



HARISCHANDRA
The Trusted Name for Quality

Annual Report
2013-2014





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NOTICE OF MEETING

Notice is hereby given that the 62nd Annual General Meeting of Harischandra Mills PLC, will be held at the Registered office of the Company, No. 11, C.A. Harischandra Mawatha, Matara on 20th September 2014 at 11.00 a.m. for the following purposes.

1. To receive and consider the Report of the Directors and Audited Statement of Accounts for the year ended 31st March, 2014 along with the report of the Auditors thereon.
2. To declare a final dividend of LKR 35/- 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 propose the following resolution as an ordinary resolution for the re-appointment of Mr.T.K. Bandaranayake who has reached the age of 71 years.

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

5. To propose the following resolution as an ordinary resolution for the re-appointment of Mrs.R.K.Samarasinghe who has reached the age of 73 years.

IT IS HEREBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mrs. R.K.Samarasinghe who has reached the age of 73 years prior to the Annual General Meeting and that she shall accordingly be re-appointed.

6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. M.A. Bastiansz who has reached the age of 70 years.

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

7. 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.
8. 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.

62nd
Annual General Meeting

Dated, on this 12th day of August 2014

Note

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



CORPORATE INFORMATION

Legal Form

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

Company Registration Number

PQ. 225

Date of Incorporation

9th January, 1953

Registered Office

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

Secretaries

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

Auditors

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

Internal Auditors

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

Legal Advisors

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

Bankers

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

Subsidiary Company

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

Board of Directors

Bastiansz M. A.
(Chairman)

Samarasinghe S. N.
(*Managing Director*)

De Silva G. S. V.

De Silva M. P. (Mrs.)

Bandaranayake T.K.

Jayasundara S.A.S.

Samarasinghe R.K.(Mrs)

Executive Management

Gajanayake C.T.
(*Chief Financial Officer*)

Nanayakkara S. N. K.
(*Sales Manager*)

Gamini Lokuralage D. S.
(*Commercial Manager*)

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

Ranasinghe N. P.
(*Production Engineer*)

Sanjeewa H.M.R.S
(*Chief Accountant*)



CHAIRMAN'S REVIEW

This is the 62nd Annual General Meeting of the company, and I would like to extend a warm welcome to all members present today.

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of the company for the year ended 31st March 2014.

I am happy to note that in a rather subdued business climate your company was able to achieve an overall increase of sales and profits during the year. A noteworthy feature in this regard is that the company's continuing focus on streamlining its operations, especially in the food sector, has paid good dividends.

An interim dividend of Rs 30/- per share was paid to shareholders during the year. The directors have recommended a final dividend of Rs 35/- per share, making a total dividend of Rs 65/- per share for the year under review. This represents an increase of 44% over last year's dividend.

As has been the practice over the past several years, your company has continued to sponsor and support numerous projects and welfare programmes that have benefited the community.

In conclusion I would like, on behalf of the Board of Directors, to thank the Managing Director and members of the staff for their loyal and dedicated service to the company throughout the year.

Maxwell A. Bastiansz

Chairman

25 July 2014



MANAGING DIRECTOR'S REPORT

Sale of food products increased by 1.5% and there was an increase in operating profit by 55% reflecting lower input costs.

Soap sales have increased by 17.8% that has resulted in a profit of Rs. 3.7 million as opposed to the loss in last year.

Sale of Fuel and lubricant were lower due to lower volumes and a fall in profit by 35%.

We have historically combined our activities with a high level of community service as initiated by our founder Mr. C.A. Harischandra. Therefore, the Company sponsored the prize for the "Best annual report and accounts" competition of the national schools organized by the Association of Accounting Technicians of Sri Lanka. We were one of the main sponsors of the international Science and Technology conference and the 3rd international Conference on Management and Economics organized by the University of Ruhuna.

We have also continued with our donations to local charities. During the year we have donated air mattresses to the medical intensive care unit of Matara General Hospital and the Company donated 350 custom fit eye glasses to people in Malimboda area. Further, Company donated schools exercise books for 400 students of Kotawila Sri Rathanapala Maha Vidyalaya in line with its centenary celebrations. All items required to setting up the First aid unit of Olcott Model School in Weragampitiya, Matara were donated by the Company. Company donated lunch boxes to all students who participated in the international Disability Day celebrations in Galle. These were but a few social responsibility activities of our Company.

S.N. Samarasinghe

Managing Director

25 July 2014

Community Relations



Wheel chairs were donated to needy people in Matara District with the collaboration of Medical faculty, University of Ruhuna.



The recently renamed Delkada Road as C.A. Harischandra Mawatha by the Municipal Council of Matara was landscaped at Company expense.

Employee Relations



Distribution of School books and other stationery to Children of all employees of the Company.



Past and present employees who has given 25 years or more service were awarded gifts and thanked at a special ceremony.

Educational



We were one of the main sponsors of the International Science and Technology Conference and 3rd International Conference on Management and Economics organized by the University of Ruhuna.



We also donated school books for 400 students of Kotawila Sri Rathanapala Maha Vidyalaya.

Health



The company donated air mattresses to the medical intensive care unit of Matara General Hospital,



and 350 custom fit eye glasses were donated by the Company to people in Malimboda area.



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 2014 has seven members, four executives and three non-executives. Three non executive directors are considered as independent in terms of the listing rules laid down by the Colombo Stock Exchange and have submitted annual independence declarations. The directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of Harischandra Mills PLC. They are well aware of your Company's activities and give 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 quarterly basis and has timely access to information needed to effectively discharge its duties. Directors receive a comprehensive package of relevant and timely information on all issues prior to each meeting, thus providing them with the opportunity to make effective contributions to the decisions of the board.

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

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

The details of attendance of board meetings are as follows.

	Attendance of Board Meetings				
	28.05.2013	09.09.2013	08.11.2013	07.02.2014	25.03.2014
Mr. M.A. Bastiansz	X	X	X	X	X
Mr. S.N. Samarasinghe	X	X	X	X	X
Mr. G.S.V. De Silva	X	X	X	X	X
Mrs. M.P. De Silva	X	X	X	X	X
Mr. T.K. Bandaranayake	X	X	X	X	X
Mr. S.A.S. Jayasundara	X	X	X	X	X
Mrs. R.K. Samarasinghe***		-	X	X	X

*** Appointed w.e.f. 21.09.2013



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.

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

Composition of the Board

Non Executive, Independent Directors

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

Executive Directors

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

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

Board Committees

Audit Committee

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

Remuneration Committee

The board also has a Remuneration Committee comprising of following two non executive independent directors and its responsibility is to establish and develop the Company's general policy on remuneration 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 and have been duly entered in the interest register of the company.



CORPORATE GOVERNANCE (CONTD.)

The directors are required by relevant statutory provision to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the Company for that period. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently and reasonably and prudent judgments and estimates have been made. The applicable Sri Lanka Accounting Standard 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 in page 11 contains the required affirmative statements in that regards.

Company Secretary

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

Internal and External Auditors

The Company's Internal Audit function has been outsourced and quarterly reports are submitted by the Internal Auditor 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.



CORPORATE GOVERNANCE (CONTD.)

Rule	Requirement	Company Status	Remarks
7.10.1 Non-Executive Directors	At least one third of the total number of directors should be non-executive directors	Complied	There are three non executive directors in the board
7.10.2a Independent Directors	Two or one third of non-executive directors, whichever is higher should be Independent	Complied	All three non - executive directors are independent.
7.10.2b Independent Directors	Each non-executive director should submit a declaration of independence/non-independence in the prescribed format	Complied	Submitted the Independent Declarations accordingly.
7.10.3c Disclosure relating to Directors	Names of independent directors should be disclosed in the Annual Report	Complied	Please Refer Page 09
7.10.3c Disclosure relating to Directors	A brief resume of each director should be included in the Annual Report including the areas of expertise	Complied	Please Refer Page 18
7.10.5 Remuneration Committee	A listed company shall have a Remuneration Committee	Complied	Please Refer Page 15
7.10.5a Composition of Remuneration Committee	Shall comprise of non-executive directors a majority of whom will be independent	Complied	Please Refer Page 15
7.10.5b Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Complied	Please Refer Page 15
7.10.5c Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to executive & non-executive directors	Complied	Please Refer Pages 12, 15 and 50
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 16, 17
7.10.6a Composition of Audit Committee	* Shall comprise of non-executive directors a majority of whom will be independent.	Complied	Please Refer Page 09
	* One non-executive director shall be appointed as the Chairman of the committee	Complied	Please Refer Page 09
	* Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Complied	Please Refer Page 16
	* The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	
7.10.6b Audit Committee functions	Should be as outlined in the Section 7.10.6b of the listing rules	Complied	Please Refer Page 16, 17
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 16 and 17

CORPORATE GOVERNANCE (CONTD.)

At the 61st Annual General Meeting of Harischandra Mills PLC held on 21 September 2013, the shareholders reappointed the Auditors M/s. KPMG and authorised the directors to fix their remuneration. The independent auditors conduct the annual audit in order to provide an external and objective assurance on the way in which the financial statements have been prepared and presented.

Audit Committee

The Audit Committee of the company comprises,
 Mr. T.K. Bandaranayake (Chairman of the Committee)
 Mr. S.A.S. Jayasundara

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

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

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

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

	Attendance of Audit Committee Meetings					
	28.05.2013	25.07.2013	02.09.2013	09.09.2013	07.11.2013	05.02.2014
Mr. T.K. Bandaranayake	X	X	X	X	X	X
Mr. S.A.S. Jayasundara	X	X	X	X	X	X

The detailed audit committee's report including areas reviewed during the financial year 2013/14 is given on Pages 16 and 17 of the Annual Report.

Remuneration Committee and Policy

The Remuneration Committee of the Company comprises,
 Mr. M.A. Bastiansz (Chairman)
 Mr. S.A.S. Jayasundara



CORPORATE GOVERNANCE (CONTD.)

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

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

	Attendance of Remuneration Committee Meetings	
	08.11.2013	25.03.2014
Mr. M.A.Bastiansz	X	X
Mr. S.A.S. Jayasundara	X	X

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

The aggregate amount paid to the executive and non executive directors are disclosed in Note 06 and Note 26.2 to the financial statements and in the Annual Report of the board of directors on the affairs of the Company.

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



RISK MANAGEMENT

Risk management process is implemented in order to identify the inherent risks for the Company and address these risks to safeguard the Company assets, it is impossible to mitigate these risks completely. We have identified the following as the major risks to the Company and are included the risk management procedure.

Supply Chain Risk

Constant supply of quality raw material is a must for the success of the Company. Further the cost of raw materials represent a large portion of manufacturing cost of the Company's products. Therefore, Company is inevitably exposed to the risk of receiving low quality inputs and therefore interruptions to a constant production process. In order to mitigate and minimize these problems, Company has developed a strong relationship with its key suppliers. To control quality, vigorous testing and acceptance procedures are implemented by the quality control department.

Market Risk

Market risk derives from intense competition in the market. The Company has to compete with number of local companies and multi nationals. Rise in raw material prices, which can not be controlled tightens competition as companies have to increase market prices whilst maintaining market share.

We rely on customer satisfaction and the confidence in our products and we work to maintain it and further build up brand loyalty by increasing the quality of our products. We have a strong quality assurance department and always work according to the procedures and standards. We believe, maintaining our quality set internally and also set by the regulatory authorities protects our market share. Further, we closely monitor and compare the competitor prices and always strive to give the best price to our customers. Combination of these strategies minimizes the market risk to a considerable level.

Regulatory and Legal Risks

The Company governed by various laws and regulations including Companies Act, Inland Revenue Act, SEC regulations, CSE rules. 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. It may even result in the disruption of 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 compliance. Internal auditors of the Company carry out quarterly audits and the External auditors also covers this area at the year end audit.

Financial and Liquidity Risks

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

Human Resources

HR is one of the critical success factors of the Company. Loosing skilled labour is an unbearable cost to the Company. Therefore, we have implemented a strong framework for HR. This includes proper recruitment, performance evaluation, career guidance, training and development.



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 calibre employees.

The remuneration policy of the Company is disclosed in page 13 under corporate governance and aggregate remuneration paid to executive directors and non executive directors are disclosed in page 50.

M.A. Bastiansz

Chairman - Remuneration Committee

25 July 2014



AUDIT COMMITTEE REPORT

Role of the Committee

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

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 and in particular, the independence of the external auditors.
3. recommending to the Board the appointment, re-appointment or removal of the external auditors and the fees payable to them.
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) and Mr. S.A.S. Jayasundara.

Meetings of the Committee

The Audit Committee met as often as deemed necessary as appropriate in its judgement and in any event, not less than five times in a financial year. The Managing Director (Chief Executive Officer) and Chief Financial Officer attended by invitation and briefed the committee on specific issues. The external and internal auditors were also required to attend meetings when matters pertaining to their functions came up for consideration.

Activities

During the year under review the 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.

Internal Audit and Control Issues ;

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



AUDIT COMMITTEE REPORT (CONTD.)

External Audit ;

The Committee met with the external auditors, Messrs KPMG prior to commencement of the annual audit and approved the audit plan presented by the external auditors. At the conclusion of the Annual Audit, the committee met the auditors to discuss the findings of the audit. Non-Executive Directors had separate meetings with auditors to ensure they had no cause to compromise on their independence. Auditors' Management Letter together with the Management's response thereto and the audited financial statements were reviewed with the auditors. The Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31st March 2015 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

25 July 2014



BOARD OF DIRECTORS

Mr. M. A. Bastiansz

Independent Non Executive Chairman

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

Mr. S. N. Samarasinghe

Managing Director/ Executive Director

Mr. Samarasinghe joined the Company in 1990 as Commercial Manager & 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 aspects 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. She has been responsible for the innovation of a wide range of bottled and packeted popular condiments as well as curry powders and curry paste. The popular bakery goods too were made under her instructions.

Mr. 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.

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

Serves as an independent Director of Overseas Realty (Ceylon) PLC, Nawaloka Hospitals PLC, Samson International PLC, Laugfs Gas PLC, Renuka Show Wallace PLC, Renuka Holdings PLC, Micro Holdings Ltd and Waters Edge Ltd.

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 Non Executive Director of Bogawantalawa Tea Estates PLC, Metropolitan Resource Holdings PLC, Bimputh Finance PLC and Sithara Limited.

Mrs. R.K.Samarasinghe

Executive Director

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

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

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

The Directors of the Harischandra Mills PLC have pleasure in presenting their report and the audited financial statements for the year ended 31 March 2014.

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 33.

Group Financial Results;	2013/2014	2012/2013
	Rs. 000'	Rs. 000'
Profit before taxation	172,727	138,773
Taxation	(55,409)	(42,338)
After tax profit attributable to shareholders	117,318	96,435
Unappropriated profit brought forward from previous year	908,914	850,871
Profit available for appropriation	<u>1,026,232</u>	<u>947,306</u>
Distribution of Profit :		
Interim dividend paid	19,196	19,196
Final dividend paid	23,995	19,196
	<u>43,191</u>	<u>38,392</u>
	<u>983,041</u>	<u>908,914</u>

AUDITORS' REPORT

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

ACCOUNTING POLICIES

The Group and the Company prepared their Financial Statements for all periods up to and including the year ended 31 March 2014, in accordance with Sri Lanka Accounting Standards which were in effect up to the date. Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing/ new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS to represent, Sri Lanka Financial Reporting Standards (SLFRS) corresponding to International Financial Reporting Standards (IAS). Accordingly, the Group and the company adopted these new Sri Lanka Accounting Standards (which are commonly known as SLFRSs) applicable for financial periods commencing from 1 January, 2013. The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Group and the company are given on pages 33 to 40 of Annual Report.

REVIEW OF BUSINESS

The Chairman's Review, the Managing Director's Report and the Corporate Governance Report which form an integral part of the 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 2014 and contain a fair review of the affairs of Harischandra Mills PLC and the Group.



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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The directors are satisfied that 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 2014 as well as the profit for the year then ended.

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

CORPORATE GOVERNANCE

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

DONATIONS

Donations were Rs 2,960,135/- compared to Rs. 2,993,099/- 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. 30/- per share on 22nd May 2014, and propose a final dividend of Rs 35/- per share, to be paid out of the profits of Harischandra Mills PLC and dividend received for the financial year ended 2013/2014. Harischandra Mills PLC paid a dividend for the previous year of Rs 45/- per share. In recommending the payment of this dividend, the Directors unanimously declare that, in their opinion, the Company will satisfy the solvency test stipulated in section 57 of the Companies Act No 07 of 2007 immediately after the distribution is made and have obtained a certificate of Solvency from the Auditors to this effect.



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

PROVISION FOR TAXATION

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

PROPERTY, PLANT & EQUIPMENT AND DEPRECIATION

Details of the property, plant & equipment of Harischandra Mills PLC, additions made during the year and the depreciation charges for the year are shown in Note 11 to the Financial Statements on pages 44 to 45.

STATED CAPITAL & RESERVES

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

The total reserves of the Company as at 31st March 2014 amounted to Rs. 778,034,925/-, (as at 31 March 2013 - Rs. 684,604,342/-) where as the Group total reserve amounted to Rs. 1,019,872,712/-. (as at 31 March 2013 - Rs. 941,557,889/-) The composition of the reserves is shown in the Statement of Changes in Equity and details of reserves are set out in Note 18 and 19 to the Financial Statements.

POST BALANCE SHEET EVENTS

There have been no significant events subsequent to the balance sheet date that requires adjustment to or disclosure in the financial statements, other than interim dividend paid and the final dividend proposed for the year explained in Note 10 and Note 29 to the Financial Statements.

GOING CONCERN

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

CAPITAL COMMITMENTS AND CONTINGENCIES.

There were no significant capital commitments and contingencies as at 31 March 2014.

HUMAN RESOURCES

As at 31 March 2014, Company employed 528 employees whereas it was 532 in the last year end. Aggregate total remuneration in respect of the year was Rs. 247.4 Mn compared to Rs. 218.4 Mn for the last year.

STOCK EXCHANGE LISTING

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

SHAREHOLDERS' INFORMATION

Distribution of the issued shares among the shareholders and classification of shareholders are indicated in page 60 of the Annual Report. There were 436 (2012/13- 420) registered shareholders as at 31 March 2014.

DIRECTORATE

The Directors of Harischandra Mills PLC during the year ended 31.03.2014 are as follows



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

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

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

MAJOR SHAREHOLDERS

The 20 largest shareholders of Harischandra Mills PLC as at 31 March 2014 are given on page 60 together with an analysis of the shareholdings. As at that date Harischandra Mills PLC had 436 shareholders.

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. 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 CONTRACTS

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

Following directors of the Company are also directors of the Harischandra Mills (Distributors) 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



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

DIRECTORS' REMUNERATION

The aggregate remuneration paid to executive and non executive directors in respect of the Group and the Company for the financial year ended 31 March 2014 were recorded as Rs. 22,658,811/- (2012/2013 - 21,242,131)

DIRECTORS SHARE HOLDING

Name of Director	31 March 2014		01 April 2013	
	No. of Shares	%	No. of Shares	%
Mrs.R.K.Samarasinghe	135,060	14.07	135,060	14.07
Mr. S.N. Samarasinghe	38,335	3.99	38,335	3.99
Mr. G.S.V. De Silva	1,000	0.10	1,000	0.10
Mrs. M.P. De Silva	2,500	0.26	2,500	0.26
Mr. M.A. Bastiansz	-	-	-	-
Mr. T.K. Bandaranayake	-	-	-	-
Mr. S.A.S Jayasundara	-	-	-	-
Total	176,895	18.42	176,895	18.42

APPLICATION OF THE CORPORATE GOVERNANCE RULES OF THE COLOMBO STOCK EXCHANGE

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

AUDITORS

The financial statements for the year ended 31 March 2014 have been audited by M/s. KPMG Chartered Accountants. The auditors do not have any relationship with or any interest in the Company or its subsidiary other than auditors.

Fees to Auditors

The fees of the Auditors during the year were 1,382,050/- (2012/13 - Rs. 1,213,260/-) for audit work, Rs.107,000/- (2012/13 - Rs. 219,767/-) for audit related services and Rs. 528,821/- (2012/13 - 802,821/-) for non audit work.

Re-appointment of Auditors

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



ANNUAL GENERAL MEETING

The Sixty Second Annual General Meeting of the Company will be held at the Registered Office of the Company, No. 11, C.A.Harischandra Mawatha, Matara, on the 20 September 2014 at 11.00 am. The Notice of the Sixty Second 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
25 July 2014



STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Directors confirm that they have complied with these requirements.

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

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

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

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

By Order of the Board

Corporate Services (Private) Limited

Secretaries

25 July 2014



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

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Fax : +94 - 11 244 5872
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+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") and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at March 31, 2014, the income statement, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information as set out on pages 27 to 57 of the 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 evaluating 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 March 31, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014 and of its financial performance and its 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 financial position of the Company and its subsidiaries dealt with thereby as at March 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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


CHARTERED ACCOUNTANTS

25th July 2014

Colombo, Sri Lanka

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

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

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

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

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



INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	4	2,599,068,852	2,577,927,452	2,284,864,048	2,183,606,643
Cost of sales		(2,051,224,566)	(2,140,501,323)	(1,913,924,091)	(1,967,488,827)
Gross profit		547,844,286	437,426,129	370,939,957	216,117,816
Other income	5	16,873,618	35,958,344	52,598,263	69,665,225
		564,717,904	473,384,473	423,538,220	285,783,041
Distribution expenses		(241,400,294)	(211,194,965)	(139,146,842)	(104,076,937)
Administrative expenses		(168,224,244)	(143,468,464)	(119,881,478)	(89,892,061)
Results from operating activities	6	155,093,366	118,721,044	164,509,900	91,814,043
Net finance income	7	17,633,895	20,051,994	12,022,447	14,834,351
Profit before income -					
- tax expense		172,727,261	138,773,038	176,532,347	106,648,394
Income tax expense	8	(55,409,326)	(42,337,717)	(44,098,652)	(22,669,112)
Profit for the year		117,317,935	96,435,321	132,433,695	83,979,282
Profit Attributable to equity holders					
- of the company		117,317,935	96,435,321	132,433,695	83,979,282
Profit for the year		117,317,935	96,435,321	132,433,695	83,979,282
Basic earnings per share (Rs.)	9	122.23	100.47	137.98	87.50
Dividend per share (Rs.)	10	65.00	45.00	65.00	45.00

Figures in brackets indicate deductions.

The notes to the Financial Statements from pages 33 to 57 form an integral part of these Financial Statements.



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Profit for the year	117,317,935	96,435,321	132,433,695	83,979,282
Other comprehensive income				
Net change in fair valuation of Available for Sale Financial Assets	5,141,450	1,793,967	5,141,450	1,793,967
Actuarial loss from Re-measurement of employe benefit obligation	(953,562)	-	(953,562)	-
Total other comprehensive income for the year	4,187,888	1,793,967	4,187,888	1,793,967
Total comprehensive income for the year	121,505,823	98,229,288	136,621,583	85,773,249

Figures in brackets indicate deductions.

The notes to the Financial Statements from pages 33 to 57 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH,	Note	GROUP		COMPANY	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
ASSETS					
Non - current assets					
Property, plant and equipment	11	650,897,663	576,804,065	649,870,453	576,127,917
Intangible assets	12	1,635,066	2,698,217	1,585,899	2,698,217
Investment in subsidiary	13	-	-	70	70
Total non-current assets		652,532,729	579,502,282	651,456,422	578,826,204
Current assets					
Inventories	15	149,053,736	124,432,394	149,053,736	121,748,760
Trade & other receivables	16	317,237,525	290,912,199	306,724,278	25,205,398
Available for sale investment	14	33,968,996	27,896,972	33,968,996	27,896,972
Cash & cash equivalents	17	196,911,445	197,872,333	138,266,725	132,685,413
Total current assets		697,171,702	641,113,898	628,013,735	407,536,543
Total assets		1,349,704,431	1,220,616,180	1,279,470,157	986,362,747
EQUITY & LIABILITIES					
Equity					
Stated capital	18	9,598,000	9,598,000	9,598,000	9,598,000
Other capital reserves	19	7,010,944	7,010,944	11,014	11,014
Available for sale reserve		17,932,459	12,791,009	17,932,459	12,791,009
General reserves	20	12,841,000	12,841,000	12,841,000	12,841,000
Retained earnings		982,088,309	908,914,936	747,250,452	658,961,319
Total equity attributable to owners of the Company		1,029,470,712	951,155,889	787,632,925	694,202,342
Non current liabilities					
Deferred tax liabilities	21	29,278,485	20,342,866	29,133,372	23,824,157
Retirement benefit obligation	22	49,979,518	48,704,744	49,979,518	35,771,400
Total non-current liabilities		79,258,003	69,047,610	79,112,890	59,595,557
Current liabilities					
Trade & other payables	23	153,601,920	149,880,038	150,409,722	129,457,350
Related party payables	24	-	-	175,840,287	56,047,791
Current tax liabilities	25	18,650,140	3,492,823	17,750,677	19,887
Bank overdraft	17	68,723,656	47,039,820	68,723,656	47,039,820
Total current liabilities		240,975,716	200,412,681	412,724,342	232,564,848
Total liabilities		320,233,719	269,460,291	491,837,232	292,160,405
Total equity & liabilities		1,349,704,431	1,220,616,180	1,279,470,157	986,362,747

The notes to the Financial Statements from pages 33 to 57 form an integral part of these financial statements.

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


C.T. Gajanayake - Chief Financial Officer

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


S.N. Samarasinghe
Managing Director
25 July 2014


G.S.V. De Silva
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

Group	Stated Capital Rs.	Available for Sale Reserve Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2012	9,598,000	10,997,042	7,010,944	12,841,000	850,871,615	891,318,601
Comprehensive income for the year						
Profit for the year	-	-	-	-	96,435,321	96,435,321
Other comprehensive income						
Net change in fair value of available for sale financial assets	-	1,793,967	-	-	-	1,793,967
Total comprehensive income	-	1,793,967	-	-	96,435,321	98,229,288
Transactions with owners						
Interim dividend	-	-	-	-	(19,196,000)	(19,196,000)
Final dividend	-	-	-	-	(19,196,000)	(19,196,000)
Balance as at 31 March 2013	9,598,000	12,791,009	7,010,944	12,841,000	908,914,936	951,155,889
Balance as at 01 April 2013	9,598,000	12,791,009	7,010,944	12,841,000	908,914,936	951,155,889
Comprehensive income for the year						
Profit for the year	-	-	-	-	117,317,935	117,317,935
Other comprehensive income						
Actuarial loss from re-measurement of employee benefits obligation	-	-	-	-	(953,562)	(953,562)
Net change in fair value of available for sale financial assets	-	5,141,450	-	-	-	5,141,450
Total comprehensive income	-	5,141,450	-	-	116,364,373	121,505,823
Transactions with owners						
Interim dividend	-	-	-	-	(19,196,000)	(19,196,000)
Final dividend	-	-	-	-	(23,995,000)	(23,995,000)
Balance as at 31 March 2014	9,598,000	17,932,459	7,010,944	12,841,000	982,088,309	1,029,470,712

Figures in brackets indicate deductions.

The notes to the financial statements from pages 33 to 57 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 MARCH 2014

Company	Stated Capital Rs.	Available for Sale Reserve Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2012	9,598,000	10,997,042	11,014	12,841,000	613,374,037	646,821,093
Comprehensive income for the year						
Profit for the year	-	-	-	-	83,979,282	83,979,282
Other comprehensive income						
Net change in fair value of available for sale financial assets	-	1,793,967	-	-	-	1,793,967
Total comprehensive income	-	1,793,967	-	-	83,979,282	85,773,249
Transactions with owners						
Interim dividend	-	-	-	-	(19,196,000)	(19,196,000)
Final dividend	-	-	-	-	(19,196,000)	(19,196,000)
Balance as at 31 March 2013	9,598,000	12,791,009	11,014	12,841,000	658,961,319	694,202,342
Balance as at 01 April 2013	9,598,000	12,791,009	11,014	12,841,000	658,961,319	694,202,342
Comprehensive income for the year						
Profit for the year	-	-	-	-	132,433,695	132,433,695
Other comprehensive income						
Actuarial loss from re-measurement of employee benefits obligation	-	-	-	-	(953,562)	(953,562)
Net change in fair value of available for sale financial assets	-	5,141,450	-	-	-	5,141,450
Total comprehensive income	-	5,141,450	-	-	131,480,133	136,621,583
Transactions with owners						
Interim dividend	-	-	-	-	(19,196,000)	(19,196,000)
Final dividend	-	-	-	-	(23,995,000)	(23,995,000)
Balance as at 31 March 2014	9,598,000	17,932,459	11,014	12,841,000	747,250,452	787,632,925

Figures in brackets indicate deductions.

The notes to the financial statements from pages 33 to 57 form an integral part of these financial statements.



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Operating activities				
Profit before income tax expense	172,727,261	138,773,038	176,532,347	106,648,394
Adjustment for				
Provision for employee benefits	7,961,701	13,965,518	7,961,701	4,576,971
Depreciation and amortization	58,323,557	52,022,321	58,074,714	51,770,724
Interest expenses	800,068	979,169	800,068	978,178
Provision of slow moving inventories	606,662	-	606,662	-
Profit on disposal of property, plant & equipment	(3,717,831)	(22,386,749)	(3,717,830)	(22,386,749)
Dividend income	(1,230,575)	(1,045,774)	(29,580,372)	(26,245,594)
Interest income	(18,458,837)	(21,066,683)	(12,847,389)	(15,848,049)
Operating profit before working capital changes	217,012,006	161,240,840	197,829,901	109,493,875
Change in inventories	(25,228,004)	8,281,593	(27,911,639)	1,498,802
Change in trade and other receivables	(26,325,326)	(48,681,035)	(181,518,879)	(24,634,868)
Change in related party payables	-	-	129,584,801	(34,024,940)
Change in trade and other payables	3,721,882	25,918,290	20,952,372	23,502,007
Cash generated from operations	169,180,558	146,759,688	138,936,556	75,834,876
Gratuity paid	(7,640,489)	(6,701,275)	(4,499,451)	(4,648,480)
Interest paid	(800,068)	(979,169)	(800,068)	(978,178)
Income tax paid	(31,316,390)	(49,092,246)	(21,058,647)	(30,384,620)
Net cash flows from/(used in) operating activities	129,423,611	89,986,998	112,578,390	39,823,598
Cash flows from Investing activities				
Interest received	18,458,837	21,066,683	12,847,389	15,848,049
Dividend received	1,230,575	1,045,774	29,580,372	26,245,594
Proceeds from disposal of property, - plant & equipment	3,784,392	25,045,279	3,784,392	25,045,279
Acquisition of property, plant and equipment	(131,420,565)	(94,578,522)	(130,771,493)	(94,541,471)
Investment in units	(930,574)	(895,774)	(930,574)	(895,774)
Net cash flows from (used in) investing activities	(108,877,335)	(48,316,560)	(85,489,914)	(28,298,323)
Cash flows From Financing activities				
Dividends paid	(43,191,000)	(38,392,000)	(43,191,000)	(38,392,000)
Cash flows used in financing activities	(43,191,000)	(38,392,000)	(43,191,000)	(38,392,000)
Net change in cash and cash equivalents	(22,644,724)	3,278,438	(16,102,524)	(26,866,725)
Cash and cash equivalents at the beginning	150,832,513	147,554,075	85,645,593	112,512,318
Cash and cash equivalents at the end (Note 17)	128,187,789	150,832,513	69,543,069	85,645,593

Figures in brackets indicate deductions.

The notes to the financial statements from pages 33 to 57 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The Consolidated Financial Statements of the Group as at and for the year ended 31 March, 2014 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 food & 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.

During the year directors of the Company decided to transfer the distributorship of Harischandra Mills (Distributor) Ltd to Harischandra Mills PLC. Accordingly the principal commercial Operation of Harischandra Mills (Distributors) Ltd is now been transferred to the parent Company.

The financial statement of both companies in the Group is prepared to a common financial year, which ending on 31 March.

The Company and the Group had 407 and 528 (2012/13- 402 and 532) employees respectively at the end of the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Changes in Equity and Statement of Cash Flows together with the notes, (the "Financial Statements") of the Company and the Group as at 31 March 2014 and for the period then ended have been prepared in accordance with new Sri Lanka Accounting Standards

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

2.2 Basis of Measurement

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

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

2.3 Functional & Presentation Currency

The financial statements of the Company and the Group are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri 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 consolidated financial statements described in following notes.

NOTES TO THE FINANCIAL STATEMENTS

Note 11 - Property, plant and equipment

Note 21 - Deferred tax liabilities

Note 22 - Employee benefit obligation

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

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 accounted at cost less accumulated impairment loss, if any.

All the assets and liabilities of the Company with subsidiary are included in the consolidated statement of financial position.

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

3.1.2 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 eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency Transactions

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

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

Non monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri 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, except for the difference arising on the translation of available for sale investments which recognized in Other comprehensive income.

3.3 Assets and Bases of Their Valuation

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

3.3.1 Property, Plant & Equipment

3.3.1.1 Basis of Recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

3.3.1.2 Subsequent Costs

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

3.3.1.3 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.

3.3.1.4 Depreciation

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

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.

3.3.1.5 Capital Work- In - Progress

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

3.3.2 Intangible Assets

3.3.2.1 Basis of Recognition

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

3.3.2.2 Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economics benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the income statement when incurred.

3.3.2.3 Useful economic Lives and Amortization

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

NOTES TO THE FINANCIAL STATEMENTS

Computer Software - 5 years

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

3.4. Financial Instruments

3.4.1 Non-derivative Financial Assets

The Group initially recognizes loans and receivables and deposits on the date they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date which the Company becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets is created or retained by the Company is recognized as a separate asset or liability.

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

The non derivative financial asset can be classified into following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets. The subsequent measurement of each financial instrument is based on their classification. As at each reporting date, the Group holds only assets categorized as loans and receivables and available for sale financial assets.

3.4.1.1 Loans and receivables

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

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

3.4.1.2 Cash and cash equivalents

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

3.4.1.3 Financial Assets Available-for-Sale (AFS)

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

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

3.4.2 Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group Either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derevative financial liabilities to other financial liabilities category Such financial liabilities are recognized initially at fair value

NOTES TO THE FINANCIAL STATEMENTS

plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities includes related party payables, bank overdrafts and trade & other payables.

3.5. Impairment

3.5.1. Financial Assets (including receivables)

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

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

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

3.5.2 Non financial Assets

The carrying amount of the Group's non-financial assets other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then recoverable amount is determined for the CGU to which the corporate asset belongs.

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

3.6 Fair value measurement

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. The Group should classify fair value measurements using a fair value hierarchy for disclosure purposes which is categorized in to following levels.

Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 01 that are assets or liability, either directly (i.e. Prices) or indirectly (i.e. derived from prices).

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

3.7 Share Capital

3.7.1 Ordinary shares

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



NOTES TO THE FINANCIAL STATEMENTS

3.8 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in-first out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In relation to Work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.9 Liabilities and Provisions

3.9.1 Provisions

A provision is recognized in the Statement of Financial Position when the Group 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.

3.9.2 Employee Benefits

3.9.2.1 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 - Managed by Central Bank of Sri Lanka

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

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

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

Employees Trust Fund

The Group/Company contributes 3% of the salary of each employee to the Employees' Trust Fund

contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

3.9.3. Retiring Gratuity

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

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

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

3.9.4 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.

3.9.5 Events After the Reporting Date

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

3.10 Statement of Comprehensive Income

3.10.1 Revenue Recognition

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

Revenue from the sale of goods is recognized in the Income Statement when the significant risks and

NOTES TO THE FINANCIAL STATEMENTS

rewards of ownership have been transferred to the buyer.

3.10.2 Profit on Disposal of Property, Plant & Equipment

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

3.10.3 Rental Income

Rental Income is recognized on an accrual basis.

3.10.4 Dividend Income

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

3.10.5 Expenditure

All expenditure incurred in running of the business and 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 present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

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

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

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

3.10.6 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. Interest income and expenses are recognized on an accrual basis.

3.10.7 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 if relates to items recognized directly in equity, in which case it is recognized in equity.

3.10.7.1 Current Tax

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

3.10.7.2. Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences 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 reporting date.

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

3.10.7.3 Withholding Tax on Dividends

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



NOTES TO THE FINANCIAL STATEMENTS

3.11 Statement of Cash flows

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.

3.12 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or service (business segment), or in providing products or 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 segment.

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

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

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

3.13 Comparative Information

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

3.14. New Accounting Standard Not Effective at the Reporting Date.

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st April 2014/2015.

Accordingly, these Standards have not been applied in preparing these financial statements.

a) Sri Lanka Accounting Standards - SLFRS 10 "Consolidated Financial Statements".

The objective of this SLFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities.

An investor is expected to control an invested if and only if the investor has all the following.

Ownership over the investee; exposure, or right, to variable returns from its involvement with the investee; an ability to use its power over the investee to affect the amount of the investor's returns.

This standard will require the Company to review the group structure in the context of the new Standard and its requirements. Accordingly adoption of this standard is expected to have an impact on the Group structure, and consolidated reporting.

SLFRS 10 is effective from 1 April 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS 27 - Consolidated and Separate Financial Statements.

b) Sri Lanka Accounting Standard - SLFRS 13, "Fair Value Measurement"

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value, and requires disclosures about fair value measurements.

This SLFRS is effective for the Group from 1 April 2014. Earlier application is permitted. This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

c) Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments."

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

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of this standard has been deferred.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
4. GROSS REVENUE				
Consolidated Revenue				
Harischandra Mills PLC	2,284,864,048	2,183,606,643	2,284,864,048	2,183,606,643
Harischandra Mills (Distributors) Ltd.	1,405,950,004	1,750,053,282	-	-
	<u>3,690,814,052</u>	<u>3,933,659,925</u>	<u>2,284,864,048</u>	<u>2,183,606,643</u>
Inter company sales	(1,091,745,200)	(1,355,732,473)	-	-
	<u>2,599,068,852</u>	<u>2,577,927,452</u>	<u>2,284,864,048</u>	<u>2,183,606,643</u>
4.1 Segment Reporting				
Food products	1,605,907,469	1,581,770,744	1,350,368,989	1,247,350,141
Soap products	314,344,159	266,809,221	255,677,835	206,909,015
Fuel and Lubricants	678,817,224	729,347,487	678,817,224	729,347,487
	<u>2,599,068,852</u>	<u>2,577,927,452</u>	<u>2,284,864,048</u>	<u>2,183,606,643</u>
5. OTHER INCOME				
Dividend income	1,230,575	1,045,774	29,580,372	26,245,594
Management income	-	-	818,452	892,857
Rental income	-	-	982,143	1,071,429
Vehicle hire income	-	-	7,098,214	7,392,857
Profit on disposal of property, - plant & equipment	3,717,831	22,386,749	3,717,831	22,386,749
Staff Loan Interest Income	3,745,571	2,071,063	2,221,610	1,226,965
Sundry income (Note 5.1)	8,179,641	10,454,758	8,179,641	10,448,774
	<u>16,873,618</u>	<u>35,958,344</u>	<u>52,598,263</u>	<u>69,665,225</u>
5.1 Sundry Income				
Sale of disposable material	7,357,516	8,871,870	7,357,516	8,871,870
Sundry receipts	822,125	1,582,888	822,125	1,576,905
	<u>8,179,641</u>	<u>10,454,758</u>	<u>8,179,641</u>	<u>10,448,774</u>
6. RESULTS FROM OPERATING ACTIVITIES				
Results from operating activities is stated after charging all expenses including followings				
Directors' emoluments	22,658,811	21,242,131	9,447,377	8,488,184
Auditors remuneration				
- Audit fee	1,382,050	1,213,260	732,050	661,000
- Audit related fee & expenses	107,000	219,767	51,000	192,647
- Non Audit services	528,821	802,821	417,101	487,169
Depreciation and amortization	58,323,557	52,022,321	58,074,714	51,770,724
Donations	2,960,135	2,993,099	644,464	140,444
Staff related expense (Note 6.1)	247,406,375	218,453,455	188,247,091	155,788,232



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
6.1 Staff related expense				
Salaries & wages	166,250,342	147,203,031	120,266,104	103,788,523
Defined contribution plan	18,475,333	16,987,033	10,440,517	10,116,747
Bonus	37,118,081	21,815,574	35,769,326	12,553,252
Staff welfare	17,600,918	18,482,299	13,809,443	14,752,739
Defined benefit plan- Retiring gratuity	7,961,701	13,965,518	7,961,701	14,576,971
	<u>247,406,375</u>	<u>218,453,455</u>	<u>188,247,091</u>	<u>155,788,232</u>
Average number of employees	<u>528</u>	<u>532</u>	<u>407</u>	<u>402</u>
7. NET FINANCE INCOME				
7.1 Finance Income				
Interest income	18,458,837	21,066,683	12,847,389	15,848,049
	<u>18,458,837</u>	<u>21,066,683</u>	<u>12,847,389</u>	<u>15,848,049</u>
7.2 Finance Expenses				
Interest expenses	(800,068)	(979,169)	(800,068)	(978,178)
Loss on transaction of foreign currencies	(24,874)	(35,520)	(24,874)	(35,520)
	<u>(824,942)</u>	<u>(1,014,689)</u>	<u>(824,942)</u>	<u>(1,013,698)</u>
Net Finance Income	<u>17,633,895</u>	<u>20,051,994</u>	<u>12,022,447</u>	<u>14,834,351</u>
8. INCOME TAX EXPENSE				
Current Tax from Ordinary Activities				
On current year profits (Note 8.1)	43,323,707	38,538,042	38,789,437	22,376,308
Origination of temporary differences (Note 21)	8,935,619	999,675	5,309,215	292,804
Taxes on inter company dividend	3,150,000	2,800,000	-	-
	<u>55,409,326</u>	<u>42,337,717</u>	<u>44,098,652</u>	<u>22,669,112</u>
8.1 Tax Reconciliation Statement				
Profit before income tax expense	172,727,261	138,773,038	176,532,347	106,648,394
Income not liable to tax	(1,230,575)	(1,045,774)	29,580,372	(26,245,594)
Expenses disallowed for tax	122,276,299	117,759,589	114,731,399	103,826,733
Expenses allowed for tax	(98,245,350)	(93,391,050)	(83,193,731)	(81,997,449)
Qualifying payments	(39,498,905)	(22,496,127)	(39,498,905)	(22,190,127)
Taxable Profit	<u>156,028,730</u>	<u>139,599,676</u>	<u>138,990,738</u>	<u>80,041,957</u>
Income tax at 15%	95,977	40,893	95,977	40,893
Income tax at 28%	43,227,730	38,497,149	38,693,460	22,335,414
On current year profit	<u>43,323,707</u>	<u>38,538,042</u>	<u>38,789,437</u>	<u>22,376,308</u>
Effective tax rate	25.08%	27.77%	21.97%	20.98%

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% and the tax on export profit is 15%.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

9. BASIC EARNINGS PER SHARE

The company and group basic earnings per share is based on the profits attributable to ordinary shareholders of the Harischandra Mills PLC over the weighted average number of ordinary shares in issue during the year, as required by LKAS 33 "Earnings per share".

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Profit attributable to -				
- ordinary shareholders	117,317,935	96,435,321	132,433,695	83,979,282
Number of ordinary shares	959,800	959,800	959,800	959,800
Basic earnings per share (Rs.)	122.23	100.47	137.98	87.50
10. DIVIDEND PER SHARE				
Interim Dividend				
Out of dividend received - liable of tax	28,794,000	19,196,000	28,794,000	19,196,000
	28,794,000	19,196,000	28,794,000	19,196,000
Final Dividend				
Out of dividend received - free of tax	786,372	1,045,774	786,372	1,045,774
Out of dividend received - liable to tax	-	6,003,820	-	6,003,820
Out of trading profit - liable to tax	32,806,628	16,945,406	32,806,628	16,945,406
	33,593,000	23,995,000	33,593,000	23,995,000
Number of ordinary shares	959,800	959,800	959,800	959,800
Dividend per share (Rs.)	65.00	45.00	65.00	45.00

10.1 The proposed final dividend for the year has not been recognized as a liability as at the reporting date in accordance with LKAS 10 - "Events after Reporting period."

10.2 The dividends represent re-distribution of dividends received by the company which are not subject to 10% tax deduction.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. PROPERTY, PLANT & EQUIPMENT

A	AS AT 31 MARCH Group	Freehold Land										Total	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
		Freehold Land	Buildings	Plant & Machinery	Office Factory & Laboratory Equipment	Motor Vehicles	Furniture & Fittings	Total 2014	Total 2013				
	Cost												
	As at 01 April	299,062,500	64,669,686	84,930,365	26,348,613	261,154,472	4,874,542	741,040,178	686,805,050				
	Additions	-	-	1,652,419	2,861,176	145,590	632,936	5,292,121	2,455,347				
	Transfer from CWIP (Note 11(A).1)	-	5,567,370	32,785,752	5,349,131	52,733,056	756,529	97,191,838	76,216,814				
	Disposals/ Write off	-	-	-	(179,750)	(4,293,878)	-	(4,473,628)	(24,437,033)				
	As at 31 March	299,062,500	70,237,056	119,368,536	34,379,170	309,739,240	6,264,007	839,050,509	741,040,178				
	Accumulated Depreciation												
	As at 01 April	-	5,749,354	9,884,562	6,230,282	168,006,211	889,973	190,760,382	161,420,135				
	Charge for the year	-	3,001,744	7,191,105	3,789,985	42,664,053	523,519	57,170,406	51,118,750				
	On disposals	-	-	-	(155,292)	(4,251,775)	-	(4,407,067)	(21,778,503)				
	As at 31 March	-	8,751,098	17,075,667	9,864,975	206,418,489	1,413,492	243,523,721	190,760,382				
	Written Down Value as at 31 March 2014	299,062,500	61,485,958	102,292,869	24,514,195	103,320,751	4,850,515	595,526,788					
	Written down value as at 31 March 2013	299,062,500	58,920,332	75,045,803	20,118,331	93,148,261	3,984,569	55,370,875	550,279,796				
	Capital work in progress (Note 11.A.1)							650,897,663	576,804,065				
	Net carrying amount as at 31 March												
	11.A.1 Capital Work In Progress (CWIP)												
	As at 01 April							26,524,269	12,727,164				
	Incurred during the year							126,128,444	92,123,174				
	Capitalized during the year							(97,281,838)	(78,326,069)				
	As at 31 March							55,370,875	26,524,269				



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. PROPERTY, PLANT & EQUIPMENT (CONTD.)

B AS AT 31 MARCH
Company

	Freehold Land	Buildings	Plant & Machinery	Office Factory & Laboratory Equipment	Motor Vehicles	Furniture & Fittings	Total 2014	Total 2013
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April	299,062,500	64,669,686	84,930,365	25,694,623	261,154,472	4,353,129	739,864,774	685,666,696
Additions	-	-	1,652,419	2,455,161	145,590	497,478	4,750,648	2,418,297
Transfer from CWIP (Note 11.B.1)	-	5,567,370	32,785,752	5,291,532	52,733,056	756,529	97,134,239	76,216,814
Disposals	-	-	-	(179,750)	(4,293,878)	-	(4,473,628)	(24,437,033)
As at 31 March	299,062,500	70,237,056	119,368,536	33,261,566	309,739,240	5,607,136	837,276,033	739,864,774
Accumulated Depreciation								
As at 01 April	-	5,749,354	9,884,562	5,821,778	168,016,137	789,295	190,261,126	161,172,476
Charge for the year	-	3,001,744	7,191,105	3,608,980	42,654,125	466,442	56,922,396	50,867,153
On disposals	-	-	-	(155,292)	(4,251,775)	-	(4,407,067)	(21,778,503)
As at 31 March	-	8,751,098	17,075,667	9,275,466	206,418,487	1,255,737	242,776,455	190,261,126
Written Down Value as at 31 March 2014	299,062,500	61,485,958	102,292,869	23,986,100	103,320,753	4,351,399	594,499,578	
Written down value as at 31 March 2013	299,062,500	58,920,332	75,045,803	19,872,845	93,138,335	3,563,834	55,370,875	549,603,649
Capital work in progress (Note 11B.1)	-	-	-	-	-	-	649,870,453	26,524,269
Net carrying amount as at 31 March							649,870,453	576,127,917
11.B.1 Capital Work In Progress (CWIP)								
As at 01 April							26,524,269	12,727,164
Incurred during the year							126,020,845	92,123,174
Capitalized during the year							(97,174,239)	(78,326,069)
As at 31 March							55,370,875	26,524,269



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11.1 Company Properties	Asset Type	Location	Extent			Amount Rs.
			A	R	P	
	Land and Building	11, C.A.Harischandra Mawatha, Matara 455, Bauddhaloka Mawatha, Colombo 08	04	02	20	198,715,056
			00	01	2.75	<u>170,584,500</u>
						<u>369,299,556</u>
			GROUP		COMPANY	
AS AT 31 MARCH,			2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
12. INTANGIBLE ASSETS						
	Computer Software					
	Cost:					
	As at 01 April		4,326,255	2,217,000	4,326,255	2,217,000
	Additions					
	Transfer from WIP		<u>90,000</u>	2,109,255	<u>40,000</u>	2,109,255
	As at 31 March		<u>4,416,255</u>	<u>4,326,255</u>	<u>4,366,255</u>	<u>4,326,255</u>
	Amortization:					
	As at 01 April		1,628,038	724,467	1,628,038	724,467
	Amortization during the year		<u>1,153,151</u>	903,571	<u>1,152,318</u>	903,571
	As at 31 March		<u>2,781,189</u>	<u>1,628,038</u>	<u>2,780,356</u>	<u>1,628,038</u>
	Net Carrying Value as at 31 March		<u>1,635,066</u>	<u>2,698,217</u>	<u>1,585,899</u>	<u>2,698,217</u>
					2014 Rs.	2013 Rs.
13. INVESTMENT IN SUBSIDIARY						
	Ordinary shares					
	Harischandra Mills (Distributors) Limited (Fully owned subsidiary)				<u>70</u>	<u>70</u>
					<u>70</u>	<u>70</u>
	No of Shares					
	1992/93 issued to subscribers				7	7
	1995/96 script issue				<u>699,993</u>	699,993
	Total				<u>700,000</u>	<u>700,000</u>
			GROUP/COMPANY			
			2014		2013	
			cost Rs.	Market Rs.	Cost of Rs.	Market Rs.
14. AVAILABLE FOR SALE INVESTMENTS						
	Balance as at 01 April		15,089,431	27,896,972	14,193,657	25,207,231
	Additions during the year		930,574	930,574	895,774	895,774
	Net Gain on Fair value change		-	<u>5,141,450</u>	-	1,793,967
	Balance as at 31 March		<u>16,020,005</u>	<u>33,968,996</u>	<u>15,089,431</u>	<u>27,896,972</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)
GROUP/COMPANY

AS AT 31 MARCH,		2014		2013	
14. AVAILABLE FOR SALE INVESTMENTS (CONTD.) cost	Rs.	Market	Rs.	Cost of	Market
a) Investments in units of National equity fund					
Balance as at 1 st April	13,589,431	23,510,972		12,693,657	21,041,731
Additions during the year	930,574	930,574		895,774	895,774
Net Gain on Fair value change	-	4,863,950		-	1,573,467
Balance as at 31 March	<u>14,520,005</u>	<u>29,305,496</u>		<u>13,589,431</u>	<u>23,510,972</u>
b) Investments in units of NDB Growth & income fund					
Balance as at 1 st April	1,500,000	4,386,000		1,500,000	4,165,500
Additions during the year	-	-		-	-
Net Gain on Fair value change	-	277,500		-	220,500
Balance as at 31 March	<u>1,500,000</u>	<u>4,663,500</u>		<u>1,500,000</u>	<u>4,386,000</u>
		GROUP		COMPANY	
		2014	2013	2014	2013
15. INVENTORIES	Rs.	Rs.	Rs.	Rs.	Rs.
Raw materials and consumables	78,876,082	62,864,831	78,876,082	62,825,088	
Work in progress	13,818,170	9,204,929	13,818,170	9,204,929	
Finished goods	38,083,968	31,181,532	38,083,968	28,537,641	
Machinery spares	19,570,193	21,869,117	19,570,193	21,869,117	
	<u>150,348,413</u>	<u>125,120,409</u>	<u>150,348,413</u>	<u>122,436,775</u>	
Less-					
Provision for slow moving machinery spares (15.1)	(1,294,677)	(688,015)	(1,294,677)	(688,015)	
	<u>149,053,736</u>	<u>124,432,394</u>	<u>149,053,736</u>	<u>121,748,760</u>	
15.1 Provision for Slow Moving Machinery Spares					
As at 01 April	(688,015)	(688,015)	(688,015)	(688,015)	
Provision during the year	(606,662)	-	(606,662)	-	
As at 31 March	<u>(1,294,677)</u>	<u>(688,015)</u>	<u>(1,294,677)</u>	<u>(688,015)</u>	
16. TRADE AND OTHER RECEIVABLES					
Trade receivables	247,786,612	250,620,984	238,597,526	91,029,164	
Other receivables (Note 16.1)	69,450,913	40,291,215	68,126,752	34,176,234	
	<u>317,237,525</u>	<u>290,912,199</u>	<u>306,724,278</u>	<u>125,205,398</u>	
16.1 Other Receivables					
Loans to employees	21,376,647	16,125,830	21,211,301	8,761,995	
Advances & prepayments	42,412,689	20,074,784	41,826,623	19,710,635	
Trade deposits	1,910,217	1,840,491	1,910,217	1,835,223	
Sundry debtors	3,751,360	2,250,110	3,178,611	3,868,381	
	<u>69,450,913</u>	<u>40,291,215</u>	<u>68,126,752</u>	<u>34,176,234</u>	
17. CASH & CASH EQUIVALENTS					
Cash in hand & at bank	31,938,582	42,476,751	28,843,299	19,782,063	
Short term deposits	164,972,863	155,395,582	109,423,426	112,903,350	
Cash and cash equivalents	196,911,445	197,872,333	138,266,725	132,685,413	
Bank overdraft (secured) (Note 17.1)	(68,723,656)	(47,039,820)	(68,723,656)	(47,039,820)	
Cash and cash equivalents for the purpose - - of cash flow statement	<u>128,187,789</u>	<u>150,832,513</u>	<u>69,543,069</u>	<u>85,645,593</u>	
17.1 Bank overdraft is fully secured on short term deposits held with banks					
18. STATED CAPITAL					
959,800 ordinary shares at Rs.10/- each	<u>9,598,000</u>	<u>9,598,000</u>	<u>9,598,000</u>	<u>9,598,000</u>	
18.1 The holder of ordinary shares are entitled to receive dividends as declared from time and are entitled to one vote per share at the shareholders meetings of the Company.					



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
19. OTHER CAPITAL RESERVES				
19.1 Other Capital Reserves				
Reserve on script issue (Note 19.1.1)	6,999,930	6,999,930	-	-
Reserve on share issue (Note 19.1.2)	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>
19.1.1 Reserve on script issue in consolidated financial statements has arisen on script issue of 699,993 shares of Rs.10/- each by the fully owned subsidiary of Harisandra Mills (Distributors) Limited in the year 1995/96.				
19.1.2 Reserve on share issue comprise unclaimed funds of share application and allotment account transferred to capital reserves. This reserve can not be directly distributed to shareholders.				
20. GENERAL RESERVES				
General reserves	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>
21. DEFERRED TAXATION				
Deffered tax liabilities arising on property plant and equipment (Note 21.1)	43,272,750	33,980,194	43,127,637	33,840,149
Deffered tax asset on retirement obligation (Note 21.2)	(13,994,265)	(13,637,328)	(13,994,265)	(10,015,992)
	<u>29,278,485</u>	<u>20,342,866</u>	<u>29,133,372</u>	<u>23,824,157</u>
21.1 Deffered Tax Liabilities				
Balance as at 01 April	33,980,194	31,070,467	33,840,149	0,841,970
Total deffered tax liability originating the year	9,292,556	2,909,727	9,287,488	2,998,179
Balance as at 31 March	<u>43,272,750</u>	<u>33,980,194</u>	<u>43,127,637</u>	<u>33,840,149</u>
21.2 Deffered Tax Asset				
Balance as at 01 April	13,637,328	11,603,339	10,015,992	7,236,014
Total deffered tax asset originating the year	356,937	2,033,989	3,978,273	2,779,978
Balance as at 31 March	<u>13,994,265</u>	<u>13,637,328</u>	<u>13,994,265</u>	<u>10,015,992</u>
22. EMPLOYEE BENEFIT OBLIGATIONS				
Retiring gratuity				
As at 01 April	48,704,744	41,440,501	35,771,400	25,842,909
Transferred from Harisandra Mills (Distributors) Ltd.	-	-	9,792,306	-
Charge for the Year (22.1)	8,915,263	13,965,518	8,915,263	14,576,971
	<u>57,620,007</u>	<u>55,406,019</u>	<u>54,478,969</u>	<u>40,419,800</u>
Gratuity paid	(7,640,489)	(6,701,275)	(4,499,451)	(4,648,480)
Balance as at 31 March	<u>49,979,518</u>	<u>48,704,744</u>	<u>49,979,518</u>	<u>35,771,400</u>
22.1 Charge for the Year				
Interest cost	3,934,854	4,558,455	3,934,854	2,842,720
Current service cost	4,026,847	3,915,970	4,026,847	2,879,326
Actuarial loss	953,562	5,491,093	953,562	8,854,925
	<u>8,915,263</u>	<u>13,965,518</u>	<u>8,915,263</u>	<u>14,576,971</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

22.2 An actuarial valuation on the Retiring Gratuities was carried out as at 31 March 2014 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 LKAS 19 - "Employee Benefits"

22.3 Actuarial Assumptions	2014	2013
<i>a. Financial assumptions</i>		
Discount rate as at 31 March	11%	11%
Future salary increases	12%	12%

b. Demographic assumptions

The demographic assumptions underlying the valuation are, retirement age at 55 years, early withdrawal from services and death before & after retirement.

Assumptions regarding the future mortality are based on the 1967-70 mortality table issued by the Institute of Actuaries.

	GROUP		COMPANY	
AS AT 31 MARCH,	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
23. TRADE & OTHER PAYABLES				
Trade payable	67,745,802	63,259,237	67,284,546	61,934,040
Other payable (Note 23.1)	85,856,118	8 6,620,801	83,125,176	67,523,310
	<u>153,601,920</u>	<u>149,880,038</u>	<u>150,409,722</u>	<u>129,457,350</u>
23.1 Other Payable				
Accrued expenses	23,467,451	34,091,552	22,117,231	28,418,263
VAT payable	19,211,372	16,22 3,267	19,211,372	16,223,266
NBT payable	3,431,204	4,951,421	3,487,147	3,001,728
Trade & customer deposit	3,500,440	4,010,440	2,575,440	2,675,440
Provision for bonus	32,000,000	21,500,000	32,000,000	12,900,000
Others	4,245,651	5,844,121	3,733,986	4,304,613
	<u>85,856,118</u>	<u>86,620,801</u>	<u>83,125,176</u>	<u>67,523,310</u>
24. RELATED PARTY PAYABLES				
Harischandra Mills (Distributors) Limited	-	-	175,840,287	56,047,791
	<u>-</u>	<u>-</u>	<u>175,840,287</u>	<u>56,047,791</u>
25. CURRENT TAX LIABILITIES				
As at 01 April	3,492,823	11,247,027	19,887	8,028,199
Provision for the year (Note 08)	43,323,707	38,538,042	38,789,437	22,376,308
Tax on Inter Company dividend	3,150,000	2,800,000	-	-
	<u>49,966,530</u>	<u>52,585,069</u>	<u>38,809,324</u>	<u>30,404,507</u>
Payments during the year	<u>(31,316,390)</u>	<u>(49,092,246)</u>	<u>(21,058,647)</u>	<u>(30,384,620)</u>
As at 31 March	<u>18,650,140</u>	<u>3,492,823</u>	<u>17,750,677</u>	<u>19,887</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

26. TRANSACTION WITH RELATED PARTIES

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

26.1 Parent and Ultimate Controlling Party.

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

26.2 Key Management Personnel compensation

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company have classified as KMP of the Company.

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

Key management personnel compensation comprised;

FOR THE YEAR ENDED,	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Short term employee benefits				
Salaries	12,477,065	11,555,250	4,990,826	4,613,431
Others	5,299,345	5,271,553	2,119,738	2,108,621
Terminal benefits	1,883,630	1,645,704	837,427	658,282
Provision for retirement benefit	2,998,771	2,769,624	1,499,386	1,107,850
Total (Note 06)	<u>22,658,811</u>	<u>21,242,131</u>	<u>9,447,377</u>	<u>8,488,184</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

26.3 Transactions with subsidiaries

Name of the Related Party	Nature of transaction	Volume of transaction	Balance as at 31.03.14	Balance as at 31.03.13
Harischandra Mills (Distributors) Ltd.	Sales	(1,091,745,200)		
	Purchases	901,454		
	Vehicle hire	(7,098,214)		
	Rent	(982,143)		
	Management fee	(818,452)		
	VAT on above transactions	(128,100,767)		
	Settlement dues	1,083,148,062		
Outstanding Balances				
	Current Account		(175,840,287)	(56,047,791)
	Trade Receivable		3,365,124	22,700,069

26.4 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 the Director	Position	Nature of the transaction	Value of transaction <u>2013/2014</u>	Value of transaction <u>2012/2013</u>
Telshan Network Pvt Ltd	Mr. S.A.S. Jayasundara	Executive Director	Advertising	-	285,600

27. CAPITAL EXPENDITURE COMMITMENTS

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

28. CONTINGENT LIABILITIES

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

29. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which require adjustment to or disclosure in the financial statements other than for final dividend of Rs. 35/- 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.

30. COMPARATIVE INFORMATION

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

31. DIRECTORS' RESPONSIBILITY

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



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

33. SEGMENT INFORMATION

Company
Information based on the primary segments

For the year ended 31 March,	Food Products		Fuel and Lubricant		Soap		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue								
Total sales	1,350,368,989	1,247,340,141	678,817,224	729,347,487	255,677,835	206,919,015	2,284,864,048	2,183,606,643
Operating Profit								
Segment operating profit before depreciation	158,754,378	76,647,611	5,830,317	8,754,700	4,249,338	(12,386,340)	168,834,033	73,015,971
Depreciation	(47,770,039)	(43,554,904)	(90,482)	(74,625)	(9,061,875)	(7,237,624)	(56,922,396)	(50,867,153)
Segment operating profit	110,984,339	33,092,707	5,739,835	8,680,075	(4,812,537)	(19,623,964)	111,911,637	22,148,818
Other operating income							52,598,263	69,665,225
Net finance income							12,022,447	14,834,351
Profit before income tax expense							176,532,347	106,648,394
Income tax expense							(44,098,652)	(22,669,112)
Profit after income tax							132,433,695	83,979,282
Assets :								
Operating assets	654,382,499	463,227,987	328,951,653	282,426,705	123,900,284	80,125,670	1,107,234,436	825,780,362
Other investments							33,968,996	27,896,972
Short term investments							138,266,725	132,685,413
Total assets							1,279,470,157	986,362,747
Liabilities								
Operating liabilities	262,970,123	153,270,173	132,192,497	89,620,474	49,790,563	25,425,714	444,953,183	268,316,361
Deferred tax liabilities							29,133,372	23,824,157
Income tax payable							17,750,677	19,887
Total liabilities							491,837,232	292,160,405



NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014,

34. Financial Instruments Risk Management

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

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

34.1 Credit risk

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

34.1.1 Exposure to credit risk

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

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade and other Receivables	274,824,836	270,837,415	264,897,653	105,494,763
Cash at bank	195,567,533	196,356,189	137,185,071	131,484,652
Available for sale investment	33,968,996	27,896,972	33,968,996	27,896,972
	<u>504,361,365</u>	<u>495,090,576</u>	<u>436,051,720</u>	<u>264,876,387</u>

(a) Trade and other receivables

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

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

	Group	Company
	2014 Rs.	2014 Rs.
1 - 60 days	264,263,126	256,159,530
61 - 180 days	4,821,125	3,559,718
above 181 days	5,740,585	5,178,405
	<u>274,824,836</u>	<u>264,897,653</u>

NOTES TO THE FINANCIAL STATEMENTS

To minimise the credit risk from customers, company obtains bank guarantees from its trading customers when initiating the business relationships. Company monitors the level of transactions with the guarantee and increases the guarantee amount where necessary. Further, credit periods are established and monitors the receivable balance continuously.

(b) Cash and cash equivalents

The Group held Cash and cash equivalents of Rs. 197 million as at 31 March 2014 (2013: Rs. 198 million), which represents its maximum credit exposure on these assets. Cash and cash equivalents are held with banks, which are rated AA (LKA) to A+ (LKA), Based on fitch ratings.

(c) Available for sale investments

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

34.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

As at 31 March 2014

Group	Contractual cash flows				
	Carrying amount	6 months or less	6-12 months	2-5 years	More than 5 years
ASSETS					
Trade and other receivable	317,237,525	317,237,525	-	-	-
Available for sale investment	33,968,996	33,968,996	-	-	-
Cash & bank Balances	196,911,445	196,911,445	-	-	-
Total assets	548,117,966	548,117,966	-	-	-
LIABILITIES					
Bank overdraft	68,723,656	68,723,656	-	-	-
Trade & other payables	153,601,920	153,601,920	-	-	-
Total liabilities	222,325,576	222,325,576	-	-	-

As at 31 March 2013

Group	Contractual cash flows				
	Carrying amount	6 months or less	6-12 months	2-5 years	More than 5 years
ASSETS					
Trade and other receivable	290,912,199	290,912,199	-	-	-
Available for sale investment	27,896,972	27,896,972	-	-	-
Cash & bank Balances	197,872,333	197,872,333	-	-	-
Total assets	516,681,504	516,681,504	-	-	-
LIABILITIES					
Bank overdraft	47,039,820	47,039,820	-	-	-
Trade & other payables	149,880,038	149,880,038	-	-	-
Total liabilities	196,919,858	196,919,858	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

34.3 Market Risk

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

34.3.1 Currency Risk

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

34.3.2 Interest Rate Risk

Interest rate risk is the risk to the Group's earnings and Economic Value of Equity ("EVE") arising from adverse movements in interest rates, as such sensitivity analysis on interest rate fluctuations will not apply.

At present, the Group has not obtained funds from any interest bearing financial liabilities except temporary bank overdrafts,

35. Accounting classifications and fair values

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows.

Group

As at 31st March 2014

	Available for sale investments Rs.'000	Loans Receivable Rs.'000	Other Financial Liabilities Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
Cash and Cash Equivalents	-	196,911,445	-	196,911,445	196,911,445
Trade and Other Receivables	-	274,824,836	-	274,824,836	274,824,836
Available for sale investments	33,968,996	-	-	33,968,996	33,968,996
Trade and Other Payables	-	-	(140,252,060)	(140,252,060)	(140,252,060)
Overdraft	-	-	(68,723,656)	(68,723,656)	(68,723,656)
	33,968,996	471,736,281	(208,975,716)	296,729,561	296,729,561

Company

As at 31st March 2014

	Available for sale investments Rs.'000	Loans Receivable Rs.'000	Other Financial Liabilities Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
Cash and Cash Equivalents	-	138,266,725	-	138,266,725	138,266,725
Trade and Other Receivables	-	264,897,653	-	264,897,653	264,897,653
Available for sale investments	33,968,996	-	-	33,968,996	33,968,996
Trade and Other Payables	-	-	(136,160,399)	(136,160,399)	(136,160,399)
Related party payables	-	-	(175,840,287)	(175,840,287)	(175,840,287)
Overdraft	-	-	(68,723,656)	(68,723,656)	(68,723,656)
	33,968,996	403,164,378	(380,724,342)	56,409,032	56,409,032



NOTES TO THE FINANCIAL STATEMENTS

Group

As at 31st March 2013

	Available for sale investments	Loans Receivable	Other Financial Liabilities	Total Carrying Amount	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash and Cash Equivalents	-	197,872,333	-	197,872,333	197,872,333
Trade and Other Receivables	-	270,837,415	-	270,837,415	270,837,415
Available for sale investments	27,896,972	-	-	27,896,972	27,896,972
Trade and Other Payables	-	-	(131,872,861)	(131,872,861)	(131,872,861)
Overdraft	-	-	(47,039,820)	(47,039,820)	(47,039,820)
	27,896,972	468,709,748	(178,912,681)	317,694,039	317,694,039

Company

As at 31st March 2013

	Available for sale investments	Loans Receivable	Other Financial Liabilities	Total Carrying Amount	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash and Cash Equivalents	-	132,685,413	-	132,685,413	132,685,413
Trade and Other Receivables	-	105,494,763	-	105,494,763	105,494,763
Available for sale investments	27,896,972	-	-	27,896,972	27,896,972
Trade and Other Payables	-	-	(116,577,237)	(116,577,237)	(116,577,237)
Related party payables	-	-	(56,047,791)	(56,047,791)	(56,047,791)
Overdraft	-	-	(47,039,820)	(47,039,820)	(47,039,820)
	27,896,972	238,180,176	(219,664,848)	46,412,300	46,412,300

Available for financial assets are valued using level 01 valuation technique. Carrying value other financial assets and liabilities have been considered as a reasonable approximation to the fair value.

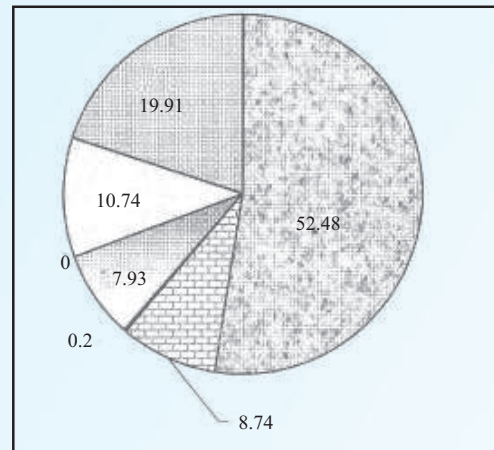
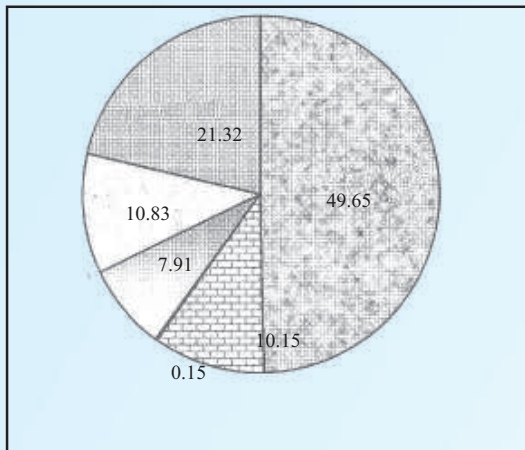
Level 1 Valuation techniques

Inputs that are quoted market prices (unadjusted) in an market for identical instruments. The company measures the fair value of an instrument using active quoted prices without any deductions for transaction cost. The market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions at an arm's length basis.



STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 MARCH		2014		2013	
		Rs.'000		Rs.'000	
Turnover		2,599,069		2,577,927	
Other income		35,332		57,024	
		<u>2,634,401</u>		<u>2,634,951</u>	
Cost of Goods & Services bought in		(2,088,494)		(2,150,597)	
Value Added		<u>545,907</u>		<u>484,354</u>	
Distribution as follows					
		%	Rs.'000	%	Rs.'000
To Employees		49.65	271,019	52.48	254,188
To Government		10.15	55,409	8.74	42,338
To Lenders		0.15	800	0.20	979
To Shareholders		7.91	43,191	7.93	38,392
Retained in business					
Depreciation		10.83	59,124	10.74	52,022
Retained profit		21.32	116,364	19.91	96,435
		<u>100.00</u>	<u>545,907</u>	<u>100.00</u>	<u>484,354</u>



To Employees



To Government



To Lenders



To Shareholders



Depreciation





TEN YEARS STATISTICAL SUMMARY

Reported as per	SLAS								SLFRS/LKAS		
	2004	2005	2006	2007	2008**	2009**	2010**	2011**	2012**	2013**	2014**
	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	Rs.000's
Results											
Group turnover	530,879	621,549	713,878	872,860	1,214,145	1,311,139	1,326,383	1,475,664	2,245,167	2,577,927	2,599,069
Profit before tax	48,695	41,687	56,976	44,372	83,097	111,017	134,781	115,317	150,554	138,773	172,727
Taxation	(15,645)	(16,962)	(234,49)	(19,123)	(46,686)	(43,837)	(61,962)	(51,227)	(49,572)	(42,338)	(55,409)
Profit after tax	33,050	24,725	33,527	25,249	36,410	67,180	72,819	64,090	100,982	96,435	117,318
Funds Employed											
Stated Capital	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598	9,598
Capital reserves	56,585	56,585	56,585	56,585	90,245	90,245	90,245	89,871	30,849	32,643	19,852
Revenue reserves	205,390	224,355	247,742	259,750	281,764	327,829	376,654	414,244	850,872	908,915	1000,021
Shareholders' funds	271,573	290,538	313,925	325,933	381,607	427,672	476,497	513,713	891,319	951,156	1,029,471
Assets Employed											
Non current assets	141,216	155,111	157,474	153,034	215,685	227,247	242,832	234,834	539,604	579,502	652,533
Current assets	220,735	229,475	258,009	306,573	362,918	408,143	479,701	536,254	596,997	641,114	697,172
Current liabilities	(54,681)	(58,618)	(65,277)	(105,220)	(119,722)	(135,420)	(172,490)	(197,442)	(184,499)	(200,413)	(240,976)
Provisions	(35,697)	(35,430)	(36,281)	(28,454)	(77,274)	(72,298)	(70,346)	(59,933)	(60,783)	(69,047)	(79,258)
Capital employed	271,573	290,538	313,925	325,933	381,607	427,472	479,697	513,713	891,319	951,156	1,029,471
Cash Flow											
Net cash inflow/(outflow) from operating activities	20,161	33,956	9,016	28,855	50,113	47,067	83,170	33,348	75,457	89,915	129,424
Net cash inflow/(outflow) form investing activities	(7,466)	(22,241)	(11,169)	(6,115)	(14,851)	(19,545)	(15,180)	(13,772)	(44,958)	(48,244)	(108,877)
Net cash inflow/(outflow) from financing activities	(9,193)	(9,790)	(13,629)	(21,149)	6,242	(25,720)	(29,240)	(37,791)	(28,794)	(38,392)	(43,191)
Increase/(decrease) in cash and cash equivalents	3,502	1,925	(15,782)	1,591	41,504	1,802	38,750	(18,215)	1,705	3,279	(22,644)
Key Indicators											
Earnings per share	34.43	25.76	34.60	26.31	37.94	69.99	75.87	66.77	106.25	100.47	122.23
Net assets per share	282.95	302.71	327.07	339.59	397.59	445.37	499.78	535.23	928.65	990.99	1,072.59
Market price per share	160.00	357.00	400.00	425.00	450.00	450.00	950.00	950.00	2,199.00	2,488.00	2,200.00
Return on equity	12.17	8.63	10.58	7.75	9.54	15.71	15.18	12.48	11.44	10.14	11.396
Price earning ratio	4.65	13.86	11.56	16.16	11.86	6.34	12.41	14.23	20.69	24.76	18.00

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

INVESTOR INFORMATION

1. Stock Exchange Listing

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

2. Ordinary Shareholders

2.1 Distribution of stated capital

As At 31st March		2014			2013		
		No. of Shareholders	Total Holdings	Percentage %	No. of Shareholders	Total Holdings	Percentage %
From	To						
1	1,000	414	35,473	3.70	394	36,172	3.77
1,001	5,000	10	17,170	1.79	15	25,277	2.63
5,001	10,000	2	16,416	1.71	1	7,610	0.79
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
		436	959,800	100.00	420	959,800	100.00

2.2 Classification of Shareholders

	2014			2013		
	No. of Shareholders	Total Holdings	Percentage %	No. of Shareholders	Total Holdings	Percentage %
Directors	4	176,895	18.43	3	41,835	4.36
Institutional investors	9	866	0.09	9	730	0.08
Employees	14	495	0.05	16	300	0.03
Others	409	781,544	81.43	392	916,935	95.53
	436	959,800	100.00	420	959,800	100.00

2.3 Twenty Largest Shareholders of the Company

Shareholder's name	No. of Shares	%	No. of Shares	%
1. Seylan Bank PLC / Senthilverl T.	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. Thirugnnsambandar Senthilverl	8,806	0.92%	3,196	0.33%
12. Woodward H.W.M. & Woodward E.E.M.	7,610	0.79%	7,610	0.79%
13. Ranadeera S	2,720	0.28%	2,720	0.28%
14. De Silva M. P.	2,500	0.26%	2,500	0.26%
15. Victor R.E.C.	2,247	0.23%	2,247	0.23%
16. Somaratne G.	2,240	0.23%	2,240	0.23%
17. Jayantha D.	1,700	0.18%	1,700	0.18%
18. Wijayawardana C.J.	1,529	0.16%	-	0.00%
19. Surasena Abeysekara	1,400	0.15%	1,400	0.15%
20. D.A. Jayasingha	1,360	0.14%	1,360	0.14%



INVESTOR INFORMATION (CONTD.)

FOR THE YEAR ENDED 31 MARCH	2014	2013
3. Details of Share Transactions During the Year		
No. of transactions	66	55
No. of shares traded	5,633	1,070
Value of transactions (Rs.)	11,959,668	2,384,205
4. The Transacted Value of an Ordinary Share		
	Rs.	Rs.
Highest Price	2,500.00	2,695.00
Lowest Price	1,879.00	2,050.00
Last Traded Price	2,200.00	2,488.00
5. Dividend		
Interim paid on 22 nd May 2014 (Rs.)	28,794,000	19,196,000
Final	33,593,000	23,995,000
	<u>62,387,000</u>	<u>43,191,000</u>
6. Earnings		
Earning per share (Rs.)	122.23	100.47
Price earning ratio	18.00	24.76
7. Dividend per Share (Rs.)	65.00	45.00
8. Dividend Cover (times)	1.88	2.23
9. Dividend Yield (%)	3.61	1.81
AS AT 31 MARCH		
<hr/>		
10. Public holding		
No. of shares	419,256	136,328
Percentage	43.68% *	14.20%
11. Net Asset Per Share (Rs.)	1,072.59	990.99
12. Current Asset Ratio	2.89:1	3.2 :1
13. Quick Asset Ratio	2.27:1	2.6:1
14. Debt to Equity Ratio (%)	-	-
15. Equity to Total Asset Ratio (%)	76.27	77.92

* According to the revised definition of public holding.





FORM OF PROXY

I/We:
of.....

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

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

..... (holder of National Identity Card No.)
of..... as my/our Proxy to attend and vote at the Annual General Meeting of the Company to be held at the registered office of the Company at No. 11, C.A.Harischandra Mawatha, Matara on 20th September 2014 at 11.00 a.m. and at any adjournment thereof.

- | | For | Against |
|--|--------------------------|--------------------------|
| 1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare a final dividend of LKR 35/- per share as recommended by the Directors | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect as a Director, Mr. S.A.S. Jayasundara as a Director, who retires in terms of Article 98 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-appoint as a Director, Mr. T.K. Bandaranayake in terms of Section 210 of the Companies Act no. 7 of 2007. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-appoint as a Director, Mrs. R.K. Samarasinghe in terms of Section 210 of the Companies Act No. 7 of 2007. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To re-appoint as a Director, Mr. M.A. Bastiansz in terms of Section 210 of the Companies Act No. 7 of 2007. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To re-appoint M/s KPMG, Chartered Accountants, as the Auditors of The Company and authorise the Directors to fix their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To approve the donations and contributions made by the Directors during the year under review, and to authorise the Directors to determine contributions to charities for the ensuing year. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this day of2014

.....

Signature/s

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



INSTRUCTIONS AS TO COMPLETION

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

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 operations of the Company began with 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 registered as a public Company on the 14th of December 1959.

The Company became the first to allocate shares to its employees.
In the year 1959 forty percent of the Company shares were allocated to employees.
In 1983 the Company was listed on the Sri Lanka Stock Exchange.

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

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

Tel. 041-2224703-8

Fax 041-2222003

E-mail info@harischandramills.com

Web www.harischandramills.com

