-current liabilities					
Deferred tax liabilities	**22**	**28,706,347**	13,233,277	**28,706,347**	13,233,277
Employee benefit obligation	**23**	**167,080,828**	141,660,658	**167,080,828**	141,660,658
Lease creditor	**25**	**6,857,851**	25,790,380	**6,857,851**	25,790,380
Total non-current liabilities		**202,645,026**	180,684,315	**202,645,026**	180,684,315
Current liabilities					
Trade and other payables	**24**	**612,051,750**	400,976,591	**611,735,151**	400,726,242
Lease creditor	**25**	**18,932,529**	16,205,457	**18,932,529**	16,205,457
Current tax liabilities	**26**	**10,328,177**	2,179,428	**12,911,602**	4,762,853
Bank overdraft	**18**	**153,920,988**	53,529,204	**153,920,988**	53,529,204
Total current liabilities		**795,233,444**	472,890,680	**797,500,270**	475,223,756
Total liabilities		**997,878,470**	653,574,995	**1,000,145,296**	655,908,071
Total equity and liabilities		**2,737,343,633**	2,244,621,790	**2,737,298,787**	2,244,576,594

The notes to the financial statements from page 46 to 81 form 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
26 July 2024

G.S.V. De Silva
Director

STATEMENT OF CHANGES IN EQUITY

GROUP	Stated Capital Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2022	105,578,000	7,010,944	12,841,000	1,482,127,018	**1,607,556,962**
Total comprehensive income					
Profit for the year	-	-	-	90,195,126	**90,195,126**
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	(2,384,432)	**(2,384,432)**
Related taxes	-	-	-	715,330	**715,330**
Total other comprehensive income for the year	-	-	-	(1,669,102)	**(1,669,102)**
Total comprehensive income for the year	-	-	-	88,526,024	**88,526,024**
Transactions with owners of the Group, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(47,990,000)	**(47,990,000)**
Final dividend - Note (10)	-	-	-	(57,588,000)	**(57,588,000)**
Forfeiture of unclaimed dividend - Note (a)				541,809	**541,809**
Total transactions with owners of the Group	-	-	-	(105,036,191)	**(105,036,191)**
Balance as at 31 March 2023	**105,578,000**	**7,010,944**	**12,841,000**	**1,465,616,851**	**1,591,046,795**
Balance as at 01 April 2023	105,578,000	7,010,944	12,841,000	1,465,616,851	**1,591,046,795**
Total comprehensive income					
Profit for the year	-	-	-	224,665,290	**224,665,290**
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	4,198	**4,198**
Related taxes	-	-	-	(1,259)	**(1,259)**
Total other comprehensive income for the year	-	-	-	2,939	**2,939**
Total comprehensive income for the year	-	-	-	224,668,229	**224,668,229**
Transactions with owners of the Group, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(38,392,000)	**(38,392,000)**
Final dividend - Note (10)	-	-	-	(38,392,000)	**(38,392,000)**
Forfeiture of unclaimed dividend - Note (a)				534,139	**534,139**
Total transactions with owners of the Group	-	-	-	(76,249,861)	**(76,249,861)**
Balance as at 31 March 2024	**105,578,000**	**7,010,944**	**12,841,000**	**1,614,035,219**	**1,739,465,163**

Note(a) - The Group policy is to forfeit the dividends which are outstanding for more than six years in which the dividends have been initially declared.
Figure in bracket indicate deductions.
The notes to the financial statements from page 46 to 81 form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

COMPANY	Stated Capital Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2022	105,578,000	11,014	12,841,000	1,486,345,329	**1,604,775,343**
Total comprehensive income					
Profit for the year	-	-	-	90,598,473	**90,598,473**
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	(2,384,432)	**(2,384,432)**
Related taxes	-	-	-	715,330	**715,330**
Total other comprehensive income for the year	-	-	-	(1,669,102)	**(1,669,102)**
Total comprehensive income for the year	-	-	-	88,929,371	**88,929,371**
Transactions with owners of the Company, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(47,990,000)	**(47,990,000)**
Final dividend - Note (10)	-	-	-	(57,588,000)	**(57,588,000)**
Forfeiture of unclaimed dividend - Note (a)				541,809	**541,809**
Total transactions with owners of the Company	-	-	-	(105,036,191)	**(105,036,191)**
Balance as at 31 March 2023	**105,578,000**	**11,014**	**12,841,000**	**1,470,238,509**	**1,588,668,523**
Balance as at 01 April 2023	105,578,000	11,014	12,841,000	1,470,238,509	**1,588,668,523**
Total comprehensive income					
Profit for the year	-	-	-	224,731,890	**224,731,890**
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	4,198	**4,198**
Related taxes	-	-	-	(1,259)	**(1,259)**
Total other comprehensive income for the year	-	-	-	2,939	**2,939**
Total comprehensive income for the year	-	-	-	224,734,829	**224,734,829**
Transactions with owners of the Company, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(38,392,000)	**(38,392,000)**
Final dividend - Note (10)	-	-	-	(38,392,000)	**(38,392,000)**
Forfeiture of unclaimed dividend - Note (a)	-			534,139	**534,139**
Total transactions with owners of the Company	-	-	-	(76,249,861)	**(76,249,861)**
Balance as at 31 March 2024	**105,578,000**	**11,014**	**12,841,000**	**1,618,723,477**	**1,737,153,491**

Note(a) - The Group policy is to forfeit the dividends which are outstanding for more than six years in which the dividends have been initially declared.
Figure in bracket indicate deductions.
The notes to the financial statements from page 46 to 81 form an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
FOR THE YEAR ENDED 31 MARCH,		**2024**	2023	**2024**	2023
	Note	**Rs.**	Rs.	**Rs.**	Rs.
Cash flows from operating activities					
Profit before income tax expense		**365,497,138**	135,692,002	**365,563,738**	136,095,349
Adjustment for					
Provision for employee benefit	**23**	**36,490,755**	27,895,085	**36,490,755**	27,895,085
Depreciation/amortization	**11,12 & 13**	**98,481,795**	111,607,257	**98,481,795**	111,607,257
Provision for slow moving machinery spares	**16**	**(67,096)**	(33,706)	**(67,096)**	(33,706)
Provision for impairment of trade receivables	**17**	**(545,944)**	(292,516)	**(545,944)**	(292,516)
Interest expenses	**7**	**4,614,401**	12,407,145	**4,614,401**	12,407,145
Change in fair value of unit trusts	**5**	**(3,913,298)**	261,000	**(3,913,298)**	261,000
Loss/ (Profit) on disposal of property, plant & equipment	**5**	**25,166**	-	**25,166**	-
Interest income from investment in fixed deposits	**7**	**(60,049,727)**	(32,848,083)	**(60,049,727)**	(32,848,083)
Operating profit before working capital changes		**440,533,190**	254,688,184	**440,599,790**	255,091,531
Change in inventories		**(79,427,442)**	10,754,642	**(79,427,442)**	10,754,642
Change in trade and other receivables		**(76,500,958)**	(119,746,673)	**(76,500,958)**	(119,746,673)
Change in trade and other payables		**211,075,159**	14,242,422	**211,008,909**	14,176,021
Cash generated from operations		**495,679,949**	159,938,575	**495,680,299**	160,275,521
Gratuity paid	**23**	**(11,066,387)**	(9,802,594)	**(11,066,387)**	(9,802,594)
Interest paid		**(1,133,618)**	(7,439,627)	**(1,133,618)**	(7,439,627)
Income tax paid	**26**	**(117,211,288)**	(51,302,546)	**(117,211,288)**	(51,302,546)
Net cash flows generated from operating activities		**366,268,656**	91,393,808	**366,269,006**	91,730,754
Cash flows from investing activities					
Interest received		**53,045,037**	20,843,063	**53,045,037**	20,843,063
Proceeds from disposal of property, plant and equipment		**195,925**	177,992	**195,925**	177,992
Investments in Fixed Deposits		**(269,801,093)**	23,618,403	**(269,801,093)**	23,618,403
Acquisition of property, plant and equipment and intangible assets		**(149,768,417)**	(48,782,498)	**(149,768,417)**	(48,782,498)
Cash flows used in investing activities		**(366,328,548)**	(4,143,040)	**(366,328,548)**	(4,143,040)
Cash flows from financing activities					
Dividends paid		**(76,249,861)**	(104,803,960)	**(76,249,861)**	(104,803,960)
Lease rental paid		**(19,686,240)**	(18,748,801)	**(19,686,240)**	(18,748,801)
Cash flows used in financing activities		**(95,936,101)**	(123,552,761)	**(95,936,101)**	(123,552,761)
Net change in cash and cash equivalents		**(95,995,993)**	(36,301,993)	**(95,995,643)**	(35,965,047)
Cash and cash equivalents at the beginning	**18**	**48,914,874**	85,216,867	**48,869,608**	84,834,655
Cash and cash equivalents at the end		**(47,081,119)**	48,914,874	**(47,126,035)**	48,869,608

Figures in bracket indicate deductions.

The notes to the financial statements from page 46 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

1.1 Domicile and Legal Form

Harischandra Mills PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka since 09 January 1953.

The registered office and the principal place of business of the Company are situated at No.11, C. A. Harischandra Mawatha, Matara.

The Consolidated Financial Statements of the Group for the year ended 31 March 2023 comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group entities").

1.2 Subsidiary

The Company has a fully owned subsidiary, Harischandra Mills (Distributors) Limited which is incorporated on 03 February 1993.

Financial statements of the Company and the subsidiary are prepared for a common financial year, which ends on 31 March.

1.3 Principal Activities and Nature of Operations

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

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.

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

1.4 Parent Enterprise and Ultimate Parent Enterprise

In the opinion of the Directors, the Company does not have any identifiable parent entity of its own.

1.5 Number of Employees

The numbers of employees of the Group and Company as at 31 March 2024 are as follows:

Group	624 (2023-629)
Company	624 (2023-629)

1.6 Responsibilities for Financial Statements and Approval of Financial Statements

The Board of directors is responsible for preparation and presentation of the financial statements of the Group & Company as per the provision of Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The directors' responsibility over financial statements is set out in detail in the statement of directors' responsibility.

The financial statements of the Group for the year ended 31 March 2024 were authorized for issue in accordance with resolution of the Board of Directors on 26 July 2024.

2. Basis of Preparation

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and Company which comprise of the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Companies Act No. 07 of 2007.

These financial statements except for information on cash flows have been prepared following the accrual basis of accounting.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following items, which are measured on alternative basis on each reporting date.

- Defined benefit obligations are actuarially valued and recognized at the present value.
- Financial assets classified as FVTPL are measured at fair value.

No adjustments have been made for inflationary factors in the financial statements.

2.3 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency of all Group entities. There was no change in the Group's presentation and functional currency during the year under review. All financial information presented in Sri Lankan Rupees, unless stated otherwise.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes;

Note 3.4 - Impairment of assets
Note 3.11.1 - Provisions
Note 3.13 - Employee benefits
Note 3.15 - Capital commitments and contingencies

2.5. Measurement of Fair Value

A number of the Group's and Company's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

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

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

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

Further information about the assumption made in measuring fair value is included in Note 36.2.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In determining the basis of preparing the Financial Statements for the year ended 31 March 2024, based on available information, the management has assessed the prevailing uncertain environment and its impact on the Group companies. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged.

2.9 Comparative Information

The comparative information has been reclassified/ restated where necessary to conform to the current year's classification in order to provide a better presentation.

2.10. Changes In Material Accounting Policies

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and off-setting temporary differences - e.g. leases and decommissioning liabilities.

For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. However, there was no impact on the Statement of Financial Position because the balances qualify for off-set under paragraph 74 of LKAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

- Material Accounting policy information

The Company also adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the Financial Statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the Financial Statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 - Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments.

3. Summary of Material Accounting Polices

The Group has consistently applied the following significant accounting policies to all periods presented in the Financial Statements by the Group, except as mentioned otherwise. The Institute of Chartered Accountants of Sri Lanka has issued number of new amendments to Sri Lanka Accounting Standards (SLFRSs / LKASs) that are effective for the current financial year. These amendments and interpretations did not have any significant impact on the reported Financial Statements of the Group.

In addition, the Group adopted Disclosures of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 1 April 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies themselves.

3.1 Basis of Consolidation

3.1.1 Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 recognised 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 relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights 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 subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3.1.3 Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.
Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate as at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss.

3.3 Financial Instruments

(i) Recognition and Initial Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction value.

Financial Assets

(ii) Classification and Subsequent Measurement

On the initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; fair value through other comprehensive income (FVOCI) – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Group's financial assets classified and measured at amortized cost are limited to related party receivables and cash & cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has classified its investments in unit trust as FVTPL.

The Group has classified its investments in Fixed deposits at amotised cost.

a) Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

b) Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable-rate features
- Terms that limit the Group's claim to cash flows from Specified assets (e.g. non-recourse features).

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(iii) Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreignexchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial Liabilities

(iv) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4 Impairment

(a) Financial Assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, other debt securities and bank balances. Loss allowances for trade receivable is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and equity investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default in payments
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

Financial Assets measured at Amortised Cost

The Group considered evidence of impairment for these assets at an individual asset level. All assets were individually assessed for impairment. An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(b) Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such exists, then the assets recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

3.5 Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effect.

3.6 Property, Plant and Equipment

3.6.1 Recognition & Measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that asset.

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

3.6.2 Subsequent Costs

Subsequent expenditure is capitalized only if is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of day-to-day servicing of property, plant and equipment is recognized in profit or loss as incurred.

3.6.3. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows;

Category of Asset	Useful Economic life time (Years)
Buildings	50
Plant and machinery	13.33
Office, factory & laboratory equipment	10
Furniture and fittings	20
Motor vehicles	4

Depreciation of an asset begins when it is available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6.4. De-recognition

An item of property, plant and equipment is derecognized upon disposal of or when no future economic benefits are expected from its use or disposal. The gains or losses arising on derecognition (disposal or retirement) of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized net within 'other income' in the Statement of profit or loss.

3.6.5 Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital work-in- progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

3.7 Intangible Assets

a. Recognition and Measurement

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associate hardware, and can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and accumulated impairment losses if any.

b. Subsequent Expenditure

Subsequent expenditure is capitalized only when it increase the future economic benefits embodied in the specific asset to which it relate. All other expenditure, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

c. Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.
The estimated useful lives for the current and comparative years are as follows;

Computer software - 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d. De-recognition

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in profit or loss when the asset is derecognized.

3.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.8.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.8.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

3.8.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.8.1.3 Short-term leases and leases of low- value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low value assets recognition exemption to leases that are considered to be low- value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.8.1.4 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.9 Investments in Subsidiary

Investments in subsidiary of the Group are classified as non-current investments, which are stated in the statement of financial position at cost less accumulated impairment losses, if any.

3.10 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of raw material and packing material inventories are accounted at purchased cost on a first in first out basis. The cost of finished goods 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 costs necessary to make the sale.

3.11 Liabilities and Provisions

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

Non-current liabilities are those balances that fall due for payment after one year from the end of the reporting date. All known liabilities have been accounted for in preparing the financial statement.

3.11.1 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.12 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash-in-hand, deposits held at call with banks net of bank overdraft and short term fixed deposits.

3.13 Employee Benefits

a. Defined Contribution Plans - (Employees Provident Fund and Employees Trust Fund)

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 profit and loss in the period during which related services are rendered by employees.

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

Both the Group and employees who are paid on monthly pay basis (Payroll Expenses), contribute 15% on the salary of each employee to the approved private provident Fund.

Employee Trust Fund

The Group 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 Statement of Comprehensive Income as incurred.

b. Defined Benefit Plan

Defined benefit plan is a post- employment benefit plan other than Defined contribution plan. The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the Statement of Financial Position date. The defined benefit obligation is calculated annually by independent actuaries, using projected unit credit method, as recommended by LKAS 19, “Employee Benefits”.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the Note 23.3 to the financial statements. This liability is not externally funded and the item is grouped under non- current liabilities in the Statement of Financial Position.

However, under the Payment of Gratuity Act No. 12 of 1983 the liability to an employee arises only on completion of five years of continued service.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in Other Comprehensive Income and expenses related to defined benefit plans in staff expenses in Statement of Profit or Loss and Other Comprehensive Income.

Current service cost and the interest cost related to defined benefit plan in employee benefits are expensed in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

3.14 Trade and Other Payables

Trade and other payables are stated at cost.

3.15 Capital Commitments and Contingencies

Contingent liabilities are disclosed if there is a possible future obligation as a result of past event but either a payment is not probable or the amount cannot be reliably estimated.

Contingencies are possible assets or obligations that arise from past events and whose existence will be confirmed only by occurrence or non-occurrence of uncertain future events not wholly within the control of the Group Capital commitments and contingent liabilities of the Group are disclosed in Note 28 & 29 respectively to the financial statements.

3.16 Events after the end of the Reporting Period

All material and important events which occur after the reporting date have been considered and disclosed in notes to the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

3.17 Revenue Recognition

Revenue from Contracts with Customers
SLFRS 15 “Revenue from Contracts with Customers” outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several standards and interpretations within SLFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured based on the consolidation specified in a contact with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgment.

The following specific criteria are used for the purpose of recognition of revenue.

a. Sale of goods

Revenue is recognised when the control has been transferred to the customer, recovery of the consideration is probable the associated costs and possible return of goods can be estimated reliably there is no continuing management involvement of revenue can be measured rettaoly.

Revenue is measured net of returns trade Discounts and volume rebates the Group expects the revenue recognition to occur at appoint in time when control of the is transferred to the customer generally on delivery of the goods.

b. Dividend income

Dividend income is recognized when the shareholders' right to receive the payment is established.

c. Other income

Profit or loss of a revenue nature on the disposal of property, plant and equipment and other non-current assets have been accounted in the Statement of Profit or Loss having deducted from the proceeds on disposal, the carrying amount of the asset and the related selling expenses.
Rental income is recognized on an accrual basis.

3.18 Expenditure

i. Operating Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income statement in arriving at the profit for the year. For the purpose of presentation of Statements of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expense method 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 the Statement of Profit or Loss in the year in which the expenditure is incurred.

ii. Finance Income and Finance Expenses

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognized as it accrues in Statement of Profit or Loss, using the effective interest method.

Finance costs comprise interest expense on borrowing and leases recognized in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements.

3.19 Income Tax Expenses

Income tax expense comprises current and deferred tax. It is recognized in Statement of Profit or Loss except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

a. Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

b. Deferred Taxation

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Differed tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiary to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income tax.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.20 Basic Earnings per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period of the Group.

3.21 Dividend Distribution

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Group.

3.22 Statement of Cash Flow

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Statement of Cash Flow has been prepared using the “indirect method”. Interest paid is 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 the Statement of Cash Flow.

3.23 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Segment has been determined based on the Group's management and internal reporting structure.

All operating segments' operating results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment information is based on the primary format representing the industry segment of the Group is in Note 34 & 35 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.

3.24. New Standards and Interpretation Not Yet Adopted as at Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/LKASs) that are effective for annual periods beginning after the current financial year. Accordingly, the Company has not early in preparing these Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's Financial Statements.

- Classifications of Liabilities as Current or Non-current and Noncurrent Liabilities with Covenants (Amendments to LKAS 1)
- Supplier finance arrangements (Amendment to LKAS 1 and SLFRS 7)
- Lease Liability in a sales and lease leaseback (Amendment to SLFRS 16)
- Lack of exchangeability (Amendment to SLFRS 21)
- General Requirements for Disclosure of Sustainability [1] related Financial Information (SLFRS S1)
- Climate-related Disclosures (SLFRS S2)

4. REVENUE

Revenue Streams

a) The Group generates revenue primary from food, soap, fuel and lubricant segments (Note 33)

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2024	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
Revenue Analysis				
Gross Revenue	**6,409,778,343**	6,523,364,482	**6,409,778,343**	6,523,364,482
Taxes to the government of Sri Lanka (Social Security Contribution Levy)	**(108,284,242)**	(58,971,873)	**(108,284,242)**	(58,971,873)
Net revenue	**6,301,494,101**	6,464,392,609	**6,301,494,101**	6,464,392,609
Revenue from contract with customers.				
Sales of goods, net of taxes	**6,301,494,101**	6,464,392,609	**6,301,494,101**	6,464,392,609

b) Disaggregation of revenue from contract with customers.

In the following table, revenue from contracts with customers is disaggregated by major products. The timing of revenue recognition is the point in time of product transferred to the customers.

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2024	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
Major Products				
Food products	**4,175,623,933**	4,442,992,659	**4,175,623,933**	4,442,992,659
Soap products	**838,783,949**	490,403,459	**838,783,949**	490,403,459
Fuel and lubricants	**1,287,086,219**	1,530,996,491	**1,287,086,219**	1,530,996,491
	6,301,494,101	6,464,392,609	**6,301,494,101**	6,464,392,609

Operating segments

Segment information is presented in respect of the Group's business segments. Business segments are based on the Group's management and internal reporting structure.

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

The Group comprises the following main business segments:

- Food products

Food products segment focus on manufacturing a wide range of products including coffee, noodles, papadam and range of flour based products

- Soap products

Soap products segment includes laundry and toilet soaps.

- Fuel and Lubricants

This segment focuses on buying and selling of petrol, diesel, kerosine oil and other lubricants through operating of filling station.

c) Contract Balances

Following table provides information about receivables, contract liabilities from contracts with customers

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2024	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
Receivables which are included in trade and other receivables	**602,553,918**	527,331,514	**602,553,918**	527,331,514
	602,553,918	527,331,514	**602,553,918**	527,331,514

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2024	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
5. OTHER INCOME				
Change in fair value of unit trusts	**3,913,298**	(261,000)	**3,913,298**	(261,000)
Loss/ (Profit) on disposal of property, plant & equipment	**(25,166)**	-	**(25,166)**	-
Staff loan interest income	**3,866,370**	3,769,373	**3,866,370**	3,769,373
Sundry income (Note 5.1)	**19,019,813**	25,454,824	**19,019,813**	25,454,824
	26,774,315	28,963,197	**26,774,315**	28,963,197
5.1 Sundry income				
Sale of disposable material	**17,923,662**	23,116,387	**17,923,662**	23,116,387
Sundry receipts	**1,096,151**	2,338,437	**1,096,151**	2,338,437
	19,019,813	25,454,824	**19,019,813**	25,454,824

6. RESULTS FROM OPERATING ACTIVITIES

Results from operating activities are stated after charging all expenses including following;

Directors' emoluments (Note 27)	**68,120,735**	55,595,820	**68,120,735**	55,595,820
Auditors' remuneration				
Audit	**2,716,250**	1,800,000	**2,400,000**	1,800,000
Audit related	**2,361,760**	830,288	**2,361,760**	830,288
Depreciation and amortization	**98,481,795**	111,607,257	**98,481,795**	111,607,257
Donations	**5,815,477**	905,265	**5,815,477**	905,265
Staff related expenses (Note 6.1)	**708,820,885**	616,029,410	**708,820,885**	616,029,410
Provision for impairment of trade receivable (Note 17.1)	**(545,944)**	(292,516)	**(545,944)**	(292,516)

FOR THE YEAR ENDED 31 MARCH,	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
6.1 Staff related expenses				
Salaries and wages	**460,837,765**	411,503,137	**460,837,765**	411,503,137
Defined contribution plan	**63,060,021**	56,657,880	**63,060,021**	56,657,880
Bonus	**73,187,839**	61,431,107	**73,187,839**	61,431,107
Staff welfare	**75,244,505**	58,542,201	**75,244,505**	58,542,201
Defined benefit plan - Retiring gratuity	**36,490,755**	27,895,085	**36,490,755**	27,895,085
	708,820,885	616,029,410	**708,820,885**	616,029,410

7. NET FINANCE INCOME

	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
7.1 Finance income				
Interest income on fixed deposits	**60,049,727**	32,848,083	**60,049,727**	32,848,083
Profit from translation of foreign currencies	**287,092**	-	**287,092**	-
	60,336,819	32,848,083	**60,336,819**	32,848,083
7.2 Finance expenses				
Loss from translation of foreign currencies	**-**	(2,831,682)	**-**	(2,831,682)
Interest expenses on overdraft facilities	**(1,133,618)**	(7,439,627)	**(1,133,618)**	(7,439,627)
Interest expenses on lease payable	**(3,480,783)**	(4,967,518)	**(3,480,783)**	(4,967,518)
	(4,614,401)	(15,238,827)	**(4,614,401)**	(15,238,827)
Net finance income	**55,722,418**	17,609,256	**55,722,418**	17,609,256

8. INCOME TAX EXPENSE

	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
8.1 Amounts recognized in profit or loss				
Current tax expense				
On current year profits (Note 8.3)	**125,360,037**	45,396,050	**125,360,037**	45,396,050
Deferred tax expense				
Origination of temporary differences (Note 22)	**15,471,811**	100,826	**15,471,811**	100,826
Tax expense on continuing operations	**140,831,848**	45,496,876	**140,831,848**	45,496,876
8.2 Amounts recognised in other comprehensive income				
Deferred tax reversal on actuarial (loss) / gain (Note 22)	**1,259**	(715,330)	**1,259**	(715,330)
	1,259	(715,330)	**1,259**	(715,330)

FOR THE YEAR ENDED 31 MARCH,	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
8.3 Tax reconciliation statement				
Profit before income tax expense	**365,497,138**	135,692,002	**365,563,738**	136,095,349
Aggregate non deductible expenses for tax	**218,477,154**	211,422,435	**218,477,154**	211,422,435
Aggregate deductible expenses for tax	**(162,651,314)**	(160,659,382)	**(162,717,914)**	(161,062,729)
Adjusted profit	**421,322,978**	186,455,055	**421,322,978**	186,455,055
Qualifying payments	**(3,456,187)**	-	**(3,456,187)**	-
Taxable profit	**417,866,791**	186,455,055	**417,866,791**	186,455,055
Income tax at 30%	**125,360,037**	28,479,899	**125,360,037**	28,479,899
Income tax at 24%	-	7,928,502	-	7,928,502
Income tax at 18%	-	3,597,841	-	3,597,841
Income tax at 14%	-	5,389,808	-	5,389,808
On current year profits	**125,360,037**	45,396,050	**125,360,037**	45,396,050
Effective tax rate	**34.30%**	33.46%	**34.29%**	33.36%

Applicable tax rates

Accordingly, the Inland Revenue (Amendment) Act No. 45 of 2022, the Company and subsidiary are liable to pay income tax at the rate of 30%. Prior to 01 October 2022, tax rates were 14% for export income and agro-business income, 18% for business income from manufacturing, and 24% for investment income and income from trading, as per the Inland Revenue (Amendment) Act No. 10 of 2021.

9. EARNINGS PER SHARE

9.1 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 as per the requirement of the Sri Lanka Accounting Standards (LKAS 33) - "Earnings per Share"

Profit attributable to ordinary shareholders	**224,665,290**	90,195,126	**224,731,890**	90,598,473
Weighted average number of ordinary shares	**1,919,600**	1,919,600	**1,919,600**	1,919,600
Basic earnings per share (Rs.)	**117.04**	46.99	**117.07**	47.20

9.2 Diluted earnings per share

Diluted earnings per share is calculated by dividing profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares.

At present, the Group has no dilutive potential ordinary shares as such calculation of diluted earnings per share will not apply.

10. DIVIDEND PER SHARE

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

Interim dividend	**38,392,000**	47,990,000	**38,392,000**	47,990,000
Final dividend	**38,392,000**	57,588,000	**38,392,000**	57,588,000
	76,784,000	105,578,000	**76,784,000**	105,578,000
Weighted average number of ordinary shares	**1,919,600**	1,919,600	**1,919,600**	1,919,600
Dividend per share (Rs.)	**40.00**	55.00	**40.00**	55.00

11. PROPERTY ,PLANT AND EQUIPMENT

GROUP / COMPANY	Freehold land	Buildings	Plant & machinery	Office factory & laboratory equipment	Motor vehicle	Furniture & fittings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
Balance as at 01 April 2022	299,062,500	201,272,746	380,179,046	106,995,951	560,290,847	46,739,628	**1,594,540,718**
Additions	-	-	-	3,382,660	-	477,131	**3,859,791**
Transfers from CWIP (Note 11.1)	-	10,006,185	9,427,079	2,429,150	-	532,508	**22,394,922**
Disposals	-	-	-	(470,654)	(15,070)	-	**(485,724)**
Balance as at 31 March 2023	**299,062,500**	**211,278,931**	**389,606,125**	**112,337,107**	**560,275,777**	**47,749,267**	**1,620,309,707**
Balance as at 01 April 2023	299,062,500	211,278,931	389,606,125	112,337,107	560,275,777	47,749,267	**1,620,309,707**
Additions			84,900	3,744,486	-	644,163	**4,473,549**
Transfers from CWIP (Note 11.1)	11,530,640	16,099,157	32,793,572	3,329,035	80,609,663	5,443,051	**149,805,118**
Disposals				(759,650)	-	(3,250)	**(762,900)**
Balance as at 31 March 2024	**310,593,140**	**227,378,088**	**422,484,597**	**118,650,978**	**640,885,440**	**53,833,231**	**1,773,825,474**
Accumulated depreciation							
Balance as at 01 April 2022	-	43,834,132	173,640,248	52,422,849	476,040,777	18,461,912	**764,399,918**
Charge for the year	-	7,641,538	27,571,386	9,336,449	48,108,142	3,639,878	**96,297,393**
On disposals	-	-	-	(292,661)	(15,070)	-	**(307,731)**
Balance as at 31 March 2023	**-**	**51,475,670**	**201,211,634**	**61,466,637**	**524,133,849**	**22,101,790**	**860,389,580**
Balance as at 01 April 2023	-	51,475,670	201,211,634	61,466,637	524,133,849	22,101,790	**860,389,580**
Charge for the year	-	7,998,403	29,421,864	8,937,022	34,433,201	2,391,015	**83,181,505**
On disposals	-	-	-	(538,559)	-	(3,250)	**(541,809)**
Balance as at 31 March 2024	**-**	**59,474,073**	**230,633,498**	**69,865,100**	**558,567,050**	**24,489,555**	**943,029,276**
Carrying amounts							
As at 31 March 2022	299,062,500	157,438,614	206,538,798	54,573,102	84,250,070	28,277,716	**830,140,800**
As at 31 March 2023	299,062,500	159,803,261	188,394,491	50,870,470	36,141,928	25,647,477	**759,920,127**
As at 31 March 2024	**310,593,140**	**167,904,015**	**191,851,099**	**48,785,878**	**82,318,390**	**29,343,676**	**830,796,198**

11. PROPERTY ,PLANT AND EQUIPMENT (CONTD.)

	GROUP / COMPANY	
AS AT 31 MARCH,	**2024**	2023
	Rs.	Rs.
Carrying amounts as at 31 March	**830,796,198**	759,920,127
Capital work in progress (Note 11. 1)	**38,735,098**	43,577,348
Net carrying amount as at 31 March	**869,531,296**	803,497,475
11.1 Capital work in progress (CWIP)		
As at 01 April	**43,577,348**	21,115,563
Incurred during the year	**145,294,866**	44,922,707
Capitalized during the year		
Tangible assets	**(149,805,118)**	(22,394,922)
Intangible assets	**(332,000)**	(66,000)
As at 31 March	**38,735,098**	43,577,348

11.2 The cost of fully depreciated property, plant and equipment as at reporting date amounted to Rs.524,665,628/- (2023, Rs.480,849,952/-)

11.3 No property, plant & equipment pledged as security for liabilities.

11.4 Capitalisation of borrowing costs

During the year under review, the Group has not capitalised any borrowing costs.

11.5 Significant changes in the Company's or its subsidiary's fixed assets and the market value of land

There are no significant changes in the Company's or its subsidiary's fixed assets and the market value of land when compared to the book value as at 31 March 2024

11.6 Capital work-in progress

The capital work-in progress balance represent the cost incurred by the Company on fixed assets which is still under construction at the balance sheet date.

11.7 Company properties

Asset type	**Location**	**Extent**			**Value**
		A	**R**	**P**	
Land	11, C.A. Harischandra Mawatha, Matara.	04	02	27.95	**150,280,640**
	455, Bauddhaloka Mawatha, Colombo 08	00	01	2.75	**160,312,500**
					310,593,140

		No of buildings	**Value**
Buildings	11, C.A. Harischandra Mawatha, Matara.	25	**104,463,502**
	455, Bauddhaloka Mawatha, Colombo 08	02	**28,872,869**
	Industrial Zone Udukawa, Denipitiya	02	**34,567,644**
		27	**167,904,015**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
12. INTANGIBLE ASSETS				
Computer Software				
Cost				
As at 01 April	**10,319,150**	10,253,150	**10,319,150**	10,253,150
Additions	**-**	-	**-**	-
Transferred from CWIP	**332,000**	66,000	**332,000**	66,000
As at 31 March	**10,651,150**	10,319,150	**10,651,150**	10,319,150
Amortization				
As at 01 April	**9,341,182**	8,866,558	**9,341,182**	8,866,558
Amortization during the year	**465,050**	474,624	**465,050**	474,624
As at 31 March	**9,806,232**	9,341,182	**9,806,232**	9,341,182
Carrying values as at 31 March	**844,918**	977,968	**844,918**	977,968
13. RIGHT OF USE ASSET				
Cost				
Balance as at 01 April	**94,659,447**	94,659,447	**94,659,447**	94,659,447
Additions	**-**	-	**-**	-
Balance as at 31 March	**94,659,447**	94,659,447	**94,659,447**	94,659,447
Less: Accumulated amortization				
Balance as at 01 April	**60,043,871**	45,208,631	**60,043,871**	45,208,631
Charged for the year	**14,835,240**	14,835,240	**14,835,240**	14,835,240
Balance as at 31 March	**74,879,111**	60,043,871	**74,879,111**	60,043,871
Net book value as at 31 March	**19,780,336**	34,615,576	**19,780,336**	34,615,576

	COMPANY 2024	COMPANY 2023
14. INVESTMENT IN SUBSIDIARY		
Harischandra Mills (Distributors) Limited	**70**	70
(Fully owned subsidiary)	**70**	70
Total number of shares 700,000		

AS AT 31 MARCH,	GROUP / COMPANY 2024 No. of unit	2024 Fair Value Rs.	2023 No. of unit	2023 Fair Value Rs.
15. INVESTMENT IN UNIT TRUST				
NDB Wealth Money Fund	**2,151,575**	**70,450,298**	150,000	6,537,000
	2,151,575	**70,450,298**	150,000	6,537,000

AS AT 31 MARCH,	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
16. INVENTORIES				
Raw materials and consumables	**321,893,997**	238,297,409	**321,893,997**	238,297,409
Work in progress	**56,133,897**	34,372,207	**56,133,897**	34,372,207
Finished goods	**94,278,751**	111,069,766	**94,278,751**	111,069,766
Machinery spares	**53,827,572**	62,967,393	**53,827,572**	62,967,393
	526,134,217	446,706,775	**526,134,217**	446,706,775
Provision for slow moving machinery spares	**(12,029,777)**	(12,096,873)	**(12,029,777)**	(12,096,873)
(Note 16.1)	**514,104,440**	434,609,902	**514,104,440**	434,609,902

	GROUP		COMPANY	
AS AT 31 MARCH,	**2024**	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
16.1 Provision for slow moving machinery spares				
As at 01 April	**12,096,873**	12,130,579	**12,096,873**	12,130,579
Provision made during the year	**(67,096)**	(33,706)	**(67,096)**	(33,706)
As at 31 March	**12,029,777**	12,096,873	**12,029,777**	12,096,873

None of the inventories are pledged as security for facilities obtained by the Group or the Company from banks as at 31 March 2024

Inventories are stated at the lower of cost and net realizable value.

17. TRADE AND OTHER RECEIVABLES

Trade receivables	**604,715,458**	530,038,998	**604,715,458**	530,038,998
Provision of impairment (Note 17.1)	**(2,161,540)**	(2,707,484)	**(2,161,540)**	(2,707,484)
	602,553,918	527,331,514	**602,553,918**	527,331,514
Other receivables (Note 17.2) `	**95,624,542**	93,800,044	**95,624,542**	93,800,044
	698,178,460	621,131,558	**698,178,460**	621,131,558
17.1 Provision of impairment				
As at 01 April	**2,707,484**	3,000,000	**2,707,484**	3,000,000
Provision made/ (Reversal) during the year	**(545,944)**	(292,516)	**(545,944)**	(292,516)
As at 31 March	**2,161,540**	2,707,484	**2,161,540**	2,707,484
17.2 Other receivables				
Loans to employees	**67,044,411**	74,562,633	**67,044,411**	74,562,633
Advances & prepayments	**5,608,295**	2,895,395	**5,608,295**	2,895,395
Trade deposits	**11,086,228**	11,274,728	**11,086,228**	11,274,728
Sundry debtors	**11,885,608**	5,067,288	**11,885,608**	5,067,288
	95,624,542	93,800,044	**95,624,542**	93,800,044

18. CASH & CASH EQUIVALENTS

Cash in hand	**717,259**	908,886	**717,259**	908,886
Cash at bank	**70,743,496**	14,056,742	**70,698,580**	14,011,476
Short term deposits (Note 18.1)	**35,379,114**	87,478,450	**35,379,114**	87,478,450
Cash and cash equivalents in the statement of financial position	**106,839,869**	102,444,078	**106,794,953**	102,398,812
Bank overdrafts (secured) (Note 18.2)	**(153,920,988)**	(53,529,204)	**(153,920,988)**	(53,529,204)
Cash and cash equivalents for the purpose of statement of cash flows	**(47,081,119)**	48,914,874	**(47,126,035)**	48,869,608

18.1 Short term deposits are measured at amortized costs and are expected to recovered through contractual cash flows.

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

19. STATED CAPITAL

1,919,600 Ordinary shares	**105,578,000**	105,578,000	**105,578,000**	105,578,000

19.1 The holders of ordinary shares are 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.

20. OTHER CAPITAL RESERVES

20.1 Other capital reserves

Reserve on script issue (Note 20.1.1)	**6,999,930**	6,999,930	**-**	-
Reserve on share issue (Note 20.1.2)	**11,014**	11,014	**11,014**	11,014
	7,010,944	7,010,944	**11,014**	11,014

20.1.1 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.

20.1.2 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.

AS AT 31 MARCH,	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
21. GENERAL RESERVES				
General reserve	**12,841,000**	12,841,000	**12,841,000**	12,841,000
	12,841,000	12,841,000	**12,841,000**	12,841,000

General reserve can be utilized to settle any unknown future contingencies and strengthen the financial position and working capital needs of the company if required

	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
22. DEFERRED TAXATION				
Balance at the beginning of the year	**13,233,277**	13,847,781	**13,233,277**	13,847,781
Origination/(Reversal) of temporary differences recognised in profit for the year	**15,471,811**	(5,192,485)	**15,471,811**	(5,192,485)
Recognised in statement of profit or lost due to increase in tax rate	-	5,293,311	-	5,293,311
(Reversal)/Origination of temporary differences recognised in the statement of Other Comprehensive Income	**1,259**	(715,330)	**1,259**	(715,330)
Balance at the end of the year	**28,706,347**	13,233,277	**28,706,347**	13,233,277
22.1 Deferred tax asset	**(81,321,362)**	(75,496,949)	**(81,321,362)**	(75,496,949)
Deferred tax liability	**110,027,709**	88,730,226	**110,027,709**	88,730,226
	28,706,347	13,233,277	**28,706,347**	13,233,277

During the financial year, numerous changes to the tax law were enacted in Sri Lanka, including a increase in the income tax rates. This change resulted in a charge of Rs.15,471,811/- related to the remeasurement of deferred tax assets and liabilities of the Company, being recognised during the year ended 31 March 2024.

22.2 The deferred tax asset/liability recognised on temporary differences are as follows:

Group/Company	2024 Temporary differences	2024 Tax Effect	2023 Temporary differences	2023 Tax Effect
On property, plant and equipment	**346,978,694**	**104,093,608**	261,151,842	78,345,553
ROU	**19,780,336**	**5,934,101**	34,615,576	10,384,673
On retirement gratuity	**(167,080,828)**	**(50,124,248)**	(141,660,658)	(42,498,197)
On lease creditor	**(25,790,380)**	**(7,737,114)**	(41,995,837)	(12,598,752)
on other provisions	**(78,200,000)**	**(23,460,000)**	(68,000,000)	(20,400,000)
	95,687,822	**28,706,347**	44,110,923	13,233,277

AS AT 31 MARCH,	GROUP 2024 Rs.	GROUP 2023 Rs.	COMPANY 2024 Rs.	COMPANY 2023 Rs.
23. EMPLOYEE BENEFIT OBLIGATION				
Retiring gratuity				
As at 01 April	**141,660,658**	121,183,735	**141,660,658**	121,183,735
Charge for the year (Note 23.1)	**36,486,557**	30,279,517	**36,486,557**	30,279,517
	178,147,215	151,463,252	**178,147,215**	151,463,252
Gratuity paid	**(11,066,387)**	(9,802,594)	**(11,066,387)**	(9,802,594)
Balance as at 31 March	**167,080,828**	141,660,658	**167,080,828**	141,660,658

23. EMPLOYEE BENEFIT OBLIGATION (CONTD.)

	GROUP		COMPANY	
AS AT 31 MARCH,	**2024**	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
23.1 Charge for the year				
Interest cost	**25,498,918**	18,177,560	**25,498,918**	18,177,560
Current service cost	**10,991,837**	9,717,525	**10,991,837**	9,717,525
Acturial loss/(gain)	**(4,198)**	2,384,432	**(4,198)**	2,384,432
	36,486,557	30,279,517	**36,486,557**	30,279,517
Amount charged to Income Statement	**36,490,755**	27,895,085	**36,490,755**	27,895,085
Amount charged to Other Comprehensive Income	**(4,198)**	2,384,432	**(4,198)**	2,384,432
	36,486,557	30,279,517	**36,486,557**	30,279,517

23.2 Principal Actuarial Assumptions Used

The defined benefit obligation liability of the Company is based on an actuarial valuation carried out by Mr. M.Poopalanathan, AIA,M/s Actuarial and Management Consultants (Pvt) Limited. an Independent Actuary. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero- coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

23.3 Actuarial assumptions	**2024**	2023
a. Financial assumptions		
Discount rate as at 31 March	**12%**	18%
Future salary increases	**10%**	15%

A Long-term Treasury Bond rate of 12% p.a. (2023 - 18%p.a.) has been used to discount future liabilities taking into consideration remaining working life of eligible employees.

b. Demographic assumptions

The demographic assumptions underlying the valuation are retirement age at 60 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.

23. EMPLOYEE BENEFIT OBLIGATION (CONTD.)

c. Staff Turnover Rates:

AGE GROUP	Rate
18 to 24	18%
25 to 29	15%
30 to 34	8%
35 to 39	8%
40 to 44	6%
45 to 49	3%
>50	3%

23.4 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;

31 March 2024	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%	9,531,599	(10,758,403)	(9,531,599)	10,758,403
Salary increment 1%	(11,529,150)	10,367,516	11,529,150	(10,367,516)

31 March 2023	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%	7,579,055	(8,479,163)	(7,579,055)	8,479,163
Salary increment 1%	(9,178,271)	8,313,502	9,178,271	(8,313,502)

Detailed Accounting Disclosures as per LKAS 19.

All Categories

Break up of acturial (gain) /loss on the defined benefit obligation (Rs.)	
Experoance adjustment (Financial and Demographic)	(4,896,855)
Due to changes in financial assumptions	5,399,501
Due to changes in Demographic assumptions	(506,844)
Total	**(4,198)**

Distribution of present Value of Defined Benefit Obligation in Future Years (Rest.)	
(Maturity Profile of Defined Benefit Obligation)-Present Value of Expected benefit Payment)	
Less than one year	33,508,931
Between 2-5 years	58,011,353
Between 6-10 years	39,347,821
Above 10years	36,212,723
Total	**167,080,828**

Weighted Average Duration of Defined Benefit Obligation (Years) 6.7

		GROUP		COMPANY	
	AS AT 31 MARCH,	**2024**	2023	**2024**	2023
		Rs.	Rs.	**Rs.**	Rs.
24.	**TRADE & OTHER PAYABLES**				
	Trade payables	**210,034,595**	161,672,238	**210,034,595**	161,672,238
	Other payables (Note 24.1)	**402,017,155**	239,304,353	**401,700,556**	239,054,004
		612,051,750	400,976,591	**611,735,151**	400,726,242
	24.1 Other payables				
	Accrued expenses (Note 24.2)	**130,548,096**	65,247,200	**130,364,199**	65,063,303
	VAT payable	**85,095,285**	64,633,963	**85,095,285**	64,633,963
	Trade & customer deposits	**11,888,005**	12,197,955	**11,888,005**	12,197,955
	Provision for bonus	**78,200,000**	68,000,000	**78,200,000**	68,000,000
	Provision for market returns	**79,371,971**	17,228,949	**79,371,971**	17,228,949
	Unclaimed dividend payable	**4,538,794**	4,441,213	**4,538,794**	4,441,213
	Others	**12,375,004**	7,555,073	**12,242,302**	7,488,621
		402,017,155	239,304,353	**401,700,556**	239,054,004

24.2 Accrued expenses primarily consists of obligations for salaries payable and utility bills payable.

25.	**LEASE CREDITOR**				
	Balance as at 1 April	**41,995,837**	55,777,120	**41,995,837**	55,777,120
	Interest amortised for the year	**3,480,783**	4,967,518	**3,480,783**	4,967,518
	Re-payment	**(19,686,240)**	(18,748,801)	**(19,686,240)**	(18,748,801)
	Balance as at 31 March	**25,790,380**	41,995,837	**25,790,380**	41,995,837
	Non- Current				
	Lease creditor - due after one year	**6,857,851**	25,790,380	**6,857,851**	25,790,380
	Current				
	Lease creditor - due within one year	**18,932,529**	16,205,457	**18,932,529**	16,205,457
		25,790,380	41,995,837	**25,790,380**	41,995,837
	25.1 Amount recognized in statement of comprehensive income				
	Lease under SLFRS 16				
	Interest on lease liabilities	**3,480,783**	4,967,518	**3,480,783**	4,967,518
	ROU amortisation	**14,835,240**	14,835,240	**14,835,240**	14,835,240
	Amount recognized in statement of cash flows				
	Total cash outflows for leases	**(19,686,240)**	(18,748,801)	**(19,686,240)**	(18,748,801)
26.	**CURRENT TAX LIABILITIES**				
	As at 01 April	**2,179,428**	8,085,924	**4,762,853**	10,669,349
	Provision for the year (Note 08)	**125,360,037**	45,396,050	**125,360,037**	45,396,050
		127,539,465	53,481,974	**130,122,890**	56,065,399
	Payments during the year	**(117,211,288)**	(51,302,546)	**(117,211,288)**	(51,302,546)
	As at 31 March	**10,328,177**	2,179,428	**12,911,602**	4,762,853

27. TRANSACTIONS WITH RELATED PARTIES

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

The Company's related parties include key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced for which significant voting power is held by key management personnel or their close family members.

27.2 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 and the Group.

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.

i) Loans to Directors
No loans have been given to the directors of the Company.

ii) Key management personnel compensation comprised :

	GROUP		**COMPANY**	
FOR THE YEAR ENDED 31 MARCH	**2024**	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
Short term benefits	**64,809,807**	52,426,778	**64,809,807**	52,426,778
Long term benefits	**3,310,928**	3,169,042	**3,310,928**	3,169,042
Total (Note 06)	**68,120,735**	55,595,820	**68,120,735**	55,595,820

27.3 Transactions with subsidiary

Recurrent transactions

		2024		2023	
Name of the related party	Nature of transaction	**Volume of transaction**	**Balance as at 31.03.24**	Volume of transaction	Balance as at 31.03.23
Harischandra	Interest expenses	-	-	-	-
Mills	Fund Transfers	-	-	-	-
(Distributors)	Dividend payment	-	-	-	-
Limited	Expenses re-imbursements	312,086	-	-	-
	Provision for doubtful debt	(312,086)	-	-	-

27.4 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.

28. CAPITAL EXPENDITURE COMMITMENTS

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

29. CONTINGENT LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

30. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events occurring after the reporting date that require adjustment or disclosure in the financial statements, other than an interim dividend of Rs. 40.00 per share amounting to Rs. 76,784,000/- was approved on 13 May 2024 by the Board of Directors and paid on 04 June 2024.

31. COMPARATIVE INFORMATION

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

32. DIRECTORS' RESPONSIBILITY

Directors of the Company are responsible for the preparation and presentation of these financial statements.

33. SEGMENTAL INFORMATION

GROUP

Information based on the primary segments

For the year ended 31 March	Food Products 2024	Food Products 2023	Fuel and Lubricant 2024	Fuel and Lubricant 2023	Soap 2024	Soap 2023	Total 2024	Total 2023
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Revenue:								
Total sales	**4,175,623,933**	4,442,992,659	**1,287,086,219**	1,530,996,459	**838,783,949**	490,403,459	**6,301,494,101**	6,464,392,609
Operating profit:								
Segment operating profit before depreciation	**234,354,024**	182,252,882	**12,265,936**	19,744,318	**134,862,240**	(1,270,394)	**381,482,200**	200,726,806
Depreciation and amotization	**(81,533,988)**	(100,027,360)	**(569,560)**	(539,194)	**(16,378,247)**	(11,040,703)	**(98,481,795)**	(111,607,257)
Segment operating profit	**152,820,036**	82,225,522	**11,696,376**	19,205,124	**118,483,993**	(12,311,097)	**283,000,405**	89,119,549
Other operating income							**26,774,315**	28,963,197
Net finance income							**55,722,418**	17,609,256
Profit before income tax expense							**365,497,138**	135,692,002
Income tax expense							**(140,831,848)**	(45,496,876)
Profit after income tax							**224,665,290**	90,195,126
Assets:								
Operating assets	**1,743,077,800**	1,472,323,917	**537,282,919**	507,343,344	**350,143,045**	162,510,451	**2,630,503,764**	2,142,177,712
Cash & cash equivalents							**106,839,869**	102,444,078
Total assets							**2,737,343,633**	2,244,621,790
Liabilities:								
Operating liabilities	**635,368,639**	438,610,484	**195,844,796**	151,139,370	**127,630,511**	48,412,436	**958,843,946**	638,162,290
Deferred tax liabilities							**28,706,347**	13,233,277
Income tax payable							**10,328,177**	2,179,428
Total liabilities							**997,878,470**	653,574,995

34. SEGMENTAL INFORMATION

COMPANY

Information based on the primary segments

For the year ended 31 March	Food Products 2024	Food Products 2023	Fuel and Lubricant 2024	Fuel and Lubricant 2023	Soap 2024	Soap 2023	Total 2024	Total 2023
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Revenue:								
Total sales	**4,175,623,933**	4,442,992,659	**1,287,086,219**	1,530,996,491	**838,783,949**	490,403,459	**6,301,494,101**	6,464,392,609
Operating profit:								
Segment operating profit before depreciation	**234,420,624**	182,656,229	**12,265,936**	19,744,318	**134,862,240**	(1,270,394)	**381,548,800**	201,130,153
Depreciation and amortization	**(81,533,988)**	(100,027,360)	**(569,560)**	(539,194)	**(16,378,247)**	(11,040,703)	**(98,481,795)**	(111,607,257)
Segment operating profit	**152,886,636**	82,628,869	**11,696,376**	19,205,124	**118,483,993**	(12,311,097)	**283,067,005**	89,522,896
Other operating income							**26,774,315**	28,963,197
Net finance income							**55,722,418**	17,609,256
Profit before income tax expense							**365,563,738**	136,095,349
Income tax expense							**(140,831,848)**	(45,496,876)
Profit after income tax							**224,731,890**	90,598,473
Assets:								
Operating assets	**1,743,077,846**	1,472,323,966	**537,282,933**	507,343,360	**350,143,055**	162,510,456	**2,630,503,834**	2,142,177,782
Cash & cash equivalents							**106,794,953**	102,398,812
Total assets							**2,737,298,787**	2,244,576,594
Liabilities:								
Operating liabilities	**635,158,847**	438,438,419	**195,780,131**	151,080,078	**127,588,369**	48,393,444	**958,527,347**	637,911,941
Deferred tax liabilities							**28,706,347**	13,233,277
Income tax payable							**12,911,602**	4,762,853
Total liabilities							**1,000,145,296**	655,908,071

35. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

35.1 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
C. Market risk
d. Operational risk

35.1.1 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.

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

35.1.2 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's receivable from customers.

35.1.2.1 Exposure to Credit Risk

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

	GROUP		COMPANY	
AS AT 31 MARCH,	**2024**	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
Cash at bank	**70,743,496**	14,056,742	**70,698,580**	14,011,476
Trade and other receivables	**692,570,165**	618,236,163	**692,570,165**	618,236,163
Short term deposits	**35,379,114**	87,478,450	**35,379,114**	87,478,450
Investment in unit trust	**70,450,298**	6,537,000	**70,450,298**	6,537,000
Investments in fixed deposit	**457,614,016**	240,808,233	**457,614,016**	240,808,233
	1,326,757,089	967,116,588	**1,326,712,173**	967,071,322

(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	**592,564,601**	531,515,243	**592,564,601**	531,515,243
61 - 180 days	**50,201,000**	28,480,665	**50,201,000**	28,480,665
Above 181 days	**49,804,565**	58,240,255	**49,804,565**	58,240,255
	692,570,166	618,236,163	**692,570,166**	618,236,163

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

Impairment Losses

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of trade receivables at the reporting date was as follows:

	GROUP / COMPANY			
AS AT 31 MARCH,	**2024**		2023	
	Gross Balance	**Impairment**	Gross Balance	Impairment
	Rs.	**Rs.**	Rs.	Rs.
Past due 0-30 days	**473,785,767**	**-**	419,685,483	-
Past due 31-90 days	**130,378,300**	**-**	106,958,489	-
Past due 91-180 days	**127,275**	**-**	2,987,428	-
Past due 181-270 days	**24,283**	**-**	56,235	-
Past due 271-365 days	**16,916**	**-**	313,112	-
More than one year	**382,917**	**2,161,540**	38,251	2,707,484
Total	**604,715,458**	**2,161,540**	530,038,998	2,707,484

(b) Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs.107 million as at 31 March 2024 (2023: Rs. 102 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) Investment in Unit Trust

Investment in unit trust is made in units managed by NDB wealth management Ltd.

(d) Investment in Fixed deposits

Investment in fixed deposits represents fixed deposits placed at various licenced commercial banks.

35.1.3 Expected credit losses

With the adoption of SLFRS 9 - Financial Instruments, the Company manages credit quality using a three stage approach which inline with the new standard requirements as well.

Stage one : 12 month expected credit losses (ECL)
Stage two : Lifetime expected credit losses (ECL) - not credit impaired
Stage three : Lifetime expected credit losses (ECL) - credit impaired

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Table below shows the classification of assts and liabilities based on the above mentioned three stage model:

Group
As at 31 March 2024

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	106,122,610	-	-	**106,122,610**
Trade and other receivables	Note 17	692,570,165	-	-	**692,570,165**
Investment in fixed deposits		457,614,016	-	-	**457,614,016**
Investment of unit trust		70,450,298	-	-	**70,450,298**
Total assets		**1,326,757,089**	**-**	**-**	**1,326,757,089**

Company
As at 31 March 2024

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	106,077,694	-	-	**106,077,694**
Trade and other receivables	Note 17	692,570,165	-	-	**692,570,165**
Investment in fixed deposits		457,614,016	-	-	**457,614,016**
Investment of unit trust		70,450,298	-	-	**70,450,298**
Total assets		**1,326,712,173**	**-**	**-**	**1,326,712,173**

Group
As at 31 March 2023

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	101,535,192	-	-	**101,535,192**
Trade and other receivables	Note 17	618,236,163	-	-	**618,236,163**
Investment in fixed deposits		240,808,233	-	-	**240,808,233**
Investment of unit trust		6,537,000	-	-	**6,537,000**
Total assets		**967,116,588**	**-**	**-**	**967,116,588**

Company
As at 31 March 2023

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	101,489,926	-	-	**101,489,926**
Trade and other receivables	Note 17	618,236,163	-	-	**618,236,163**
Investment in fixed deposits		240,808,233	-	-	**240,808,233**
Investment of unit trust		6,537,000	-	-	**6,537,000**
Total assets		**967,071,322**	**-**	**-**	**967,071,322**

35.1.4 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 borrowing from any third party except temporary bank overdraft.

As at 31st March 2024
The Maturity Analysis of Liabilities

			Contractual cash flows			
Group	**Carrying amount**	**Contractual cash flows**	**6 month or less**	**6-12 month**	**2-5 years**	**more than 5 years**
LIABILITIES						
Bank overdraft	153,920,988	153,920,988	153,920,988	-	-	-
Trade and other payables	454,479,779	454,479,779	454,479,779	-	-	-
Lease creditor	25,790,380	27,671,868	10,168,578	10,501,974	7,001,316	-
Total liabilities	**634,191,147**	**636,072,635**	**618,569,345**	**10,501,974**	**7,001,316**	**-**

As at 31st March 2023
The Maturity Analysis of Liabilities

			Contractual cash flows			
Group	**Carrying amount**	**Contractual cash flows**	**6 month or less**	**6-12 month**	**2-5 years**	**more than 5 years**
LIABILITIES						
Bank overdraft	53,529,204	53,529,204	53,529,204	-	-	-
Trade and other payables	315,747,642	315,747,642	315,747,642	-	-	-
Lease creditor	41,995,837	47,358,108	1,942,696	1,538,087	43,877,325	-
Total liabilities	**411,272,683**	**416,634,954**	**371,219,542**	**1,538,087**	**43,877,325**	**-**

As at 31 March 2024
The Maturity Analysis of Liabilities

			Contractual cash flows			
Company	**Carrying amount**	**Contractual cash flows**	**6 month or amount**	**6-12 month less**	**2-5 years**	**more than 5 years**
LIABILITIES						
Bank overdraft	153,920,988	153,920,988	153,920,988	-	-	-
Trade and other payables	454,163,180	454,163,180	454,163,180	-	-	-
Lease creditor	25,790,380	27,671,868	10,168,578	10,501,974	7,001,316	-
Total liabilities	**633,874,548**	**635,756,036**	**618,252,746**	**10,501,974**	**7,001,316**	**-**

As at 31 March 2023
The Maturity Analysis of Liabilities

			Contractual cash flows			
Company	**Carrying amount**	**Contractual cash flows**	**6 month or amount**	**6-12 month less**	**2-5 years**	**more than 5 years**
LIABILITIES						
Bank overdraft	53,529,204	53,529,204	53,529,204	-	-	-
Trade and other payables	315,497,293	315,497,293	315,497,293	-	-	-
Lease creditor	41,995,837	47,358,108	1,942,696	1,538,087	43,877,325	-
Total liabilities	**411,022,334**	**416,384,605**	**370,969,193**	**1,538,087**	**43,877,325**	**-**

35.1.5 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risks currency risk, interest rate risk and other market price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

35.1.5.1 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.

35.1.5.2 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.

35.1.6 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

35.2 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, trade and other payable and bank overdraft.

Group
As at 31 March 2024

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level 1	2	3
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	106,839,869	-	106,839,869	-	-	-	-
Trade and other receivables	-	692,570,165	-	692,570,165	-	-	-	-
Investments in unit trust	70,450,298	-	-	70,450,298	70,450,298	-	70,450,298	-
Investments in fixed deposit		457,614,016		457,614,016				
Trade and other payables	-	-	(454,479,779)	(454,479,779)	-	-	-	-
Overdraft	-	-	(153,920,988)	(153,920,988)	-	-	-	-
	70,450,298	**1,257,024,050**	**(608,400,767)**	**719,073,581**	**70,450,298**	**-**	**70,450,298**	**-**

Company
As at 31 March 2024

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level 1	2	3
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	106,794,953	-	106,794,953	-	-	-	-
Trade and other receivables	-	692,570,165	-	692,570,165	-	-	-	-
Investments in unit trust	70,450,298	-	-	70,450,298	70,450,298	-	70,450,298	-
Investments in fixed deposit		457,614,016		457,614,016				
Trade and other payables	-	-	(454,163,180)	(454,163,180)	-	-	-	-
Overdraft	-	-	(153,920,988)	(153,920,988)	-	-	-	-
	70,450,298	**1,256,979,134**	**(608,084,168)**	**719,345,264**	**70,450,298**	**-**	**70,450,298**	**-**

Group
As at 31 March 2023

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level 1	2	3
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	102,444,078	-	102,444,078	-	-	-	-
Trade and other receivables	-	618,236,163	-	618,236,163	-	-	-	-
Investments in unit trust	6,537,000	-	-	6,537,000	6,537,000	-	6,537,000	-
Investments in fixed deposit	-	240,808,233	-	240,808,233	-	-	-	-
Trade and other payables	-	-	(315,747,642)	(315,747,642)	-	-	-	-
Overdraft	-	-	(53,529,204)	(53,529,204)	-	-	-	-
	6,537,000	**961,488,474**	**(369,276,846)**	**598,748,628**	**6,537,000**	**-**	**6,537,000**	**-**

Company
As at 31 March 2023

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level 1	2	3
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	102,398,812	-	102,398,812	-	-	-	-
Trade and other receivables	-	618,236,163	-	618,236,163	-	-	-	-
Investments in unit trust	6,537,000	-	-	6,537,000	6,537,000	-	6,537,000	-
Investments in fixed deposit	-	240,808,233	-	240,808,233	-	-	-	-
Trade and other payables	-	-	(315,497,293)	(315,497,293)	-	-	-	-
Overdraft	-	-	(53,529,204)	(53,529,204)	-	-	-	-
	6,537,000	**961,443,208**	**(369,026,497)**	**598,953,711**	**6,537,000**	**-**	**6,537,000**	**-**

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 unit prices as at year end Rs. 32.74 (2024) Rs. 43.58 (2023)	Based on unit prices	The estimated fair value would increase (decrease) if: the unit prices were higher (lower)

35.3 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.

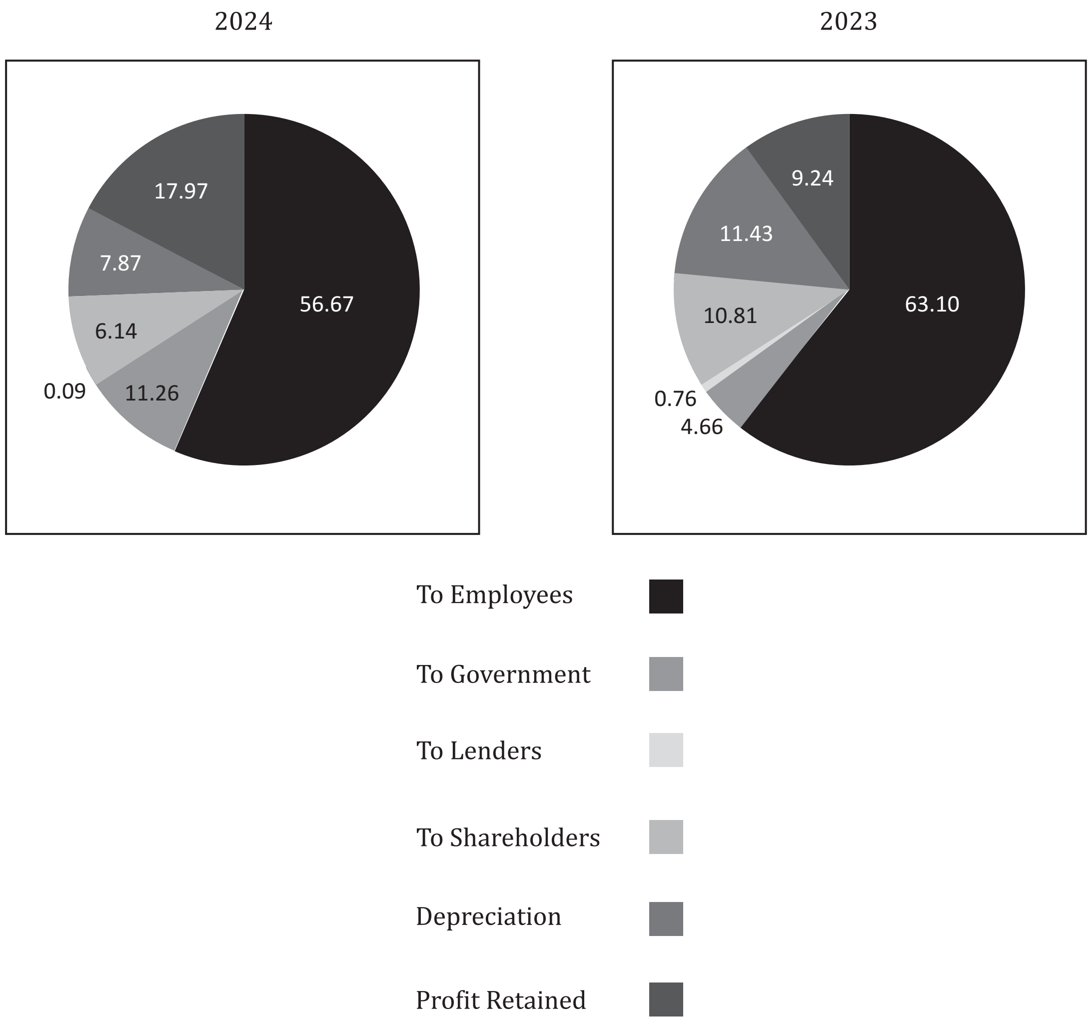
The Group monitors capital using the ratio of net debt to equity. For this purpose adjusted net debt is defined as total liabilities comprising interest bearing loans and borrowings, less cash and cash equivalents.

	GROUP		COMPANY	
AS AT 31 MARCH,	**2024**	2023	**2024**	2023
	Rs.	Rs.	**Rs.**	Rs.
Total Liabilities	**997,878,470**	653,574,995	**1,000,145,296**	655,908,071
Less : Cash and cash equivalents	**(106,839,869)**	(102,444,078)	**(106,794,953)**	(102,398,812)
Adjusted net debt	**891,038,601**	551,130,917	**893,350,343**	553,509,259
Total equity	**1,739,465,163**	1,591,046,795	**1,737,153,491**	1,588,668,523
Net debt to equity ratio	**0.51**	0.35	**0.51**	0.35

There were no changes in the Company's approach to capital management during the year and the company is not subject to externally imposed capital requirements.

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 MARCH,			**2024**		2023
			Rs.000		Rs.000
Turnover			**6,301,494**		6,464,393
Other Income			**88,111**		61,811
			6,388,605		6,526,204
Cost of Goods & Services bought in			**(5,137,887)**		(5,549,858)
Value Added			**1,250,718**		976,346
Distribution as follows		**%**	**Rs.000**	%	Rs.000
	To Employees	**56.67**	**708,821**	63.10	616,029
	To Government	**11.26**	**140,832**	4.66	45,497
	To Lenders	**0.09**	**1,134**	0.76	7,440
	To Shareholders	**6.14**	**76,784**	10.81	105,578
	Retained in Business				
	Depreciation	**7.87**	**98,482**	11.43	111,607
	Profit Retained	**17.97**	**224,665**	9.24	90,195
		100.00	**1,250,718**	100.00	976,346



TEN YEARS STATISTICAL SUMMARY

Reported as per										SLFRS/LKAS
									**	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Results		-	-	-	-	-	-	-		
Group turnover	2,720,160	2,826,223	3,003,824	3,131,674	3,626,418	3,652,268	3,531,605	4,581,110	6,464,393	**6,301,494**
Profit before tax	219,644	218,034	179,075	204,478	247,644	242,372	189,923	261,815	135,692	**365,497**
Taxation	(69,886)	(76,646)	(53,930)	(81,635)	(74,848)	(94,079)	(13,056)	(52,407)	(45,497)	**(140,832)**
Profit after tax	149,758	141,388	125,145	122,843	172,796	148,293	176,867	209,408	90,195	**224,665**
Funds Employed										
Stated Capital	9,598	9,598	9,598	105,578	105,578	105,578	105,578	105,578	105,578	**105,578**
Capital reserves	19,852	19,852	19,852	19,852	7,011	7,011	7,011	7,011	7,011	**7,011**
Revenue reserves	1,084,325	1,147,187	1,199,258	1,141,830	1,243,608	1,294,239	1,365,424	1,494,968	1,478,458	**1,626,876**
Shareholders' funds	1,113,775	1,176,637	1,228,708	1,267,260	1,356,197	1,406,828	1,478,013	1,607,557	1,591,047	**1,739,465**
Assets Employed										
Non current assets	680,855	786,226	817,348	829,444	811,752	929,357	999,037	902,094	839,091	**890,156**
Current assets	780,909	723,606	783,556	869,128	913,962	1,001,051	1,164,208	1,388,722	1,405,531	**1,847,187**
Current liabilities	(251,841)	(227,679)	(260,725)	(292,908)	(232,882)	(372,075)	(478,499)	(506,232)	(472,891)	**(795,233)**
Provisions	(96,148)	(105,516)	(111,471)	(138,404)	(136,635)	(151,505)	(206,733)	(177,027)	(180,684)	**(202,645)**
Capital employed	1,113,775	1,176,637	1,228,708	1,267,260	1,356,197	1,406,828	1,478,013	1,607,557	1,591,047	**1,739,465**
Cash Flow										
Net cash inflow/(outflow)from operating activities	236,717	147,562	117,719	224,296	167,953	167,642	301,796	249,409	91,394	**366,269**
Net cash inflow/(outflow)from investing activities	(29,988)	(154,718)	(67,707)	(74,322)	(132,917)	(172,247)	(175,861)	(12,160)	(27,762)	**(96,527)**
Net cash inflow/(outflow)from financing activities	(62,387)	(76,784)	(81,584)	(80,133)	(86,383)	(101,420)	(111,088)	(112,450)	(99,934)	**(365,737)**
Increase/(decrease)in cash and cash equivalents	144,342	(83,940)	(31,572)	69,841	(51,347)	(106,025)	14,847	124,799	(36,302)	**(95,995)**
Key Indicators										
Earnings per share	156.03	147.31	130.38	63.99	90.02	77.25	92.14	109.09	46.99	**117.04**
Net assets per share	1,160.42	1,225.92	1,280.17	660.17	706.50	732.88	769.96	837.44	828.84	**906.16**
Market price per share	2,348.90	2,700.70	2,799.90	1,351.10	1,388.90	1687.20	4,048.25	4,500.00	4,000.00	**4,000.00**
Return on equity	13.44	12.02	10.19	9.69	12.74	10.54	11.97	13.03	5.67	**12.92**
Price earning ratio	15.05	18.33	21.47	21.11	15.43	21.84	43.94	41.25	85.13	**34.18**
Dividend per share	65.00	80.00	85.00	42.00	45.00	50.00	50.00	50.00	55.00	**40.00**

**On 05th June 2017, shareholders passed an ordinary resolution to capitalize Rs.95,980,000/- from and out of retained earnings by allocating 959,800 ordinary shares as fully paid shares.

INVESTOR INFORMATION

01. Stock Exchange Listing

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

02. Ordinary Shareholders

2.1 Distribution of stated capital

As at 31 March **2024**

Range of Shreholdings		Residents No. of Shareholders	Residents No. of Shares	Residents %	Non-Residents No. of Shareholders	Non-Residents No. of Shares	Non-Residents %	Total No. of Shareholders	Total No. of Shares	Total %
1	1,000	466	35,552	2.01	2	212	0.01	468	38,764	2.02
1,001	10,000	21	47,736	2.49	1	4,494	0.23	22	52,230	2.72
10,001	100,000	6	218,208	11.37	-	-	-	6	218,208	11.37
100,001	1,000,000	5	1,610,398	83.89	-	-	-	5	1,610,398	83.89
1,000,001	& Over	-	-	-	-	-	-	-	-	-
	Total	**498**	**1,914,894**	**99.75**	**3**	**4,706**	**0.25**	**501**	**1,919,600**	**100.00**

2.2 Classification of Shareholders

As at 31 March

	2024 No. of Shareholders	**2024 Total Holdings**	**2024 Percentage %**	2023 No. of Shareholders	2023 Total Holding	2023 Percentage %
Directors	**4**	**85,870**	**4.53**	4	353,790	18.43
Institutional investors	**20**	**779,143**	**40.59**	8	512,377	26.69
Employees	**11**	**771**	**0.04**	12	811	0.04
Others	**466**	**1,052,816**	**54.85**	478	1,052,622	54.84
	501	**1,919,600**	**100.00**	502	1,919,600	100.00

2.3 Twenty largest shareholders of the company

Shareholder's name	**No. of Shares**	**%**	No. of Shares	%
01. Seylan Bank PLC / Senthilverl Holdings (Pvt) Ltd	**509,897**	**26.56**	508,596	26.49
02. De Silva U.	**286,936**	**14.95**	286,936	14.95
03. Rodrigo C. P.	**278,920**	**14.53**	278,920	14.53
04. Sampath Bank PLC / Dr. T. Senthilverl	**267,571**	**13.94**	267,571	13.94
05. Samarasinghe N.T.	**266,920**	**13,90**	-	-
06. Samarasinghe S. N.	**76,670**	**3.99**	76,670	3.99
07. Rodrigo N.	**30,736**	**1.60**	30,736	1.60
08. Rodrigo S. A.	**30,736**	**1.60**	30,736	1.60
09. Ekanayake D. H. C.	**28,292**	**1.47**	28,292	1.47
10. Selvaraj A. G. I.	**27,014**	**1.41**	27,014	1.41
11. Wijayanandana H. D.	**24,760**	**1.29**	24,760	1.29
12. De Silva M. P.	**5,000**	**0.26**	5,000	0.26
13. Sigamoney C.	**4,494**	**0.23**	4,494	0.23
14. Wijayawardhane C. J.	**4,122**	**0.21**	4,105	0.21
15. Jayantha D.	**3,800**	**0.20**	3,800	0.20
16. Navaratna D.P.	**3,292**	**0.17**	3,231	0.17
17. Samarasinghe R. K	**3,200**	**0.17**	270,120	14.07
18. Abeysekara H.A.	**2,800**	**0.15**	2,800	0.15
19. Jayasingha D.A.	**2,720**	**0.14**	2,720	0.14
20. Estate of Mohommed Rafeek	**2,668**	**0.14**	2,668	0.14

INVESTOR INFORMATION (CONTD.)

FOR THE YEAR ENDED 31 MARCH		**2024**	2023
03.	**Details of share transactions during the year**		
	No. of transactions	**162**	178
	No. of share traded	**2,254**	2,068
	Value of transactions (Rs.)	**8,915,305**	8,876,422
04.	**The transacted value of an ordinary share**		
		Rs.	Rs.
	Highest Price	**4,449.00**	6,500.00
	Lowest Price	**3,350.00**	3,398.50
	Closing Price	**4,000.00**	4,000.00
05.	**Dividend Paid**		
	Interim	**38,392,000**	47,990,000
	Final	**38,392,000**	57,588,000
		76,784,000	105,578,000
06.	**Earning**		
	Earnings per share (Rs.)		
	Basic	**117.04**	46.99
	Diluted	**117.04**	46.99
	Price earning ratio	**34.18**	85.13
07.	**Divided per share from previous year profit (Rs.)**	**40.00**	55.0
08.	**Divided cover (Times)**	**2.93**	0.85
09.	**Dividend Yield (%)**	**1.00**	1.38
10.	**Dividend Payout (%)**	**85.12**	50.42

As At 31 March		**2024**	2023
11.	**Public Holding**		
	No. of shares	**864,338**	790,043
	Percentage	**54.97%**	41.47%
	No. of public shareholders	**495**	496
	The Company had float adjusted market capitalization of Rs.4,220,816,480 and company qualifies under option one of the minimum public holding requirement for the Diri Savi Boad of the CSE.		
12.	**Net Asset per share (Rs.)**	**906.16**	828.84
13.	**Current asset ratio**	**2.32:1**	2.97:1
14.	**Quick asset ratio**	**1.68:1**	2.05:1
15.	**Equity to total asset ratio (%)**	**63.55**	70.88

FORM OF PROXY

I/We : ....
of ....

being a Shareholder / Shareholders of HARISCHANDRA MILLS PLC do hereby appoint

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

.... (holder of National Identity Card No. : ....) of .... as my /our Proxy to attend and vote at the 72nd Annual General Meeting of the Company to be held online, via virtual platform on Wednesday, 04th September 2024 and at the termination thereof.

	For	**Against**
1. To receive and consider the annual report of the board together with the financial statements of the Company for the year ended 31st March 2024.		
2. To re-elect as a Director, Mr. S. A. S. Jayasundara, a director, who retires in terms of Article 98 of the articles of association.		
3. To re-appoint as a Director, Mr. T. K. Bandaranayake in terms of Section 210 of the Companies Act No. 7 of 2007.		
4. To re-appoint as a Director, Mrs. R. K. Samarasinghe in terms of Section 210 of the Companies Act No. 7 of 2007.		
5. 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.		
6. To re-appoint as a Director, Mrs. M. P. De Silva in terms of Section 210 of the Companies Act No. 7 of 2007.		
7. To declare a final dividend of LKR 40/- per share as recommended by the directors.		
8. To replace the existing articles of association of the Company in its entirety by substituting in place thereof the articles of association attached to the Notice of Meeting as Annexure 1.		
9. To appoint Mr. G.K. Sudath Kumar as a director of the Company with effect from 04th September 2024.		
10. To re-appoint M/s KPMG, Chartered Accountants, as the auditors of the Company and authorize the directors to fix their remuneration.		
11. 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.		

Signed this .... day of 2024

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

....
Signature/s

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 or forwarded to corporateservices@corporateservices.lk 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

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Fax: 041 2222003
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