



**HARISCHANDRA**  
*The Trusted Name for Quality*

# Annual Report **2011-2012**





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## NOTICE OF MEETING

Notice is hereby given that the 60th Annual General Meeting of Harischandra Mills PLC, will be held at the Registered office of the Company, No. 11, Delkada Road, Matara on 22 September 2012 at 11.00 am for the following purposes.

1. To receive and consider the Report of the Directors and Audited Statement of Accounts for the year ended 31 March, 2012 with the report of the Auditors thereon.
2. To declare a final dividend of 20/- per share as recommended by the Directors.
3. To re-elect Mr. S. A. S. Jayasundara as a Director, who retires in terms of article 98 of the Articles of Association.
4. To re-elect Mr. T. K. Bandaranayake who vacates office at the end of this Annual General Meeting in terms of Article 103 of the Articles of Association of the Company and being eligible has offered himself for re-election.
5. To re-appoint KPMG, Chartered Accountants,
  - (a) as Auditors of the Company until the next Annual General Meeting and to authorise the Directors to determine their remuneration.
  - (b) to authorize the auditors to audit the accounts of the Company for the next succeeding financial year.
6. 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.

05 July 2012

### Note

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

*60<sup>th</sup>*  
*Annual General Meeting*



## CORPORATE INFORMATION

### Legal Form

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

### Company Registration Number

PQ. 225

### Date of Incorporation

9th January, 1953

### Registered Office

No.11, Delkada Road, Matara.

### Secretaries

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

### Bankers

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

### Subsidiary Company

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

### Board of Directors

Bastiansz M. A.  
(Chairman)

Samarasinghe S. N.  
(Managing Director)

De Silva G. S. V.

De Silva M. P. (Mrs.)

Rodrigo C. P. (Mrs.)

Bandaranayake T.K.  
(w.e.f. 02 January 2012)

Jayasundara S.A.S.

### Executive Management

Rasaputhra D. S. K.  
*Chief Financial Officer*  
(Resigned w.e.f. 30 June 2012)

Gajanayake C.T.  
*Chief Financial Officer*  
(Appointed w.e.f. 01 July 2012)

Nanayakkara S. N. K.  
*Sales Manager*

Gamini Lokuralage D. S.  
*Commercial Manager*

Kodithuwakku A. P. R.  
*Human Resources Manager*

Ranasinghe N. P.  
*Production Engineer*

## CHAIRMAN'S REVIEW

It gives me great pleasure to welcome and present to you, on behalf of the Board of Directors, the Annual Report and Audited Accounts of the Company for the financial year ended 31st March 2012. I am particularly happy to do so since the Company celebrates an important milestone in its history, this being the 60th Annual General Meeting.

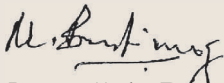
The year under review saw an overall increase in sales of 13% and an increase of profits to a record Rs. 150 Million. This represent an increase of 30% over the previous year. These results were largely due to the impressive performance of the food section. However, despite increased sales, the soap section suffered further losses this year due to higher input costs which the Company was unable to pass on to the consumer.

The Directors have recommended the payment of a final dividend of Rs. 20 per share, making a record total dividend of Rs. 40 per share for the year ended 31st March 2012.

On behalf of the Board I would like to welcome Mr. Tissa Bandaranayake who joined us in January 2012 as an Independent Non-Executive Director.

I am happy to note that your Company continues to promote and sponsor many health, education and other social service projects throughout the country. At the same time welfare services provided to the employees of the Company have also been increased.

I would like to thank my colleagues on the Board, our Managing Director, and all members of the staff for their dedicated and loyal service to the Company.



**Maxwell A. Bastiansz**

Chairman

05 July 2012

## MANAGING DIRECTOR'S REPORT

### Operations Report

#### Food

Sales recorded an increase of 13% and the overall profits by 34%.

#### Soap

Sales improved by 7%. However, due to steep rise in raw material cost, losses registered an increase of 80% as against last year.

### Community Relations

The Company made the following donations during the year.

- a) A photocopy machine to MR/ Kokmaduwa Kaniu Viduhala.
- b) Materials for the drama, dance and art competition organized by the Sri Lanka Association of Parents of Deaf Children.
- c) Desks, Chairs and Magi boards to Wijaya Mangalaramaya Dhamma School, Nugegoda.
- d) School books to children of the Sri Lanka Armoured Corps.
- e) Stationery and trophies for the International Symposium on Agriculture & Environment conducted by the Faculty of Agriculture, University of Ruhuna.
- f) Name boards to the Matara District Co-operative Hospital Society.

Company was the main sponsor of the following events.

- a) St. Servatious College Cricket team for the 2011/2012 Cricket encounter.
- b) Human Resources Management workshop conducted by the Faculty of Management & Finance, University of Ruhuna.
- c) Interschool quize competition organized by the Institute of Chartered Accountants of Sri Lanka.
- d) Clinical Program conducted by the Dermatology Unit of the Teaching Hospital, Karapitiya, Galle.



**S. N. Samarasinghe**  
Managing Director

05 July 2012

Education



A photocopy machine was donated to MR/Kokmaduwa Kanitu Vidyalaya



School books were donated to Children of soldiers of the Sri Lankan armed corps.



Desks, Chairs and Magi Boards were donated to Sri Sumana Dhamma School of Wijayamangalaramaya, Negogoda.



Inter School quiz competition organized by The Institute of Chartered Accountants of Sri Lanka was sponsored by the Company.



The C. A. Harischandra Memorial Gold Medal was awarded to V. G. Eranga Nilmini of University of Ruhuna.



Sponsored the Workshop for English Teachers of the southern province conducted by Sri Lanka English Language teachers association.



Company sponsored the Human Resources Management workshop conducted by the Faculty of Management & Finance, University of Ruhuna.

**Health**



Company financed the clinical programme conducted by the Dermatology unit of the Teaching Hospital, karapitiya, Galle.



Donated name boards to Mataru District Co-operative Hospital Society.



Provided Financial assistance to Southern regional blood centre to commemorate world blood donors day 2011.

**Sports & Recreational Activities**



Sponsored St. Servatious College Cricket Team for the year 2011/12 .



Sponsored the National Cricket and Netball Championship - 2012 for Hearing Impaired School Children organized by Sri Lanka Association of Parents of Deaf Children.

**Community Relations**



Financial assistance to renovate building of Sri Devarukkarammaya, Kahatalla, Mataru.



Sponsored the Annual Esala Perahera of Ranketh Maha Viharaya, Akurugoda, Mataru.

## CORPORATE GOVERNANCE

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

### **Board of Directors and its Role**

The board of directors as of 31 March 2012 has seven members, three executives and four 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 directions for long-term strategy, seeking and contributing views and opinions on strategic options proposed by the senior management of the Company. The directors also ensure that the Company is compliant with the provisions of the Companies Act No. 07 of 2007.

The board meets once a month 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

In addition, frequent meetings are conducted for detailed reviewing of key areas such as Finance, Sales, Commercial, Quality, Production, Human Resources and Administration. These meetings are attended by the functional heads of the relevant divisions.

## CORPORATE GOVERNANCE (CONTD.)

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

### Composition of the Board

#### Non Executive, Independent Directors

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

#### Non Executive Non Independent Director

- Mrs. C.P. Rodrigo

#### Executive Directors

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

At present, there are seven directors on the board, whose profiles are given on Page 19 in this Annual Report. All the directors have the necessary skills and experience to direct and lead the Company.

### Board Committees

#### Audit Committee

The Board formally constituted the Audit Committee comprising of Mr. T.K. Bandaranayake, the Chairman, appointed on 09 February 2012, Mr. M.A. Bastiansz and Mr. S.A.S. Jayasundara non-executive directors to oversee the financial reporting and internal control systems of the Company. This committee is also directed with the task of ensuring that all regulatory requirements are complied with in preparation of the financial statements of the Company in order that they give a true and fair view of the Company's state of affairs. The report of the Audit Committee is given in page 17 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 packages for executive directors.

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

#### Directors Interest and Responsibilities

The directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007.

## CORPORATE GOVERNANCE (CONTD.)

The directors are required by relevant statutory provisions 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 the financial position of the Company and to ensure that the Company's financial statements comply with the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange.

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

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

### **Compliance with Legal Requirements**

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

### **Relationship with Shareholders**

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

### **Corporate Governance Requirements under the Listing Rules of Colombo Stock Exchange**

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

## CORPORATE GOVERNANCE (CONTD.)

Rule	Requirement	Company Status	Remarks
7.10.1 Non-Executive Directors	At least one third of the total number of directors should be non-executive directors	Complied	There are Four 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	Of the Four non executive directors Three are independent non executive directors
7.10.2b Independent Directors	Each non-executive director should submit a declaration of independence/non-independence in the prescribed format	Complied	Submitted the Independent Declarations accordingly.
7.10.3c Disclosure relating to Directors	Names of independent directors should be disclosed in the Annual Report	Complied	Please Refer Page 09
7.10.3c Disclosure relating to Directors	A brief resume of each director should be included in the Annual Report including the areas of expertise	Complied	Please Refer Page 19
7.10.5 Remuneration Committee	A listed company shall have a Remuneration Committee	Complied	Please Refer Page 16
7.10.5a Composition of Remuneration Committee	Shall comprise of non-executive directors a majority of whom will be independent	Complied	Please Refer Page 16
7.10.5b Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Complied	Please Refer Page 16
7.10.5c Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to executive & non-executive directors	Complied	Please Refer Pages 13, 16 and 52
7.10.6 Audit Committee	The company shall have a Audit Committee	Complied	Names of the Members of Audit Committee are set out in Page 17, 18
7.10.6a Composition of Audit Committee	* Shall comprise of non-executive directors a majority of whom will be independent. * One non-executive director shall be appointed as the Chairman of the committee * Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings * The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied Complied Complied Complied	Please Refer Page 09 Please Refer Page 09 Please Refer Page 17
7.10.6b Audit Committee functions	Should be as outlined in the Section 7.10.6b of the listing rules	Complied	Please Refer Page 17, 18
7.10.6c Disclosure in the Annual Report relating to Audit Committee	a) Names of directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance of the functions	Complied	Please Refer Pages 17 and 18

## CORPORATE GOVERNANCE (CONTD.)

### **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 to all directors. The Management decides on the areas that need to be audited by the Internal Auditor for a given quarter.

The external auditors are appointed by the shareholders at the Annual General Meeting and are responsible to give their opinion on the financial statements prepared by the Company.

At the 59th Annual General Meeting of Harischandra Mills PLC held on 24 September 2011, the shareholders reappointed the Auditors M/s. KPMG and authorised the directors to fix their remuneration. The independent auditors conduct the annual audit in order to provide an external and objective assurance on the way in which the financial statements have been prepared and presented.

### **Audit Committee**

The Audit Committee of the company comprises,  
Mr. T.K. Bandaranayake  
Mr. M.A. Bastiansz  
Mr. S.A.S. Jayasundara

All members of the committee are non executive, independent directors of the company. Mr. T.K. Bandaranayake has been appointed as the Chairman of the committee on 09 February 2012.

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

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

The Committee is also responsible for the consideration and appointment of external auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in preparation of public financial information & examining all documents

## CORPORATE GOVERNANCE (CONTD.)

representing the interim & final financial statements.

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

The Managing Director (CEO) and Chief Financial Officer are invited to the meetings of the Audit Committee as it is required by the members of the committee. The detailed audit committee's report including areas reviewed during the financial year 2011/12 is given on Pages 17 and 18 of the Annual Report.

### **Remuneration Committee and Policy**

The Remuneration Committee of the company comprises,

Mr. M.A. Bastiansz (Chairman)

Mr. S.A.S. Jayasundara

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

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

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

The aggregate amount paid to the executive and non Executive directors are disclosed in Note 10 and Note 30.2 to the financial statements and in the Annual Report of the board of directors on the affairs of the Company.

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

## RISK MANAGEMENT

Risk management process implemented in order to identify the inherent risks of the Company and address these risks to safeguard the Company assets to a considerable levels as it is impossible to mitigate these risks completely. We have identified following as the major risks expose by the Company and included the risk management procedure thereon.

### Supply Chain Risk

Constant supply of quality raw material is a must for the success of the Company. Further, cost of raw material represent a large portion of manufacturing cost of Company's products. Therefore, Company inevitably expose to a risk of receiving low quality inputs and interruptions to the constant supplying process. In order to mitigate and minimize these problems, Company has developed a strong relationship with its key suppliers and selected optional suppliers when a situation arises. In addition to that, Company relies on certain importers when the local supply is not adequate, for instance due to adverse weather conditions. To control superior quality, vigorous testing and acceptance procedures are implemented by the quality control department.

### Market Risk

Market risk derives from intense competition in the market. Company has to compete with number of strong market players including multi national conglomerates. Rise in raw material prices specially wheat flour, which is uncontrollable, tighten the competition as companies have to increase market prices whilst maintaining market share. Availability of range of substitutes makes this trickier.

We highly rely on the customer satisfaction and confidence over our products and we work to

maintain it and further build up the brand loyalty by increasing and maintaining quality of our products. We have strong quality assurance staff and always work according to the procedures and standards. We believe, maintaining the best quality eventually protects our market share. Further, we closely monitor and compare the market prices and always strive to give the best price to our customers considering our all resources. Combination of these strategies minimizes the market risk at considerable level.

### Regulatory and Legal Risks

The Company expose to various laws and regulations including Companies Act, Inland Revenue Act, SEC regulations, CSE rules etc... Non compliance of these laws and regulations will result in high legal cost, penalties, inquiries and mostly, severe damage to the goodwill of the Company. Even it may result in disruption of the operations. Therefore, we have implemented strong risk management process to monitor and comply with all the laws and regulations applicable to the Company. Management of the Company always coordinates with Company lawyers and secretaries to ensure the compliances. Internal auditors of the Company carry out quarterly audits and External auditor also covers this area at the year end.

### Financial and Liquidity Risks

Company has very little exposure to credit risk since external financing is limited. Also the liquidity risk, the risk of being unable to fund the business in timely manner, is managed by the Company by maintaining adequate cash flows. Cash flows are reviewed continuously and strong relationships are being maintaining with the financial institutions.



## RISK MANAGEMENT (CONTD.)

### **Human Resources**

HR is one of the critical success factors of the Company. Losing skilled labour is an unbearable cost to the Company. Therefore, we have implemented strong framework for HR. This includes proper recruitments, performance management, career guidance training and other incentives. Financial benefits are reviewed periodically by the remuneration committee and revised according to the requirement.

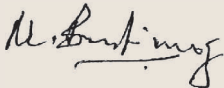
## REMUNERATION COMMITTEE REPORT

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

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

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

The remuneration policy of the Company is disclosed in page 13 under corporate governance and aggregate remuneration paid to executive directors and non executive directors are disclosed in page 41.



**M.A. Bastiansz**

Chairman - Remuneration Committee

05 July 2012

## 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 and for maintaining an appropriate relationship with the Company's auditors. 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:

1. reviewing the form and content and monitoring the integrity of the company's and the group's financial statements;
2. monitoring and reviewing the arrangements for ensuring the objectivity and effectiveness of the external and internal audit functions;
3. recommending to the Board the appointment, re-appointment or removal of the external auditors;
4. reviewing the adequacy and effectiveness of the company's internal controls and risk management systems; and
5. reviewing and monitoring the Company's ethical standards, procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities.

### Composition

The Audit Committee consists of independent non- executive directors and presently comprises, Mr. T.K. Bandaranayake (Chairman) appointed on 09 February 2012, Mr. M.A. Bastiansz and Mr. S.A.S. Jayasundara.

### Meetings of the Committee

The Audit Committee met as often as deemed necessary as appropriate in its judgement during the year. The Managing Director (Chief Executive Officer) and Chief Financial Officer attended by invitation and briefed the committee on specific issues. The external and internal auditors were also required to attend meetings when matters pertaining to their functions came up for consideration.

### Activities

During the year under review committee has carried out 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 results announcements prior to their 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.

## AUDIT COMMITTEE REPORT (CONTD.)

### **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 was 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 the external auditors. At the conclusion of the Annual Audit, the committee met the auditors to discuss the findings of the audit. Non-Executive Directors had separate meetings with auditors to ensure they had no cause to compromise on their independence. Auditors' Management Letter together with the Management's response thereto and the audited financial statements were reviewed with the auditors. The Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31st March 2013 subject to the approval of shareholders at the next Annual General Meeting.

### **Conclusion**

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



T.K. Bandaranayake  
Chairman - Audit Committee  
05 July 2012

## BOARD OF DIRECTORS

### **Mr. M. A. Bastiansz**

Independent Non Executive Chairman

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

### **Mr. S. N. Samarasinghe**

Managing Director

Mr. Samarasinghe joined the Company in 1990 as Commercial Manager & 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 & human resource functions of the Company.

He has a BSc. (Hons) from the University of Leeds UK, Post Graduate Diploma in Business & Financial Administration awarded by the Institute of Chartered Accountants of Sri Lanka & 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 Executive Director in July 1978. He has gained wide and varied experience in all operating fields of the Company. Prior to joining Harischandra Mills PLC he worked as an Accountant at Sri Lanka Transport Board. He has passed the Intermediate Examination of the Institute of Chartered Accountants of Sri Lanka.

### **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.

### **Mrs. C. P. Rodrigo**

Non Independent Non Executive Director

Mrs. Rodrigo was appointed to the Board of Harischandra Mills PLC in 1983. She has a Bachelor of Arts Degree from the University of Ceylon, Peradeniya. She is currently serving on the board as a Non Executive Director.

### **Tissa K. Bandaranayake**

Independent Non Executive Director

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

Retired from Ernst & Young as senior Partner in 2009 after 27 years of Service.

Former Chairman of the Audit Faculty and the current Chairman of the newly created 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 DFCC Bank, Central Finance Co. PLC, Nawaloka Hospitals PLC, Samson International PLC, Laugfs Gas PLC, Coco Lanka PLC, Renuka Holdings PLC and Micro Holdings Ltd.

## BOARD OF DIRECTORS (CONTD.)

Also serves as an independent Advisor to the Board Audit Committee of DFCC Vardhana Bank and as a Consultant to the Board of Noritake Lanka Porcelain (Pvt) Ltd.

### **Mr. S. A. S. Jayasundara**

Independent Non Executive Director

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

He is an Executive Director of Teleshan Networks (Pvt) Limited and a Non Executive Director of Bogawantalawa Tea Estates PLC.

## 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 2012.

### PRINCIPAL ACTIVITIES

The principal activities of Harischandra Mills PLC and the group are manufacturing and distribution of Food Products and Soaps, which are described under Note 1 to the financial statements on page 32.

<b>Group Financial Results;</b>	<b>2011/2012</b>	2010/2011
	<b>Rs. 000'</b>	Rs. 000'
Profit before taxation	<b>150,475</b>	115,317
Taxation	<b>(49,259)</b>	(51,227)
After tax profit attributable to shareholders	<b>101,216</b>	64,090
Transfers from reserves	<b>1,197</b>	375
Unappropriated profit brought forward from previous year	<b>401,403</b>	363,812
Profit available for appropriation	<b><u>503,816</u></b>	<u>428,277</u>
 <b>Distribution of Profit :</b>		
Interim dividend paid	<b>14,397</b>	-
Final dividend paid	<b>14,397</b>	26,874
	<b><u>28,794</u></b>	<u>26,874</u>
	<b><u>475,022</u></b>	<u>401,403</u>

### AUDITORS' REPORT

The auditors' report on the financial statements is given on page 27.

### ACCOUNTING POLICIES

The accounting policies adopted in preparation of financial statements are given on pages 32 to 40. There have been no changes to the Accounting Policies during the year with compared to that last year.

### REVIEW OF BUSINESS

The Chairman's Review, the Managing Director's Report and the Corporate Governance Report which form an integral part of the directors' 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 2012 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 are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The directors are satisfied that the financial statements give a true and fair view of the state of affairs of Harischandra Mills PLC and the Group as at 31 March 2012 as well as the profit for the year then ended.

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

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

### **CORPORATE GOVERNANCE**

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

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

### **CORPORATE SOCIAL RESPONSIBILITY**

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

### **DONATIONS**

Donations were Rs 3,312,233/- compared to Rs. 3,453,914/- 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. 20/- per share on 25 May 2012, and propose a final dividend of Rs 20/- per share, to be paid out of the profits of Harischandra Mills PLC and dividend received for the financial year ended 2011/2012. Harischandra Mills PLC paid a final dividend for the previous year of Rs 30/- per share. In recommending the payment of this dividend, the Directors unanimously declare that, in their opinion, the Company will satisfy the solvency test stipulated in section 57 of the Companies Act No 07 of 2007 immediately after the distribution is made and have obtained a certificate of Solvency from the Auditors to this effect.

### **PROVISION FOR TAXATION**

Provision made for taxation considering the relevant tax rates laid down by the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to, the details are stated in Note 12 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 15 to the Financial Statements on pages 44 to 47.

### **STATED CAPITAL & RESERVES**

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

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

The total reserves of the Company as at 31st March 2012 amounted to Rs. 331,913,565/-, (as at 31 March 2011 - Rs. 278,680,389/-) where as the Group total reserve amounted to Rs. 576,537,887/-. (as at 31 March 2011 - Rs. 504,115,391/-) The composition of the reserves is shown in the Statement of Changes in Equity and details of reserves are set out in Note 23 and 24 to the Financial Statements.

### POST BALANCE SHEET EVENTS

There have been no significant events subsequent to the balance sheet date that requires adjustment to or disclosure in the financial statements, other than interim dividend paid and the final dividend proposed for the year explained in Note 14 and Note 33 to the Financial Statements.

### GOING CONCERN

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

### CAPITAL COMMITMENTS AND CONTINGENCIES.

There were no significant capital commitments and contingencies as at 31 March 2012.

### HUMAN RESOURCES

As at 31 March 2012, Company employed 490 employees whereas it was 473 in the last year end. Aggregate total remuneration in respect of the year was Rs. 191.5Mn compared to Rs. 170.8 Mn for the last year.

### STOCK EXCHANGE LISTING

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

### SHAREHOLDERS' INFORMATION

Distribution of the issued shares among the shareholders and classification of shareholders are indicated in page 55 of the Annual Report. There were 398 (2010/11- 369) registered shareholders as at 31 March 2012.

### DIRECTORATE

The Directors of Harischandra Mills PLC during the year ended 31.03.2012 are as follows

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

Directors profiles are set out on page 19 in the Annual Report.

### MAJOR SHAREHOLDERS

The 20 largest shareholders of Harischandra Mills PLC as at 31 March 2012 are given on page 56 together with an analysis of the shareholdings. As at that date Harischandra Mills PLC had 398 shareholders.

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

### SUB-COMMITTEES OF THE BOARD

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

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

### INTEREST REGISTER

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 CONTRACT

Details of directors' interests in contracts of the Company are disclosed below. 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) Ltd., which is a fully owned subsidiary.

Name of Director	Position	Shareholding
Mr. M.A. Bastiansz	Director (Non-Executive)	None
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
Mrs. C.P. Rodrigo	Director (Non-Executive)	None

Mr. S.A.S. Jayasundara is an Executive Director of Teleshan Networks (Pvt) Limited and Non-Executive Director of Bogawanthalawa Tea Estates PLC.

During the year the Company has made payments worth Rs. 542,640/- (2010/2011 - 461,440/-) to Teleshan Networks (Pvt) Limited as advertising costs.

### DIRECTORS' REMUNERATION

Directors' fees and emoluments, in respect of the Group and the Company for the financial year ended 31 March 2012 were recorded as Rs. 17,133,447/- (2010/2011 - 17,717,519/-).

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

**DIRECTORS SHARE HOLDING**

Name of Director	31 March 2012		01 April 2011	
	No. of Shares	%	No. of Shares	%
Mrs. C.P. Rodrigo	139,460	14.53	139,460	14.53
Mr. S.N. Samarasinghe	38,335	3.99	38,335	3.99
Mr. G.S.V. De Silva	1,000	0.10	1,000	0.10
Mrs. M.P. De Silva	2,500	0.26	2,500	0.26
Mr. M.A. Bastiansz	-	-	-	-
Mr. T.K. Bandaranayake	-	-	-	-
Mr. S.A.S Jayasundara	-	-	-	-
<b>Total</b>	<b>181,295</b>	<b>18.88</b>	<b>181,295</b>	<b>18.88</b>

**APPLICATION OF THE CORPORATE GOVERNANCE RULES OF THE COLOMBO STOCK EXCHANGE**

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

**AUDITORS**

The financial statements for the year ended 31 March 2012 have been audited by M/s. KPMG Chartered Accountants. The auditors do not have any relationship with or any interest in the Company or any of its subsidiary other than that of auditors.

**Fees to Auditors**

The fees paid to Auditors during the year were 1,040,000/- (2010/11 - Rs. 870,000/-) for audit work, Rs. 250,000/- (2010/11 - Rs. 120,000/-) for audit related services and Rs. 209,000/- (2010/11 - 173,380/-) for non audit work.


**Re-appointment of Auditors**

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

**ANNUAL GENERAL MEETING**

The Sixtieth Annual General Meeting of the Company will be held at the Registered Office of the Company, No. 11, Delkada Road, Matara, on the 22 September 2012 am. The Notice of the Sixtieth Annual General Meeting is on page 2 of the Annual Report.

For and on behalf of the Board  
**Harischandra Mills PLC**

  
S.N. Samarasinghe - Managing Director

  
G.S.V. De Silva - Director

**Corporate Services (Private) Limited**

Secretaries

05 July 2012

## STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Directors confirm that they have complied with these requirements.

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

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

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

The external Auditors, Messrs KPMG appointed in accordance with the resolution passed at the last Annual General Meeting were provided with every opportunity to undertake whatever inspections they consider appropriate to enable them to form their opinion on the financial statements. The report of the Auditors, shown on page 27 sets out their responsibilities in relation to the financial statements.

By Order of the Board

**Corporate Services (Private) Limited**

Secretaries

05 July 2012



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : www.lk.kpmg.com

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HARISCHANDRA MILLS PLC**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Harischandra Mills PLC (the "Company"), the consolidated financial statements of the Company and its subsidiary as at 31st March 2012 which comprise the balance sheet as at 31 st March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 28 to 53 of this Annual Report.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Scope of Audit and Basis of Opinion*

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluation the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### *Opinion*

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 st March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 st March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 st March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

### **Report on Other Legal and Regulatory Requirements**

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

**CHARTERED ACCOUNTANTS**  
05th July 2012  
Colombo

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

M.R. Mihular FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA

Ms. M. P. Perera FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G. A. U. Karunaratne ACA

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

Principals - S. R. I. Perera ACMA, LLB, Attorney-at-Law H.S. Goonewardene ACA

## INCOME STATEMENTS

	CONSOLIDATED		COMPANY		
	FOR THE YEAR ENDED 31 MARCH, Note	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>Gross revenue</b>	8	1,655,127,751	1,475,663,968	1,281,612,123	1,177,531,841
Turnover tax		-	(10,346,916)	-	-
<b>Net revenue</b>		<u>1,655,127,751</u>	1,465,317,052	<u>1,281,612,123</u>	1,177,531,841
Cost of sales		<u>(1,249,387,249)</u>	(1,106,685,500)	<u>(1,094,957,819)</u>	(966,621,624)
<b>Gross profit</b>		405,740,502	358,631,552	186,654,304	210,910,217
Other income	9	<u>25,678,603</u>	14,930,929	<u>60,567,775</u>	42,611,087
		431,419,105	373,562,481	247,222,079	253,521,304
Distribution expenses		(179,739,235)	(162,645,356)	(86,136,156)	(90,514,999)
Administrative expenses		(114,585,376)	(109,456,032)	(64,333,734)	(60,267,159)
<b>Profit from operations</b>	10	<u>137,094,494</u>	101,461,093	<u>96,752,189</u>	102,739,146
Net finance income	11	<u>13,380,531</u>	13,855,619	<u>11,566,500</u>	13,708,153
<b>Profit before income -</b>					
<b>- tax expense</b>		150,475,025	115,316,712	108,318,689	116,447,299
Income tax expense	12	(49,258,529)	(51,226,720)	(26,291,513)	(44,094,223)
<b>Profit for the year</b>		<u>101,216,496</u>	64,089,992	<u>82,027,176</u>	72,353,076
Attributable to owners					
- of the company		101,216,496	64,089,992	82,027,176	72,353,076
<b>Profit for the year</b>		<u>101,216,496</u>	64,089,992	<u>82,027,176</u>	72,353,076
<b>Basic earnings per share (Rs.)</b>	13	105.46	66.77	85.46	75.38
<b>Dividend per share (Rs.)</b>	14	40.00	30.00	40.00	30.00

Figures in brackets indicate deductions.

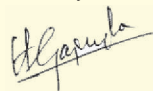
The notes to the Financial Statements from pages 32 to 53 form an integral part of these Financial Statements.

## BALANCE SHEETS

AS AT 31 MARCH,	Note	CONSOLIDATED		COMPANY	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>ASSETS</b>					
<b>Non - current assets</b>					
Property, plant and equipment	15	244,900,527	218,931,355	243,833,691	217,441,709
Intangible assets	16	1,862,177	2,552,033	1,862,177	2,552,033
Investment in subsidiary	17	-	-	70	70
Long term investments	18	14,210,189	13,350,448	14,210,189	13,350,448
<b>Total noncurrent assets</b>		<b>260,972,893</b>	<b>234,833,836</b>	<b>259,906,127</b>	<b>233,344,260</b>
<b>Current assets</b>					
Inventories	19	132,713,987	121,678,155	123,247,562	113,791,768
Trade & other receivables	20	248,062,205	199,832,367	105,913,334	96,606,466
Cash & cash equivalents	21	191,013,696	214,743,505	156,460,174	179,468,416
<b>Total current assets</b>		<b>571,789,888</b>	<b>536,254,027</b>	<b>385,621,070</b>	<b>389,866,650</b>
<b>Total assets</b>		<b>832,762,781</b>	<b>771,087,863</b>	<b>645,527,197</b>	<b>623,210,910</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Equity</b>					
Stated capital	22	9,598,000	9,598,000	9,598,000	9,598,000
Revaluation reserve	23	81,663,389	82,860,197	81,466,623	82,255,726
Other capital reserves	23	7,010,944	7,010,944	11,014	11,014
General reserves	24	12,841,000	12,841,000	12,841,000	12,841,000
Retained earnings		475,022,554	401,403,250	237,594,928	183,572,649
<b>Total equity attributable to owners - of the company</b>		<b>586,135,887</b>	<b>513,713,391</b>	<b>341,511,565</b>	<b>288,278,389</b>
<b>Non current liabilities</b>					
Deferred tax liabilities	25	20,686,958	23,113,877	24,825,787	26,897,068
Employee benefits	26	41,440,501	36,818,700	25,842,909	22,527,870
<b>Total non current liabilities</b>		<b>62,127,459</b>	<b>59,932,577</b>	<b>50,668,696</b>	<b>49,424,938</b>
<b>Current liabilities</b>					
Bank overdraft	21	49,290,661	72,429,800	49,290,661	72,429,800
Trade & other payables	27	123,961,747	112,560,294	105,955,344	97,725,627
Related party payables	28	-	-	90,072,732	108,259,613
Current tax liabilities	29	11,247,027	12,451,801	8,028,199	7,092,543
<b>Total current liabilities</b>		<b>184,499,435</b>	<b>197,441,895</b>	<b>253,346,936</b>	<b>285,507,583</b>
<b>Total liabilities</b>		<b>246,626,894</b>	<b>257,374,472</b>	<b>304,015,632</b>	<b>334,932,521</b>
<b>Total equity &amp; liabilities</b>		<b>832,762,781</b>	<b>771,087,863</b>	<b>645,527,197</b>	<b>623,210,910</b>

The notes to the Financial Statements from pages 32 to 53 form an integral part of these 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 Financial Statements.  
Approved & signed on behalf of the Board;



**S.N. Samarasinghe**  
**Managing Director**  
Colombo  
05 July 2012



**G.S.V. De Silva**  
**Director**

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012

	Stated Capital Rs.	Revaluation Reserve Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>Consolidated</b>						
<b>Balance as at 01 April 2010</b>	9,598,000	83,235,191	7,010,944	12,841,000	363,812,664	<b>476,497,799</b>
Profit for the year	-	-	-	-	64,089,992	<b>64,089,992</b>
Transfers on disposal	-	(374,994)	-	-	374,994	-
Final dividend 2009/2010	-	-	-	-	(26,874,400)	<b>(26,874,400)</b>
<b>Balance as at 31 March 2011</b>	<b>9,598,000</b>	<b>82,860,197</b>	<b>7,010,944</b>	<b>12,841,000</b>	<b>401,403,250</b>	<b>513,713,391</b>
<b>Balance as at 01 April 2011</b>	9,598,000	82,860,197	7,010,944	12,841,000	401,403,250	<b>513,713,391</b>
Profit for the year	-	-	-	-	101,216,496	<b>101,216,496</b>
Transfers on disposal	-	(1,196,808)	-	-	1,196,808	-
Interim dividend 2010/ 2011	-	-	-	-	(14,397,000)	<b>(14,397,000)</b>
Final dividend 2010/2011	-	-	-	-	(14,397,000)	<b>(14,397,000)</b>
<b>Balance as at 31 March 2012</b>	<b>9,598,000</b>	<b>81,663,389</b>	<b>7,010,944</b>	<b>12,841,000</b>	<b>475,022,554</b>	<b>586,135,887</b>
<b>Company</b>						
<b>Balance as at 01 April 2010</b>	9,598,000	82,626,720	11,014	12,841,000	137,722,979	<b>242,799,713</b>
Profit for the year	-	-	-	-	72,353,076	<b>72,353,076</b>
Transfers on disposal	-	(370,994)	-	-	370,994	-
Final dividend 2009/2010	-	-	-	-	(26,874,400)	<b>(26,874,400)</b>
<b>Balance as at 31 March 2011</b>	<b>9,598,000</b>	<b>82,255,726</b>	<b>11,014</b>	<b>12,841,000</b>	<b>183,572,649</b>	<b>288,278,389</b>
<b>Balance as at 01 April 2011</b>	9,598,000	82,255,726	11,014	12,841,000	183,572,649	<b>288,278,389</b>
Profit for the year	-	-	-	-	82,027,176	<b>82,027,176</b>
Transfers on disposal	-	(789,103)	-	-	789,103	-
Interim dividend 2010/2011	-	-	-	-	(14,397,000)	<b>(14,397,000)</b>
Final dividend 2010/2011	-	-	-	-	(14,397,000)	<b>(14,397,000)</b>
<b>Balance as at 31 March 2012</b>	<b>9,598,000</b>	<b>81,466,623</b>	<b>11,014</b>	<b>12,841,000</b>	<b>237,594,928</b>	<b>341,511,565</b>

Figures in brackets indicate deductions.

The notes to the Financial Statements from pages 32 to 53 form an integral part of these Financial Statements.

## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH,	CONSOLIDATED		COMPANY	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
<b>Cash flows from operating activities</b>				
<b>Profit before taxation</b>	<b>150,475,025</b>	115,316,712	<b>108,318,689</b>	116,447,299
<u>Adjustment for</u>				
Provision for employee benefit	8,056,176	9,468,239	4,981,442	4,203,804
Depreciation/amortization	44,350,719	41,692,371	44,238,690	41,541,956
Interest expenses	506,799	382,903	505,471	363,109
Provision for impairment loss	-	2,136,030	-	2,136,030
Reversal of slow moving inventories	(155,581)	(1,288,206)	(155,581)	(1,288,206)
Profit on disposal of property, plant & equipment	(8,338,755)	(5,352,486)	(8,727,314)	(5,356,146)
Dividend income	(1,009,741)	(2,137,991)	(26,209,561)	(21,037,829)
Interest income	(13,887,330)	(14,567,278)	(12,071,971)	(14,400,018)
<b>Operating profit before working capital changes</b>	<b>179,997,312</b>	145,650,294	<b>110,879,865</b>	122,609,999
Increase in inventories	(10,880,250)	(29,938,380)	(9,300,212)	(28,662,962)
(Increase)/Decrease in receivables	(48,229,839)	(8,210,225)	(9,306,866)	48,850,268
Decrease in related party payables	-	-	(18,186,882)	(68,311,567)
Increase in trade and other payables	11,401,450	3,389,463	8,229,717	686,560
<b>Cash generated from operations</b>	<b>132,288,673</b>	110,891,152	<b>82,315,622</b>	75,172,298
Gratuity paid	(3,434,375)	(2,843,810)	(1,666,403)	(2,843,810)
Interest paid	(506,799)	(382,903)	(505,471)	(363,109)
Income tax paid	(52,890,222)	(74,316,586)	(27,427,140)	(71,285,544)
<b>Net cash flows generated from operating activities</b>	<b>75,457,277</b>	33,347,853	<b>52,716,608</b>	679,835
<b>Cash flows from investing activities</b>				
Interest received	13,887,330	14,567,278	12,071,971	14,400,018
Dividend received	1,009,741	2,137,991	26,209,561	21,037,829
Proceeds from disposal of property, - plant & equipment	12,714,610	13,486,794	12,714,610	13,486,795
Purchase of property, plant & equipment	(74,005,887)	(41,976,475)	(73,928,112)	(41,682,785)
Investment in units	(859,741)	(1,987,991)	(859,741)	(1,987,991)
<b>Cash flows (used in)/ from investing activities</b>	<b>(47,253,947)</b>	(13,772,403)	<b>(23,791,711)</b>	5,253,866
<b>Cash flows from financing activities</b>				
Dividend paid	(28,794,000)	(26,874,400)	(28,794,000)	(26,874,400)
Loans repayments during the year	-	(10,916,636)	-	(10,916,636)
<b>Cash flows used in financing activities</b>	<b>(28,794,000)</b>	(37,791,036)	<b>(28,794,000)</b>	(37,791,036)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(590,670)</b>	(18,215,586)	<b>130,897</b>	(31,857,335)
<b>Cash and cash equivalents at the beginning</b>	<b>142,313,705</b>	160,529,291	<b>107,038,616</b>	138,895,951
<b>Cash and cash equivalents at the end (Note 21)</b>	<b>141,723,035</b>	142,313,705	<b>107,169,513</b>	107,038,616

Figures in brackets indicate deductions.

The notes to the Financial Statements from pages 32 to 53 form an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 1. REPORTING ENTITY

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 March, 2012 comprise the Financial information of Company and its subsidiary, Harischandra Mills (Distributors) Limited (together referred to as the "Group" and individually as "Group Entities").

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

The principle activity of the Company and the group is manufacturing and distributing of foods & soap items.

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

The financial statement of all companies in the Group are prepared to a common financial year, which ends on 31 March.

The Company and the Group had 360 and 490 (2010/11- 352 and 473) employees respectively at the end of the financial year.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The Financial Statements of the Company and the Group comprise the Balance Sheet, Statement of Income, Changes in Equity and Cash Flows together with notes to the Financial Statements.

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

The consolidated financial statements for the year ended 31 March 2012 were authorized for issue by the Board of Directors in accordance with the resolution passed at the meeting held on 05 July 2012.

#### 2.2 Basis of Measurement

The financial statements have been prepared on historical cost basis and applied consistently with no adjustment being made for inflationary factors affecting the Financial Statements except certain property, plant and equipment which are stated at revalued amount as disclosed in Note 3.3.1.4 to the financial statements.

#### 2.3 Functional & Presentation Currency

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

#### 2.4 Use of Estimates & Judgments

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

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

In particular Information about significant areas of estimates and uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in following notes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

Note 15 - Property, plant and equipment

Note 25 - Deferred tax liabilities

Note 26 - Employee benefit

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below have been applied consistently to all period presented in these financial statements. The Accounting policies of the Company have been consistently applied by Group entities where applicable and deviations if any, have been disclosed accordingly.

#### 3.1 Basis of Consolidation

##### 3.1.1 Subsidiaries

Subsidiaries are entities those controlled by the Group. Control exists when the Group has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently exercisable are taken into account. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements are prepared to a common financial year end of 31 March.

In the Company's Financial Statements, Investment in Subsidiaries are carried at cost less accumulated impairment loss, if any.

All the assets and liabilities of the Company with subsidiary are included in the consolidated balance sheet.

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

##### 3.1.2 Transactions Eliminated on Consolidation

Intra group balances & transactions and any unrealized gains arising from intra group transactions are eliminated in preparing the consolidated financial

statements. Unrealized gains arising from transaction with subsidiary are eliminated to the extent of the Group's interest in the subsidiary against the investment in the subsidiary. Unrealized losses are also eliminated.

#### 3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate prevailing at the date of the transaction.

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

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

Non monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates that the value were determined. Foreign exchange differences arising on translation are recognized in the income statement.

#### 3.3 Assets and Bases of Their Valuation

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

##### 3.3.1 Property, plant & equipment

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

### 3.3.1.1 Basis of Recognition

Property, plant and equipment are recognized if it probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

### 3.3.1.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

### 3.3.1.3 Cost Model

The Group applies cost model to freehold land and records at cost of purchase together with any incidental expenses thereon.

### 3.3.1.4 Revaluation Model

The Company's and its Group's buildings, plant & machinery, Office, factory & laboratory equipment and furniture & fittings are revalued when there is a substantial distinction between the fair value (market value) and carrying value of the asset or in every 5 years. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated losses. On revaluation of an asset, any increase in the carrying amount, is credited directly to equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charge to the Income Statement. In this circumstance, the increase is recognized as income to the extent of the previous write down. Any decrease

in the carrying amount is recognized as an expense in the Income Statement or debited directly to equity under revaluation reserve to the extent of any credit balance existing in the capital reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earning on retirement or disposal of the asset.

### 3.3.1.5 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probably that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are charged to the Income Statement as incurred.

### 3.3.1.6 De recognition

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

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

### 3.3.1.7 Depreciation

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

Buildings	50 years
Plant & machinery	13.3 years
Office, factory & - laboratory equipment	10 years
Furniture & fittings	20 years
Motor vehicles	4 years

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

### 3.3.1.8 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the asset under finance leases are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception less accumulated depreciation and the resulting lease obligations are included in the creditors less finance charges. Lease payments consist of capital and interest elements and the interest is charged to the Income Statement. Assets held under finance leases are amortized over the estimated useful lives unless ownership is not transferred at the end of the lease period. In such cases the assets are amortized over the shorter of lease terms and their useful lives. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### 3.3.1.9 Capital Work- In - Progress

Capital expenses incurred during the year which are not completed as at the Balance Sheet date are shown as Capital Work-in-Progress, whilst the capital assets which have been completed during the year and put to use have been transferred to Property, Plant & Equipment.

### 3.3.2 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement in the expense category consistent with the function / nature of the intangible asset. Amortization was commenced when the assets were available for use.

Amortization period - Computer Software 5 years.

Intangible assets are derecognised on disposal or no future economic benefits are expected from its use. Gains or loss 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 recognised in the income statement.

### 3.3.3 Long Term Investments

Investments in quoted and unquoted shares held on long term basis are measured at cost less impairment losses.

In the parent company's financial statements, investments in subsidiary is carried at cost less impairment losses in accordance with parent company accounting policy for long-term investments.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

Provision for impairment is made when in the opinion of the Directors there has been a decline other than temporary in the value of the investment.

### 3.3.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows:

#### 3.3.4.1 Finished Goods

Cost where includes a portion of overhead expenses. Cost is arrived principally on the First In First Out basis.

#### 3.3.4.2 Work In Progress

At direct cost and portion of overhead expenses incurred thereon up to the balance sheet date.

#### 3.3.4.3 All Other Inventories

At cost

### 3.3.5 Trade and Other Receivables

Trade and other receivables are recognized at their cost less impairment losses.

### 3.3.6 Cash and Cash Equivalents

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

### 3.3.7 Impairment

#### 3.3.7.1 Recognition

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognized whenever the carrying amount of asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

For the assets that have indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

#### 3.3.7.2 Calculation of Recoverable Amount

The recoverable amount of an asset or cash generating unit is the greater of their net selling and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects the current market assessment of their time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### 3.3.7.3 Reversal of Impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

### 3.4 Liabilities and Provisions

Liabilities classified as current liabilities on the balance sheet are those, which fall due for payment on demand or within one year from the balance sheet date.

Non current liabilities are those balances that fall due for payment after one year from the balance sheet date.

#### 3.4.1 Provisions

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

#### 3.4.2 Employee Benefits

##### 3.4.2.1 Defined Contribution Plans

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

##### **Employees Provident Fund**

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

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

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

Both the Company and employees who are paid on monthly pay basis (Payroll Employees), contribute 15% on the salary of each employee to the Approved Private Provident Fund.

##### **Employees Trust Fund**

The Company/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 income statement as incurred.

##### 3.4.2.2 Employee Benefit Plans

##### **Retiring Gratuity**

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

In accordance with revised Sri Lanka Accounting Standard 16 (Revised 2006)- "Employee Benefits" which became effective from the financial year commencing after 01 July 2007, the Company has adopted the actuarial valuation method for the financial years since 01 April 2008. The valuation method used by the actuary is "Projected Unit Credit Method".

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continues service.

In respect of any gains and losses arising from actuarial valuation that arise in calculating the Company's obligation in respect of employee benefits, to the extent that any cumulative unrecognized gain or loss exceeds the greater of 10% of the defined benefit obligation as at balance sheet date or 10 % of

fair value of plan assets at that date, that portion is recognized in income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise the gain or loss is not recognized.

The liability is not externally funded.

##### 3.4.3 Trade & Other Payables

Trade & Other Payables are stated at cost.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

### 3.4.4 Capital Commitments & Contingencies

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

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

### 3.4.5 Events After the Balance Sheet Date

The materiality of the events after the balance sheet date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

### 3.5 Income Statements

#### 3.5.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group, and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and revenue related taxes, and after eliminating sales within the Group. The following specific criteria are used for the purpose of recognition of revenue.

##### 3.5.1.1 Goods Sold

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

##### 3.5.1.2 Profit on Disposal of Property, Plant & Equipment

Profits or losses resulting from disposal of Property, Plant & Equipment have been accounted on cash basis in the Income Statement.

#### 3.5.1.3 Rental Income

Rental Income is recognized on an accrual basis.

#### 3.5.1.4 Dividend Income

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

#### 3.5.2 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 revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the Directors are of the opinion that function of expense 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 revenue in the year in which the expenditure is incurred.

The profit earned by the company before taxation as shown in the Income Statement is after making provision for all known liabilities and for the depreciation of property, plant & equipments.

#### 3.5.3 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred.

#### 3.5.4 Net Finance Expense

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

Finance income comprises interest received on funds invested and foreign exchange gains.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

The interest component of finance lease payment is recognized in the Financial Statements using effective rate method.

### 3.5.5 Income Tax Expenses

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

#### 3.5.5.1 Current Tax

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

#### 3.5.5.2. Deferred Tax

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

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

#### 3.5.5.3 Withholding Tax on Dividends

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

### 3.6 Basic Earnings Per Share

The financial statements present basic earnings per share (EPS) data for its ordinary shareholders.

The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted averaged number of ordinary shares outstanding during the period.

### 3.7 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.

### 4. Cash Flow Statement

The Cash Flows Statements has been prepared using the "indirect method".

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of cash flow statement.

### 5. Segment Reporting

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

Segmentation has been determined based on the Group's management and internal reporting

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.) FOR THE YEAR ENDED 31 MARCH 2012

structure. Segment information is based on the primary format representing the industry segments of the Company.

Based on the nature of the Company, 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.

### **6. Comparative Information**

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

### **7. New Accounting Standard Issued, but not Effective as at the Balance Sheet Date**

The Institute of chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards which will become, applicable for financial periods beginning on or after 1 January 2012. Accordingly, these standards have not been applied in preparing these financial statements as they were not effective for the year ended 31 March 2012.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The Company and the Group are currently in the process of evaluating the potential effect of these standards on its financial statements and the impacts on the adoption of these standards have not been quantified as at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	CONSOLIDATED		COMPANY	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.8
<b>8. GROSS REVENUE</b>				
<i>Consolidated Revenue</i>				
Harischandara Mills PLC	1,281,612,123	1,177,531,841	1,281,612,123	1,177,531,841
Harischandara Mills (Distributors) Ltd.	1,626,934,032	1,449,111,101	-	-
	<b>2,908,546,155</b>	2,626,642,942	<b>1,281,612,123</b>	1,177,531,841
Inter company sales	(1,253,418,404)	(1,150,978,974)	-	-
	<b>1,655,127,751</b>	1,475,663,968	<b>1,281,612,123</b>	1,177,531,841
<b>8.1 Segment Reporting</b>				
Food products	1,440,669,778	1,274,381,961	1,115,265,207	1,017,761,257
Soap products	214,457,973	201,282,007	166,346,916	159,770,584
	<b>1,655,127,751</b>	1,475,663,968	<b>1,281,612,123</b>	1,177,531,841
<b>9. OTHER INCOME</b>				
Dividend income	1,009,741	2,137,991	26,209,561	21,037,829
Management income	-	-	892,857	892,857
Rental income	-	-	1,071,429	1,071,429
Vehicle hire income	-	-	7,406,250	6,816,966
Gain on foreign exchange transactions	1,730,106	-	1,730,106	-
Profit on disposal of property, - plant & equipment	8,338,755	5,352,486	8,727,314	5,356,146
Profit from Lanka Service Station (Note 9.1)	7,148,930	1,435,608	7,148,930	1,435,608
Sundry income (Note 9.2)	7,451,071	6,004,844	7,381,328	6,000,252
	<b>25,678,603</b>	14,930,929	<b>60,567,775</b>	42,611,087
<b>9.1 Profit from Lanka Service Station</b>				
Sale of fuel	590,039,439	450,129,391	590,039,439	450,129,391
Cost of fuel and other expenses	(582,890,509)	(448,693,783)	(582,890,509)	(448,693,783)
Profits from Lanka Service Station	<b>7,148,930</b>	1,435,608	<b>7,148,930</b>	1,435,608
<b>9.2 Sundry Income</b>				
Insurance agency commission	-	167,221	-	167,221
Sale of disposable material	6,652,814	5,770,073	6,652,814	5,770,073
Sundry receipts	798,257	67,550	728,514	62,958
	<b>7,451,071</b>	6,004,844	<b>7,381,328</b>	6,000,252
<b>10. PROFIT FROM OPERATIONS</b>				
Results from operating activities is stated after charging all expenses including followings				
Directors' emoluments	17,133,447	17,717,519	7,049,819	7,181,204
Auditors remuneration				
- Audit fee and expenses	1,040,000	870,000	605,000	530,000
- Audit related fee and expenses	250,000	120,000	190,000	120,000
- Non audit services	209,000	173,380	122,000	90,500
Depreciation and amortization	44,350,719	41,692,371	44,238,690	41,541,956
Provision for impairment loss for PPE	-	2,136,030	-	2,136,030
Donations	3,312,233	3,453,914	303,360	779,603
Personnel costs (Note 10.1)	191,535,394	170,859,049	124,444,211	112,277,990

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	CONSOLIDATED		COMPANY	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
<b>10. RESULTS FROM OPERATING ACTIVITIES (CONTD.)</b>				
<b>10.1 Personnel Costs</b>				
Salaries & wages	132,752,886	113,202,766	87,919,772	79,064,355
Defined contribution plan - EPF and ETF	15,539,338	13,300,473	8,682,644	7,592,331
Bonus	22,067,513	18,672,942	13,719,301	11,380,698
Staff welfare	13,119,481	16,214,629	9,141,052	10,036,802
Defined benefit plan- Retiring gratuity	8,056,176	9,468,239	4,981,442	4,203,804
	<u>191,535,394</u>	<u>170,859,049</u>	<u>124,444,211</u>	<u>112,277,990</u>
 Average number of employees	 <u>490</u>	 <u>473</u>	 <u>360</u>	 <u>352</u>
<b>11. NET FINANCE INCOME</b>				
<b>11.1 Finance Income</b>				
Interest income	13,887,330	14,567,278	12,071,971	14,400,018
	<u>13,887,330</u>	<u>14,567,278</u>	<u>12,071,971</u>	<u>14,400,018</u>
<b>11.2 Finance Expenses</b>				
Interest expenses	(506,799)	(382,903)	(505,471)	(363,109)
Loss on transaction of foreign currencies	-	(328,756)	-	(328,756)
	<u>(506,799)</u>	<u>(711,659)</u>	<u>(505,471)</u>	<u>(691,865)</u>
<b>Net Finance Income</b>	<b><u>13,380,531</u></b>	<b><u>13,855,619</u></b>	<b><u>11,566,500</u></b>	<b><u>13,708,153</u></b>
<b>12. INCOME TAX EXPENSE</b>				
<b>Current Tax from Ordinary Activities</b>				
On current year profits (Note 12.1)	48,884,948	58,448,811	28,362,794	49,210,669
Origination of temporary differences (Note 25)	( 2,426,919)	(9,322,091)	(2,071,281)	(5,116,446)
Taxes on Inter company dividend	2,800,500	2,100,000	-	-
	<u>49,258,529</u>	<u>51,226,720</u>	<u>26,291,513</u>	<u>44,094,223</u>
<b>12.1 Tax Reconciliation Statement</b>				
Profit before tax expense	150,475,025	115,316,712	108,318,689	116,447,299
Income not liable to tax	(859,741)	(2,463,628)	(26,209,561)	(21,012,175)
Expenses disallowed for tax	92,307,154	102,190,969	76,737,435	85,636,660
Expenses allowed for tax	(66,786,915)	(48,478,302)	(57,340,002)	(42,052,953)
Qualifying payments	(753,827)	(1,864,623)	-	(322,323)
<b>Taxable Profit</b>	<b><u>174,381,696</u></b>	<b><u>164,701,128</u></b>	<b><u>101,506,561</u></b>	<b><u>138,696,508</u></b>
 Income tax at 15%	 44,282	 45,271	 44,282	 45,271
Income tax at 28% (2011 - 35%)	48,840,666	58,403,540	28,318,512	49,165,398
On current year profit	<u>48,884,948</u>	<u>58,448,811</u>	<u>28,362,794</u>	<u>49,210,669</u>
 Effective tax rate	 <u>32.49%</u>	 <u>50.69%</u>	 <u>26.18%</u>	 <u>42.26%</u>
<b>12.2</b> The provision for income tax has been made in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto at the rate of 28%. Tax on export profit is 15%.				

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 13. BASIC EARNINGS PER SHARE

The Company and Group basic earnings per share is calculated on the profit attributable to shareholders of Harischandra Mills PLC over the weighted average number of ordinary shares in issue during the year, as required by Sri Lanka Accounting Standard 34 (Revised 2005) "Earnings Per Share".

FOR THE YEAR ENDED 31 MARCH,	CONSOLIDATED		COMPANY	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Profit attributable to -				
- ordinary shareholders	<b>101,216,496</b>	64,089,992	<b>82,027,176</b>	72,353,076
Number of ordinary shares	<b>959,800</b>	959,800	<b>959,800</b>	959,800
Basic earnings per share (Rs.)	<b>105.46</b>	66.77	<b>85.46</b>	75.38

### 14. DIVIDEND PER SHARE

#### Interim Dividend

Out of dividend received - liable to tax	<b>19,196,000</b>	14,397,000	<b>19,196,000</b>	14,397,000
	<b>19,196,000</b>	14,397,000	<b>19,196,000</b>	14,397,000

#### Final Dividend

Out of dividend received - free of tax	<b>1,009,741</b>	2,137,991	<b>1,009,741</b>	2,137,991
Out of dividend received - liable to tax	<b>6,003,820</b>	4,502,837	<b>6,003,820</b>	4,502,837
Out of trading profit - liable to tax	<b>12,182,439</b>	7,756,172	<b>12,182,439</b>	7,756,172
	<b>19,196,000</b>	14,397,000	<b>19,196,000</b>	14,397,000
<b>Total Dividend</b>	<b>38,392,000</b>	28,794,000	<b>38,392,000</b>	28,794,000

Number of ordinary shares	<b>959,800</b>	959,800	<b>959,800</b>	959,800
Dividend per share (Rs.)	<b>40.00</b>	30.00	<b>40.00</b>	30.00

- 14.1 The proposed final dividend for the year has not been recognized as a liability as at the Balance Sheet date in accordance with SLAS 12 (Revised) events after Balance Sheet date.
- 14.2 The dividends represent re-distribution of dividends received by the company which are not subject to 10% tax deduction.
- 14.3 As required by Section 56 of the Companies At No. 07 of 2007, the Board of Directors of the Company satisfied the Solvency test in accordance with the Section 57, prior to recommending the interim and final dividend.

**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**
**15. PROPERTY, PLANT & EQUIPMENT**

A Consolidated	Freehold Land	Buildings	Plant & Machinery	Office Factory & Laboratory Equipment	Motor Vehicles	Furniture & Fittings	Total	
							2012	2011
Cost or Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April	2,812,877	61,676,512	92,317,989	21,636,036	193,189,014	4,666,414	376,298,842	354,353,419
Additions	-	-	1,758,371	1,962,582	6,321,100	276,487	10,318,540	4,399,506
Transfer from WIP (Note 15.A.1)	-	1,227,670	9,411,278	1,862,993	44,030,728	238,521	56,771,190	35,129,489
Disposals/ Write off	-	-	(2,546,601)	(1,877,250)	(17,812,151)	(58,655)	(22,294,657)	(17,583,572)
As at 31 March	<b>2,812,877</b>	<b>62,904,182</b>	<b>100,941,037</b>	<b>23,584,361</b>	<b>225,728,691</b>	<b>5,122,767</b>	<b>421,093,915</b>	<b>376,298,842</b>
<b>Depreciation and Impairment Losses</b>								
As at 01 April	-	3,711,604	20,643,012	5,799,424	132,387,784	636,668	163,178,492	129,090,455
Charge for the year	-	1,241,072	7,267,362	2,076,975	32,837,217	238,237	43,660,863	41,401,271
Reversal of impairment loss	-	-	(1,502,984)	(597,172)	(2,418)	(33,455)	(2,136,030)	2,136,030
On disposals	-	-	(574,555)	(553,025)	(14,646,656)	(8,537)	(15,782,773)	(9,449,264)
As at 31 March	-	<b>4,952,676</b>	<b>25,832,835</b>	<b>6,726,202</b>	<b>150,575,927</b>	<b>832,913</b>	<b>188,920,552</b>	<b>163,178,492</b>
<b>Written Down Value as at 31 March 2012</b>	<b>2,812,877</b>	<b>57,951,506</b>	<b>75,108,202</b>	<b>16,858,159</b>	<b>75,152,764</b>	<b>4,289,854</b>	<b>232,173,363</b>	
Written down value as at 31 March 2011	2,812,877	57,964,908	71,674,977	15,836,612	60,801,230	4,029,746	-	213,120,350
Capital work in progress (Note 15.A.1)							<b>12,727,164</b>	<b>5,811,005</b>
Net carrying amount as at 31 March							<b>244,900,527</b>	<b>218,931,355</b>
<b>15.A.1 Capital Work In Progress</b>								
As at 01 April							<b>5,811,005</b>	<b>3,363,527</b>
Addition during the year							<b>63,687,349</b>	<b>37,576,967</b>
Capitalized during the year							<b>(56,771,190)</b>	<b>(35,129,489)</b>
As at 31 March							<b>12,727,164</b>	<b>5,811,005</b>

**15.A.2** The fully depreciated property, plant & equipment, as at balance sheet date, had the said property, plant and equipment been included at cost would amount to Rs. 87,094,968/- (in 2011, Rs. 79,551,042/-)

**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**
**15. PROPERTY, PLANT & EQUIPMENT (CONTD.)**

B Company	Freehold Land		Buildings		Plant & Machinery		Office Factory & Laboratory Equipment		Motor Vehicles		Furniture & Fittings		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost or Valuation</b>														
As at 01 April	2,812,877	61,676,512	92,317,989	20,296,135	193,189,014	4,109,926	374,402,453	352,742,918						
Additions	-	-	1,758,371	1,889,480	6,321,100	271,812	10,240,763	4,105,818						
Transfer from WIP (Note 15.B.1)	-	1,227,670	9,411,278	1,862,993	44,030,728	238,521	56,771,190	35,129,489						
Disposals/ Write off	-	-	(2,546,601)	(1,344,450)	(17,812,151)	(40,280)	(21,743,482)	(17,575,772)						
As at 31 March	<b>2,812,877</b>	<b>62,904,182</b>	<b>100,941,037</b>	<b>22,704,158</b>	<b>225,728,691</b>	<b>4,579,979</b>	<b>419,670,924</b>	<b>374,402,453</b>						
<b>Depreciation and Impairment Losses</b>														
As at 01 April	-	3,711,604	20,643,012	5,469,524	132,387,784	559,825	162,771,749	128,829,986						
Charge for the year	-	1,241,072	7,267,362	1,991,967	32,837,217	211,216	43,548,834	41,250,856						
Reversal of impairment loss	-	-	(1,502,984)	(597,172)	(2,418)	(33,455)	(2,136,030)	2,136,030						
On disposals	-	-	(574,555)	(393,185)	(14,646,656)	(5,761)	(15,620,157)	(9,445,123)						
As at 31 March	-	<b>4,952,676</b>	<b>25,832,835</b>	<b>6,471,134</b>	<b>150,575,927</b>	<b>731,825</b>	<b>188,564,397</b>	<b>162,771,749</b>						
<b>Written Down Value as at 31 March 2012</b>	<b>2,812,877</b>	<b>57,951,506</b>	<b>75,108,202</b>	<b>16,233,024</b>	<b>75,152,764</b>	<b>3,848,154</b>	<b>231,106,527</b>							
Written down value as at 31 March 2011	2,812,877	57,964,908	71,674,977	14,826,611	60,801,230	3,550,101	-	211,630,704						
Capital work in progress (Note 15.B.1)							<b>12,727,164</b>	5,811,005						
Net carrying amount as at 31 March							<b>243,833,691</b>	<b>217,441,709</b>						
<b>15.B.1 Capital Work In Progress</b>														
As at 01 April							<b>5,811,005</b>	3,363,527						
Addition during the year							<b>63,687,349</b>	37,576,967						
Capitalized during the year							<b>(56,771,190)</b>	(35,129,489)						
As at 31 March							<b>12,727,164</b>	<b>5,811,005</b>						

**15.B.2** The fully depreciated property, plant & equipment, as at balance sheet date, had the said property, plant and equipment been included at cost would amount to Rs. 87,094,968/- (in 2011, Rs. 79,551,042/-)

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 15. PROPERTY, PLANT & EQUIPMENT (CONTD.)

- 15.1** All property, plant and equipment except for motor vehicles and land have been acquired before April 01, 1994 and buildings as at March 31, 2001 were revalued on April 01, 2001 by an independent professional valuer to reflect the fair value and net surplus was transferred to the revaluation reserve. (Refer Note 23)
- 15.2** All property, plant and equipment except for motor vehicles, and land acquired before April 01, 2007, were revalued on June 6, 2008 by an independent professional valuer to reflect the fair value as at 31 March 2008 and net surplus was transferred to a revaluation reserve. (Refer Note 23)
- 15.3** The property, plant and equipment, which have been revalued by Ariyathilaka & Company (Pvt) Ltd., independent professional valuer are indicated below.

#### A. Consolidated

AS AT 31 MARCH,	Revalued Amount 2012 Rs.	Accumulated Depreciation 2012 Rs.	Written Down Value 2012 Rs.	Written Down Value 2011 Rs.
Buildings	57,440,000	4,595,200	52,844,800	53,993,600
Plant & machinery	70,730,950	21,191,684	49,539,266	55,306,248
Office, factory & laboratory - equipment	9,233,445	3,541,482	5,691,963	7,615,569
Furniture & fittings	2,519,430	499,061	2,020,369	2,164,573
<b>Total</b>	<u>139,923,825</u>	<u>29,827,427</u>	<u>110,096,398</u>	<u>119,079,990</u>

#### B. Company

Buildings	57,440,000	4,595,200	52,844,800	53,993,600
Plant & machinery	70,730,950	21,191,684	49,539,266	55,306,248
Office, factory & laboratory - equipment	8,951,795	3,342,822	5,608,973	6,734,065
Furniture & fittings	2,246,205	444,416	1,801,789	1,915,007
<b>Total</b>	<u>139,368,950</u>	<u>29,574,122</u>	<u>109,794,828</u>	<u>117,948,920</u>

- 15.4** The carrying value of revalued property, plant & equipment given above, had the said property, plant equipment been included at cost, would amount to :

#### A. Consolidated

AS AT 31 MARCH,	WDV as at 01.04.2011 Rs.	Depreciation Rate	Depreciation Charged for the Year Rs.	WDV as at 31.03.2012 Rs.
Buildings	4,995,637	2.00%	99,913	4,895,724
Plant & machinery	31,562,384	7.50%	2,367,179	29,195,205
Office, factory & laboratory - equipment	7,228,440	10.00%	722,844	6,505,596
Furniture & fittings	1,300,341	5.00%	65,017	1,235,324
<b>Total</b>	<u>45,089,802</u>		<u>3,254,953</u>	<u>41,831,849</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**

**B. Company**

AS AT 31 MARCH,	WDV as at 01.04.2011	Depreciation Rate	Depreciation Charged for the Year	WDV as at 31.03.2012
	Rs.		Rs.	Rs.
Buildings	4,995,637	2.00%	99,913	4,895,724
Plant & machinery	31,562,384	7.50%	2,367,179	29,195,205
Office, factory & laboratory - equipment	5,487,160	10.00%	548,716	4,938,444
Furniture & fittings	1,067,251	5.00%	53,363	1,013,888
<b>Total</b>	<u>43,112,432</u>		<u>3,069,170</u>	<u>40,043,262</u>

15.5 There are no tax implications or tax liabilities pertaining to revaluation of property, plant & equipment.

**15.6 Company Properties**

Asset Type	Location	Extent			Revalued Amount
		A	R	P	Rs.
Land and Building	11, Delkada Road, Matara	04	02	20	266,802,500
	455, Buddhaloka Mawatha, Colombo 08	00	01	2.75	<u>140,637,500</u> <u>407,440,000</u>

AS AT 31 MARCH,	CONSOLIDATED			COMPANY
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>16. INTANGIBLE ASSETS</b>				
<b>Computer Software</b>				
<b>Cost:</b>				
As at 01 April	<u>2,911,000</u>	2,911,000	<u>2,911,000</u>	2,911,000
As at 31 March	<u>2,911,000</u>	2,911,000	<u>2,911,000</u>	2,911,000
<b>Amortization:</b>				
As at 01 April	<u>358,967</u>	67,867	<u>358,967</u>	67,867
Amortization during the year	<u>689,856</u>	291,100	<u>689,856</u>	291,100
As at 31 March	<u>1,048,823</u>	358,967	<u>1,048,823</u>	358,967
<b>Net Carrying Value as at 31 March</b>	<u>1,862,177</u>	2,552,033	<u>1,862,177</u>	2,552,033
<b>17. INVESTMENT IN SUBSIDIARY</b>				
Ordinary shares				
Harischandra Mills (Distributors) Limited			<u>70</u>	70
- (Fully owned subsidiary)			<u>70</u>	70
<b>No of Shares</b>			<b>Nos.</b>	<b>Nos.</b>
1992/93 issued to subscribers			7	7
1995/96 script issue			<u>699,993</u>	699,993
Total			<u>700,000</u>	700,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,		CONSOLIDATED		COMPANY	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>18. LONG TERM INVESTMENTS</b>	<b>Value at Market Price as at 31.03.2012</b>				
	<b>Units at Cost</b>				
	859,744 Units of National Equity Fund	21,041,731	12,710,189	11,850,448	12,710,189
	150,000 Units of Eagle Growth and Income Fund	4,165,500	1,500,000	1,500,000	1,500,000
		<b>25,207,231</b>	<b>14,210,189</b>	<b>13,350,448</b>	<b>14,210,189</b>
<b>19. INVENTORIES</b>					
	Raw materials and consumables	75,741,164	68,126,422	75,701,420	68,086,678
	Work in progress	12,382,349	12,320,442	12,382,349	12,320,442
	Finished goods	29,668,110	30,919,131	20,241,429	23,072,488
	Machinery spares	15,610,379	11,155,756	15,610,379	11,155,756
		<b>133,402,002</b>	<b>122,521,751</b>	<b>123,935,577</b>	<b>114,635,364</b>
	Less-				
	Provision for slow moving machinery spares (Note 19.1)	<b>(688,015)</b>	<b>(843,596)</b>	<b>(688,015)</b>	<b>(843,596)</b>
		<b>132,713,987</b>	<b>121,678,155</b>	<b>123,247,562</b>	<b>113,791,768</b>
<b>19.1 Provision for Slow Moving Machinery Spares</b>					
	As at 01 April	<b>(843,596)</b>	<b>(2,131,802)</b>	<b>(843,596)</b>	<b>(2,131,802)</b>
	Reversal of provision during the year	<b>155,581</b>	<b>1,288,206</b>	<b>155,581</b>	<b>1,288,206</b>
	<b>As at 31 March</b>	<b>(688,015)</b>	<b>(843,596)</b>	<b>(688,015)</b>	<b>(843,596)</b>
<b>20. TRADE AND OTHER RECEIVABLES</b>					
	Trade receivables	199,479,008	164,571,053	64,906,606	66,956,925
	Other receivables (Note 20.1)	48,583,197	35,261,314	41,006,728	29,649,541
		<b>248,062,205</b>	<b>199,832,367</b>	<b>105,913,334</b>	<b>96,606,466</b>
<b>20.1 Other Receivables</b>					
	Loans to employees	14,881,896	12,090,510	7,537,704	5,983,646
	Advances & prepayments	24,990,754	16,214,210	24,333,471	15,914,769
	Interest receivable	5,831,040	3,535,561	5,342,806	3,495,492
	Trade deposits	1,801,545	1,747,321	1,796,275	1,742,051
	Sundry debtors	1,077,962	1,673,712	1,996,472	2,513,583
		<b>48,583,197</b>	<b>35,261,314</b>	<b>41,006,728</b>	<b>29,649,541</b>
<b>21. CASH &amp; CASH EQUIVALENTS</b>					
	Cash in hand & at bank	33,572,579	28,983,679	19,019,057	13,708,590
	Short term deposit	157,441,117	185,759,826	137,441,117	165,759,826
	Cash and cash equivalents	191,013,696	214,743,505	156,460,174	179,468,416
	Bank overdraft (secured) (Note 21.1)	<b>(49,290,661)</b>	<b>(72,429,800)</b>	<b>(49,290,661)</b>	<b>(72,429,800)</b>
	Cash and cash equivalents for the purpose - - of cash flow statement	<b>141,723,035</b>	<b>142,313,705</b>	<b>107,169,513</b>	<b>107,038,616</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	CONSOLIDATED		COMPANY	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
<b>22. STATED CAPITAL</b>				
959,800 ordinary shares at Rs.10/- each	<u>9,598,000</u>	<u>9,598,000</u>	<u>9,598,000</u>	<u>9,598,000</u>
<b>22.1</b> The holder of ordinary shares are entitled to receive dividends as declared from time to time by the Directors of the Company and are entitled to one vote per share at meetings of the Company.				
<b>23. CAPITAL RESERVES</b>				
<b>23.1 Revaluation Reserve</b>				
Reserve on revaluation of assets 2001 / 02	49,574,400	49,574,400	49,574,400	49,574,400
Reserve on revaluation of assets 2007 /08	51,785,833	51,785,833	50,849,723	50,849,723
Deferred tax on revaluation 2007/08	(18,125,042)	(18,125,042)	(17,797,403)	(17,797,403)
Reversal on disposal	(1,571,802)	(374,994)	(1,160,097)	(370,994)
Reserve on revaluation of assets	<u>81,663,389</u>	<u>82,860,197</u>	<u>81,466,623</u>	<u>82,255,726</u>
<b>23.2</b> The revaluation reserve consists of the net surplus in the revaluation of property, plant and equipment as described in Note 11.5. The unrealized surplus can not be directly distributed to shareholders.				
<b>23.3 Other Capital Reserves</b>				
Reserve on script issue (Note 23.4)	6,999,930	6,999,930	-	-
Reserve on share issue (Note 23.5)	11,014	11,014	11,014	11,014
	<u>7,010,944</u>	<u>7,010,944</u>	<u>11,014</u>	<u>11,014</u>
<b>23.4</b> 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 of Harischandra Mills (Distributors) Limited in the year 1995/96.				
<b>23.5</b> 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.				
<b>24. GENERAL RESERVES</b>				
General reserves (Note 24.1)	12,841,000	12,841,000	12,841,000	12,841,000
	<u>12,841,000</u>	<u>12,841,000</u>	<u>12,841,000</u>	<u>12,841,000</u>
<b>24.1</b> General reserve represents the amounts set aside by the Board of Directors for general applications.				
<b>25. DEFERRED TAX LIABILITIES</b>				
As at 01 April	23,113,877	32,435,968	26,897,068	32,013,514
Reversal of temporary differences	(2,426,919)	(9,322,091)	(2,071,281)	(5,116,446)
As at 31 March (Note 25.1)	<u>20,686,958</u>	<u>23,113,877</u>	<u>24,825,787</u>	<u>26,897,068</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	CONSOLIDATED		COMPANY	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
<b>25.1 Net Deferred Tax Liabilities.</b>				
<b>Deferred Tax Liabilities</b>				
Property, Plant & Equipment	32,290,298	42,023,906	32,061,802	41,721,174
<b>Deferred Tax Asset</b>				
Retirement Benefit Obligation	(11,603,340)	(12,422,836)	(7,236,015)	(8,421,403)
Impact from Tax rate change	-	(6,487,193)	-	(6,402,703)
	<b>20,686,958</b>	<b>23,113,877</b>	<b>24,825,787</b>	<b>26,897,068</b>
<b>26. EMPLOYEE BENEFITS</b>				
<b>Retiring Gratuity</b>				
As at 01 April	36,818,700	30,194,271	22,527,870	30,194,271
Charge for the year (Note 26.1)	8,056,176	9,468,239	4,981,442	4,203,804
Transferred to Haris Chandra Mills - (Distributors) Ltd.	-	-	-	(9,026,395)
	<b>44,874,876</b>	<b>39,662,510</b>	<b>27,509,312</b>	<b>25,371,680</b>
Gratuity paid	(3,434,375)	(2,843,810)	(1,666,403)	(2,843,810)
As at 31 March	<b>41,440,501</b>	<b>36,818,700</b>	<b>25,842,909</b>	<b>22,527,870</b>
<b>26.1 Charge for the Year</b>				
Interest cost	4,050,057	3,623,313	2,478,066	2,216,958
Current service cost	4,006,119	2,964,726	2,503,376	2,108,690
Actuarial loss / (gain)	-	2,880,200	-	(121,844)
	<b>8,056,176</b>	<b>9,468,239</b>	<b>4,981,442</b>	<b>4,203,804</b>
<b>26.2</b>	In accordance with revised Sri Lanka Accounting Standard No. 16 (Revised 2006) - "Employee Benefits" which became effective from the financial year commencing after 01 July 2007, Company has adopted the actuarial valuation method for the financial years since 01 April 2008.			
<b>26.3</b>	An actuarial valuation on the Retiring Gratuities was carried out as at 31 March 2011 by Mr. M. Poopalanathan AIA, M/s Actuarial and Management Consultant (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method" the method recommended by the Sri Lanka Accounting Standard No. 16 (Revised 2006) "Employee Benefits"			
<b>26.4 Actuarial Assumptions</b>	<b>2012</b>	<b>2011</b>		
<i>a. Financial assumptions</i>				
Discount rate as at 31 March	11%	12%		
Salary increment	12%	12%		
<i>b. Demographic assumptions</i>				
	The demographic assumption underlying the valuation are retirement age at 55 years, early withdrawal from service and death before & after retirement.			
	Assumption regarding the future mortality are based on the 1967-70 mortality table by the Institute of Actuaries, London.			

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	CONSOLIDATED		COMPANY	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
<b>27. TRADE &amp; OTHER PAYABLES</b>				
Trade payable	66,504,273	57,485,571	64,516,493	56,301,939
Other payable (Note 27.1)	57,457,474	55,074,723	41,438,851	41,423,688
	<u>123,961,747</u>	<u>112,560,294</u>	<u>105,955,344</u>	<u>97,725,627</u>
<b>27.1 Other Payable</b>				
Accrued expenses	12,960,382	13,455,727	9,195,377	9,901,182
VAT payable	13,041,007	12,734,532	13,041,006	12,734,532
NBT payable	4,279,151	4,019,182	2,393,541	2,334,637
Trade & customer deposit	3,165,974	2,656,262	1,820,974	1,526,262
Provision for bonus	21,200,000	19,000,000	13,200,000	12,000,000
Others	2,810,960	3,209,020	1,787,953	2,927,075
	<u>57,457,474</u>	<u>55,074,723</u>	<u>41,438,851</u>	<u>41,423,688</u>
<b>28. RELATED PARTY PAYABLES</b>				
Harischandra Mills (Distributors) Limited	-	-	90,072,732	108,259,613
	<u>-</u>	<u>-</u>	<u>90,072,732</u>	<u>108,259,613</u>
<b>29. CURRENT TAX LIABILITIES</b>				
As at 01 April	12,451,801	26,219,575	7,092,543	29,167,417
Provision for the year (Note 12)	48,884,948	58,448,811	28,362,794	49,210,669
	<u>61,336,749</u>	<u>84,668,386</u>	<u>35,455,337</u>	<u>78,378,086</u>
Payments during the year	(50,089,722)	(72,216,585)	(27,427,138)	(71,285,543)
As at 31 March	<u>11,247,027</u>	<u>12,451,801</u>	<u>8,028,199</u>	<u>7,092,543</u>

### 30. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 30 (Revised 2005) "Related Party Disclosures", the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

#### 30.1 Parent and Ultimate Controlling Party.

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

#### 30.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard 30 (Revised 2005) "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company have been classified as KMP of the Company.

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

The officers who are only Directors of the Subsidiary are not of the Company have been classified as KMP of the Subsidiary only.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### Key management personnel compensation comprised;

For the year ended 31 March,	CONSOLIDATED		COMPANY	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Short term employee benefits				
Salaries	9,594,725	7,134,960	3,837,890	2,853,984
Others	4,956,499	7,949,897	1,982,600	3,274,154
Termination benefits	1,454,358	1,284,293	581,743	513,718
Provision for employee benefit	1,127,865	1,348,369	647,587	539,348
Total (Note 10)	<u>17,133,447</u>	<u>17,717,519</u>	<u>7,049,820</u>	<u>7,181,204</u>

### 30.3 Transactions with Subsidiary

Name of the Related Party	Nature of Transaction	Value of Transaction Rs.	Balance	Balance
			as at 31.03.12 Rs.	as at 31.03.11 Rs.
Harischandra Mills (Distributors) Ltd.	Sales	(1,253,418,404)		
	Vehicle hire	(7,406,251)		
	Rent	(1,071,429)		
	Management fee	(892,857)		
	VAT on above transactions	(157,134,258)		
	Settlement dues	1,407,173,955		
	<b>Outstanding Balances</b>			
	Current Account		(90,072,732)	(108,259,613)
	Trade Receivable		48,793,752	54,416,400

### 30.4 Transactions with Other Related Entities

Other related entities are those which are controlled or significantly influenced, directly or indirectly by Key Management Personnel (KMP) of the Company. The following Directors are in the directorate of those companies, with which Harischandra Mills PLC has carried out business during the year. All transactions were negotiated and carried out in the ordinary courses of business.

Company	Name of Director	Position	Nature of Transaction	Value of Transaction 2011/2012	Value of Transaction 2010/2011
Teleshan Networks (Pvt) Ltd.	Mr. S.A.S. Jayasundara	Executive Director	Advertising	542,640	461,440

### 31. CAPITAL EXPENDITURE COMMITMENTS

There were no material commitments which require disclosure as at the date of the balance sheet.

### 32. CONTINGENT LIABILITIES

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

### 33. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the balance sheet date which require adjustment to or disclosure in the financial statements other than interim dividend paid, of Rs. 20/- per share and proposed final dividend of Rs. 20/- per share declared by the Board of Directors and to be approved by the forth coming AGM as per Note 14 to the Financial Statements.

### 34. COMPARATIVE INFORMATION

Comparative information has been rearranged & reclassified wherever necessary to conform with the current years presentation.

### 35. DIRECTORS' RESPONSIBILITY

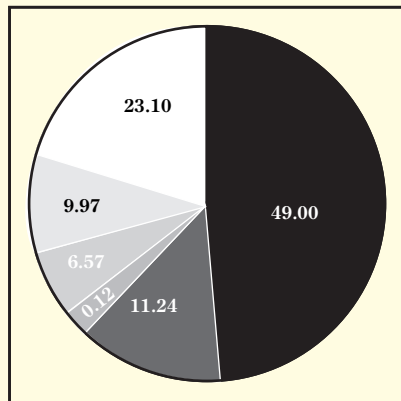
Directors of the Company are responsible for the preparation & Presentation of these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**
**36. SEGMENT INFORMATION**

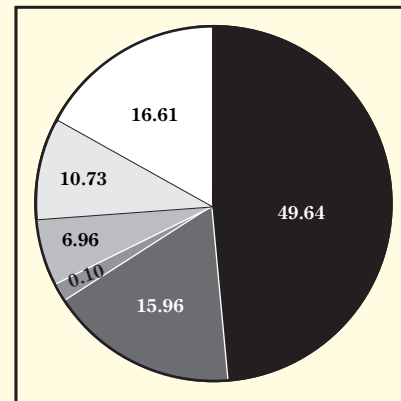
For the year ended 31 March,	Food Products		Soap		Consolidated	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>Revenue</b>						
Total sales	2,529,829,165	2,267,404,735	378,716,990	359,238,207	2,908,546,155	2,626,642,942
Less :						
Inter company sales	(1,089,159,387)	(993,022,774)	(164,259,017)	(157,956,200)	(1,253,418,404)	(1,150,978,974)
Consolidated sales	<u>1,440,669,778</u>	<u>1,274,381,961</u>	<u>214,457,973</u>	<u>201,282,007</u>	<u>1,655,127,751</u>	<u>1,475,663,968</u>
<b>Operating Profit</b>						
Segment operating profit before depreciation	166,044,545	132,353,051	(10,967,791)	(4,130,516)	155,076,754	128,222,535
Depreciation	(37,975,853)	(36,560,444)	(5,685,010)	(5,131,927)	(43,660,863)	(41,692,371)
Segment operating profit	<u>128,068,692</u>	<u>95,792,606</u>	<u>(16,652,801)</u>	<u>(9,262,442)</u>	<u>111,415,891</u>	<u>86,530,164</u>
Other operating income					25,678,603	14,930,929
Net finance income					13,380,531	13,855,619
Profit before income tax expense					<u>150,475,025</u>	<u>115,316,712</u>
Income tax expense					(49,258,529)	(51,226,720)
Profit after income tax					<u>101,216,496</u>	<u>64,089,992</u>
As at 31 March						
<b>Assets :</b>						
Operating assets	575,029,242	493,749,902	86,082,233	78,227,688	661,111,475	571,977,589
Other investments					14,210,189	13,350,448
Short term investments					157,441,117	185,759,826
Total assets					<u>832,762,781</u>	<u>771,087,863</u>
<b>Liabilities</b>						
Operating liabilities	186,738,103	191,472,660	27,954,809	30,336,134	214,692,911	221,808,794
Interest bearing borrowing					-	-
Deferred tax liabilities					20,686,958	23,113,877
Income tax payable					11,247,025	12,451,801
Total liabilities					<u>246,626,894</u>	<u>257,374,472</u>

## STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 MARCH	2012 Rs.'000	2011 Rs.'000		
Turnover	1,655,128	1,475,664		
Other income	<u>39,566</u>	<u>29,498</u>		
	1,694,694	1,505,162		
Cost of Goods & Services bought in	<u>(1,256,556)</u>	<u>(1,119,295)</u>		
Value Added	<u><u>438,138</u></u>	<u><u>385,867</u></u>		
Distribution as follows	%	Rs.'000	%	Rs.'000
To Employees	49.00	214,701	49.64	191,545
To Government	11.24	49,259	15.96	61,574
To Lenders	0.12	507	0.10	383
To Shareholders	6.57	28,794	6.96	26,874
<b>Retained in business</b>				
Depreciation	9.97	43,661	10.73	41,401
Retained profit	<u>23.10</u>	<u>101,216</u>	<u>16.61</u>	<u>64,090</u>
	<u>100.00</u>	<u>438,138</u>	<u>100.00</u>	<u>385,867</u>



**2012**



**2011**

To employees	
To Government	
To Lenders	
To Shareholders	
Depreciation	
Retained in Business	

## TEN YEARS STATISTICAL SUMMARY

	2003	2004	2005	2006	2007	2008	2009**	2010**	2011**	2012**
	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
<b>Results</b>										
Group turnover	489,817	530,879	621,549	713,878	872,860	1,214,145	1,311,139	1,326,383	1,475,664	1,655,128
Profit before tax	43,682	48,695	41,687	56,976	44,372	83,097	111,017	134,781	115,317	150,475
Taxation	(17,461)	(15,645)	(16,962)	(23,4493)	(19,123)	(46,686)	(43,837)	(61,962)	(51,227)	(49,259)
Profit after tax	26,221	33,050	24,725	33,527	25,249	36,410	67,180	72,819	64,090	101,216
<b>Funds Employed</b>										
Stated Capital	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598
Capital reserves	56,585	56,585	56,585	56,585	56,585	90,245	90,245	90,245	89,871	88,674
Revenue reserves	172,340	205,390	224,355	247,742	259,750	281,764	327,829	376,654	414,244	487,864
Shareholders' funds	238,523	271,573	290,538	313,925	325,933	381,607	427,672	476,497	513,713	586,136
<b>Assets Employed</b>										
Non current assets	130,776	141,216	155,111	157,474	153,034	215,685	227,247	242,832	234,834	260,973
Current assets	184,908	220,735	229,475	258,009	306,573	362,918	408,143	479,701	536,254	571,790
Current liabilities	(45,018)	(54,681)	(58,618)	(65,277)	(105,220)	(119,722)	(135,420)	(172,490)	(197,442)	(184,499)
Provisions	(32,148)	(35,697)	(35,430)	(36,281)	(28,454)	(77,274)	(72,298)	(70,346)	(59,933)	(62,128)
Capital employed	238,523	271,573	290,538	313,925	325,933	381,607	427,472	479,697	513,713	586,136
<b>Cash Flow</b>										
Net cash inflow/(outflow) from operating activities	51,557	20,161	33,956	9,016	28,855	50,113	47,067	83,170	33,348	75,457
Net cash inflow/(outflow) form investing activities	(8,914)	(7,466)	(22,241)	(11,169)	(6,115)	(14,851)	(19,545)	(15,180)	(13,772)	(47,254)
Net cash inflow/(outflow) from financing activities	(5,279)	(9,193)	(9,790)	(13,629)	(21,149)	6,242	(25,720)	(29,240)	(37,791)	(28,794)
Increase/(decrease) in cash and cash equivalents	37,364	3,502	1,925	(15,782)	1,591	41,504	1,802	38,750	(18,215)	(591)
<b>Key Indicators</b>										
Earnings per share	27.32	34.43	25.76	34.60	26.31	37.94	69.99	75.87	66.77	105.46
Net assets per share	248.98	282.95	302.71	327.07	339.59	397.59	445.59	525.52	535.23	610.68
Market price per share	160.00	160.00	357.00	400.00	425.00	450.00	450.00	950.00	950.00	2199.00
Return on equity	10.99	12.17	8.63	10.58	7.75	9.54	15.71	15.28	12.48	17.27
Price earning ratio	5.86	4.65	13.86	11.56	16.16	11.86	12.41	12.41	14.23	20.85

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

## INVESTOR INFORMATION

### 1. Stock Exchange Listing

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

### 2. Ordinary Shareholders

#### 2.1 Distribution of stated capital

As At 31st March		2012			2011		
From	Range	No. of Shareholders	Total Holdings	Percentage %	No. of Shareholders	Total Holdings	Percentage %
1	1,000	373	37,894	3.95	344	38,028	3.96
1,001	5,000	14	23,555	2.45	14	24,421	2.54
5,001	10,000	1	7,610	0.79	1	6,610	0.69
10,001	50,000	6	109,104	11.37	6	109,104	11.37
50,001	100,000	-	-	0.00	-	-	0.00
100,001	500,000	4	781,637	81.44	4	781,637	81.44
		<b>398</b>	<b>959,800</b>	<b>100.00</b>	<b>369</b>	<b>959,800</b>	<b>100.00</b>

#### 2.2 Classification of Shareholders

	No. of Shareholders	Total Holdings	Percentage %	No. of Shareholders	Total Holdings	Percentage %
Directors	4	181,295	18.90	4	181,295	18.90
Institutional investors	7	831	0.09	7	831	0.09
Employees	31	1,021	0.11	31	1,021	0.11
Others	356	776,653	80.90	327	776,653	80.90
	<b>398</b>	<b>959,800</b>	<b>100.00</b>	<b>369</b>	<b>959,800</b>	<b>100.00</b>

#### 2.3 Twenty Largest Shareholders of the Company

Shareholder's name	No. of Shares	%	No. of Shares	%
1. Seylan Bank PLC / Senthilverl T.	363,649	37.89%	363,649	37.89%
2. De Silva U.	143,468	14.95%	143,468	14.95%
3. Rodrigo C. P.	139,460	14.53%	139,460	14.53%
4. Samarasinghe K. R.	135,060	14.07%	135,060	14.07%
5. Samarasinghe S. N.	38,335	3.99%	38,335	3.99%
6. Rodrigo N.	15,368	1.60%	15,368	1.60%
7. Rodrigo S. A.	15,368	1.60%	15,368	1.60%
8. Ekanayake DHC & Ekanayake U.	14,146	1.47%	14,146	1.47%
9. Selvaraj Indra & Selvaraj T.	13,507	1.41%	13,507	1.41%
10. Wijayanandana H.D.	12,380	1.29%	12,380	1.29%
11. Woodward H.W.M. & Woodward E.E.M.	7,610	0.79%	6,610	0.69%
12. Ranadeera S	2,720	0.28%	2,720	0.28%
13. De Silva M. P.	2,500	0.26%	2,500	0.26%
14. Chandra Sigamoney	2,247	0.23%	-	-
15. Somaratne G.	2,240	0.23%	2,240	0.23%
16. Jayantha D.	1,700	0.18%	1,700	0.18%
17. Somawathe B.S.	1,560	0.16%	-	-
18. Senthilverl T.	1,534	0.16%	1,534	0.16%
19. Sumanasena Rajapaksha	1,440	0.15%	1,440	0.15%
20. Surasena Abeysekara	1,400	0.15%	-	-



## INVESTOR INFORMATION (CONTD.)

FOR THE YEAR ENDED 31 MARCH	2012	2011
<b>3. Details of Share Transactions During the Year</b>		
No. of transactions	97	66
No. of shares traded	8,136	3,052
Value of transactions (Rs.)	21,142,618	2,877,775
<b>4. The Transacted Value of an Ordinary Share</b>		
	Rs.	Rs.
Highest Price	3,200.00	1,000.00
Lowest Price	1,310.00	800.00
Last Traded Price	2,199.00	950.00
<b>5. Dividend</b>		
Interim paid on 25 May 2012 (Rs.)	19,196,000	14,397,000
Final proposed (Rs.)	19,196,000	14,397,000
	<u>38,392,000</u>	<u>28,794,000</u>
<b>6. Earnings</b>		
Earning per share (Rs.)	105.46	66.77
Price earning ratio	20.85	14.23
<b>7. Dividend per Share (Rs.)</b>	<b>40.00</b>	30.00
<b>8. Dividend Cover (times)</b>	<b>2.64</b>	2.23
<b>9. Dividend Yield (%)</b>	<b>1.82</b>	3.16
<b>AS AT 31 MARCH</b>	<b>2012</b>	<b>2011</b>
<b>10. Public holding</b>		
No. of shares	136,328	136,328
Percentage	14.20%	14.20%
<b>11. Net Asset Per Share (Rs.)</b>	<b>610.65</b>	535.23
<b>12. Current Asset Ratio</b>	<b>3 : 1</b>	3 : 1
<b>13. Quick Asset Ratio</b>	<b>2 : 1</b>	2 : 1
<b>14. Debt to Equity Ratio (%)</b>	<b>-</b>	-
<b>15. Equity to Total Asset Ratio (%)</b>	<b>70.38</b>	66.62

## FORM OF PROXY

I/We: .....

of.....

being a member / members of Harischandra Mills PLC, hereby appoint:

Mr. M.A. Bastiansz	(or failing him)
Mr. S.N. Samarasinghe	(or failing him)
Mr. G.S.V. De Silva	(or failing him)
Mrs. M. P. De Silva	(or failing her)
Mrs. C. P. Rodrigo	(or failing her)
Mr. T. K. Bandaranayake	(or failing him)
Mr. S. A. S. Jayasundara	(or failing him)

.....

of.....

as my/our Proxy to vote for me/us and on speak my/our behalf at the 60th Annual General Meeting of the Company to be held on 22 September 2012 and at any adjournment there of and at every poll which may be taken in consequence thereof.

As witness my hand/our hands this .....day of ..... Two Thousand Twelve.

.....

Signature

**Note:**

A proxy need not be a member of the Company  
 Instructions as to completion are noted on the reverse hereto



## INSTRUCTION AS TO COMPLETION

Kindly perfect the form of proxy, by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not been registered with the company.

In the case of a Company /Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed form of proxy should be deposited at the Registered Office of the Company No. 11, Delkada Road, Matara, not less than 48 hours before the time fixed for the meeting.

Mr. C.A. Harischandra founded the Company in 1943 with an initial capital of Rs. 25,000/- on a land area of 20 perches.

The first activities of the Company were the milling of rice, kurakkan and other grains.

By 1952, the business had expanded into various other fields including the milling of oil.

The business carried out by Mr. Harischandra was incorporated in Sri Lanka under the Companies Ordinance No.51 of 1938 on the 9th day of January 1953.

The Company was converted into a public Company on 14th of December 1959.

In addition, being a pioneer industry in the south of the country, the Company became a pioneer in another field by allotting in 1959 forty percent of its shares to its employees.

In 1983 the Company was listed on the Colombo Stock Exchange.

The Company is at present is the market leader in the sales of noodles, coffee, kurakkan flour, ulundu flour and it has a appreciable market share in rice flour, laundry bar soap and blue washing soap.



Harischandra Mills PLC  
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