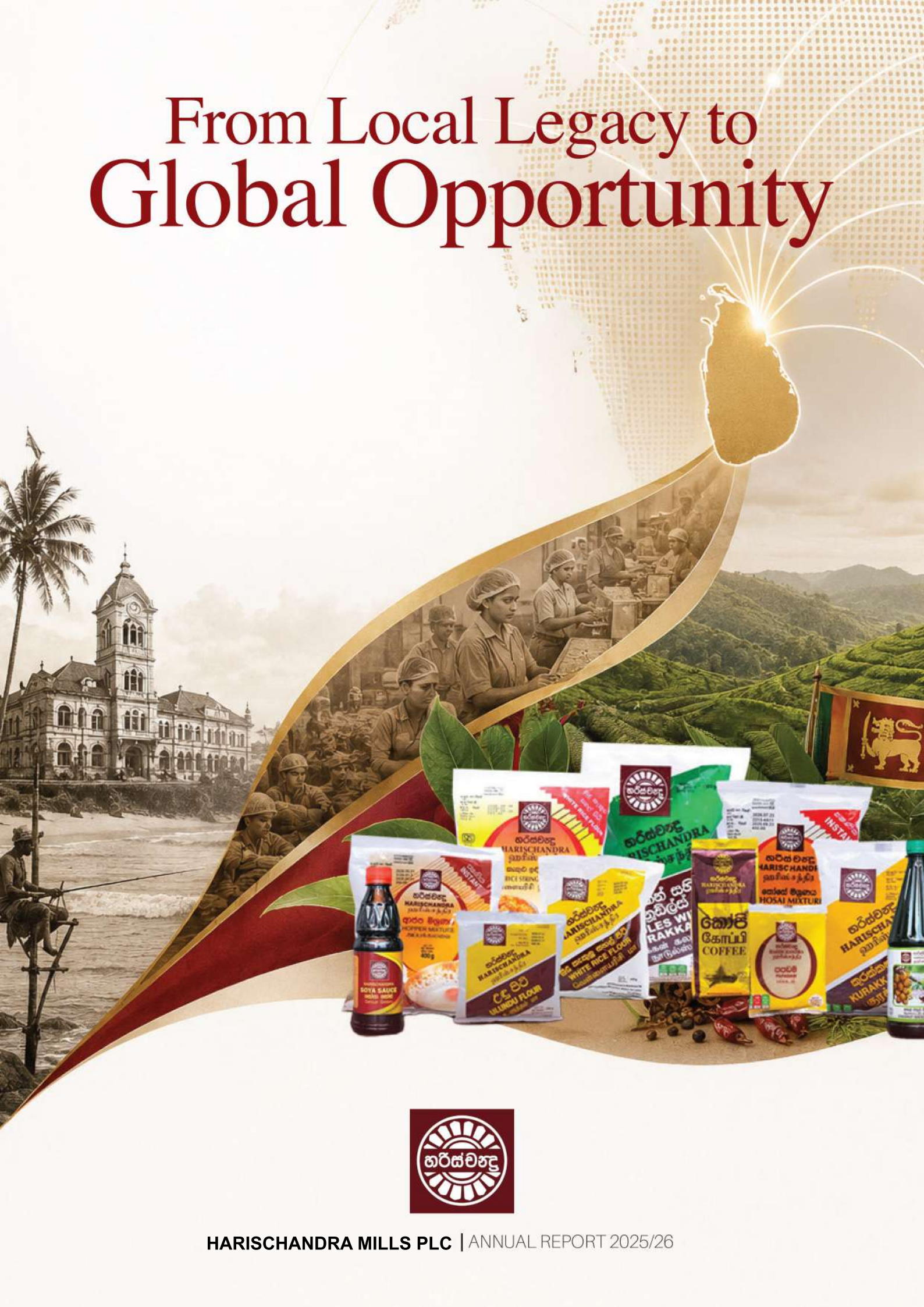


From Local Legacy to Global Opportunity



From Local Legacy to Global Opportunity.

For generations, Harischandra has been a proud expression of Sri Lankan heritage, earning the trust of households through quality, authenticity and tradition. What began as a local enterprise has grown into a brand that carries the flavours, craftsmanship and spirit of Sri Lanka to consumers across the world.

Today, our story extends beyond the markets we serve. It is a story of progress rooted in tradition, where a legacy built over generations continues to open doors to new possibilities. Guided by the values that have shaped us for more than a century, we continue to evolve, innovate and expand our reach, bringing Sri Lankan excellence to an increasingly global audience.

As we strengthen our capabilities and respond to changing consumer preferences, we are creating opportunities that reach far beyond our business. Through exports, employment and manufacturing excellence, we contribute to the nation's economic progress while showcasing the potential of Sri Lankan enterprise on the world stage.

From Local Legacy to Global Opportunity is more than a theme. It is the story of a Sri Lankan brand that continues to turn heritage into momentum, tradition into opportunity, and local pride into global presence. Every product carries the legacy of where we come from. Every new market shapes the future of where we are going.



Our Vision

To enhance our heritage
brand status and
serve the nation.

Our Mission

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

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 74th annual general meeting (“AGM”) of Harischandra Mills PLC (the “Company”) will be held on **Wednesday, 23rd September 2026 at 10.00 a.m. by audio-visual means**, for the following purposes:

1. To receive and consider the annual report of the board of directors (the “Board”) of the Company together with the financial statements of the Company for the year ended 31st March 2026 and the auditors’ report thereon.
2. To approve the final dividend of Sri Lanka Rupees Seventy Three (LKR 73.00) per share for the financial year ended 31st March 2026 as declared by the Board of the Company.
3. To re-appoint Messrs. KPMG, Chartered Accountants, as the auditors of the Company until the next annual general meeting of the Company and to authorize the Board of the Company to determine their remuneration.
4. To approve the donations and contributions made by the Company during the financial year ended 31st March 2026, and to authorize the Company to determine contributions to charities for the ensuing year, in terms of Companies (Donations) Act No.26 of 1951.

By order of the Board of the Company,

CORPORATE SERVICES (PRIVATE) LIMITED

Company Secretary and the Registrars

HARISCHANDRA MILLS PLC

74th
Annual General Meeting

Notes:

1. *The shareholders will be able to join the AGM through audio or audio and visual means via the Zoom application or any other designated online application. In order for us to forward the access information necessary for participation at the AGM, which shall include the meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your e-mail address and contact telephone number to the registered address of the Company at No.11, C.A. Harischandra Mawatha, Matara or forwarded via e-mail to corporateservices@corporateservices.lk not less than forty eight (48) hours before the time appointed for the holding of the AGM, so that the login information could be forwarded to the e-mail addresses so provided.*
2. *Any shareholder entitled to attend and vote at AGM is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. The form of proxy should be duly completed as per instructions given therein and send via registered post to No.11, C.A. Harischandra Mawatha, Matara or forwarded via e-mail to corporateservices@corporateservices.lk not less than forty eight (48) hours before the time appointed.*
3. *The Annual Report of the Company including the audited financial statements for the year ended 31st March 2026 is available on the Colombo Stock Exchange website <https://www.cse.lk>. If you wish to have a printed copy of the Annual Report, please forward the duly completed ‘Request Form’ to the office of the Secretaries. A printed copy of the Annual Report will be forwarded within eight (08) market days from the date of receiving the Request Form.*
4. *The following documents can be downloaded via the official website of the Colombo Stock Exchange <https://www.cse.lk>.*
 - a. *Annual Report of the Company*
 - b. *This Notice of Meeting*
 - c. *Form of Proxy*
 - d. *Registration Form for the AGM*
 - e. *Request Form for the printed copy of the Annual Report*
5. *For any queries, please contact Mr. C.T. Gajanayake on 041-2224702 or ctgajanayake@harischandramills.com.*

CORPORATE INFORMATION

Legal Form	Board of Directors
A public Company with limited liability incorporated in Sri Lanka, whose shares are listed in the Colombo Stock Exchange.	Mr. Bandaranayake T.K. (Chairman)
Company Registration Number	Mr. Samarasinghe S.N. (Managing Director)
PQ. 225	Mr. Wickremasinghe L.L.S
Date of Incorporation	Mr. Jayasundara S. A S.
9 th January, 1953	Mr. Mudalige D.T.S.H (Appointed w.e.f 12.05.2026)
Registered Office	Mr. De Silva P.A (Appointed w.e.f 12.05.2026)
No. 11, C.A. Harischandra Mawatha, Matara.	Mr. Sebastian S.L. (Appointed w.e.f 12.05.2026)
Secretaries	Dr. Narangoda K.S (Appointed w.e.f 12.05.2026)
Corporate Services (Private) Limited, 216, De Saram Place, Colombo 10.	Mrs. Samarasinghe R.K (Resigned w.e.f 11.05.2026)
Auditors	Mrs. Kobbekaduwa R. (Resigned w.e.f 12.05.2026)
KPMG	Mr. Sudath Kumar G.K (Resigned w.e.f 12.05.2026)
Chartered Accountants	Mrs. De Silva M.P. (Resigned w.e.f 12.05.2026)
32A, Sir Mohamed Macan Marker Mawatha, Colombo 3.	Mr. De Silva G.S.V. (Resigned w.e.f 31.07.2026)
Internal Auditors	Executive Management
Ernst & Young, Chartered Accountants	Gajanayake C.T. (Chief Financial Officer)
201, De Saram Place, Colombo 10.	Gamini Lokuralage D.S. (Commercial Manager)
Legal Advisors	Kodithuwakku A.P.R. (Human Resources Manager)
FJ & G De Saram	Sanjeewa H.M.R.S. (Finance Manager)
Attorneys - at - Law	Botheju G.G.C. (Sales Manager)
216, De Saram Place, Colombo 10.	Ranasinghe N.P. (Production Engineer)
Bankers	Jayawardane N. (Quality Assurance Manager)
Sampath Bank PLC	Samarawickrama R.G.P.P (Management Accountant)
Commercial Bank of Ceylon PLC	
Hatton National Bank PLC	
NDB Bank PLC	
DFCC Bank PLC	
Nations Trust Bank PLC	
Subsidiary Company	
Harischandra Mills (Distributors) Limited incorporated in Sri Lanka.	

CHAIRMAN'S REVIEW

It is with much pleasure that I present to you the Chairman's Review for the financial year ended 31 March 2026, a year in which Harischandra Mills PLC achieved one of its best performances in recent memory. Against a backdrop of continuing macroeconomic complexity, our Company recorded a revenue of Rs. 6.73 billion, surpassing both our budgeted target and the prior year's achievement, resulting in a Net Profit After Tax of Rs. 295 million, reflecting a growth of 16.6% year-on-year.

This outcome is a testament to the enduring strength of our brands, the operational discipline of our management team and our committed work force, and the loyalty of the millions of consumers who have continued to place their trust in Harischandra products throughout the years.

The Macroeconomic Backdrop

Sri Lanka's economy continued its recovery trajectory during 2025/26. The country sustained GDP growth momentum following the modest 5% real growth recorded in the prior year, with gradual improvements in external sector stability, foreign exchange reserve accumulation, and debt restructuring progress supporting a more predictable operating environment. However, the benefits of macroeconomic stabilisation have not yet fully permeated the consumer economy. Food price inflation while moderating at the headline level, remains a living reality for most households, and input cost pressures, particularly in commodity raw materials, persisted throughout the year.

The relaxation of vehicle import restrictions, which had been in place during the foreign exchange crisis, was a notable policy development with direct relevance to our operations. After years of operating an ageing distribution and transport fleet, we were finally able to undertake the comprehensive modernisation that our business demanded.

Financial Highlights

Revenue grew by 6.5% year-on-year to Rs. 6.73 billion, exceeding the prior year revenue of Rs6.32 billion. The Food segment, was the principal driver of this growth, with 7.1% increase from prior year. The Fuel and Soap segments also contributed positively, growing 3.6% and 6.6% respectively.

Net Profit Before Tax of Rs. 412 million represented growth of 17.5% from prior year. Underlying profitability came under pressure from raw material cost escalation, particularly in soap inputs. Our gross profit margin compressed from 19.7% to 18.6%, a trend the Board is monitoring closely and considering proactive pricing and procurement responses in the year ahead.

Corporate Governance and the Board

The Board remains committed to the highest standards of corporate governance as befitting a publicly listed company. I am grateful to my fellow Directors for their counsel, diligence, and commitment throughout what has been an operationally demanding year. The Board's Audit and Risk Management, Remuneration, Nomination and Governance, and Related Party Transactions Review Committees continued to fulfil their respective mandates with rigour and independence.

Our People and Our Communities

The dedication of the staff of Harischandra Mills is the true foundation of everything we achieve. This year, as in prior years, we invested meaningfully in employee welfare, health, and professional development. On behalf of the entire Board, I extend my sincere appreciation to every member of our team.

Harischandra Mills' commitment to its communities continues to run deep. In FY 2025/26, we extended our Corporate Social Responsibility activities across the Matara district and beyond, with particular focus on healthcare infrastructure, educational support, and community development. These efforts are not peripheral to our business, they are an expression of the values that the late Mr. C.A. Harischandra instilled in this institution over eight decades ago.

Subsequent Event: Change in Controlling Interest

Shareholders are aware that, subsequent to the close of this financial year, control of Harischandra Mills PLC passed to Ambeon Essentials (Private) Limited, a wholly owned subsidiary of Ambeon Capital PLC, when a group of long-standing shareholders who are close family members of the Founder, the Late Mr. C A Harischandra, and who held shares in the Company for decades, had agreed to sell the entirety of their shareholdings representing 51.11% of the share capital to Ambeon Essentials (Private) Limited,

CHAIRMAN'S REVIEW

a transaction which materialized on 12th May 2026, thus conveying the controlling interest of our company to the said new shareholder.

Consequent upon the transfer of controlling interest as described above, two Executive Directors and two Non-Executive Independent Directors resigned from the Board and the casual vacancies arising therefrom were filled by four nominees of Ambeon Essentials (Private) Limited.

I wish to place on record, on behalf of the outgoing Board as a whole, our profound gratitude to the generations of employees, management and shareholders who have built this institution since 1953 to become what it is today. It has been my privilege to have served as a Director since 2009 and as Chairman since October 2022, a period within which the company has recorded a significant growth. As the Chairman of the company, I am extremely grateful to my fellow Directors of the Board, both Executive and Non-Executive including specially the Managing Director, who served in the past years and throughout the financial year covered by this Annual Report, for their support and guidance with their vast experience and knowledge. I am confident that the values of quality, integrity, and community support that have defined Harischandra Mills throughout its history will endure under its new stewardship.

Looking Ahead

The year ahead presents both opportunity and challenge. On the opportunity side, our enhanced production capacity along with the newly modernized fleet provide a stronger operational foundation than we have had in years. Consumer demand for trusted, quality food brands remains resilient, and our product portfolio anchored in the heritage and authenticity of the Harischandra name is well positioned to benefit from continued market recovery..

We move into FY 2026/27 with confidence in our strategy, pride in our heritage, and unwavering commitment to the shareholders, customers, employees, and communities we serve.

Sgd.

T.K. Bandaranayake

Chairman

28 August 2026

MANAGING DIRECTOR'S REPORT

It is my privilege to present the Managing Director's Report for the financial year ended 31 March 2026.

The year under review was one of meaningful progress for Harischandra Mills PLC. We strengthened our financial performance, enhanced our operational capabilities, and made strategic investments that will support the Company's long-term growth. At the same time, we faced several industry-specific challenges that tested our resilience. I believe it is equally important to acknowledge these challenges openly, as transparency and accountability are fundamental to maintaining the trust of our shareholders and all other stakeholders.

Performance Overview

Harischandra Mills delivered revenue of Rs. 6.73 billion for the year, representing growth of 6.5% over the previous financial year. Gross profit increased to Rs. 1.25 billion, while Profit Before Tax reached Rs. 412 million, an improvement of 17.5% compared with the previous year. These results reflect the dedication of our employees, the loyalty of our customers, and our continued focus on operational excellence.

Our Food segment, which contributed 73% of total Group revenue, once again recorded strong growth. Revenue increased by Rs. 325 million, representing a 7.1% improvement over the previous year, while operating profit grew by 22.1%. The continued strength of this segment demonstrates the enduring confidence consumers place in the Harischandra brand and our commitment to maintaining the highest quality standards.

The Soap segment recorded revenue growth of Rs. 47 million, an increase of 6.6%, mainly driven by pricing adjustments introduced to mitigate rising input costs. However, profitability declined significantly as increases in the prices of key raw materials outpaced our ability to recover costs. While lower-cost alternatives exist, we remain committed to sourcing high-quality ingredients to preserve the product standards our consumers have trusted for generations.

The Fuel & Lubricants segment achieved revenue growth of 3.6%. However, operating profit declined by 52% following the downward revision of dealer margins by the Ceylon Petroleum Corporation. As retail fuel margins are regulated, the Company has limited flexibility to adjust selling prices. We continue to monitor developments in this sector while focusing on improving operational efficiency wherever possible.

Corporate Social Responsibility and Sustainability

At Harischandra Mills, our responsibility extends beyond business performance. We have always believed that long-term success is closely linked to the wellbeing of the communities we serve.

During the year, we continued our corporate social responsibility initiatives with a particular focus on healthcare, education, and community development. Our contributions included support for healthcare infrastructure within the Matara District and educational assistance for students in communities surrounding our operations.

We also made significant progress in strengthening our sustainability framework. The Company has commenced preparations for the adoption of SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures), well ahead of the mandatory implementation timeline. This work includes strengthening governance structures, improving sustainability risk management, and enhancing data collection processes. These initiatives reflect our commitment to operating responsibly while providing transparent and meaningful sustainability disclosures to our stakeholders.

The principles of social responsibility have guided Harischandra since its inception more than eight decades ago, and they remain firmly embedded in our culture today. We continue to believe that business success and community development are complementary objectives that create lasting value for everyone.

Subsequent Event: Transition in Ownership and Leadership

Subsequent to the financial year-end, as disclosed in the Chairman's Report, a significant milestone took place in the Company's journey. On 12 May 2026, Ambeon Essentials (Pvt) Ltd, a wholly owned subsidiary of Ambeon Capital PLC, acquired a 51.11% controlling interest in Harischandra Mills PLC.

MANAGING DIRECTOR'S REPORT

To our employees, suppliers, customers, and business partners, this transition represents continuity rather than disruption. While the Company's ownership has changed, our brands, manufacturing standards, and day-to-day operations remain unchanged. The values that have shaped Harischandra for more than eighty years quality, integrity, and commitment to our consumers continue to guide everything we do.

Outlook

Looking ahead, we are optimistic about the opportunities before us. The investments made during the year to strengthen our manufacturing facilities and expand our distribution capabilities have positioned the Company to operate more efficiently while improving both production capacity and product quality. These enhancements will enable us to respond more effectively to growing consumer demand and support our long-term growth ambitions.

As we enter the new financial year, our focus remains clear: to strengthen our market position, continue investing in operational excellence, and create sustainable value for all stakeholders. Above all, we remain committed to delivering the promise that has earned the confidence of generations of consumers. Harischandra will continue to stand for the quality, authenticity, and trust that have defined our name for more than eight decades.

Finally, I would like to express my sincere appreciation to our employees for their dedication, to our customers for their continued loyalty, to our suppliers and business partners for their support, and to our shareholders for the confidence they place in the Company. Together, we look forward to building on this strong foundation and writing the next chapter of Harischandra Mills' proud history.

Sgd.
S.N. Samarasinghe
Managing Director
28 August 2026

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Outlook

Growth and national output

The Sri Lankan economy sustained its recovery through the 2025/26 financial year, building on the momentum established in 2024. Real GDP grew by 5.0% in calendar year 2025, marking a second consecutive year of robust expansion following the 5.0% growth recorded in 2024. Growth was broad-based across the year, with quarterly expansion of 4.7% in the first quarter of 2025, 4.9% in the second and a strong 5.4% in the third, before moderating to 4.8% in the final quarter as Cyclone Ditwah disrupted economic activity towards the close of the calendar year. All three major economic activities expanded during 2025, with Industry growing by 7.8%, Services by 3.3% and Agriculture by 1.4%, the latter improving on its 2024 performance despite the cyclone-related setback. Industry activities, particularly manufacturing, construction and mining, together with financial and insurance services, were the principal drivers of growth. Encouragingly, the momentum carried into the final quarter of the financial year, with real GDP expanding by 5.1% in the first quarter of calendar 2026, underpinned by post-cyclone reconstruction activity and continued strength in construction and financial services.

Nominal GDP rose to Rs. 32,751 billion (USD 108.8 billion) in 2025, lifting GDP per capita to USD 5,003, above the USD 5,000 threshold for the first time in the country's history and a milestone that underscores the strengthening of Sri Lanka's macroeconomic fundamentals since the 2022 crisis.

Inflation and monetary conditions

Inflation followed a markedly different path in 2025/26 compared with the deflationary conditions of the prior financial year. Having recorded headline deflation as deep as -4.2% year-on-year in February 2025, the Colombo Consumer Price Index (CCPI, 2021=100) remained in negative territory through the early months of the financial year before turning positive in August 2025, bringing an eleven-month deflationary episode to an end. By December 2025, CCPI-based headline inflation had risen to 2.1%, notwithstanding a substantial month-on-month price increase in December attributable to Cyclone Ditwah-related supply disruptions. Inflation remained low and well contained through the closing months of the financial year, registering 2.3% in January 2026, 1.6% in February and 2.2% in March 2026, still well below the Central Bank's medium-term target of 5%. This extended period of low inflation preserved household purchasing power for much of the financial year, even as the Central Bank signaled that inflation was expected to converge towards its target sooner than previously anticipated, reflecting emerging upside pressures from global energy markets linked to the escalation of the conflict in the Middle East towards the end of the financial year.

On the monetary policy front, the Central Bank of Sri Lanka maintained an accommodative stance throughout the financial year. Having commenced the year with the Overnight Policy Rate (OPR), the sole policy rate under the single policy rate mechanism introduced in November 2024, at 8.00%, the Monetary Policy Board reduced the OPR by 25 basis points to 7.75% in May 2025 and held it at that level for the remainder of the financial year, including at its final in-year review in March 2026. This supported a robust expansion in credit to the private sector, which grew by approximately 25% year-on-year by end-2025, and provided a conducive low-interest-rate environment for businesses to invest and manage working capital. Financial sector indicators improved in tandem, with banks and non-bank financial institutions recording stronger profitability, improved asset quality, and capital and liquidity buffers comfortably above regulatory minimums.

External sector and fiscal developments

Sri Lanka's external sector remained resilient throughout the financial year, with the current account recording a surplus for a third consecutive year, supported by historically high workers' remittances, strong tourism earnings and improved services exports, despite a widening trade deficit driven in part by the liberalization of motor vehicle imports. Gross Official Reserves strengthened to USD 7.3 billion by end-February 2026, aided by continued Central Bank purchases of foreign exchange in the domestic market and inflows from multilateral institutions, even as the country met its highest post-crisis external debt service obligations. The Sri Lankan rupee, having appreciated by 10.7% against the US dollar in 2024, recorded a modest depreciation of 5.6% during 2025 under the flexible exchange rate regime, moving from Rs. 292.58 to Rs. 309.99 per US dollar over the calendar year, reflecting import-related demand amid the notable rise in vehicle imports. The currency remained relatively stable in early 2026, before depreciation pressures re-emerged towards the final weeks of the financial year as the escalation of the Middle East conflict drove up global energy prices and triggered similar pressure across regional peer currencies. Fiscal

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

performance remained a positive feature of the year, with the primary balance recording a surplus for a third consecutive year, reflecting continued revenue-based fiscal consolidation under the ongoing IMF-supported reform program.

Twin shocks: Cyclone Ditwah and the Middle East conflict

The financial year was, however, punctuated by two significant shocks. Cyclone Ditwah, which made landfall in late November 2025, caused severe and widespread damage across all 25 districts of the country, with a death toll exceeding 600 and close to two million people, roughly a tenth of the population, affected by flooding, landslides and infrastructure damage. The World Bank's rapid post-disaster assessment estimated direct physical damage at approximately USD 4.1 billion, equivalent to around 4% of GDP, making Ditwah one of the costliest natural disasters in Sri Lanka's history. The cyclone disrupted agricultural output, supply chains and consumer demand in its immediate aftermath, and prompted a substantial policy response, including a nationwide state of emergency, supplementary budgetary allocations of Rs. 500 billion approved by Parliament for relief and reconstruction, and emergency external financing led by a USD 206 million IMF Rapid Financing Instrument.

Separately, the escalation of the conflict in the Middle East from early 2026 emerged as the dominant external risk to the outlook, given Sri Lanka's complete reliance on imported crude oil. This translated into a sharp rise in global energy prices, upward adjustments to domestic fuel and electricity tariffs, and renewed depreciation pressure on the rupee towards the close of the financial year, developments that the authorities have addressed through fuel demand-management measures, tariff revisions and import restrictions in the months following the financial year-end.

Operational and Financial Review

Performance overview

Against this backdrop of a broadly improving, though not uneventful, macroeconomic environment, Harischandra Mills PLC delivered a strong financial performance in FY 2025/26. Group revenue grew by 6.5% to Rs. 6,731.1 million, up from Rs. 6,321.7 million in FY 2024/25, reflecting a firmer recovery in demand as consumer sentiment improved alongside the more benign inflation environment that prevailed for the greater part of the year. Group profit before tax increased by a stronger 17.6% to Rs. 411.7 million (FY 2024/25: Rs. 350.2 million), while profit for the year attributable to the Group rose by 16.7% to Rs. 295.3 million (FY 2024/25: Rs. 253.1 million), lifting earnings per share to Rs. 153.82 from Rs. 131.83 in the prior year.

Rs. Million	2025/26	2024/25	Change
Revenue	6,731.1	6,321.7	+6.5%
Gross profit	1,252.0	1,245.9	+0.5%
Operating profit	375.0	317.4	+18.1%
Profit before tax	411.7	350.2	+17.6%
Profit attributable to the Group	295.3	253.1	+16.7%
Earnings per share (Rs.)	153.82	131.83	+16.7%
Total assets	3,180.5	2,760.2	+15.2%
Total equity	1,959.9	1,828.3	+7.2%
Net cash from operating activities	83.0	417.2	-80.1%

Segment performance

Food Sector. The Food Sector remained a key contributor to Group revenue growth, supported by improving consumer sentiment through the low-inflation period and continued investment in product affordability and distribution reach. The segment also bore the brunt of Cyclone Ditwah-related disruption to agricultural raw material supply towards the end of the calendar year, which the Group mitigated through a deliberate build-up of buffer stocks and supplier diversification.

Fuel and Lubricant Segment. The segment traded in a markedly different pricing environment to FY 2024/25, when falling domestic fuel prices had compressed margins. The subsequent upward revision of domestic energy prices, in response to the global oil price surge linked to the Middle East conflict, supported segment margins on existing volumes even as it contributed to the Group-wide increase in cost of sales.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Soap Segment. The Soap Segment continued to face elevated input costs and competitive intensity. The relative currency stability that prevailed for most of the year provided some relief on imported raw material costs, before renewed rupee depreciation pressure re-emerged towards the financial year-end.

Financial position

The Group's statement of financial position expanded materially during the year, with total assets increasing by 15.2% to Rs. 3,180.5 million (FY 2024/25: Rs. 2,760.2 million). This growth was driven in part by a 25.9% increase in property, plant and equipment to Rs. 1,127.4 million, reflecting continued capital investment in production capacity and efficiency, and by a 37.0% increase in inventories to Rs. 650.7 million, consistent with the Company's deliberate build-up of buffer stocks to safeguard supply chain continuity in the face of cyclone-related disruption and rising input costs. Trade and other receivables grew by 17.5% to Rs. 726.9 million, broadly in line with revenue growth. Total equity attributable to owners of the Company increased by 7.2% to Rs. 1,959.9 million, while total liabilities rose by a faster 30.9% to Rs. 1,220.6 million, lifting the Group's gearing (total liabilities to equity) from approximately 0.51 times to 0.62 times. Return on average equity strengthened to approximately 15.6% for the year, reflecting the improvement in underlying profitability.

Cash flow and liquidity

Cash flow generation softened during the year despite the improvement in reported profitability. Net cash generated from operating activities fell by 80.1% to Rs. 83.0 million (FY 2024/25: Rs. 417.2 million), as the working capital investment in inventories and receivables noted above absorbed a significant portion of operating cash inflows, only partially offset by a corresponding increase in trade and other payables. The Group also stepped-up capital expenditure sharply, with cash used for the acquisition of property, plant and equipment and intangible assets rising to Rs. 336.6 million from Rs. 112.6 million in the prior year, reflecting continued investment in operational resilience and capacity. Combined with dividend payments of Rs. 152.9 million, these outflows were funded through existing cash balances and increased short-term borrowing, with the bank overdraft balance rising to Rs. 262.9 million from Rs. 96.1 million, moving the Group into a net overdraft position of Rs. 244.4 million at year-end compared with a net cash position of Rs. 35.2 million a year earlier. The Board will continue to monitor working capital and liquidity closely as the Group balances continued investment with prudent balance sheet management, particularly in a rising interest rate environment following the financial year-end.

Manufactured Capital

Our manufactured capital comprises the physical assets that enable the efficient production and distribution of our products, including buildings, plant and machinery, furniture and fittings, motor vehicles, and warehouse facilities. These assets form the foundation of our manufacturing operations and play a vital role in maintaining product quality, operational reliability, and production efficiency.

The Company is committed to maintaining and continually improving its manufactured capital through regular maintenance, timely upgrades, and strategic investments, ensuring that our facilities continue to support safe, efficient, and high-quality manufacturing processes.

Our manufacturing facilities in Matara and Udukawa, along with our stores in Kaduwela and distribution center at Borella, provide the operational capacity required to meet customer demand while supporting the Company's long-term growth and operational excellence.

The following key assets support our operations:

Item	Net Carrying Value 2026	Net Carrying Value 2025	Change
Buildings	192,518,075	189,313,892	1.7%
Plant & Machinery	175,107,373	181,412,564	-3.5%
Furniture, Fittings, & Equipment	120,705,005	92,368,467	30.7%
Motor Vehicle	283,041,248	68,039,818	316.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Human Capital

Employee Welfare

At the heart of our continued success lies a committed and skilled workforce, which we consider our most valuable asset. Guided by the principle that investing in people is investing in the future, we continue to build a resilient, skilled, and supported workforce throughout the year. In an evolving socio-economic landscape, we remain committed to nurturing a workplace culture rooted in safety, inclusivity, and wellbeing, enabling employees to develop personally and professionally.

Our commitment to employee welfare remained a key focus throughout the year. We have continued to provide essential welfare benefits including medical reimbursements, insurance coverage, meals, transport facilities, and funeral assistance.

Support was also extended to employees and their families through sponsorships for higher education, provision of school materials and footwear for children, scholarships, and access to welfare commodities.

Employee Welfare Initiatives

- Medical Reimbursements
- Funeral Grants
- 25 - year Service Appreciation
- Sponsorship for Employees' Higher Studies
- School Materials for Employees' Children
- Higher Education Scholarships for Employees' Children
- Welfare Commodities
- Training & Development Programs

Training and Development

The Company continued to invest in strengthening employee knowledge, technical competencies, and professional development through a range of structured training and awareness programmes conducted throughout the year.

Training initiatives focused on quality management, occupational health and safety, environmental management, and emergency preparedness. Key programmes included Integrated Management System (IMS) training, ISO 14001:2015 Environmental Management System awareness, firefighting and fire drill exercises, first aid training, Eco Label certification awareness, and medical health programmes. Employees also participated in external and internal audit activities associated with the Company's Integrated Management System, strengthening compliance with recognised management system standards.

In addition to technical training, programmes on employee motivation, personal grooming, and service appreciation were conducted to support personal development, employee engagement, and a positive workplace culture.



Employee Recognition and Awards

Recognising dedication and long-standing service remains an important aspect of our people strategy. During the year, employees who completed 25 years of continuous service were honoured in recognition of their loyalty and valuable contribution to the Company. Each recipient received commemorative gifts and cash vouchers as a token of appreciation, reinforcing a culture that values commitment and service excellence.

Employee Engagement Activities

The Company continued to foster a positive and inclusive workplace culture through initiatives that strengthen employee relationships and organisational values. During the year, the Company's annual employee trip was successfully reinstated after being suspended during the COVID-19 pandemic, providing employees with an opportunity to reconnect, strengthen teamwork, and enhance workplace camaraderie.

The annual almsgiving ceremony, held each November in remembrance of our founders, Mr. and Mrs. Harischandra, together with past employees and members of the Harischandra family, also continued as an important tradition. The event provides an opportunity for employees to come together in reflection, honour the Company's heritage, and reinforce the values that continue to guide the organisation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Social and Relationship Capital

We believe that social and relationship capital is at the heart of who we are and plays a key role in our long-term success. We remain committed to building trusted partnerships that create shared value, strengthen our reputation as a responsible business, and support sustainable growth across our value chain. Over the year, we have continued to strengthen these relationships through several focused initiatives.

Membership in Industry Associations

- Chamber of Commerce, Matara
- Trade Association, Matara
- Cosmetic Manufacturers Association of Sri Lanka
- Sri Lanka Food Processors Association

We continued to strengthen our relationships with both local and international suppliers, working collaboratively to maintain a reliable supply of high-quality raw materials while supporting supply chain resilience and long-term business continuity. These partnerships also contribute to the livelihoods of local suppliers and farming communities.

The Company remained actively engaged with chambers of commerce and industry associations, enabling us to stay informed of emerging industry trends, regulatory developments, and evolving best practices.

Our extensive distribution network continued to provide broad market access through supermarkets, distributors, retailers, and our own Harischandra outlets, serving customers across Sri Lanka and international markets. This diversified distribution network enables the Company to effectively meet changing consumer demand while strengthening brand presence and customer accessibility.

The Company also continued to enhance stakeholder engagement through its digital platforms, maintaining an active presence across social media channels to communicate with customers, gather feedback, promote products, and strengthen consumer trust through timely and transparent engagement.



Our Corporate Social Responsibility (CSR) initiatives were focused primarily on health and education-related projects, along with welfare support for our employees and surrounding communities. These efforts reflect our ongoing commitment to improving the lives of those connected to our business. As a company deeply rooted in its community, we aim to make a lasting and positive impact on the lives of those we serve. By supporting local initiatives, promoting responsible business practices, and staying connected to the community, we continue to strengthen the trust placed in us, and contribute to broader sustainable development goals.

Corporate Social Responsibility (CSR)

At Harischandra Mills PLC, our commitment to Corporate Social Responsibility (CSR) is centred on creating lasting value for the communities in which we operate. Guided by our vision of contributing to sustainable development, our CSR initiatives are designed to address key community needs while supporting the achievement of the national Community Development Goals (CDGs). During the 2025/26 financial year, the Company continued to implement initiatives focused primarily on Education and Health, recognising their vital role in strengthening community well-being and long-term socio-economic development. This section highlights the Company's key CSR initiatives undertaken during the reporting period and their contribution towards building healthier, more resilient, and empowered communities.

OUR IMPACT: CONTRIBUTION TOWARDS PEOPLE, PLANET, PROFIT...



MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Restoring Smiles: Educational Relief for Cyclone-Affected Children in Badulla District

When Cyclonic Storm Ditwah struck Sri Lanka in November 2025, Badulla was among the hardest-hit districts, with severe flooding and landslides damaging hundreds of schools and households, leaving thousands of children without access to education.

In response, Harischandra Mills PLC participated in a disaster relief donation drive jointly organized by the Harischandra Green Circle and the Harischandra Welfare Association in January 2026, extending educational and welfare support to students of three rural schools in affected areas of Badulla district; B/Viharagoda Vidyalaya, B/Panwewa Viduhala and B/Dimbulana Viduhala.

The donation encompassed classroom infrastructure upgrades, health and safety provisions, individual stationery packs for each student and tokens of appreciation for the teaching staff. Through this initiative, Harischandra Mills PLC reaffirmed its commitment to ensuring that every child, regardless of the hardships their community has faced, is given a fair chance to learn and grow.



Supporting Those Who Tell Our Stories: Flood Relief for Journalist Communities Affected by Cyclone Ditwah

In December 2025, Harischandra Mills PLC supported the Matara District Journalists' Association (Journalists In Matara)'s relief initiative aimed at assisting journalist families whose lives were severely disrupted by Cyclone Ditwah. While the cyclone's widespread destruction drew significant public attention, the plight of journalists who lost their belongings, equipment and in many cases their homes while continuing to serve the public interest remained a quieter but equally pressing concern.

The company contributed in-kind supplies towards 20 flood relief packs designated for affected journalist families in the Puttalam District, each comprising essential cleaning materials, medicine and food provisions. This contribution reflects the Company's commitment to extending support beyond its immediate communities during times of national adversity.



Investing in Science: Full Laboratory Renovation at Lenama Kanishta Vidyalaya, Matara

In October 2025, Harischandra Mills PLC completed the full renovation of the science laboratory at Lenama Kanishta Vidyalaya, a school in the Akuressa Educational Zone, Matara District. The project, undertaken to address the longstanding absence of a properly equipped laboratory facility for Grade 6 to 11 students, involved the complete demolition of the existing structure and the fabrication and assembly of an entirely new unit.

The renovated laboratory now provides students with the infrastructure necessary to engage in the practical science education that is integral to their academic development. Through this initiative, Harischandra Mills PLC has made a lasting contribution to the quality of education available to students of a rural government school in the Southern Province.



Bringing Joy to Learning: Renovation of the Children's Park at Matara Model Primary School

Harischandra Mills PLC undertook the renovation of the children's park at Matara Model Primary School, Matara, which had deteriorated considerably over the years and was no longer in a condition suitable for the safe use of its young students. The project involved ground preparation, renovation or replacement of play equipment, and the repainting and general beautification of the facility. The renovated park now provides the students of Matara Model Primary School with a recreational space that is safe, functional and conducive to the physical activity and social interaction that are an important part of a child's school experience.

Through this initiative, Harischandra Mills PLC demonstrated its commitment to the overall wellbeing of the communities it serves, extending its support beyond academic needs to the broader environment in which children learn and grow.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Caring for our Elders: Special Elders' Day Program, Matara

Harischandra Mills PLC organized an Elders' Day program for the senior citizens of the surrounding community at the Medical Health Office, Matara, in October 2025. The program featured a health awareness session conducted by the area's Public Health Inspector, covering key aspects of senior health including preventive care and general wellbeing. Beyond the awareness session, the program provided the elders with a platform to present cultural performances of their own, bringing warmth, laughter and a sense of celebration to the occasion. The event concluded with the distribution of gift packs to all participants as a gesture of appreciation. For many of the participants, the event was as much about joy and togetherness as it was about health, and the Company takes pride in having created a space where the senior members of its community felt valued, entertained and cared for.

SDG



Bridging the Educational Gap: School Supplies Drive

At the commencement of the 2025 school year, Harischandra Mills PLC distributed school stationery and supplies to children of low-income families residing in the neighborhoods surrounding its Matara and Udukawa factory premises.

The initiative ensured that school-going children of all ages from these families were equipped with the essentials they needed to begin the academic year without the added burden of financial strain on their households. Through this annual commitment, the Company seeks to play a quiet but consistent role in supporting the educational continuity of the children closest to its operations.

SDG



MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Intellectual Capital

Our commitment to intellectual capital is deeply ingrained in the unique corporate culture that the Harischandra brand has cultivated over the past 82 years. Built on the visionary concepts of our founder, Mr. C.A. Harischandra, our intellectual capital represents the collective knowledge, expertise, and innovation of our workforce. We prioritize effective management of our intellectual capital as it enables us to compete in the market and ensures customer confidence in the quality of our products.

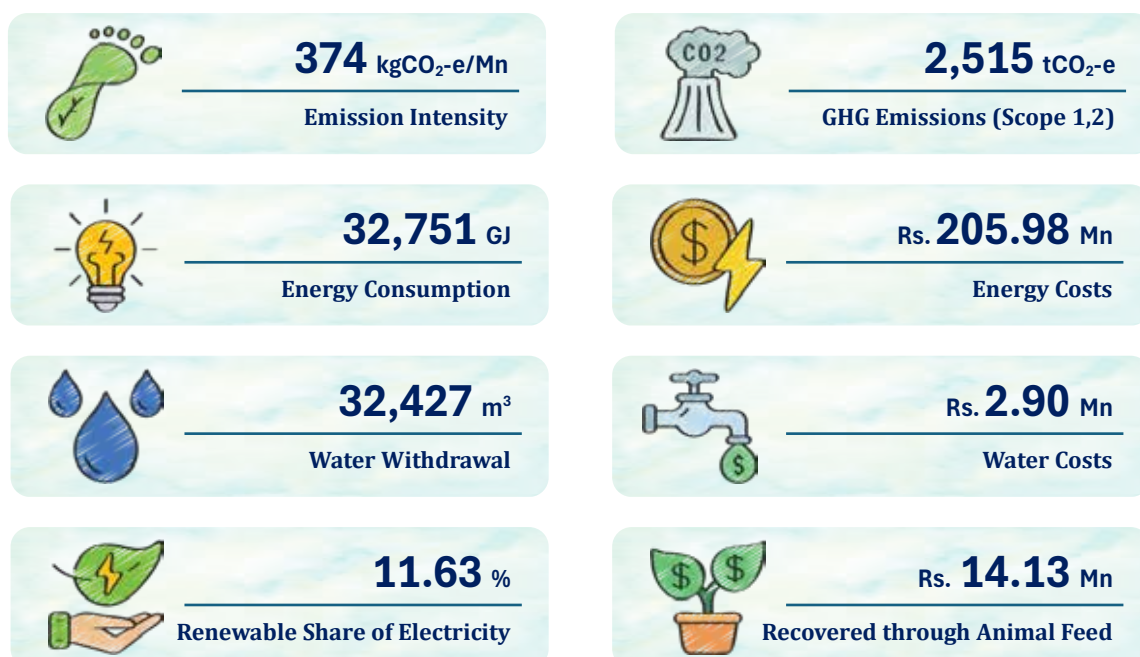
Our Key Certifications:

- ISO 22000:2018 Food Safety Management System
- ISO 14001 Environmental Management System Certification
- “Eco-Label Sri Lanka” Certification
- HACCP- Hazard Analysis Critical Point System (SLS 1266:2011)
- ISO 9001:2015 Quality Management System
- Good Manufacturing Practices System (SLS 143: 2022)
- NMRA Certificate for Toilet Soap
- Permit for use SLS certification mark
 - Ground Coffee (SLS 258)
 - Kurakkan Flour (SLS 928)
 - Rice Flour (SLS 913)
 - String Hopper Flour (SLS 913)
 - Instant Thosai Mixture (SLS 1629)
 - Instant Hopper Mixture (SLS 1631)
 - Noodles (SLS 420)
 - Rice Noodles (SLS 858)
 - Toilet Soap (SLS 34)
 - Laundry Soap (SLS 554)

On Track for Certification:

- ISO 50001 Energy Management Systems

Natural Capital



MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

At Harischandra Mills PLC, we are committed to reducing our ecological footprint while safeguarding the long-term resilience of our operations. Our approach centers on responsible stewardship of the resources we depend on; energy, water, materials and the ecosystems surrounding our facilities, ensuring that sustainable growth and environmental accountability advance together.

Our operations are inherently dependent on natural capital - the agricultural inputs we process, the water and energy consumed during manufacturing, and the surrounding air, land and ecosystems.

Our environmental management activities during the year centered on four areas: energy and GHG emissions management, water stewardship, waste reduction and circularity, and environmental governance and compliance.

Governance: The Harischandra Green Circle

A significant organizational development this year was the restructuring of the company's former dengue prevention committee into the Harischandra Green Circle, a dedicated sustainability steering committee. This cross-functional body draws representatives from across all sections of the company, ensuring environmental considerations are embedded directly into operational decision-making rather than managed in isolation.

The Green Circle's mandate spans environmental services, energy management, water conservation, waste reduction, and CSR initiatives aligned with the UN Sustainable Development Goals.

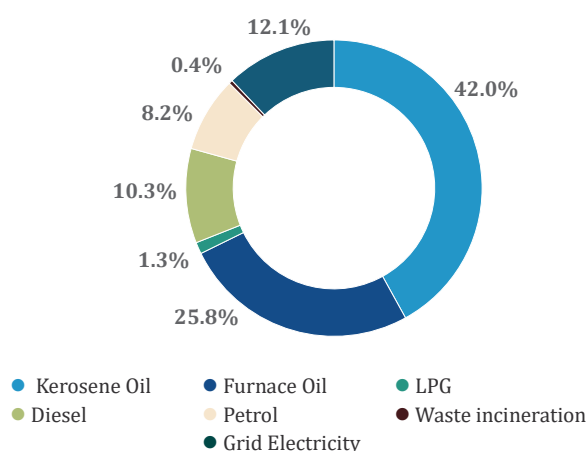


Energy Consumption and Emissions

Our energy mix continues to rely predominantly on conventional fuels; kerosene oil, furnace oil, diesel, petrol, and LPG, which together support production, on-site operations and logistics. Grid electricity and solar power make up the balance.

Energy Source	2025/26 (GJ)	% of Total
Kerosene Oil	14,634	45%
Furnace Oil	8,343	25%
Diesel	3,448	11%
Petrol	2,860	9%
LPG	503	2%
Grid Electricity	2,618	8%
Solar Power	344	1%
Total Consumption	32,751	100%

We have categorized our greenhouse gas emissions in accordance with the GHG Protocol:



Emissions	tCO ₂ -e
Scope 1: Direct emissions from on-site fuel combustion, mobile combustion and waste incineration	2,211.76
Scope 2: Purchased grid electricity	303.52
Total Emissions	2,515.28
Emission Intensity per revenue (tCO ₂ -e/Rs. Mn)	0.37

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Steps Towards a Greener Tomorrow: Rooftop Solar PV Systems

In 2024, the company successfully installed two rooftop solar photovoltaic (PV) systems across two facilities: a 100kWp system at the Coffee Processing and Production facility in Udukawa, and a 10kWp system at the Retail Outlet and Office in Borella.

Since July 2024, these installations have enabled us to partially meet our electricity requirements through renewable energy. Operating under a net-metering arrangement, a portion of the generated solar energy is utilized on-site, while any surplus is exported to the national grid.

In 2025/26, this generated nearly 12% of the total electrical energy demand of the company. The initiative not only reduces our reliance on fossil fuels but also reflects our ongoing commitment to renewable energy integration and sustainable operations.



521,583 MJ

**Renewable Energy
Generation**

Wet Scrubbing: Emission Control at Coffee Production Facility

Air quality management at our Coffee Processing and Production facility in Udukawa is supported by a wet scrubber system, installed specifically to address dust and particulate emissions generated during the coffee roasting process. The system draws process air through a liquid medium, trapping airborne particles before exhaust gases are released, which keeps our emissions within national regulatory thresholds.

Beyond compliance, this investment reflects a broader principle guiding our operations: that manufacturing efficiency and community wellbeing in the areas surrounding our facilities are not competing priorities but linked outcomes.

Water Management

Water use is managed according to purpose and source. Tap water supply primarily supports production in the gingly, soap and noodle sections, while most grain cleaning operations use dry methods to minimize water demand. Groundwater, drawn from four wells, supports vehicle washing, boiler operations, soap production and sanitation. Total water withdrawal from both sources in 2025/26 was 32,427 m³.

Conservation initiatives progressed during the year include:

- A water-saving trial, placing 1-litre bottles inside flush commode cisterns to reduce water use per flush
- Flow meters installed on groundwater wells, with sub-metering introduced at selected production units for more granular monitoring
- A treated wastewater transfer line to the main factory area, successfully installed, with flow meter installation under discussion to accurately measure reused volume.

Wastewater Treatment

To ensure the safe and responsible disposal of industrial wastewater, the company operates a dedicated wastewater treatment plant, designed to treat wastewater generated from both production processes and dining areas; ensuring compliance with environmental regulations and significantly reducing the risk of water pollution.

The treatment process combines a chemical treatment stage with anaerobic and aerobic biological treatment stages to achieve high-quality effluent, with daily checklists maintained to monitor the system's operational efficiency. In line with our sustainability commitments, we continue to explore reuse options for treated water, with initial steps taken to utilize it for landscape irrigation within factory premises.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Waste Management and Circularity

Harischandra Mills PLC continued to operate a structured Reduce–Reuse–Recycle framework across all sites, converting the majority of production by-products into productive secondary uses rather than disposal.



Animal feed production remained our largest single recovery pathway, converting bran, husks, broken grains and market returns into a revenue-generating output: **337.58 tonnes** of animal feed sold, generating **Rs. 14.12 Mn** in income during the year.

Key Reduction Measures

- Quality control during raw material procurement to minimize wastage.
- Efficient material handling by employees to reduce production losses.
- Regular machinery maintenance to maintain efficiency and minimize energy wastage.
- Minimal packaging to reduce polythene use.
- Encourage employees to use reusable lunch boxes to reduce daily food and packaging waste.
- Employ dry cleaning methods with no or minimal chemical / water use in the dry production line
- Cloth bags introduced company wide as an alternative to polythene bags.

Reuse Initiatives

- Reuse of bulk polypropylene sacks for internal transfer of materials.
- Market returns and by products (bran, husks, broken grains) processed into animal feed.
- Coffee chaff sold to employees as natural fertilizer.
- Promote the extended use of office furniture and stationery items.

Recycling and Responsible Disposal

- On-site advanced wastewater treatment plant.
- Waste segregation strengthened through colour-coded bins and employee awareness posters at key locations.
- Polythene waste incinerated under controlled conditions or sent to INSEE Ecocycle Lanka.
- Recyclable materials such as metal scraps, containers, batteries, etc. are sold for reuse.

Environmental Compliance

In 2025/26, we continued to operate in line with key environmental requirements applicable to our operations, reflecting our commitment to responsible and sustainable practices.



Environmental Authority (CEA). Regular inspections, monitoring, and reporting are carried out in accordance with the license conditions to ensure compliance with permissible limits on emissions, effluents, waste discharge, and noise levels.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)



The Company is certified to **ISO 14001:2015 – Environmental Management System**, demonstrating a structured and internationally recognized approach to identifying, managing, and continually improving its environmental performance across operations.



Our product range is certified under the **Eco Label – Sri Lanka** program, awarded by the National Cleaner Production Centre (NCPC) Sri Lanka through its Type I ecolabelling scheme. This certification recognizes products that satisfy established environmental, health, and social sustainability criteria through independent third-party assessment.

The Company is currently working towards ISO 50001 – Energy Management System certification to further strengthen its systematic approach to improving energy performance, enhancing energy efficiency, and reducing energy-related environmental impacts.

Monitoring and Internal Oversight

To move from ad-hoc tracking towards systematic oversight, the Green Circle introduced a **sustainability performance checklist**, used for weekly walkthrough assessments across facilities. The checklist covers water and drainage, electricity and lighting, air conditioning and ventilation, gas and compressed air usage, waste and material handling, general housekeeping, and safety; surfacing minor operational inefficiencies for corrective action on an ongoing basis. Green landscaping initiatives also commenced under professional consultancy guidance during the year.



AWARDS AND RECOGNITION

CNCI Achiever Awards for Industrial Excellence - 2025

Harischandra Mills PLC won a silver award and a bronze award at the CNCI Achiever Awards for Industrial Excellence - 2025, organized by the Ceylon National Chamber of Industries (CNCI)



Bronze Award (National Level) in the Manufacturing Sector - Extra Large Category



Silver Award (Provincial Level) in the Manufacturing Sector - Extra Large Category

CORPORATE GOVERNANCE

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

Board of Directors and its Role

The Board of Directors as of 31 March 2026 has nine members; four executive and five 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 the Company's activities and give direction for long-term strategy, seeking and contributing views and opinions on strategic options proposed by the senior management of the Company. The directors also ensure that the Company is compliant with the provisions of the Companies Act No. 07 of 2007 and other statutory and regulatory requirements including the Listing Rules and circulars of the Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka.

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

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

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

The details of attendance of board meetings are as follows.

Director	Attendance of Board Meetings						
	23.05.2025	25.07.2025	07.08.2025	24.10.2025	07.11.2025	30.01.2026	06.02.2026
Mr. T.K. Bandaranayake	✓	✓	✓	✓	✓	✓	✓
Mr. S. N. Samarasinghe	✓	✓	✓	✓	✓	✓	✓
Mr. G.S.V. De Silva (resigned w.e.f. 31.07.2026)	✓	✓	-	✓	✓	✓	✓
Ms. M.P. De Silva (resigned w.e.f. 12.05.2026)	✓	✓	-	✓	✓	✓	✓
Ms. R.K. Samarasinghe (resigned w.e.f. 11.05.2026)	-	-	✓	-	-	-	-
Mr. S.A.A. Jayasundara	✓	✓	✓	✓	✓	✓	✓
Ms. R. Kobbekaduwa (resigned w.e.f. 12.05.2026)	✓	✓	-	✓	✓	✓	-
Mr. G.K.S. Kumar (resigned w.e.f. 12.05.2026)	✓	✓	-	✓	✓	✓	✓
Mr. L.L.S. Wickremasinghe	✓	✓	✓	✓	✓	✓	✓

CORPORATE GOVERNANCE (CONTD.)

All the directors have the necessary skills and experience to direct and lead the Company. As at the reporting date, the Board comprised nine directors. Subsequent to the financial year end, five directors resigned from the board, while four new directors were appointed. Profile of the directors are set out on page 48 to 50.

Composition of the Board:

Non Executive, Independent Directors

- Mr. L.L.S. Wickremasinghe
- Mr. D.T.S.H. Mudalige (Appointed w.e.f 12.05.2026)
- Mr. S.L. Sebastian (Appointed w.e.f 12.05.2026)
- Mr. P.A. De Silva (Appointed w.e.f 12.05.2026)
- Mrs. R. Kobbekaduwa (Resigned w.e.f 12.05.2026)
- Mr. G.K. Sudath Kumar (Resigned w.e.f 12.05.2026)

Non Executive, Non -Independent Directors

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

Executive Directors

- Mr. S.N. Samarasinghe (Managing Director /CEO)
- Dr. K.S. Narangoda (Appointed w.e.f 12.05.2026)
- Mrs. R.K. Samarasinghe (Resigned w.e.f 11.05.2026)
- Mrs. M.P. De Silva (Resigned w.e.f 12.05.2026)
- Mr. G.S.V. De Silva (Resigned w.e.f 31.07.2026)

Independence and Managing Conflicts of Interests

The independence of all Non-Executive Independent Directors was reviewed and no Non-Executive Independent Director has a conflict of interest as at 31st March 2026.

The Board confirms that no Director, nor any of their close family members, has any material business relationship with any other Director of the Company. This declaration supports the Board's commitment to maintaining high standards of independence, integrity, and effective governance in accordance with corporate governance best practices.

CORPORATE GOVERNANCE (CONTD.)

Details in Respect of Directors

Name of Director	No. of Board Seats Held in Other Listed Sri Lankan Companies		No. of Board Seats Held in Other Unlisted Sri Lankan Companies
	Executive Capacity	Non-Executive Capacity	Key Management Personnel
Mr. T.K. Bandaranayake		Nawaloka Hospitals PLC	
Mr. L.L.S.Wickremasinghe		Commercial Credit & Finance PLC Colombo Fort Investments PLC Maskeliya Plantations PLC	
Mr. S.A.S. Jayasundara		Bipmuth Finance PLC Bogawanthalawa Tea Estates PLC	Shraddha Media Network (Pvt) Ltd Lakviru Radio (Pvt) Ltd Metropolitan Resource Holdings (Pvt) Ltd Sithara Ltd Telshan Networks (Pvt) Ltd
Mr. S.N. Samarasinghe		-	Harischandra Mills (Distributors) Ltd
Mr. D.T.S.H. Mudalige (Appointed w.e.f.12.05.2026)		Ambeon Capital PLC Ambeon Holdings PLC	Millennium I.T.E.S.P.(Pvt) Limited Sherwood Capital (Pvt) Ltd
Dr. K.S.Narangoda (Appointed w.e.f.12.05.2026)	Ambeon Capital PLC Ambeon Holdings PLC	Colombo City Holdings PLC Myland Developments PLC	Eon Tec (Pvt) Ltd Millennium I.T.E.S.P.(Pvt) Limited Taprobane Capital Plus (Pvt) Limited Lexinton Resorts (Pvt) Ltd Ambeon Essentials (Pvt) Ltd Sherwood Technologies (Pvt) Ltd Sherwood Capital (Pvt) Ltd
Mr. P.A. De Silva (Appointed w.e.f.12.05.2026)		-	Arcasia Holdings
Mr. S.L. Sebastian (Appointed w.e.f.12.05.2026)		Ambeon Capital PLC Ambeon Holdings PLC Colombo City Holdings PLC Myland Developments PLC Capital Metals PLC	Millennium I.T.E.S.P.(Pvt) Limited ICON Engineering Enterprises (Pvt) Ltd Good Earth Fertilizers (Pvt) Ltd
Mrs. R. Kobbekaduwa (Resigned w.e.f.12.05.2026)		-	
Mrs. M.P. De Silva (Resigned w.e.f.12.05.2026)		-	Harischandra Mills (Distributors) Ltd
Mr. G.K. Sudath Kumar (Resigned w.e.f.12.05.2026)		-	
Mrs. R.K. Samarasinghe (Resigned w.e.f.11.05.2026)		-	
Mr. G.S.V. De Silva (Resigned w.e.f.31.07.2026)		-	Harischandra Mills (Distributors) Ltd

CORPORATE GOVERNANCE (CONTD.)

Board Committee

Audit & Risk Management Committee

The Board formally established the Audit & Risk Management Committee, appointing Mr. L.L.S. Wickremasinghe as Chairman, along with Mr. T.K. Bandaranayake, Mr. G.K. Sudath Kumar and Mrs. R. Kobbekaduwa as members. The Committee is tasked with overseeing the Company's financial reporting processes and internal control systems. It is also responsible for ensuring compliance with all statutory and regulatory requirements in the preparation of the Financial Statements, to ensure they present a true and fair view of the Company's financial position.

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

Director	Attendance of Audit & Risk Management Committee Meetings						
	23.05.2025	06.06.2025	25.07.2025	07.08.2025	07.11.2025	27.11.2025	06.02.2026
Mr. L.L.S. Wickremasinghe	✓	✓	✓	✓	✓	✓	✓
Mr. G.K.S. Kumar (resigned w.e.f. 12.05.2026)	✓	✓	✓	✓	✓	✓	✓
Ms. R. Kobbekaduwa (resigned w.e.f. 12.05.2026)	✓	✓	✓	-	✓	✓	✓
Mr. T. K. Bandaranayake	✓	✓	✓	✓	✓	✓	✓

Subsequent to the financial year end the composition of the Audit and risk management committee was revised.

The detailed Audit & Risk Management Committee's report including areas reviewed during the financial year 2025/2026 is given on Page 43 and 44 of the Annual Report.

Remuneration Committee

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

- | | |
|--|---|
| - Mr. T.K. Bandaranayake | - Non Executive, Non Independent Director |
| - Mr. G.K. Sudath Kumar (resigned w.e.f. 12.05.2026) | - Non Executive, Independent Director |
| - Mrs. R. Kobbekaduwa (resigned w.e.f. 12.05.2026) | - Non Executive, Independent Director |

Director	Attendance of the Director	
	23.03.2026	
Mr. G.K.S. Kumar (resigned w.e.f. 12.05.2026)	✓	
Mr. T.K. Bandaranayake	✓	
Ms. R. Kobbekaduwa (resigned w.e.f. 12.05.2026)	✓	

Subsequent to the financial year end the composition of the Remuneration Committee was revised.

The detailed Remuneration Committee Report is given on page 41 and 42.

CORPORATE GOVERNANCE (CONTD.)

Related Party Transactions Review Committee

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

- Mr. L.L.S. Wickremasinghe (Chairman of the committee)	- Non Executive, Independent Director
- Mr. S.N. Samarasinghe	- Executive, Non Independent Director
- Mr. T.K. Bandaranayake	- Non Executive, Non Independent Director
- Mr.G.K. Sudath Kumar (resigned w.e.f. 12.05.2026)	- Non Executive, Independent Director
- Mrs. R.Kobbekaduwa (resigned w.e.f. 12.05.2026)	- Non Executive, Independent Director

During the Financial year 2025 / 2026, the Committee held four meetings.

Director	Attendance of Related Party Transactions Review Committee			
	23.05.2025	25.07.2025	07.08.2025	07.11.2025
Mr. L.L.S. Wickremasinghe	✓	✓	✓	✓
Mr. G.K.S. Kumar (resigned w.e.f. 2026.05.12)	✓	✓	✓	✓
Ms. R. Kobbekaduwa (resigned w.e.f. 2026.05.12)	✓	✓	-	✓
Mr. T. K. Bandaranayake	✓	✓	✓	✓
Mr. S.N. Samarasinghe	✓	✓	✓	✓

During the year, in terms of section 9.14.8 of the listing rules of the Colombo Stock Exchange, the Board of Directors declares that no material related party transactions occurred, based on the reports presented by the Related Party Transactions Review Committee.

Subsequent to the financial year end the composition of the Related Party Transactions Review Committee was revised.

The detailed Related Party Transactions Review Committee Report is given on page 46 and 47.

Nomination and Governance Committee.

Nomination and Governance committee comprised following non executive directors.

- Mr. T.K. Bandaranayake	- Non Executive, Non Independent Director
- Mr. G.K. Sudath Kumar (resigned w.e.f. 12.05.2026)	- Non Executive, Independent Director
- Mrs. R.Kobbekaduwa (resigned w.e.f. 12.05.2026)	- Non Executive, Independent Director

The Nomination and Governance Committee is responsible for evaluating the skills and expertise required on the Board based on the Company's evolving business needs. It regularly reviews whether these competencies are adequately represented and prepares clear role descriptions for new appointments. The Committee identifies and recommends suitable candidates for Board positions.

Subsequent to the financial year end the composition of the Nomination and Governance Committee was revised.

The detailed Nomination and Governance Committee Report is given on page 45.

Director	Attendance of the Director
	23.03.2026
Mr.G.K.S. Kumar (resigned w.e.f. 12.05.2026)	✓
Mr. T.K. Bandaranayake	✓
Ms. R. Kobbekaduwa (resigned w.e.f. 12.05.2026)	✓

CORPORATE GOVERNANCE (CONTD.)

Sustainability Governance

The Company has commenced its alignment with the sustainability disclosure requirements of SLFRS S1 and S2. As part of this process, the Company has implemented the governance-related criteria under SLFRS S1 and initiated the establishment of processes to support ongoing sustainability-related disclosures.

The Company has also commenced the computation of its greenhouse gas (GHG) emissions as a basis for developing its emissions inventory. In addition, risk assessments have been initiated in line with the climate-related requirements of SLFRS S2 to identify and evaluate relevant climate-related risks and their potential impacts on the Company.

The Company will continue to strengthen its sustainability reporting processes and progressively enhance its disclosures in accordance with the applicable requirements of SLFRS S1 and S2.

Directors' Interest and Responsibilities

The directors of the Company have made the general disclosures provided for in Section 19 2(2) of the Companies Act No.07 of 2007 and have been duly entered in the interest register of the Company.

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

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

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

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

Fitness of Directors

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

Policies

The Company has the following policies in place, in compliance with Rule 9.2.1 of the Listing Rules of the Colombo Stock Exchange. The policies have been uploaded to the company's website of www.harischandramills.com

- (a) Policy on the matters relating to the Board of Directors
- (b) Policy on Board Committees
- (c) Policy on Corporate Governance, Nominations and Re-election
- (d) Policy on Remuneration
- (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities
- (f) Policy on Risk management and Internal controls
- (g) Policy on Relations with Shareholders and Investors
- (h) Policy on Environmental, Social and Governance Sustainability
- (i) Policy on Control and Management of Company Assets and Shareholder Investments
- (j) Policy on Corporate Disclosures
- (k) Policy on Whistleblowing
- (l) Policy on Anti-Bribery and Corruption

CORPORATE GOVERNANCE (CONTD.)

Compliance with Legal Requirements

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

The Board further confirms that during the reporting period, there were no instances of material non-compliance with any laws or regulations in any jurisdiction where the Company operates. Additionally, no material fines or penalties were imposed on the Company by any governmental or regulatory authority. The Company remains committed to upholding the highest standards of legal and regulatory compliance across all its operations.

Relationship and Communication with Shareholders

Harischandra Mills PLC aims to ensure that shareholders have access to relevant, up-to-date and consistent financial and non-financial information pertaining to the Company. The Annual Report and quarterly Financial Statements provide the shareholders as well as prospective investors with the required information to assess the Company's past performance and analyze its future prospects. Additionally, important matters are communicated to relevant stakeholders through AGMs, EGMs, announcements to the CSE, press releases, and the corporate website.

The Board provides oversight of shareholder communications, ensuring that investor relations practices are consistent with established corporate governance standards. The Investor Relations team is responsible for managing day-to-day engagement with shareholders and investors, delivering accurate and timely information, and fostering a transparent and trustworthy relationship with the investment community.

Corporate Governance Requirements under the Listing Rules of Colombo Stock Exchange

Section 7 and 9 of the Listing Rules of the Colombo Stock Exchange requires all Listed Companies to include in their Annual Reports an affirmative statement relating to compliance with the Corporate Governance Rules specified in that section. The table in page 31 to 36 contains the required affirmative statement in that regard.

Company Secretary

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

Internal and External Auditors

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

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

At the 73rd Annual General Meeting of Harischandra Mills PLC held on 09th September 2025, the shareholders reappointed the Auditors M/s. KPMG and authorized the directors to fix their remuneration. The independent auditors conduct the annual audit in order to provide an external and objective assurance on the way in which the Financial Statements have been prepared and presented.

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

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

CORPORATE GOVERNANCE (CONTD.)

MANDATORY PROVISIONS - FULLY COMPLIANT

Company Act Section	Companies Act Requirement	Compliance Status
168.(1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Yes Page 51
168.(1) (b)	Signed Financial Statements of the Company for the accounting period completed - section 151	Yes Page 62
168.(1) (c)	Auditors' Report on Financial Statements of the Company	Yes Page 58
168.(1) (d)	Accounting policies and any changes therein	Yes Page 68
168.(1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Yes Page 55
168.(1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Yes Page 55
168.(1) (g)	Corporate donations made by the Company during the accounting period	Yes Page 52
168.(1) (h)	Information on the Directorate of the Company at the end of the accounting period	Yes Page 25
168.(1) (I)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Yes Page 56
168.(1) (j)	Auditors' relationship or any interest with the Company	Yes Page 56
168.(1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes Page 64
CSE Rule Reference	Corporate Governance Principles	Compliance Status
9.1	Applicability of Corporate Governance Rules;	
9.1.1	(a) All Entities which have listed its shares on the Main Market Segment of the Exchange; and/or Debt Securities on the Exchange shall comply with the requirements set out in Rules 9.2 to 9.16 on a continuous basis.	Yes Page 24
9.1.2	All Entities which have listed its shares on the Empower Board of the Exchange shall comply with the requirements set out in Rule 9.18 on a continuous basis.	N/A
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules, in the Annual Report.	Yes Page 24
9.14	Rules shall be effective from 01st March 2025.	
9.2	Policies	
9.2.1	- List of Policies - Policy on the matters relating to the Board of Directors - Policy on Board Committees - Policy on Corporate Governance, Nominations and Re-election - Policy on Remuneration - Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities - Policy on Risk management and Internal controls - Policy on Relations with Shareholders and Investors - Policy on Environmental, Social and Governance Sustainability - Policy on Control and Management of Company Assets and Shareholder Investments - Policy on Corporate Disclosures - Policy on Whistleblowing - Policy on Anti-Bribery and Corruption	Yes Page 29

CORPORATE GOVERNANCE (CONTD.)

9.2.2	Any waivers from compliance with the Internal code of business conduct and ethics or exemptions granted	N/A
9.2.3	(i) List of Policies in place as per Rule 9.2.1 with reference to website (ii) Any changes to Policies adopted	Yes Page 29
9.3	Board Committees	
9.3.1 (a)	Nominations and Governance Committee	Yes Page 28
9.3.1 (b)	Remuneration Committee	Yes Page 27
9.3.1 (c)	Audit Committee	Yes Page 27
9.3.1 (d)	Related Party Transactions Review Committee.	Yes Page 28
9.3.2	Comply with the composition, responsibilities and disclosures required in respect of the above Board Committees.	Yes Pages 27-28
9.3.3	Chairperson of the Board of Directors shall not be the Chairperson of the Board Committees	Yes Pages 27-28
9.4	Adherence to principles of democracy in the Adoption of meeting procedures and the conduct of all General meetings with shareholders	
9.4.1	Maintain record of all resolutions and following information; (a) Number of shares in respect of which proxy appointments have been validly made (b) Number of votes in favor of the resolution (c) Number of votes against the resolution (d) Number of shares in respect of which the vote was directed to be abstained.	Yes
9.4.2	Communication and relations with shareholders and investors; (a) Policy on effective communication and disclosure of the existence of the same in the Annual Report and Company website (b) Disclosure of the contact person for such communication (c) Policy on relations with shareholders and investors shall include a process to make all directors aware of major issues and concerns of shareholders and disclosure of the existence of the same in the Annual Report and Company website (d) Conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issues by the Exchange.	Yes Page 30
9.5	Policy on matters relating to the Board of Directors	
9.5.1	(a) Representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer ("CEO"). (b) Where the role of Chairperson and CEO are combined; - Set out the rationale for combining such positions - Terms of reference ("TOR") including the reference, powers and functions of the Senior Independent Director (SID) - Measures implemented to safeguard the interests of SID. (c) Diversity of the Board composition (in terms of experience, skills, competencies, age, gender, industry requirements and objective selection) (d) Maximum number of Directors and rationale for the same (e) Frequency of Board meetings (f) Mechanisms to ensure Directors are kept abreast of the Listing Rules (g) Minimum number of meetings (h) Requirements relating to trading in securities (i) Maximum number of directorships in Listed Entities that may be held by Directors (j) Recognition of the right to participate in Board meetings and Board	Page 25
		N/A
		Page 24-30
9.5.2	Compliance of the requirements of the policies referred to in 9.5.1 and the same be published in the Annual Report with explanations and proposed	Yes Pages 24-30

CORPORATE GOVERNANCE (CONTD.)

9.6	Chairperson and CEO	
9.6.1	The Chairperson shall be a Non-Executive Director and the position of the Chairperson and CEO shall not be held by the same individual, unless a SID is appointed.	Yes
9.6.2	Where the Chairperson and CEO is the same, Market Announcement to be made within one month from the implementation of the Rule and the same to include rationale for the appointment an Executive Director as Chairperson and/ or combining the positions of the Chairperson and CEO.	N/A
9.6.3	(a) Appointment of an Independent Director as the SID in the following instances: - Positions of CEO and the Chairperson are held by the same person. - The Chairperson is an Executive Director. - The Chairperson and CEO are close family members or related parties. NOTE: Immediate disclosure of such appointment with reasons, by way of a Market Announcement. (b) Independent Directors shall meet once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors. (c) SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the performance of the Chairperson. (d) SID shall be entitled to cast a vote at meetings (e) SID shall submit a demonstration of the effectiveness of duties of the SID by way of an explanatory disclosure in the Annual Report.	N/A
9.7	Fitness of Directors and CEOs	
9.7.1	Ensure al the Directors and CEO are complied with the 'Fit and Proper Assessment Criteria'	Yes Pages 29
9.7.2	Ensure the persons recommended by the Nominations and Governance Committee ("NGC") as Directors are fit and proper in terms of the rules made before such nominations and appointments.	Yes Pages 28
9.7.3	Fit and Proper Assessment Criteria - Honesty, Integrity and Reputation - Competence and Capability - Financial Soundness	Yes Pages 29
9.7.4	Declarations from Directors and CEO on an annual basis confirming the compliance of 9.7.3	Yes Pages 29
9.8	Board Composition	
9.8.1	The Board of Directors shall, at a minimum, consist of 05 Directors. remedial actions for any non-compliances.	Yes Pages 25
9.8.2	Minimum number of Independent Directors: - At least two (2) Independent Directors or such number equivalent to one third of the total number of Directors - Any change to the ratio shall be rectified within 90 days from the date of change.	Yes Pages 25

CORPORATE GOVERNANCE (CONTD.)

9.8.3	Criteria for determining independence of a Director A director shall not be considered independent: i. Employed during the period of three (03) years immediately preceding appointment as Director ii. A material business relationship directly or indirectly during the period of three (03) years immediately preceding appointment as Director iii. A close family member who is a Director or CEO during the preceding financial year iv. A significant shareholding v. Aggregate period of 9 years on the Board from the date of the first appointment vi. Employed in another company or business vii. Director of another company viii. Material business relationship or significant shareholding in another company or business ix. Above the age of 70 years	Yes Pages 25
9.8.4	The Board of Directors shall require: (a) Each Independent Director to submit and dated declaration annually of his/her independence/ non-independence (b) Annual determination as to the independence/ non-independence of each Independent Director based on the Directors' declaration and publish the names of the Independent Directors in the Annual Report. (c) Immediate Market Announcement to be made if independence of an Independent Director has been impaired	Yes Pages 25
9.9	Alternate Directors	
	(a) Alternate Directors shall only be appointed in exceptional circumstances and for a maximum period of one (01) year from the date of appointment. (b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive to the Listed Entity. (c) If an Alternate Director is appointed by an Independent Director, the person must meet the independence criteria specified. The Nominations and Governance Committee shall review and determine the qualifications before the appointment. (d) Immediate Market Announcement regarding the appointment of Alternate Director: Details of the exceptional circumstances leading to appointment, capacity, time period and statement of review by NGC must be included. (e) Attendance of any Alternate Director at any meeting shall be counted for the	N/A
9.10	Disclosures relating to Directors	
9.10.1	• Disclosure of the policy on the maximum number of directorships permitted to hold in the manner specified in 9.5.1. • In the event such number is exceeded by Directors, explanation for such non-compliance in the manner specified in Rule 9.5.2.	Yes Pages 26 N/A
9.10.2	• Market Announcement of appointment of new Director to the Board along with a brief resume of such Director, capacity and statement of review by NGC.	Yes
9.10.3	• Immediate Market Announcement regarding changes to composition of the Board of Directors and Board Committees.	Yes
9.10.4	Disclosure of the following in relation to the Directors in the Annual Report: (a) Name, qualifications and brief profile (b) Nature of expertise in relevant functional areas (c) Director/ Close family members has any material business relationships with the Directors (d) Executive, Non-Executive, Independent (e) Total number and names of companies in Sri Lanka in which the Directors serve as a Key Management Personnel	Yes Pages 48-50

CORPORATE GOVERNANCE (CONTD.)

	(f) Number of Board meetings attended during the year (g) Names of Board Committees in which the Director serves as a Chairperson or member (h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nomination and Governance and Remuneration Committees (i) TOR and powers of the SID	Pages 24 Pages 24-28
9.10.5	Impose of administrative sanctions and/ or disciplinary actions, in the event the Listed Entity fails to immediately disclose any new appointments and changes to the composition of the Board and the Board Committees.	N/A
9.11	Nominations and Governance Committee ("NGC")	
9.11.1	NGC conforming to the requirements set out in 9.11	Yes Pages 45
9.11.2	Establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the NGC.	Yes Pages 45
9.11.3	NGC shall have a written TOR defining scope, authority, duties and matters pertaining to the quorum of meetings.	Yes Pages 45
9.11.4	Composition (a) Minimum of 03 Directors of the Listed Entity, out of which a minimum of 02 members shall be Independent Directors of the Listed Entity. Not comprise of Executive Directors of the Listed Entity. (b) An Independent Director shall be appointed as the Chairperson of NGC by the Board of Directors. (c) Chairperson and the members of NGC shall be identified in the Annual Report.	Yes Pages 45
9.11.5	Functions of the NGC	Yes Pages 45
9.11.6	Disclosures in Annual Report	Yes Pages 45
9.12	Remuneration Committee	
9.12.1	The term 'remuneration' shall make a reference to cash and all non-cash benefits received.	Yes
9.12.2	Remuneration Committee will be conforming to the requirements set out in 9.11	Yes
9.12.3	Establish and maintain a formal and transparent procedure for developing policy of Executive Directors' remuneration and fixing the remuneration packages	Yes
9.12.4	Remuneration for Non-Executive Directors should be based on a policy of the principle of non-discriminatory pay practices	Yes
9.12.5	Written TOR defining scope, authority, duties and matters pertaining to the quorum of meetings.	Yes
9.12.6	Composition - Minimum of 03 Directors of the Listed Entity, out of which a minimum of 02 members shall be Independent Directors of the Listed Entity. Not comprise of Executive Directors of the Listed Entity. - An Independent Director shall be appointed as the Chairperson of Remuneration Committee by the Board of Directors.	Yes
9.12.7	Functions of the Remuneration Committee	Yes Pages 41-42
9.12.8	Disclosures in Annual Report	Yes Pages 41-42
9.13	Audit Committee	
9.13.1	AC shall perform the Audit and Risk functions along with the risk functions set out in 9.13	Yes
9.13.2	Written TOR defining scope, authority and duties	

CORPORATE GOVERNANCE (CONTD.)

9.13.3	Composition - Minimum of 03 Directors of the Listed Entity, out of which a minimum of 02 members shall be Independent Directors of the Listed Entity. Not comprise of Executive Directors of the Listed Entity. - Quorum for a meeting shall require that the majority of those in attendance to be Independent Directors. - An Independent Director shall be appointed as the Chairperson of Remuneration Committee by the Board of Directors. The Chairperson shall be a member of a recognized professional accounting body.	Yes
9.13.4	Functions of the Audit Committee	Yes Pages 43-44
9.13.5	Disclosures in Annual Report	Yes Pages 43-44
9.14	Related Party Transactions Committee ("RPTC")	
9.14.1	RPTC conforming to the requirements set out in 9.14	Yes
9.14.2	Composition - Minimum of 03 Directors of the Listed Entity, out of which a minimum of 02 members shall be Independent Directors of the Listed Entity. Not comprise of Executive Directors of the Listed Entity. - An Independent Director shall be appointed as the Chairperson of Remuneration Committee by the Board of Directors.	Yes Page 46-47
9.14.3	Functions of RPTC	Yes Page 46-47
9.14.4	General requirements	Yes Page 46-47
9.14.5	Review of RPT by the RPTC	Yes Page 46-47
9.14.6	Shareholder approval	Yes Page 46-47
9.14.7	Immediate disclosures of non-recurrent related party transactions and the contents of the Market Announcement	Yes
9.14.8	Disclosures in Annual Report - Non-recurrent related party transactions which exceed 10% of the Equity or 5% of the Total Assets, whichever is lower, as per the latest audited financial statements (to be presented in the Annual Report using the tabular format) - Recurrent related party transactions which 10% of the gross revenue/ income as per the latest audited financial statements (to be presented in the Annual Report using the tabular format) - Report containing the names of the Directors, statement of review and its observations made by the Directors and policies and procedures adopted by the Committee for reviewing the related party transactions. - Affirmative declaration by the Board of Directors in the Annual Report confirming the conformity if the rules pertaining to the Committee.	Page 53 Page 46-47
9.14.9	Acquisition and disposal of assets from/ to Related Parties	N/A
9.14.10	Exempted Related party transactions	N/A

RISK MANAGEMENT

Operating in a dynamic and constantly evolving business environment requires a balanced interaction between internal and external factors to ensure sustained growth of the company. This dynamic environment presents both challenges and opportunities, emphasizing the need for proactive and strategic responses. While it is not possible to completely eliminate all risks, Harischandra Mills PLC recognizes the critical importance of effectively managing them while remaining vigilant to emerging opportunities.

Risk management is a comprehensive and integrated process aimed at identifying, assessing, and addressing potential threats to the company's objectives, assets and operations. At the same time, it supports the achievement of strategic goals and long-term sustainability.

By embedding risk management into our operational framework, we enable informed decision-making, safeguard our assets, and build resilience and agility in the face of uncertainty. This structured approach to risk not only enhances our ability to respond to disruptions but also strengthens the long-term viability and success of the organization.



Operational Risk

Operational risk refers to the potential losses arising from deficiencies or failures in internal processes, human factors, systems, or external disruptions. At Harischandra Mills PLC, managing operational risk is central to maintaining product quality, supply chain continuity, and efficiency across manufacturing and service functions.

Operational risks faced by the company include human errors, equipment failures, contamination of raw materials, production constraints, system malfunctions, and inefficiencies in workflow or outdated technology. The manufacturing operations depend heavily on the uninterrupted availability of agricultural raw materials, which increases sensitivity to both supply-side delays and quality-related issues. Additionally, the cost of raw materials constitutes the largest portion of manufacturing expenses, making price fluctuations a significant financial concern.

To address these risks, the company maintains loyal and long-standing relationships with suppliers to ensure the consistent delivery of high-quality raw materials. Regular

inspections and quality assurance reviews are conducted to prevent contamination and maintain compliance with standards. Preventive maintenance schedules are followed rigorously to minimize the chances of equipment malfunction and production halts.

Additionally, the company has taken deliberate steps to realign cost structures and optimize internal workflows for greater operational efficiency. Investments in its manufactured capital are prioritized to support performance and reduce downtime. A culture of accountability is cultivated across departments through well-defined operational procedures, process audits, and staff performance tracking.

Ongoing staff training is a critical component of operational risk mitigation. Employees receive trainings on quality control, health and safety, and the best operational practices to minimize errors and improve reliability. The company continues to assess its internal systems and refine workflows to ensure resilience in the face of disruption.



Market Risk

Market risk refers to uncertainties arising from external market conditions that may affect consumer demand, input costs, competitiveness, or financial performance. Harischandra Mills PLC operates in a highly competitive sector where shifts in customer preferences, emergence of new entrants, and volatile input prices can significantly impact its market position.

During the 2025/26 period, while macroeconomic indicators showed signs of national recovery, the company observed that consumers remained highly price-sensitive, particularly

due to sustained food inflation and increased cost-of-living pressures. This trend influenced purchasing behavior and created tighter market conditions for household essentials. In addition to demand-side risks, the company might be exposed to sharp and unpredictable price fluctuations in key inputs such as agricultural raw materials, packaging materials, fuel, and electricity. Since such cost increases cannot always be passed on to the end consumer, they place direct pressure on profit margins.

RISK MANAGEMENT (CONTD.)

To mitigate these risks, Harischandra Mills PLC engages in continuous market intelligence, monitoring trends and competitor strategies to adapt swiftly. The company maintains flexible pricing strategies and adapts its product offerings to meet evolving consumer expectations. Customer trust and brand loyalty are nurtured through consistent quality, affordability, and effective communication. Employing hedging strategies and long-term supplier contracts stabilized production costs amidst price volatility.

Additionally, investments in energy-efficient technologies reduce reliance on utilities such as fuel and electricity, ensuring resilience and profitability amidst market uncertainties. Scenario planning and product innovation allow the company to stay responsive in the face of unforeseen market developments, reinforcing competitiveness in a rapidly evolving consumer landscape.



Economic Risk

Economic risk arises from broader macroeconomic conditions such as inflation, fluctuations in GDP growth, changes in interest or tax rates, and shifts in fiscal or monetary policy. These factors can affect operating costs, purchasing power of consumers, and overall business confidence.

Sri Lanka's macroeconomic environment in 2025 reflected notable improvement, with real GDP growth reaching 5.0% and headline inflation turning negative. However, the benefits of these macro-level shifts were not uniformly experienced by consumers. Essential household expenses, particularly food-related, remained elevated, influencing customer behavior and increasing price sensitivity in the market.

Harischandra Mills PLC recognizes that economic uncertainty, particularly when linked to input costs or tax policy changes, can significantly affect both revenue and margins. To manage this, the company continues to pursue operational efficiency by streamlining internal processes and reducing waste. Strategic supplier negotiations help secure favorable terms, while cost optimization efforts ensure continued profitability even under inflationary pressure.

In parallel, the company strengthens its marketing initiatives to maintain brand visibility and consumer engagement, ensuring demand remains resilient despite shifting macroeconomic conditions.



Environmental Risks

Environmental risks faced by Harischandra Mills PLC span a wide range of concerns, including wastewater management, air pollution, waste disposal, resource depletion, and the impacts of extreme weather events such as floods and droughts. As a company heavily dependent on agricultural inputs and natural resources, Harischandra Mills PLC is inherently vulnerable to climate change, resource scarcity, and extreme weather events. Additionally, regulatory non-compliance with evolving environmental standards poses potential threats to both operational community and corporate reputation. Compounding these challenges are the escalating effects of climate change, which increase the vulnerability of supply chains and can significantly raise operating costs.

In 2025/26, the company initiated its environmental data collection and monitoring process. This initiative allows us to establish a baseline from which we can monitor progress in the future years. Risks related to air emissions, wastewater, chemical use, and waste generation are being addressed through targeted investments and continuous improvement in environmental performance.

In responses to these potential risks, Harischandra Mills has implemented a suite of environmental technologies, including a wet scrubber system to reduce air pollution from coffee roasting operations, a state-of-the-art advanced wastewater treatment plant to ensure effluent compliance, an integrated waste management system based on 3R principles (Reduce, Reuse, Recycle), and incineration technology to reduce landfill waste. Significant progress was also made in renewable energy integration, with solar rooftop systems installed at the Udukawa Coffee processing facility and Borella outlet. These systems reduce dependency on fossil fuels and contribute to carbon footprint reduction.

The company holds a valid Environmental Protection License (EPL) and undergoes regular inspections, performance reviews, and audits to maintain compliance. We are also working toward ISO 14001 (Environmental Management) and ISO 50001 (Energy Management) certifications to institutionalize its environmental governance systems. These efforts mitigated environmental risks, enhanced resilience, and bolstered the company's reputation as a socially conscientious entity.



Regulatory and Legal Risk

Regulatory and legal risk encompass potential non-compliance with applicable laws, industry standards, or internal policies, which could result in financial penalties, operational disruptions, or reputational damage. The company operates within a framework governed by various laws and regulations, including the Companies Act, Inland Revenue Act, Securities and Exchange Commission regulations, and Colombo Stock Exchange Rules. Changes in tax laws, labor regulations, or environmental standards could have a material impact on the company's operating model and cost base, further exacerbating regulatory risks.

The company mitigates these risks through a structured risk management process, to ensure compliance with all applicable laws and regulations. This framework is supported by quarterly internal audits, active coordination with legal advisors and company secretaries, and ongoing tracking of regulatory developments.

Compliance with statutory tax payments, returns filing, and disclosure requirements are enforced as part of financial governance. The company also promotes regulatory awareness and ethical conduct across departments, reducing exposure to legal liabilities and strengthening stakeholder trust.



Financial and Liquidity Risk

Financial and liquidity risk relates to the company's ability to meet its short- and long-term financial obligations while navigating uncertainties such as interest rate movements, credit exposures, cash flow variability, and access to financing. Harischandra Mills PLC continues to manage these risks through a prudent and disciplined approach to financial governance.

To address liquidity risk, the company maintains robust cash flow planning and monitoring practices, ensuring uninterrupted operations even during periods of external stress. Strong relationships with financial institutions, combined with continuous review of cash flow positions, enable us to manage liquidity risks effectively and to ensure financial flexibility.

The management's vigilant oversight has played a key role in minimizing exposure to credit risk, while maintaining low dependency on external financing. We adopt a conservative financial strategy, ensuring that internally generated funds are prioritized for operational needs and investment requirements.

Furthermore, financial indicators and regular board agenda items serve as crucial tools for monitoring and responding to emerging local and global trends, further enhancing the company's resilience against financial risks.



Human Resource Risks

Human risks encompass a range of challenges related to the workforce, including talent retention, labor disputes, and compliance with labor laws and regulations. Additionally, issues such as employee misconduct, accidents, and health and safety concerns could pose significant threats to the company's operations and reputation. As a business reliant on skilled and experienced staff, Harischandra Mills PLC acknowledges workforce-related risks as material to operational stability.

reducing workplace accidents, preventing misconduct, and ensuring alignment with evolving regulatory standards.

The company conducted structured training programs across critical areas such as Occupational Health & Safety, First Aid, Fire Safety, Good Manufacturing Practices (GMP), and Pest Control, equipping employees to handle daily responsibilities with care and compliance. These initiatives were aimed at

In addition to training, the company maintains a fair grievance handling framework and open communication channels to address concerns early and maintain constructive labor relations. These preventive strategies help reduce the likelihood of disputes and support a collaborative work environment. Staff welfare initiatives such as insurance coverage, transport facilities, and educational support continue to strengthen employee well-being and retention. Together, these actions reflect Harischandra Mills PLC's commitment to fostering a resilient, well-trained, and regulation-compliant workforce.



Technological Risks

Technological risk refers to potential disruptions arising from outdated systems, cybersecurity threats, system failures, data loss, or failure to adapt to new digital tools. Harischandra Mills PLC is increasingly reliant on digital systems for operations, making technological resilience a critical component of business continuity.

Key risks include system downtime, data security breaches, and IT infrastructure failures, which could affect operational continuity, production, communication, data integrity, and decision-making. Harischandra Mills PLC continues to address these challenges by prioritizing robust cybersecurity

measures, including advanced encryption technologies and regular employee training on data security best practices. These initiatives help reduce the risk of unauthorized access, data breaches, and operational downtime.

By embedding these practices into its operational framework, Harischandra Mills PLC ensures that technology remains a reliable enabler of efficiency, continuity, and compliance. While the company does not rely heavily on cutting-edge automation, it remains committed to using appropriate technology to enhance efficiency, protect information, and support its operational goals.

REMUNERATION COMMITTEE REPORT

Establishment

The Remuneration Committee (“the Committee”) functions in accordance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC), and the Listing Rules of the Colombo Stock Exchange (CSE). Appointed by and accountable to the Board, the Committee assists the Board in discharging its responsibilities relating to the remuneration of Executive Directors and the oversight of the Company’s overall remuneration policy.

Composition

As of 31 March 2026, the Committee comprised the following Non-Executive Directors, the majority of whom are independent:

	Name	Directorship Status	Note
1.	Mr. Sudath Kumar	Independent Non-Executive Director – Chairman	Resigned w.e.f 12.05.2026
2.	Mr. T.K. Bandaranayake	Non-Independent Non-Executive Director	-
3.	Mrs. R. Kobbekaduwa	Independent Non-Executive Director	Resigned w.e.f 12.05.2026

The composition, comprising Non-Executive Directors under an Independent Non-Executive Chairman, ensures the independence and objectivity of the Committee’s deliberations in line with CSE Listing Rule requirements.

Subsequent to the reporting date, the Committee was restructured with effect from 12 May 2026 and comprises the following members:

	Name	Directorship Status
1.	Mr. D.T.S.H. Mudalige	Independent Non-Executive Director - Chairman
2.	Mr. T.K. Bandaranayake	Non-Independent Non-Executive Director
3.	Mr. S.L. Sebastian	Independent Non-Executive Director
4.	Mr. S.A.S. Jayasundara	Non-Independent Non-Executive Director

Role and Responsibilities

- The Committee is responsible for reviewing and recommending to the Board the total remuneration packages for Executive Directors, and for overseeing the Company’s overall remuneration framework. Its key responsibilities include:
- Reviewing and recommending to the Board the total remuneration packages – including salaries, benefits, and performance-linked incentives – for Executive Directors.
- Formulating recommendations by evaluating prevailing market rates and remuneration structures adopted by comparable peer organizations.
- Overseeing the Company’s overall remuneration policy to ensure it remains externally competitive, internally equitable, and aligned with the Company’s strategic objectives.
- Ensuring that remuneration arrangements support the attraction, retention, and motivation of high-caliber talent across the organization.
- Reviewing the alignment of remuneration with individual and Company performance, and with the long-term interests of shareholders and other stakeholders.
- Ensuring that no Director is involved in determining his or her own remuneration, thereby avoiding any conflict of interest.

Remuneration Policy

The Company’s remuneration policy is designed to balance external market competitiveness with internal equity, taking into account employee experience, grade, and individual performance. The overriding objective is to attract, retain, and motivate high-caliber talent while ensuring alignment with the Company’s strategic goals and the interests of its shareholders.

Remuneration structures are reviewed periodically to ensure that they remain fair, transparent, and responsive to prevailing market conditions.

Meetings

The Committee met during the financial year under review to discharge its mandate, and its recommendations were tabled and discussed at Board meetings for approval. In carrying out its responsibilities, the Committee had access to external market data and professional advice as considered necessary.

Directors' Remuneration

The aggregate remuneration paid to Executive and Non-Executive Directors for the year is disclosed in the "Directors' Remuneration" section of this Annual Report.

Conclusion

The Committee is satisfied that the remuneration policy and practices of the Company remain aligned with its strategic objectives and with sound corporate governance principles, and that they continue to serve the long-term interests of the Company and its stakeholders. The Committee will continue to review the Company's remuneration framework to ensure it remains fair, competitive, and fit for purpose.

Sgd.

D.T.S.H. Mudalige

Chairman – Remuneration Committee

28 August 2026

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Composition

The Audit & Risk Management Committee, entrusted by the Board of Directors with oversight of financial reporting, internal controls, external and internal audit processes, and enterprise risk management, comprised four Independent Non-Executive Directors during the year under review. The Committee was chaired by Mr. L.L.S. Wickremasinghe, with Mr. T.K. Bandaranayake, Mr. G.K.S. Kumar, Chartered Accountant, and Mrs. R. Kobbekaduwa, an Attorney-at-Law with extensive experience in the commercial sector, serving as members. This blend of financial, legal, and business expertise ensured the Committee's effectiveness in fulfilling its mandate.

In recognition of the growing importance of non-financial reporting, the scope of the Committee was broadened during the year to encompass oversight of the Company's environmental, social, and governance (ESG) and sustainability reporting responsibilities, and its Terms of Reference were updated accordingly.

Subsequent to the reporting date, the Committee was restructured with effect from 12 May 2026. The reconstituted Committee continues to be chaired by Mr. L.L.S. Wickremasinghe, with Mr. T.K. Bandaranayake, Mr. D.T.S.H. Mudalige, and Mr. S.L. Sebastian serving as members.

Role and Responsibilities

The Committee plays a vital role in ensuring the integrity of the Company's financial reporting, robustness of internal controls, compliance with statutory obligations, and effectiveness of risk management systems. Its core responsibilities include:

- Monitoring the integrity and transparency of the Company's and Group's financial statements.
 - Overseeing internal and external audit functions, including the independence, scope, and performance of auditors.
 - Reviewing and recommending the appointment, reappointment, or removal of the External Auditors and their remuneration.
 - Evaluating the adequacy and effectiveness of internal control frameworks.
 - Reviewing the Company's risk management strategy, processes, and risk register, ensuring risks are appropriately identified, assessed, mitigated, and monitored.
 - Ensuring compliance with applicable laws, regulations, corporate governance standards, and ethical conduct.
- Overseeing the Company's ESG and sustainability reporting, including the adoption of the Sri Lanka Financial Reporting Standards on Sustainability (SLFRS S1 and SLFRS S2).

Meetings and Attendance

The Committee met four times during the financial year under review. The Managing Director (CEO) and Chief Financial Officer (CFO) participated by invitation to provide insights and updates. Messrs KPMG (External Auditors) and Messrs Ernst & Young (Internal Auditors) were present at relevant sessions to present reports and clarify findings. Independent discussions with the auditors were held without the presence of management to reinforce audit independence.

Key Activities During the Year

Financial Reporting Oversight:

The Committee reviewed the quarterly and annual financial statements, focusing on the application of accounting policies, critical accounting estimates, and judgments. Special emphasis was placed on Key Audit Matters (KAMs) highlighted by the External Auditors.

Internal Audit and Controls:

Reports submitted by the Internal Auditors were critically evaluated. The Committee reviewed management's responses and tracked the timely implementation of recommended improvements. The internal audit plan and resourcing for the forthcoming year were reviewed and approved.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (CONTD.)

External Audit:

Pre-audit planning and post-audit reviews were held with the External Auditors to assess audit strategy, execution, and findings. The Auditors' Management Letter and final audit report were reviewed in detail. Auditor independence was assured through regular closed-door sessions.

Risk Management:

The Committee strengthened its focus on risk oversight by reviewing the Enterprise Risk Management (ERM) framework and updates to the Company's risk register. Strategic, operational, financial, compliance, and reputational risks were assessed, and risk mitigation actions were monitored. The Committee also encouraged the continued development of a risk-aware culture throughout the organization, integrating risk considerations into decision-making at all levels.

Regulatory Compliance and Governance:

The Committee maintained oversight of regulatory developments and ensured the Company's compliance with all statutory and corporate governance requirements. Adherence to ethical practices and whistleblower protections were also reviewed.

Sustainability and ESG Reporting:

During the year, the Committee's Terms of Reference were formally expanded to include oversight of the Company's ESG and sustainability reporting. The Committee oversaw the initiation of the Company's sustainability reporting journey in accordance with the Sri Lanka Financial Reporting Standards on Sustainability – SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures). As part of this initiative, the Company commenced a structured assessment of its sustainability-related risks and opportunities, together with the governance, data, and reporting processes required to support disclosures under these standards, with a view to progressive and phased adoption in the forthcoming financial years.

External Auditor Reappointment

After a comprehensive review of audit effectiveness, independence, and quality, the Committee recommended the reappointment of Messrs KPMG as the Company's External Auditors for the financial year ending 31 March 2027, subject to shareholder approval at the forthcoming Annual General Meeting. Audit fees will be determined by the Board of Directors.

Sgd.

L.L.S. Wickremasinghe

Chairman – Audit & Risk Management Committee

28 August 2026

NOMINATION & GOVERNANCE COMMITTEE REPORT

Establishment

The Nomination & Governance Committee (“the Committee”) has been established in accordance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC), as well as the Listing Rules of the Colombo Stock Exchange (CSE). The Committee assists the Board in discharging its responsibilities related to Board composition, succession planning, and the overall governance framework of the Company.

Composition

As at 31 March 2026, the Committee comprised of the following members:

	Name	Directorship Status	Note
1.	Mr. Sudath Kumar	Independent Non-Executive Director – Chairman	Resigned w.e.f 12.05.2026
2.	Mr. T.K. Bandaranayake	Non-Independent Non-Executive Director	-
3.	Mrs. R. Kobbekaduwa	Independent Non-Executive Director	Resigned w.e.f 12.05.2026

All members are Independent Non-Executive Directors, in line with CSE Listing Rule requirements, ensuring the independence and objectivity of the Committee's deliberations.

Consequent to changes in the composition of the Board, a new Committee was appointed with effect from 12 May 2026 as follows:

	Name	Directorship Status
1.	Mr. D.T.S.H. Mudalige	Independent Non-Executive Director - Chairman
2.	Mr. T.K. Bandaranayake	Non-Independent Non-Executive Director
3.	Mr. S.L. Sebastian	Independent Non-Executive Director
4.	Mr. S.A.S. Jayasundara	Non-Independent Non-Executive Director

Purpose and Responsibilities

The Committee is responsible for ensuring the effectiveness and continuity of the Board through sound practices related to nomination and corporate governance. Its key responsibilities include:

- Reviewing the structure, size, and composition (including skills, experience, and diversity) of the Board and its Committees.
- Identifying and recommending suitable candidates for appointment or reappointment as Directors, in line with defined criteria and succession plans.
- Evaluating the independence of Non-Executive Directors annually, in accordance with CSE Listing Rules.
- Overseeing Board and Committee performance evaluations and recommending improvements.
- Ensuring effective Board succession and leadership development plans are in place.
- Monitoring compliance with corporate governance standards and recommending enhancements to governance policies and practices.

Governance Commitment

The Committee remains committed to upholding the highest standards of governance, ensuring that the Company maintains a well-structured, diverse, and effective Board capable of guiding the Company through evolving challenges and opportunities. The Committee will continue to monitor developments in corporate governance practices and recommend updates to ensure compliance and best-in-class oversight.

Sgd.

D.T.S.H. Mudalige

Chairman – Nomination & Governance Committee

28 August 2026

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Establishment

The Related Party Transactions Review Committee (“the Committee”) was established on 01 January 2016 in compliance with the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). The Committee is tasked with enhancing corporate transparency and ensuring that all Related Party Transactions (RPTs) are conducted on fair and equitable terms that safeguard the interests of all stakeholders.

Composition

As of 31 March 2026, the Committee comprised the following members:

	Name	Directorship Status	Note
1.	Mr. L.L.S.Wickremasinghe	Independent Non-Executive Director - Chairman	-
2.	Mr. Sudath Kumar	Independent Non-Executive Director	(Resigned w.e.f. 12.05.2026)
3.	Mr. T.K. Bandaranayake	Non Independent Non-Executive Director	-
4.	Mrs. R.Kobbekaduwa	Independent Non-Executive Director	(Resigned w.e.f. 12.05.2026)
5.	Mr. S.N. Samarasinghe	Executive Director	-

The composition reflects a balanced mix of independence and executive insight to ensure objective assessment and strategic alignment.

Subsequent to the reporting date, the Committee was restructured with effect from 12 May 2026 and comprises of the following members:

	Name	Directorship Status
1.	Mr. L.L.S. Wickremasinghe	Independent Non-Executive Director – Chairman
2.	Mr. T.K. Bandaranayake	Non-Independent Non-Executive Director
3.	Mr. D.T.S.H. Mudalige	Independent Non-Executive Director
4.	Mr. S.L. Sebastian	Independent Non-Executive Director

Objective

The primary objective of the Committee is to ensure that all Related Party Transactions undertaken by the Company are conducted in a manner that is transparent, fair and compliant with applicable legal and regulatory frameworks, thereby protecting the interests of minority shareholders and ensuring sound corporate governance.

Roles and Responsibilities

In accordance with its mandate, the Committee is responsible for:

- Establishing and reviewing a policy framework for identifying, evaluating and managing RPTs.
- Reviewing and pre-approving all proposed Related Party Transactions, including recurrent and non-recurrent transactions, to ensure that they are carried out on arm's length terms and in the ordinary course of business.
- Advising the Board on the necessity of immediate market disclosures or Annual Report disclosures pertaining to RPTs, where required under the Listing Rules.
- Providing guidance to senior management on the implementation of best practices in managing RPTs.
- Monitoring compliance with the Listing Rules and Code of Best Practices on RPTs and ensuring that any deviations are reported and addressed appropriately.

Meetings and Reporting

The Committee met quarterly during the financial year under review. At each meeting, the Committee reviewed all related party transactions entered into or proposed during the quarter. All transactions were examined for adherence to internal policies and regulatory guidelines, with attention to disclosure requirements and conflict of interest considerations.

The minutes of each Committee meeting were formally tabled and discussed at Board meetings, ensuring that the entire Board is kept informed of all significant RPT matters.

Conclusion

The Committee confirms that all Related Party Transactions during the year were reviewed in accordance with the relevant regulatory framework and were carried out on terms that are fair and reasonable to the Company and its shareholders. There were no transactions which required shareholder approval or immediate market disclosure under Section 9 of the Listing Rules.

Sgd.

L.L.S. Wickremasinghe

Chairman – Related Party Transactions Review Committee

28 August 2026

BOARD OF DIRECTORS

Mr. T.K. Bandaranayake
Non Executive Non Independent Chairman

A Fellow member of the Institute of Chartered Accountants of Sri Lanka. Holds a BSc. degree from the University of Ceylon. Retired from Ernst & Young as a senior partner in 2009 after 27 years of service. A former Chairman of the Audit Faculty and the Quality Assurance Board of Sri Lanka established by the Institute of Chartered Accountants of Sri Lanka comprising senior professional representatives from both the private sector and state regulatory bodies. He is a non executive director of Nawaloka Hospitals PLC and served until 31 March 2025 as an independent director of Overseas Realty (Ceylon) PLC, Samson International PLC, Renuka Holdings PLC and Brown & Company PLC. Also serves as a consultant to the Board of Noritake Lanka Porcelain (Pvt) Ltd.

Mr. S.N. Samarasinghe
Managing Director/ Executive Director

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

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

Mr. L.L.S. Wickremasinghe
Non Executive Independent Director

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Association of Accounting Technicians of Sri Lanka. He is a Past President of the Institute of Chartered Accountants of Sri Lanka. Mr. Wickremasinghe is a Partner at B. R. De Silva & Co. Chartered Accountants, a member firm of Nexia International. He also holds several positions, including Senior Director/Independent Non-Executive Director at Commercial Credit & Finance PLC; Independent Director at Colombo Fort Investments PLC & Maskeliya Plantations PLC; Assistant Treasurer of Sri Lanka Cricket; and member of the Board of Management of the Api Wenuwen Api Fund.

Mr. S.A.S. Jayasundara
Non Executive Non Independent Director

Mr. Jayasundara joined the Board in June 2007. He holds a LLB degree from the University of Colombo and is an Attorney-at Law by profession. He is the chairman of Blue Diamond

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

Dr. K.S. Narangoda
Executive Director (Appointed w.e.f 12.05.2026)

Dr. Sajeewa Narangoda is currently the Group CEO/Executive Director of Ambeon Holdings PLC and Ambeon Capital PLC both listed conglomerates under Colombo stock exchange. In addition, Dr. Narangoda serves as a Non-Executive Director on the respective Boards of Colombo City Holdings PLC, Eon Tec (Pvt) Ltd, Millennium I. T. E. S. P. (Pvt) Ltd, Taprobane Capital Plus (Pvt) Ltd, Lexinton Resorts (Pvt) Ltd, Sherwood Capital (Pvt) Ltd, Myland Developments PLC, Ambeon Essentials (Pvt) Ltd and Sherwood Technologies (Pvt) Ltd.

His illustrious career includes serving Colombo City Holdings PLC as its Executive Director/Chief Executive Officer, Dankotuwa Porcelain PLC as its Chief Executive Officer, and Millennium IT ESP as its Executive Director, in addition as a healthcare administrator, he was instrumental in establishing multiple private-sector hospitals in Sri Lanka under Hemas and Browns group of companies.

He has been serving the Australian Council on Healthcare Standards International (ACHSI) as an International Hospital Assessor since 2012 and as the Regional Representative for Sri Lanka, Bangladesh, and Maldives from 2020.

Dr. Narangoda holds a Bachelor of Dental Surgery degree from the University of Peradeniya, Sri Lanka, Master of Science (Finance and Management) from Keele University UK. In addition, he is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) UK and a member of CPA Australia. As an international researcher, he has been an integral member of the research team at the International Research Collaborative - Health and Equity at the University of Western Australia specializing in healthcare pricing and has published several research international publications.

Mr. P.A. De Silva
Non Executive Independent Director
(Appointed w.e.f 12.05.2026)

In the intersecting world of sports and finance, few individuals have managed to achieve lasting impact in both domains quite like Aravinda De Silva. Widely celebrated for his legendary cricketing career, Aravinda has successfully reinvented himself as a forward thinking investor and corporate leader, seamlessly translating his strategic mindset from the playing field to the boardroom.

BOARD OF DIRECTORS (CONTD.)

Aravinda's journey began on the cricket pitch, where his natural talent and exceptional batting prowess earned him a revered place in international cricket history. Over a career spanning more than two decades, he played a pivotal role in Sri Lanka's emergence as a dominant force in the sport. His most iconic performance came during the 1996 Cricket World Cup final, where he became the only player to score a century and take three wickets in the match. His match-winning contributions in both the semi-final and final earned him Man of the Match honors, solidifying his legacy as one of the game's greats. In recognition of his outstanding achievements, he was inducted into the ICC Hall of Fame in 2023.

After retiring from professional cricket, he transitioned into the world of business with remarkable insight and discipline. Drawing upon the same focus and determination that defined his sports career, Aravinda began building a diversified investment portfolio characterized by innovation, long-term strategy, and market foresight.

Through his family office Arcasia Holdings, invested in Ambeon Capital PLC- a diversified investment holding company. Ambeon is the parent company of Millennium IT ESP (MIT), a leading technology solutions provider with over 28 years of experience. MIT serves a global clientele across diverse industries, including telecommunications, media, banking and finance, manufacturing, retail, healthcare, transportation and supporting the digitalization of government institutions. Beyond these investments, he has specialized in identifying promising start-ups and pursuing mergers and strategic acquisitions. Ambeon Capital also has investments in financial services, commercial and residential real estate, food and essentials and capital markets.

Through his family office, there are direct investments in to automotive, real estate, warehousing and logistics.

Currently, he serves as Chairman of Arcasia Holdings, where he drives innovation and expansion directly across multiple verticals such as logistics, transport, and the automotive sector. His leadership has been instrumental in shaping the company's growth trajectory and strengthening its market position.

Today, Aravinda De Silva - a cricketing legend has reinvented himself as a dynamic entrepreneur. His story is a testament to how focus, passion, and adaptability can transcend industries, inspiring future generations of athletes, entrepreneurs, and investors alike. From scoring centuries to securing corporate milestones, Aravinda continues to redefine what success looks like on and off the field.

Mr. S.L. Sebastian
Non Executive Independent Director
(Appointed w.e.f 12.05.2026)

Mr. Savanth Sebastian is an accomplished capital markets and investment professional with over fifteen years of experience spanning global markets, economic research, international trading, investment strategy, and corporate governance.

He previously served at Commonwealth Bank of Australia as a Senior Economist within the Global Markets Research Team, where he advised Federal and State Governments, institutional investors, high-net-worth clients, and key internal stakeholders, including Colonial First State and senior leadership teams across the bank.

Mr. Sebastian also held a senior role at Commonwealth Securities, the stockbroking division of Commonwealth Bank of Australia, where he managed the international trading desk, facilitating transactions across 31 global markets. In this capacity, he oversaw Strategic Trading Accounts and supported the Treasury division of Commonwealth Bank of Australia in managing risk while identifying alternative revenue opportunities.

He brings a strong combination of economic insight, market expertise, investment acumen, and board-level experience. His exposure across listed and private companies, investment holdings, financial services, agriculture, engineering, and corporate development enables him to contribute effectively to strategic decision-making, governance, risk management, and long-term business planning.

Mr. Sebastian holds a Bachelor of Commerce in Actuarial Studies and Finance from the University of New South Wales. He is also an Accredited Adviser of the Australian Securities Exchange and a Master Practitioner of the Stockbrokers and Investment Advisers Association.

He currently serves as a director across a diverse portfolio of listed and private companies, including Ambeon Capital PLC, Ambeon Holdings PLC, Millennium I. T. E. S. P. (Private) Limited, Capital Metals PLC, Myland Developments PLC, Colombo City Holdings PLC, ICON Engineering Enterprises (Pvt) Ltd, and Good Earth Fertilizers (Pvt) Ltd.

Mr. D.T.S.H. Mudalige
Non Executive Independent Director
(Appointed w.e.f 12.05.2026)

Mr. Mudalige counts over 30 years of experience as a Chartered Accountant and recently retired as the Managing Partner of PwC, Sri Lanka.

BOARD OF DIRECTORS (CONTD.)

He currently serves as the Independent Non-Executive

Chairman of Ambeon Capital PLC, Ambeon Holdings PLC, Millennium I. T. E. S. P. (Private) Limited and Sherwood Capital (Private) Limited.

He is also an Independent Non-Executive Director at other private and listed companies.

He has also served on many regulatory bodies including Securities and Exchange Commission (SEC), Board of Investment (BOI) and National Medicines Regulatory Agency (NMRA).

Mr. Mudalige has vast experience as an Audit Committee Chair in both public and private sector organisations. He is a past President of ICASL and has been a member of the Council of ICASL and of the governing board of CIMA UK, Sri Lanka Division and held several such other positions locally and globally during the span of his career.

His qualifications are FCA (SL), FCMA (UK), FCCA (UK) and FCPA (Australia).

He was awarded an honorary Doctorate in Business by the University of Plymouth (UK) recognizing his outstanding contribution to accounting and finance.

Mrs. M.P. De Silva
Executive Director (Resigned 12.05.2026)

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

Mrs. R.K. Samarasinghe
Executive Director (Resigned 11.05.2026)

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

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

Mrs. R. Kobbekaduwa
Non Executive Independent Director (Resigned 12.05.2026)

Mrs. Kobbekaduwa is an Attorney at Law by profession and counts 29 years in practice. She was a Partner of M/s. FJ & G De Saram from 2002 to 2017 and a director of Sunshine Holdings

PLC in 2016/2017. She is currently a consultant for the Sunshine Holdings Group.

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

She is also engaged in youth empowerment ventures and is a director of the Foundation for Advancing Rural Opportunities and a Trustee of the SVC Scholarship Trust.

Mr. G.K. Sudath Kumar
Non-Executive Independent Director (Resigned 12.05.2026)

Mr. Sudath Kumar being a partner of Nanayakkara & Company, Chartered Accountants, more than 25 years' experience in handling audit of small and large scale companies.

He is experienced in providing management consultancy services to small and medium scale companies operating in manufacture of textile, engineering and construction, retails and wholesale, and hotels. This includes design of accounting and internal control systems, study and evaluation of internal control systems to provide recommendations to management, study and evaluation of management information systems and designing and evaluation of product costing. Mr. Sudath Kumar has experience in providing the assurance services such as business risk assessment, management information system reviews, accounts receivable reviews system reliability studies and providing independent opinion on mergers and actuations. Mr. Sudath Kumar also has experience in providing tax consultancy services to both local and international companies operating in Sri Lanka.

Mr. G.S.V. De Silva
Executive Director (Resigned 31.07.2026)

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

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 2026.

PRINCIPAL ACTIVITIES

The principal activities of Harischandra Mills PLC and the Group are manufacturing and distribution of Food Products, Soaps and Fuel and Lubricants which are described under Note 1 to the financial Statements on page 68.

Group Financial Results;	2025/2026 Rs. 000	2024/2025 Rs. 000
Profit before taxation	411,726	350,200
Taxation	(116,450)	(97,136)
After tax profit attributable to shareholders	295,276	253,064
Profit brought forward from previous year	1,702,010	1,614,035
Other comprehensive income	(9,941)	(12,157)
Profit available for appropriation	1,987,345	1,854,942
Distribution of Profit:		
Interim dividend paid for financial year 2024/2025	76,784	76,784
Final dividend paid for financial year 2024/2025	76,784	76,784
Forfeiture of unclaimed dividend	(658)	(636)
	<u>152,910</u>	<u>152,932</u>
	<u>1,834,435</u>	<u>1,702,010</u>

AUDITORS' REPORT

The auditors' report on the financial statements is given on page 58.

ACCOUNTING POLICIES

The Group and the Company prepared their Financial Statements for all periods up to and including the year ended 31 March 2026, in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS), all existing / new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS. The significant Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Company are given on pages 68 to 80 of Annual Report.

REVIEW OF BUSINESS

The Chairman's Review, the Managing Director's Report and the Corporate Governance Report which form an integral part of the Director's Report on the state of affairs of the Company, contain a detailed description of the operations of Harischandra Mills PLC during the year ended 31 March 2026 and contain a fair review of the affairs of Harischandra Mills PLC and the Group.

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The directors are satisfied that Financial Statements give a true and fair view of the state of affairs of Harischandra Mills PLC and the Group as at 31 March 2026 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 24 to 36 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 Management Discussion & Analysis set out on Page 14.

DONATIONS

Donations were Rs.9,670,269/- compared to Rs.12,190,640/- 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 proposed a final dividend of Rs.73/- per share, to be paid out of the profits of Harischandra Mills PLC and dividend received for the financial year ended 2025/2026. In recommending 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, Harischandra Mills PLC paid an interim dividend of Rs. 40/= and final dividend of Rs. 40/= per share for the previous year.

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. 24 of 2017 and subsequent amendments thereto, the details are stated in Note 08 to the Financial Statements.

PROPERTY, PLANT & EQUIPMENT AND DEPRECIATION

Details of the property, plant & equipment of Harischandra Mills PLC, additions made during the year and the depreciation charges for the year are shown in Note 11 to the Financial Statements on page 85.

STATED CAPITAL & RESERVES

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

The total reserves of the Company as at 31 March 2026 amounted to Rs.1,854,572,305/- (as at 31 March 2025 - Rs.1,722,116,967/-) where as the Group total reserve amounted to Rs.1,854,286,803/- (as at 31 March 2025 - Rs.1,721,861,465/-) The composition of the reserves is shown in the Statement of Changes in Equity and details of reserves are set out in Note 20 and 21 to the Financial Statements.

POST BALANCE SHEET EVENTS

Following the Share Sale and Purchase Agreement (SSPA) dated January 24, 2026, and the subsequent Addendum dated March 20, 2026, Ambeon Essentials (Private) Limited (a subsidiary of Ambeon Capital PLC) proceeded with a Voluntary Offer to acquire the ordinary voting shares of Harischandra Mills PLC at a price of LKR 3,400/- per share.

As of May 2026, Ambeon Essentials (Private) Limited has successfully concluded the acquisition of a controlling stake of 51.11% (comprising 981,118 ordinary voting shares) from a consortium of existing shareholders.

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

GOING CONCERN

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

CAPITAL COMMITMENTS AND CONTINGENCIES

There were no significant capital commitments and contingencies as at 31 March 2026.

RELATED PARTY TRANSACTIONS

We declare that the Company did not engage in any Non-Recurrent Related Party Transactions during the year under review. Furthermore, the Company did not participate in any Recurrent Related Party Transactions exceeding 10% of the consolidated revenue or 5% of the total assets of the Entity, as per the Audited Financial Statements dated March 31, 2026.

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

ISSUES PERTAINING TO EMPLOYEES AND INDUSTRY RELATIONS

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

SHAREHOLDERS' INFORMATION

Distribution of the issued shares among the shareholders and classification of shareholders are indicated in page 106 of the Annual Report. There were 991 (2024/25-532) registered shareholders as at 31 March 2026.

DIRECTORATE

The directors of Harischandra Mills PLC during the year ended 31.03.2026 are as follows.

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

Directors profiles are set out on page 48 in the Annual Report.

MAJOR SHAREHOLDERS

The 20 largest shareholders of Harischandra Mills PLC as at 31 March 2026 are given on page 106 together with an analysis of the shareholdings. As at that date Harischandra Mills PLC had 987 shareholders.

SUB-COMMITTEES OF THE BOARD

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

01. Audit & Risk Management Committee	:	Mr. L.L.S. Wickremasinghe (Chairman) Mr. T.K. Bandaranayake Mr. G.K.S. Kumar Mrs. R. Kobbakaduwa
02. Remuneration Committee	:	Mr. G.K. Sudath Kumar (Chairman) Mr. T.K. Bandaranayake Mrs. R. Kobbakaduwa
03. Related Party Transactions Review Committee	:	Mr. L.L.S. Wickremasinghe (Chairman) Mr. G.K.S. Kumar Mr. T.K. Bandaranayake Mrs. R. Kobbakaduwa Mr. S.N. Samarasinghe
04. Nomination & Governance Committee	:	Mr. G.K.S. Kumar (Chairman) Mr. T.K. Bandaranayake Mrs. R. Kobbakaduwa

Subsequent to the financial year end composition of the sub committee was revised. Refer sub committee report.

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

HUMAN RESOURCES

As at 31 March 2026 Company employed 627 employees whereas it was 648 in the last year end. Aggregate total remuneration in respect of the year was Rs.846 Mn compared to Rs.752 Mn for the last year.

INTEREST REGISTER

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

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

DIRECTORS' INTEREST IN CONTRACTS

Details of directors' interests in contracts of the Company are disclosed below and provided in note 27 of the Financial Statements. The directors have no direct or indirect interest or proposed contract other than those disclosed.

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

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

DIRECTORS' REMUNERATION

The aggregate remuneration paid to executive and non executive directors in respect of the Group and the Company for the financial year ended 31 March 2026 were recorded as Rs.85,016,161/- (2024/2025 Rs.80,678,750/-).

DIRECTORS SHAREHOLDING

Name of Director	31 March 2026		31 March 2025	
	No of Shares	%	No of Shares	%
Mrs. R.K. Samarasinghe	3,200	0.17	3,200	0.17
Mr. S.N. Samarasinghe	76,670	3.99	76,670	3.99
Mr. G.S.V. De Silva	2,000	0.10	2,000	0.10
Mrs. M.P. De Silva	5,000	0.26	5,000	0.26
Mr. T.K. Bandaranayake	-	-	-	-
Mr. S.A.S. Jayasundara	-	-	-	-
Mr. L.L.S. Wickremasinghe	-	-	-	-
Mr. G.K.S. Kumar	-	-	-	-
Total	<u>86,870</u>	<u>4.52</u>	<u>86,870</u>	<u>4.52</u>

APPLICATION OF THE CORPORATE GOVERNANCE RULES OF THE COLOMBO STOCK EXCHANGE

As per the section 7 of the Listing Rules of the Colombo Stock Exchange and section 9 on Corporate Governance, the details on compliance are set out on page 31 in this annual report.

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

AUDITORS

The Financial Statements for the year ended 31 March 2026 have been audited by M/s. KPMG Chartered Accountants. The auditors do not have any relationship with or any interest in the Company or its subsidiary other than auditors.

Fees to Auditors

The fees of the Auditors during the year were Rs.3,130,000/- (2024/25 - Rs.2,800,000/-) for audit work, tax service Rs.791,689/- (2024/25 - Rs.674,025/-) and Rs.780,000/- (2024/25 - Rs.1,480,000/-) for audit related services.

Re-Appointment of Auditors

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

ANNUAL GENERAL MEETING

The Seventy Fourth Annual General Meeting of the Company will be held on Wednesday, 23rd September 2026 at 10.00 a.m. by audio-visual means, The Notice of the Seventy Fourth Annual General Meeting is on page 04 of the Annual Report.

For and on behalf of the Board
Harischandra Mills PLC

Sgd.
S.N. Samarasinghe
Managing Director

Sgd.
Dr. K.S. Narangoda
Director

Sgd.
Corporate Services (Private) Limited
Secretaries
28 August 2026

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The directors confirm that they have complied with these requirements.

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

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

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

The External Auditors, Messrs KPMG appointed in accordance with the resolution passed at the last Annual General Meeting were provided with every opportunity to undertake whatever inspections they consider appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 58 to 61 sets out their responsibilities in relation to the Financial Statements

By order of the Board

Corporate Services (Private) Limited

Secretaries

28 August 2026



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

Tel +94 - 11 542 6426
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HARISCHANDRA MILLS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Harischandra Mills PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2026, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies as set out on pages 68 to 103 of this annual report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2026, and of their financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

Basis for Opinion

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

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

Key Audit Matters

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

Revenue recognition

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

Risk Description	Our response
Revenue from sale of goods Rs. 6,731,091,440/- is recognized when control has been transferred to the buyer; and is measured at net of trade discounts and volume rebates (trade spend) for which judgement is required by management to estimate accruals.	Our audit procedures included; - Obtaining an understanding and assessing the design, implementation and operating effectiveness of key controls over the revenue recognition and measurement. - Evaluating the integrity of the general IT control environment and testing the operating effectiveness of key IT application controls over revenue. - Comparing revenue transactions recorded during the current year, on a sample basis, with invoices with customer acknowledgement and credit notes, to assess whether the related revenue was recognized in accordance with the Company's revenue recognition accounting policies. - Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying invoices with customer acknowledgement to assess whether the related revenue had been recognized in the correct financial period.
Under Auditing Standards, we are required to consider that the fraud risk from revenue recognition is a significant risk. We identified revenue recognition as a key audit matter because of its significance to the financial statements. We focused on whether transactions have been recorded in the period in which the Group becomes entitled to record revenue in accordance with SLFRS 15	

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T.J.S. Rajakarier FCA
W.K.D.C. Abeyratne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.G.H. Raddella ACA,

W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
H.U.S.T. Dayananda FCA

Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D. Corea Dharmaratne



Measurement of carrying value of inventories

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

Risk Description	Our response
The Group recorded inventories amounting to Rs. 650,686,895/- as at 31 March 2026. As discussed in Note 3.10, management judgment is applied to the cost of manufactured products in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This primarily relates to the assessment of direct labor costs incurred, manufacturing overheads to be absorbed and other relevant production costs. A risk surrounding the carrying value of inventory when compared to the net realizable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete and damaged inventory involves estimates and judgments, taking into account forecast sales and historical usage information. We identified assessing the carrying value of inventories as a key audit matter because of the inherent risk that the Group's inventories may become obsolete or may be sold at prices below their carrying values and because the judgment exercised by management in determining the appropriate provision for inventories involves management's bias.	Our audit procedures included: • Obtaining an understanding and assessing the design, implementation and operating effectiveness of the Group's key controls relating to the assessment of inventory valuation and inventory provisioning. • Performing the observations of inventory physical verifications in order to verify the existence and identify any damaged, obsolete inventory. On a sample basis, we have performed the following: • Agreeing the cost of raw materials to third party supplier invoices. • For work in progress and finished goods, we obtained the bill of material and tested the underlying costs within each stock item. We challenged the key assumptions concerning overhead absorption by assessing the appropriateness of costs included in the calculation. • Checked the parameters and system accuracy of computation of weighted average cost with the assistance of IT audit specialist. • Assessing the net realizable value (NRV) on a sample basis of stock items by agreeing their subsequent sales price to customer invoices to ensure that the items are held at the lower of cost and NRV. • Obtaining an understanding of the movements in the inventory for the year and evaluating the adequacy of the provision for non-moving and slow-moving inventory. • Verifying manual adjustments to inventory provision by inspecting supporting documentation. • Assessing whether the Group's policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimation made in respect of inventory.



Recoverability of trade receivables

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

Risk Description	Our response
As disclosed in Note 17 to the financial statements, the Group has recognized trade receivables balance of Rs. 562,685,163/- as at 31 March 2026, after provision for impairment of Rs. 2,175,026/-. The Group's customers operate in a number of sectors, having different credit profiles. SLFRS 9 – “Financial Instruments” ECL Model takes into account judgment in setting the assumptions such as forward-looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. We identified impairment of trade receivables as a key audit matter for our audit, as it requires management to exercise subjective judgment in making assumptions and estimates for the assessment of provision for impairment of trade receivables.	Our audit procedures included: • Obtaining an understanding and assessing the design, implementation and operating effectiveness of management's key internal controls over the credit control and approval processes. • Testing the adequacy of the provisions for impairment recorded against trade receivable balances, based on 'Expected Credit loss' model as per 'SLFRS 9', as well as the reasonability of the model methodology. • Assessing the adequacy of the Group's disclosures regarding the degree of judgments and estimation involved in arriving at the allowance for impairment losses of trade receivables.

Other Information

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,



individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial

information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
31 August 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Revenue	4	6,731,091,440	6,321,658,320	6,731,091,440	6,321,658,320
Cost of sales		<u>(5,479,085,102)</u>	<u>(5,075,708,724)</u>	<u>(5,479,085,102)</u>	<u>(5,075,708,724)</u>
Gross profit		1,252,006,338	1,245,949,596	1,252,006,338	1,245,949,596
Other income	5	121,798,917	26,521,366	121,798,917	26,521,366
Distribution expenses		(432,119,576)	(442,406,440)	(432,119,576)	(442,406,440)
Administrative expenses		(566,638,613)	(512,686,387)	(566,608,613)	(510,119,213)
Operating profit	6	<u>375,047,066</u>	<u>317,378,135</u>	<u>375,077,066</u>	<u>319,945,309</u>
Finance income	7.1	49,135,748	43,475,536	49,135,748	43,475,536
Finance expenses	7.2	<u>(12,457,058)</u>	<u>(10,653,683)</u>	<u>(12,457,058)</u>	<u>(10,653,683)</u>
Profit before tax		411,725,756	350,199,988	411,755,756	352,767,162
Income tax expense	8	<u>(116,449,615)</u>	<u>(97,136,464)</u>	<u>(116,449,615)</u>	<u>(97,136,464)</u>
Profit for the year		<u>295,276,141</u>	<u>253,063,524</u>	<u>295,306,141</u>	<u>255,630,698</u>
Profit attributable to equity holders		295,276,141	253,063,524	295,306,141	255,630,698
- of the Company					
Profit for the year		<u>295,276,141</u>	<u>253,063,524</u>	<u>295,306,141</u>	<u>255,630,698</u>
Earnings per share	9	153.82	131.83	153.84	133.17

Figures in bracket indicate deductions.

The notes to the financial statements from page 68 to 103 form an integral part of these consolidated financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Profit for the year		295,276,141	253,063,524	295,306,141	255,630,698
Other comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Re-measurement of					
defined benefit obligation	23.1	(14,200,849)	(17,367,255)	(14,200,849)	(17,367,255)
Related tax	8.2	4,260,255	5,210,177	4,260,255	5,210,177
Total other comprehensive income net of tax		<u>(9,940,594)</u>	<u>(12,157,078)</u>	<u>(9,940,594)</u>	<u>(12,157,078)</u>
Total comprehensive income attributable to owners of the Company		<u>285,335,547</u>	<u>240,906,446</u>	<u>285,365,547</u>	<u>243,473,620</u>

Figures in bracket indicate deductions.

The notes to the financial statements from page 68 to 103 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH,		GROUP		COMPANY	
	Note	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Assets					
Non-current assets					
Property, plant and equipment	11	1,127,361,357	895,804,802	1,127,361,357	895,804,802
Intangible assets	12	988,722	1,449,015	988,722	1,449,015
Right of use asset	13	-	4,945,096	-	4,945,096
Investment in subsidiary	14	-	-	70	70
Deferred tax asset	22	17,425,967	3,211,081	17,425,967	3,211,081
Total non-current assets		<u>1,145,776,046</u>	<u>905,409,994</u>	<u>1,145,776,116</u>	<u>905,410,064</u>
Current assets					
Inventories	16	650,686,895	474,957,784	650,686,895	474,957,784
Trade and other receivables	17	726,887,409	618,394,674	726,887,409	618,394,674
Investment in unit trusts	15	4,632,828	142,430,650	4,632,828	142,430,650
Investment in fixed deposits		633,980,349	487,610,913	633,980,349	487,610,913
Cash and cash equivalents	18	18,514,572	131,347,978	18,469,656	131,303,063
Total current assets		<u>2,034,702,053</u>	<u>1,854,741,999</u>	<u>2,034,657,137</u>	<u>1,854,697,084</u>
Total assets		<u>3,180,478,099</u>	<u>2,760,151,993</u>	<u>3,180,433,253</u>	<u>2,760,107,148</u>
Equity					
Stated capital	19	105,578,000	105,578,000	105,578,000	105,578,000
Other capital reserves	20	7,010,944	7,010,944	11,014	11,014
General reserve	21	12,841,000	12,841,000	12,841,000	12,841,000
Retained earnings		1,834,434,859	1,702,009,521	1,841,720,291	1,709,264,953
Total equity attributable to owners of the Company		<u>1,959,864,803</u>	<u>1,827,439,465</u>	<u>1,960,150,305</u>	<u>1,827,694,967</u>
Liabilities					
Non-current liabilities					
Deferred tax liabilities	22	-	-	-	-
Employee benefit obligation	23	246,009,213	206,381,522	246,009,213	206,381,522
Lease creditor	25	-	-	-	-
Total non-current liabilities		<u>246,009,213</u>	<u>206,381,522</u>	<u>246,009,213</u>	<u>206,381,522</u>
Current liabilities					
Trade and other payables	24	666,831,130	562,761,397	666,500,782	562,461,050
Lease creditor	25	-	6,857,851	-	6,857,851
Current tax liabilities	26	44,883,558	60,597,654	44,883,558	60,597,654
Bank overdraft	18	262,889,395	96,114,104	262,889,395	96,114,104
Total current liabilities		<u>974,604,083</u>	<u>726,331,006</u>	<u>974,273,735</u>	<u>726,030,659</u>
Total liabilities		<u>1,220,613,296</u>	<u>932,712,528</u>	<u>1,220,282,948</u>	<u>932,412,181</u>
Total equity and liabilities		<u>3,180,478,099</u>	<u>2,760,151,993</u>	<u>3,180,433,253</u>	<u>2,760,107,148</u>

The notes to the financial statements from page 68 to 103 form an integral part of these consolidated financial statements.

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



C.T. Gajanayake
Chief Financial Officer

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



S.N. Samarasinghe
Managing Director
28 August 2026



Dr. K.S. Narangoda
Director

STATEMENT OF CHANGES IN EQUITY

GROUP	Stated Capital Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2024	105,578,000	7,010,944	12,841,000	1,614,035,219	1,739,465,163
Total comprehensive income					
Profit for the year	-	-	-	253,063,524	253,063,524
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	(17,367,255)	(17,367,255)
Related taxes	-	-	-	5,210,177	5,210,177
Total other comprehensive income for the year	-	-	-	(12,157,078)	(12,157,078)
Total comprehensive income for the year	-	-	-	240,906,446	240,906,446
Transactions with owners of the Group, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Final dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Forfeiture of unclaimed dividend - Note (a)	-	-	-	635,856	635,856
Total transactions with owners of the Group	-	-	-	(152,932,144)	(152,932,144)
Balance as at 31 March 2025	105,578,000	7,010,944	12,841,000	1,702,009,521	1,827,439,465
Balance as at 01 April 2025	105,578,000	7,010,944	12,841,000	1,702,009,521	1,827,439,465
Total comprehensive income					
Profit for the year	-	-	-	295,276,141	295,276,141
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	(14,200,849)	(14,200,849)
Related taxes	-	-	-	4,260,255	4,260,255
Total other comprehensive income for the year	-	-	-	(9,940,594)	(9,940,594)
Total comprehensive income for the year	-	-	-	285,335,547	285,335,547
Transactions with owners of the Group, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Final dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Forfeiture of unclaimed dividend - Note (a)	-	-	-	657,791	657,791
Total transactions with owners of the Group	-	-	-	(152,910,209)	(152,910,209)
Balance as at 31 March 2026	105,578,000	7,010,944	12,841,000	1,834,434,859	1,959,864,803

Note(a) - The Group policy is to forfeit the dividends which are outstanding for more than six years in which the dividends have been initially declared. Figure in bracket indicate deductions.

The notes to the financial statements from page 68 to 103 form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

COMPANY	Stated Capital Rs.	Other Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2024	105,578,000	11,014	12,841,000	1,618,723,477	1,737,153,491
Total comprehensive income					
Profit for the year	-	-	-	255,630,698	255,630,698
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	(17,367,255)	(17,367,255)
Related taxes	-	-	-	5,210,177	5,210,177
Total other comprehensive income for the year	-	-	-	(12,157,078)	(12,157,078)
Total comprehensive income for the year	-	-	-	243,473,620	243,473,620
Transactions with owners of the Company, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Final dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Forfeiture of unclaimed dividend - Note (a)	-	-	-	635,856	635,856
Total transactions with owners of the Company	-	-	-	(152,932,144)	(152,932,144)
Balance as at 31 March 2025	105,578,000	11,014	12,841,000	1,709,264,953	1,827,694,967
Balance as at 01 April 2025	105,578,000	11,014	12,841,000	1,709,264,953	1,827,694,967
Total comprehensive income					
Profit for the year	-	-	-	295,306,141	295,306,141
Other comprehensive income					
Re-measurement of employee benefits obligation	-	-	-	(14,200,849)	(14,200,849)
Related taxes	-	-	-	4,260,255	4,260,255
Total other comprehensive income for the year	-	-	-	(9,940,594)	(9,940,594)
Total comprehensive income for the year	-	-	-	285,365,547	285,365,547
Transactions with owners of the Company, recognized directly in equity					
Interim dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Final dividend - Note (10)	-	-	-	(76,784,000)	(76,784,000)
Forfeiture of unclaimed dividend - Note (a)	-	-	-	657,791	657,791
Total transactions with owners of the Company	-	-	-	(152,910,209)	(152,910,209)
Balance as at 31 March 2026	105,578,000	11,014	12,841,000	1,841,720,291	1,960,150,305

Note(a) - The Group policy is to forfeit the dividends which are outstanding for more than six years in which the dividends have been initially declared. Figure in bracket indicate deductions.

The notes to the financial statements from page 68 to 103 form an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH,	Note	GROUP		COMPANY	
		2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Cash flows from operating activities					
Profit before income tax expense		411,725,756	350,199,988	411,755,756	352,767,162
Adjustment for					
Provision for employee benefit	23	38,048,516	32,652,842	38,048,516	32,652,842
Depreciation/amortization	11,12 & 13	110,455,062	96,116,073	110,455,062	96,116,073
Provision/(reversal) for slow moving machinery spares	16	-	(8,069)	-	(8,069)
Slow mowing machinery spares - written off	16	12,021,708	-	12,021,708	-
Provision/(reversal) for impairment of trade receivables	17	-	13,486	-	13,486
Interest expenses	7	12,457,058	10,653,683	12,457,058	10,653,683
Change in fair value of unit trusts	5	(4,202,178)	(6,980,352)	(4,202,178)	(6,980,352)
Loss on disposal of property, plant & equipment	5	(91,098,551)	2,035,476	(91,098,551)	2,035,476
Tax recoverable written off	26	-	2,583,425	-	-
Write-off of VAT receivable balances		1,518,590	-	1,518,590	-
Write-back of salary-related payables		(174,528)	-	(174,528)	-
Related Party Receivable written off		300,000	-	300,000	-
Interest income from investment in fixed deposits	7	(46,509,058)	(42,101,345)	(46,509,058)	(42,101,345)
Unrealized exchange loss		-	32,888	-	32,888
Operating profit before working capital changes		<u>444,542,375</u>	<u>445,198,095</u>	<u>444,572,375</u>	<u>445,181,844</u>
Change in inventories		(187,750,819)	39,154,725	(187,750,819)	39,154,725
Change in trade and other receivables		(110,136,797)	79,737,412	(110,136,797)	79,737,412
Change in trade and other payables		<u>103,599,472</u>	<u>(49,290,350)</u>	<u>103,599,472</u>	<u>(49,274,099)</u>
Cash generated from operations		250,254,231	514,799,882	250,254,231	514,799,882
Gratuity paid	23	(12,621,674)	(10,719,403)	(12,621,674)	(10,719,403)
Interest paid		(12,313,592)	(8,915,660)	(12,313,592)	(8,915,660)
Lease interest paid		(143,466)	(1,738,023)	(143,466)	(1,738,023)
Income tax paid	26	(142,118,342)	(76,157,663)	(142,118,342)	(76,157,663)
Net cash flows generated from operating activities		<u>83,057,157</u>	<u>417,269,133</u>	<u>83,057,157</u>	<u>417,269,133</u>
Cash flows from investing activities					
Interest received		42,988,344	51,875,645	42,988,344	51,875,645
Proceeds from disposal of property, plant and equipment		91,109,936	2,448,523	91,109,936	2,448,523
Investments in Fixed Deposits		(142,848,721)	(104,771,198)	(142,848,721)	(104,771,198)
Proceeds from unit trusts		142,000,000	-	142,000,000	-
Acquisition of property, plant and equipment					
intangible assets and capital WIP		<u>(336,617,614)</u>	<u>(112,642,436)</u>	<u>(336,617,614)</u>	<u>(112,642,436)</u>
Cash flows used in investing activities		<u>(203,368,055)</u>	<u>(163,089,466)</u>	<u>(203,368,055)</u>	<u>(163,089,466)</u>
Cash flows from financing activities					
Dividends paid		(152,439,948)	(152,932,144)	(152,439,948)	(152,932,144)
Lease capital paid	25.1	<u>(6,857,851)</u>	<u>(18,932,529)</u>	<u>(6,857,852)</u>	<u>(18,932,529)</u>
Cash flows used in financing activities		<u>(159,297,799)</u>	<u>(171,864,673)</u>	<u>(159,297,800)</u>	<u>(171,864,673)</u>
Net change in cash and cash equivalents		(279,608,697)	82,314,994	(279,608,698)	82,314,994
Cash and cash equivalents at the beginning	18	<u>35,233,874</u>	<u>(47,081,119)</u>	<u>35,188,959</u>	<u>(47,126,035)</u>
Cash and cash equivalents at the end		<u>(244,374,823)</u>	<u>35,233,874</u>	<u>(244,419,739)</u>	<u>35,188,959</u>

Figures in bracket indicate deductions.

The notes to the financial statements from page 68 to 103 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

1.1 Domicile and Legal Form

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

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

The Consolidated Financial Statements of the Group for the year ended 31 March 2026 comprise the Company and its subsidiary (together referred to as the “Group” and individually as “Group entities”).

1.2 Subsidiary

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

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

1.3 Principal Activities and Nature of Operations

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

In the year 2014, directors of the Company decided to transfer the distributorship of Harischandra Mills (Distributors) Limited to Harischandra Mills PLC. Accordingly, the principal commercial operation of Harischandra Mills (Distributors) Limited is now been transferred to the parent Company.

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

1.4 Parent Enterprise and Ultimate Parent Enterprise

In the opinion of the Directors, the Company does not have any identifiable parent entity of its own as at 31 March 2026.

1.5 Number of Employees

The numbers of employees of the Group and Company as at 31 March 2026 are as follows:

Group	627 (2025-648)
Company	627 (2025-648)

1.6 Responsibilities for Financial Statements and Approval of Financial Statements

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

The financial statements of the Group for the year ended 31 March 2026 were authorized for issue in accordance with resolution of the Board of Directors on 20 August 2026.

2. Basis of Preparation

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (the “Accounting Standards”), as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Accounting Standards comprise:

Sri Lanka Financial Reporting Standards (“SLFRSs”)
Sri Lanka Accounting Standards (“LKAS”)
Statements of Recommended Practices (“SoRPs”)
Statement of Alternate Treatment (SoATs)
Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com.

2.2 Statement of presentation

The Consolidated financial statements of the Group and the separated financial statements of the Company have been prepared in compliance with the requirement of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

Note 3.4 - Impairment of assets

Note 3.11.1 - Provisions

Note 3.13 - Employee benefits

Note 3.15 - Capital commitments and contingencies

2.5. Measurement of Fair Value

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

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

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

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

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

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety

in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumption made in measuring fair value is included in Note 34.2.

2.6 Materiality and Aggregation

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

2.7 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In determining the basis of preparing the Financial Statements for the year ended 31 March 2026, based on available information, the management has assessed the prevailing uncertain environment and its impact on the Group companies. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8 Related Party Transactions

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

3. Summary of Material Accounting Policies

There were no changes in material accounting policies used by the Group during the financial year. Further, there were no significant impact to the financial statements of the Group from new or amended accounting standards and interpretations that were required to be incorporated into the financial statements with effect from 01 April 2025.

3.1 Basis of Consolidation

3.1.1 Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

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

3.1.2. Subsidiaries

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

3.1.3 Non-controlling interests

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

3.1.4 Loss of control

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

3.1.5 Transactions eliminated on consolidation

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

3.2. Foreign Currency Transactions

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

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

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

3.3 Financial Instruments

(i) Recognition and Initial Measurement

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

Financial Assets

(ii) Classification and Subsequent Measurement

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

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

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

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash

flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

a) Financial assets - Business model assessment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

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

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

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

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

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

Financial Liabilities

- (iv) De-recognition

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

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

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

3.4 Impairment

(a) Financial Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

Measurement of ECL

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

Credit-impaired Financial Assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default in payments
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the Statement of Financial Position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the

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

Financial Assets measured at Amortised Cost

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

(b) Non-financial Assets

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

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

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

3.5 Stated capital

Ordinary shares

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.6 Property, Plant and Equipment

3.6.1 Recognition & Measurement

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

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

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

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

3.6.2 Subsequent Costs

Subsequent expenditure is capitalized only if 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 is recognized in profit or loss as incurred.

3.6.3. Depreciation

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

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

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

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

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

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

3.6.4. De-recognition

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

3.6.5 Capital Work-in-Progress

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

3.7 Intangible Assets

a. Recognition and Measurement

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

b. Subsequent Expenditure

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

c. Amortization

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

The estimated useful lives for the current and comparative years are as follows;

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Computer software - 5 years

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

d. De-recognition

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

3.8 Leases

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

3.8.1 Group as a lessee

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

3.8.1.1 Right-of-use assets

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

3.8.1.2 Lease liabilities

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

rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

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

3.8.1.4 Group as a lessor

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

3.9 Investments in Subsidiary

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

3.10 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion cost and other cost incurred in bringing them to their existing location and condition. In relation to work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

3.11 Liabilities and Provisions

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

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

3.11.1 Provisions

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

3.12 Cash and Cash Equivalents

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

3.13 Employee Benefits

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

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

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

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

Employee Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund. Contributions to defined contribution plans are recognized as an expense in the Statement of Comprehensive Income as incurred.

b. Defined Benefit Plan

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

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

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

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

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

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

3.14 Trade and Other Payables

Trade and other payables are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.15 Capital Commitments and Contingencies

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

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

3.16 Events after the end of the Reporting Period

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

Statement of Profit or Loss and Other Comprehensive Income

3.17 Revenue Recognition

Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

a. Sale of goods

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

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

b. Dividend income

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

c. Other income

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

Rental income is recognized on an accrual basis.

3.18 Expenditure

i. Operating Expenditure

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Repairs and renewals are charged to the Statement of Profit or Loss in the year in which the expenditure is incurred.

ii. Finance Income and Finance Expenses

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

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

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

3.19 Income Tax Expenses

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

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

a. Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

b. Deferred Taxation

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiary to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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

3.20 Basic Earnings per Share

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.21 Dividend Distribution

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

3.22 Statement of Cash Flows

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

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

3.23 Segment Reporting

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

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

Segment information is based on the primary format representing the industry segment of the Group is in Note 32 & 33 to the financial statements.

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

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

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

The following new or amended standards and interpretations have been issued, but not yet effective, as at the reporting date

of the Consolidated Financial Statements. These are not expected to result in material impact to the Group on adoption.

- Sri Lanka Accounting Standard – SLFRS 18 on "Presentation and Disclosure in Financial Statements" (SLFRS 18)

SLFRS 18 is a new accounting standard for presentation and disclosure in Financial Statements with effect from 1 January 2027. SLFRS 18 will replace the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" and applies to the Group effective from 1 January 2027. The new accounting standard introduces the following key new requirements.

Entities are required to classify all income and expenses into five categories in the Statement of Profit or Loss, namely operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit sub totals. Entities' net profit will not change.

Management – defined Performance Measures (MPMs) are disclosed in a single note in the Financial Statements. Enhanced guidance is provided on how to group information in the Financial Statements.

In addition, all entities are required to use the operating profit subtotals as the starting point for the Statement of Cashflows when presenting operating cashflows under indirect method.

The Group is still in the process of assessing the impact of the new accounting standards, particularly with respect to the structure of the Group's Income Statement, the Statement of Cashflows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the Financial Statements including items currently labelled as 'other'.

- SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures

SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information requires an entity to disclose information about its sustainability related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

SLFRS S2 Climate-related Disclosures is to requires an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

These standards will become effective for the Group from 01 January 2026 as if does not fall withing the top 100 market capitalization companies. No financial impact is expected on the Company except for additional disclosures.

- Sri Lanka Accounting Standard – SLFRS 19 on “Subsidiaries without Public Accountability” (SLFRS 19)

SLFRS 19 is a new accounting standard for subsidiaries to apply the recognition, measurement, and presentation requirements of full SLFRS Standards while applying a reduced set of disclosure requirements in Financial Statements with effect from 1 January 2027. The Group does not expect this will result in a material impact on its Consolidated Financial Statements. However, this may have an impact on the separate Financial Statements of the subsidiaries of the Company as appropriate.

Other accounting standards

Annual improvements to SLFRS Accounting Standards – Volume 11

The amendments apply for annual reporting periods beginning on or after 1 January 2026. These changes are not expected to have a significant impact on the Company’s Financial Statements.

These standards will become effective for the Group from 01 January 2026 as if does not fall withing the top 100 market capitalization companies. No financial impact is expected on the Company except for additional disclosures

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

4. REVENUE

Revenue Streams

- a) The Group generates revenue primary from food, soap, fuel and lubricant segments (Note 32)

	GROUP		COMPANY	
FOR THE YEARENDED 31 MARCH	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Revenue Analysis				
Gross Revenue	6,851,195,062	6,433,887,369	6,851,195,062	6,433,887,369
Taxes to the government of Sri Lanka (Social Security Contribution Levy)	(120,103,622)	(112,229,049)	(120,103,622)	(112,229,049)
Net revenue	<u>6,731,091,440</u>	<u>6,321,658,320</u>	<u>6,731,091,440</u>	<u>6,321,658,320</u>

Revenue from contract with customers.

Sales of goods, net of taxes	<u>6,731,091,440</u>	<u>6,321,658,320</u>	<u>6,731,091,440</u>	<u>6,321,658,320</u>
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- b) Disaggregation of revenue from contract with customers.

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

	GROUP		COMPANY	
FOR THE YEARENDED 31 MARCH	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Major Products				
Food products	4,881,865,915	4,556,897,840	4,881,865,915	4,556,897,840
Soap products	762,768,400	715,809,652	762,768,400	715,809,652
Fuel and lubricants	1,086,457,125	1,048,950,828	1,086,457,125	1,048,950,828
	<u>6,731,091,440</u>	<u>6,321,658,320</u>	<u>6,731,091,440</u>	<u>6,321,658,320</u>

Operating segments

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

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

The Group comprises the following main business segments:

- Food products

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

- Soap products

Soap products segment includes laundry and toilet soaps.

- Fuel and Lubricants

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

c) Contract Balances

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

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Receivables which are included in trade and other receivables	562,685,163	541,612,272	562,685,163	541,612,272
	<u>562,685,163</u>	<u>541,612,272</u>	<u>562,685,163</u>	<u>541,612,272</u>

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
5. OTHER INCOME				
Change in fair value of unit trusts	4,202,178	6,980,352	4,202,178	6,980,352
Gain/ (loss) on disposal of property, plant & equipment	91,098,551	(2,035,476)	91,098,551	(2,035,476)
Staff loan interest income	2,389,449	3,320,855	2,389,449	3,320,855
Sundry income (Note 5.1)	24,108,739	18,255,635	24,108,739	18,255,635
	<u>121,798,917</u>	<u>26,521,366</u>	<u>121,798,917</u>	<u>26,521,366</u>
5.1 Sundry income				
Sale of disposable material	17,964,681	15,710,517	17,964,681	15,710,517
Sundry receipts	6,144,058	2,545,118	6,144,058	2,545,118
	<u>24,108,739</u>	<u>18,255,635</u>	<u>24,108,739</u>	<u>18,255,635</u>

6. RESULTS FROM OPERATING ACTIVITIES

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

Directors' emoluments (Note 27)	85,016,161	80,678,750	85,016,161	80,678,750
Auditors' remuneration				
Audit	3,130,000	2,800,000	2,800,000	2,500,000
Audit related	1,571,689	2,154,025	1,463,129	2,074,025
Depreciation and amortization	110,455,062	96,116,073	110,455,062	96,116,073
Donations	9,670,269	12,190,640	9,670,269	12,190,640
Staff related expenses (Note 6.1)	846,837,599	751,502,456	846,837,599	751,502,456
Provision/(reversal) for impairment of trade receivable (Note 17.1)	-	13,486	-	13,486
Provision for slow moving inventories (Note 16.1)	-	8,069	-	8,069

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
6.1 Staff related expenses				
Salaries and wages	561,156,530	516,212,151	561,156,530	516,212,151
Defined contribution plan	77,241,139	69,896,839	77,241,139	69,896,839
Bonus	82,002,691	61,878,999	82,002,691	61,878,999
Staff welfare	88,388,723	70,861,625	88,388,723	70,861,625
Defined benefit plan - Retiring gratuity	38,048,516	32,652,842	38,048,516	32,652,842
	<u>846,837,599</u>	<u>751,502,456</u>	<u>846,837,599</u>	<u>751,502,456</u>
7. NET FINANCE INCOME				
7.1 Finance income				
Interest income on fixed deposits	46,509,058	42,101,345	46,509,058	42,101,345
Profit from translation of foreign currencies	2,626,690	1,374,191	2,626,690	1,374,191
	<u>49,135,748</u>	<u>43,475,536</u>	<u>49,135,748</u>	<u>43,475,536</u>
7.2 Finance expenses			-	
Interest expenses on overdraft facilities	(12,313,592)	(8,915,660)	(12,313,592)	(8,915,660)
Interest expenses on lease payable	(143,466)	(1,738,023)	(143,466)	(1,738,023)
	<u>(12,457,058)</u>	<u>(10,653,683)</u>	<u>(12,457,058)</u>	<u>(10,653,683)</u>
Net finance income	<u>36,678,690</u>	<u>32,821,853</u>	<u>36,678,690</u>	<u>32,821,853</u>
8. INCOME TAX EXPENSE				
8.1 Amounts recognized in profit or loss				
Current tax expense				
On current year profits (Note 8.3)	126,404,246	116,397,621	126,404,246	116,397,621
Adjustments in respect of prior years	-	7,446,094	-	7,446,094
Deferred tax expense				
Origination of temporary differences (Note 22)	(9,954,631)	(26,707,251)	(9,954,631)	(26,707,251)
Tax expense on continuing operations	<u>116,449,615</u>	<u>97,136,464</u>	<u>116,449,615</u>	<u>97,136,464</u>
8.2 Amounts recognised in other comprehensive income				
Deferred tax reversal on actuarial				
(loss)/ gain (Note 22)	<u>(4,260,255)</u>	<u>(5,210,177)</u>	<u>(4,260,255)</u>	<u>(5,210,177)</u>
	<u>(4,260,255)</u>	<u>(5,210,177)</u>	<u>(4,260,255)</u>	<u>(5,210,177)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEARENDED 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
8.3 Tax reconciliation statement				
Profit before income tax expense	411,725,756	350,199,988	411,755,756	352,767,162
Income not liable to tax	(56,395,113)	2,035,476	(56,395,113)	2,035,476
Aggregate deductible expenses for tax	(162,901,994)	(171,229,483)	(162,901,994)	(171,229,483)
Aggregate non deductible expenses for tax	234,351,741	218,505,796	234,321,741	215,938,622
Adjusted profit	426,780,390	397,476,301	426,780,390	397,476,301
Qualifying payments	(5,432,902)	(9,484,229)	(5,432,902)	(9,484,229)
Taxable profit	421,347,488	387,992,072	421,347,488	387,992,072
Income tax at 30%	126,404,246	116,397,621	126,404,246	116,397,621
On current year profits	126,404,246	116,397,621	126,404,246	116,397,621
Effective tax rate	30.70%	33.24%	30.70%	33.00%

Applicable tax rates

According to the Inland Revenue (Amendment) Act No 45 of 2022, the Company and Subsidiary are liable to pay income tax at the rate of 30 %. (2024/25-30%)

9. EARNINGS PER SHARE

9.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year as per the requirement of the Sri Lanka Accounting Standards (LKAS 33) - "Earnings per Share"

Profit attributable to ordinary shareholders	295,276,141	253,063,524	295,306,141	255,630,698
Weighted average number of ordinary shares	1,919,600	1,919,600	1,919,600	1,919,600
Basic earnings per share (Rs.)	153.82	131.83	153.84	133.17

9.2 Diluted earnings per share

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

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

10. DIVIDEND PER SHARE

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

Interim dividend	76,784,000	76,784,000	76,784,000	76,784,000
Final dividend	76,784,000	76,784,000	76,784,000	76,784,000
	153,568,000	153,568,000	153,568,000	153,568,000
Weighted average number of ordinary shares	1,919,600	1,919,600	1,919,600	1,919,600
Dividend per share (Rs.)	80.00	80.00	80.00	80.00

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. PROPERTY, PLANT AND EQUIPMENT

GROUP / COMPANY	Freehold land	Buildings	Plant & machinery	Office factory & laboratory equipment	Motor vehicle	Furniture & fittings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
Balance as at 01 April 2024	310,593,140	227,378,088	422,484,597	118,650,978	640,885,440	53,833,231	1,773,825,474
Additions	1,117,000	-	-	7,669,342	-	1,039,071	9,825,413
Transfers from CWIP (Note 11.1)	-	30,562,728	23,664,260	3,453,730	15,789,911	14,184,207	87,654,836
Disposals	-	-	(8,914,000)	(2,027,378)	(2,532,103)	(12,974,794)	(26,448,275)
Balance as at 31 March 2025	311,710,140	257,940,816	437,234,857	127,746,672	654,143,248	56,081,715	1,844,857,448
Balance as at 01 April 2025	311,710,140	257,940,816	437,234,857	127,746,672	654,143,248	56,081,715	1,844,857,448
Additions	-	-	1,058,460	11,287,511	920,918	2,427,435	15,694,324
Transfers from CWIP (Note 11.1)	-	13,641,633	23,835,595	8,797,611	264,722,975	18,605,880	329,603,694
Disposals	-	-	-	(600,023)	(67,155,666)	(7,111)	(67,762,800)
Balance as at 31 March 2026	311,710,140	271,582,449	462,128,912	147,231,771	852,631,475	77,107,919	2,122,392,666
Accumulated depreciation							
Balance as at 01 April 2024	-	59,474,073	230,633,498	69,865,100	558,567,050	24,489,555	943,029,276
Charge for the year	-	9,152,851	30,966,499	8,988,244	29,489,979	2,349,994	80,947,567
On disposals	-	-	(5,777,704)	(1,836,752)	(1,953,599)	(12,396,221)	(21,964,276)
Balance as at 31 March 2025	-	68,626,924	255,822,293	77,016,592	586,103,430	14,443,328	1,002,012,567
Balance as at 01 April 2025	-	68,626,924	255,822,293	77,016,592	586,103,430	14,443,328	1,002,012,567
Charge for the year	-	10,437,450	31,199,246	9,722,226	50,642,463	3,048,288	105,049,673
On disposals	-	-	-	(590,632)	(67,155,666)	(5,117)	(67,751,415)
Balance as at 31 March 2026	-	79,064,374	287,021,539	86,148,186	569,590,227	17,486,499	1,039,310,825
Carrying amounts							
As at 31 March 2024	310,593,140	167,904,015	191,851,099	48,785,878	82,318,390	29,343,676	830,796,198
As at 31 March 2025	311,710,140	189,313,892	181,412,564	50,730,080	68,039,818	41,638,387	842,844,881
As at 31 March 2026	311,710,140	192,518,075	175,107,373	61,083,585	283,041,248	59,621,420	1,083,081,841

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

AS AT 31 MARCH,	GROUP / COMPANY	
	2026	2025
	Rs.	Rs.
Carrying amounts as at 31 March	1,083,081,841	842,844,881
Capital work in progress (Note 11. 1)	44,279,516	52,959,921
Net carrying amount as at 31 March	1,127,361,357	895,804,802
11.1 Capital work in progress (CWIP)		
As at 01 April	52,959,921	38,735,098
Incurred during the year	320,923,289	102,817,023
Capitalized during the year		
Tangible assets	(329,603,694)	(87,654,837)
Intangible assets	-	(937,363)
As at 31 March	44,279,516	52,959,921

11.2 The cost of fully depreciated property, plant and equipment as at reporting date amounted to Rs.663,706,876/- (2025, Rs.635,834,627/-)

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

11.4 Capitalisation of borrowing costs

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

11.5 There are no significant changes in the carrying amount of the Company's or its subsidiary's fixed assets when compared to the book value as at 31 March 2026 except disclosed in Note 11.8

11.6 No temporary idle assets as at 31 March 2026.

11.7 Capital work-in progress

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

11.8 Market Value of the Freehold Lands & Buildings

The Company assessed the market value of its Freehold Land and Buildings as at 31 March 2026 for disclosure purposes. The valuation was estimated by management based on available market information and other relevant factors, and the resulting market values of these assets were determined as follows:

Asset type	Location	Extent			Carrying Value as at 31 March 2026	Estimated market value as at 31 March 2026
		A	R	P		
Land	11, C.A. Harischandra Mawatha, Matara.	04	02	27.95	150,280,640	1,346,300,000
	455, Bauddhaloka Mawatha, Colombo 08	00	01	2.75	160,312,500	427,500,000
	No.04 Godagama Village, Godagama Junction, Matara.	00	00	11.17	1,117,000	12,800,000
					<u>311,710,140</u>	<u>1,786,600,000</u>
Buildings	No of buildings					
	11, C.A. Harischandra Mawatha, Matara.		25		141,345,002	723,690,000
	455, Bauddhaloka Mawatha, Colombo 08		02		12,648,990	23,625,600
	Industrial Zone Udukawa, Denipitiya		02		38,524,083	51,000,000
			<u>29</u>		<u>192,518,075</u>	<u>798,315,600</u>

The valuation has been carried out solely for disclosure and internal management purposes. The carrying amounts of land and buildings in the financial statements are based on historical cost and have not been adjusted to reflect the revalued amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
12. INTANGIBLE ASSETS				
Computer Software				
Cost				
As at 01 April	11,588,513	10,651,150	11,588,513	10,651,150
Transferred from CWIP	-	937,363	-	937,363
As at 31 March	<u>11,588,513</u>	<u>11,588,513</u>	<u>11,588,513</u>	<u>11,588,513</u>
Amortization				
As at 01 April	10,139,498	9,806,232	10,139,498	9,806,232
Amortization during the year	460,293	333,266	460,293	333,266
As at 31 March	<u>10,599,791</u>	<u>10,139,498</u>	<u>10,599,791</u>	<u>10,139,498</u>
Carrying values as at 31 March	<u>988,722</u>	<u>1,449,015</u>	<u>988,722</u>	<u>1,449,015</u>
13. RIGHT OF USE ASSET				
Cost				
Balance as at 01 April	94,659,447	94,659,447	94,659,447	94,659,447
Disposal	(94,659,447)	-	(94,659,447)	-
Balance as at 31 March	<u>-</u>	<u>94,659,447</u>	<u>-</u>	<u>94,659,447</u>
Less: Accumulated amortization				
Balance as at 01 April	89,714,351	74,879,111	89,714,351	74,879,111
Charged for the year	4,945,096	14,835,240	4,945,096	14,835,240
Disposal	(94,659,447)	-	(94,659,447)	-
Balance as at 31 March	<u>-</u>	<u>89,714,351</u>	<u>-</u>	<u>89,714,351</u>
Net book value as at 31 March	<u>-</u>	<u>4,945,096</u>	<u>-</u>	<u>4,945,096</u>

	COMPANY	
	2026	2025
14. INVESTMENT IN SUBSIDIARY		
Harischandra Mills (Distributors) Limited	70	70
(Fully owned subsidiary)	<u>70</u>	<u>70</u>
Total number of shares 700,000		

AS AT 31 MARCH,	GROUP / COMPANY			
	2026	2025	2026	2025
	No. of units	Fair Value Rs.	No. of units	Fair Value Rs.
15. INVESTMENT IN UNIT TRUST				
NDB Wealth Money Fund	120,084	4,632,828	3,973,848	142,430,650
	<u>120,084</u>	<u>4,632,828</u>	<u>3,973,848</u>	<u>142,430,650</u>

The fair value of investment in unit trusts is classified under Level 2 of the fair value hierarchy and fair value is determined based on the unit prices published at the reporting date. Refer note 34.2 for further details.

AS AT 31 MARCH,	GROUP		COMPANY	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
16. INVENTORIES				
Raw materials and consumables	378,562,650	228,384,225	378,562,650	228,384,225
Work in progress	53,093,388	82,867,477	53,093,388	82,867,477
Finished goods	173,741,773	121,507,074	173,741,773	121,507,074
Machinery spares	45,289,084	54,220,716	45,289,084	54,220,716
	650,686,895	486,979,492	650,686,895	486,979,492
Provision for slow moving machinery spares	-	(12,021,708)	-	(12,021,708)
(Note 16.1)	<u>650,686,895</u>	<u>474,957,784</u>	<u>650,686,895</u>	<u>474,957,784</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
16.1 Provision for slow moving machinery spares				
As at 01 April	12,021,708	12,029,777	12,021,708	12,029,777
Provision made during the year	-	(8,069)	-	(8,069)
Written off during the year	(12,021,708)	-	(12,021,708)	-
As at 31 March	<u>-</u>	<u>12,021,708</u>	<u>-</u>	<u>12,021,708</u>

None of the inventories are pledged as security for facilities obtained by the Group or the Company from banks as at 31 March 2026. Inventories are stated at the lower of cost and net realizable value.

17. TRADE AND OTHER RECEIVABLES

Trade receivables	564,860,189	543,787,298	564,860,189	543,787,298
Provision of impairment (Note 17.1)	(2,175,026)	(2,175,026)	(2,175,026)	(2,175,026)
	<u>562,685,163</u>	<u>541,612,272</u>	<u>562,685,163</u>	<u>541,612,272</u>
Other receivables (Note 17.2)	164,202,246	76,782,402	164,202,246	76,782,402
	<u>726,887,409</u>	<u>618,394,674</u>	<u>726,887,409</u>	<u>618,394,674</u>

17.1 Provision of impairment

As at 01 April	2,175,026	2,161,540	2,175,026	2,161,540
Provision made / (Reversal) during the year	-	13,486	-	13,486
As at 31 March	<u>2,175,026</u>	<u>2,175,026</u>	<u>2,175,026</u>	<u>2,175,026</u>

17.2 Other receivables

Loans to employees	51,734,592	58,473,122	51,734,592	58,473,122
Advances & prepayments (Note 17.3)	89,746,498	1,133,123	89,746,498	1,133,123
Trade deposits	11,942,087	12,097,828	11,942,087	12,097,828
Sundry debtors	10,779,069	5,078,329	10,779,069	5,078,329
	<u>164,202,246</u>	<u>76,782,402</u>	<u>164,202,246</u>	<u>76,782,402</u>

17.3 Advances and prepayments consist primarily of deposits and advance payments for the purchase of machinery and equipment.

18. CASH & CASH EQUIVALENTS

Cash in hand	1,012,566	1,123,596	1,012,566	1,123,596
Cash at bank	17,288,363	25,419,040	17,243,447	25,374,125
Short term deposits (Note 18.1)	<u>213,643</u>	<u>104,805,342</u>	<u>213,643</u>	<u>104,805,342</u>
Cash and cash equivalents in the statement of financial position	18,514,572	131,347,978	18,469,656	131,303,063
Bank overdrafts (secured) (Note 18.2)	(262,889,395)	(96,114,104)	(262,889,395)	(96,114,104)
Cash and cash equivalents for the purpose of statement of cash flows	<u>(244,374,823)</u>	<u>35,233,874</u>	<u>(244,419,739)</u>	<u>35,188,959</u>

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

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

19. STATED CAPITAL

1,919,600 Ordinary shares	<u>105,578,000</u>	<u>105,578,000</u>	<u>105,578,000</u>	<u>105,578,000</u>
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19.1 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders meetings of the Company.

20. OTHER CAPITAL RESERVES

20.1 Other capital reserves				
Reserve on script issue (Note 20.1.1)	6,999,930	6,999,930	-	-
Reserve on share issue (Note 20.1.2)	11,014	11,014	11,014	11,014
	<u>7,010,944</u>	<u>7,010,944</u>	<u>11,014</u>	<u>11,014</u>

20.1.1 Reserve on script issue in Consolidated Financial Statements has arisen on script issue of 699,993 shares of Rs.10/- each by the fully owned subsidiary, Harischandra Mills (Distributors) Limited in the year 1995/96.

20.1.2 Reserve on share issue comprise unclaimed funds of share application and allotment account transferred to capital reserves. This reserve can not be directly distributed to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
21. GENERAL RESERVES				
General reserve	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>

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

22. DEFERRED TAXATION				
Balance at the beginning of the year	(3,211,081)	28,706,347	(3,211,081)	28,706,347
Origination/(Reversal) of temporary differences recognised in profit for the year	(9,954,631)	(26,707,251)	(9,954,631)	(26,707,251)
(Reversal)/Origination of temporary differences recognised in the statement of Other Comprehensive Income	(4,260,255)	(5,210,177)	(4,260,255)	(5,210,177)
Balance at the end of the year	<u>(17,425,967)</u>	<u>(3,211,081)</u>	<u>(17,425,967)</u>	<u>(3,211,081)</u>
22.1 Deferred tax asset	(96,349,240)	(86,100,707)	(96,349,240)	(86,100,707)
Deferred tax liability	78,923,273	82,889,626	78,923,273	82,889,626
	<u>(17,425,967)</u>	<u>(3,211,081)</u>	<u>(17,425,967)</u>	<u>(3,211,081)</u>

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

Group/Company	2026		2025	
	Temporary differences	Tax Effect	Temporary differences	Tax Effect
On property, plant and equipment	263,077,575	78,923,272	271,351,943	81,405,583
ROU	-	-	4,945,096	1,483,529
On retirement gratuity	(246,009,213)	(73,802,764)	(206,381,522)	(61,914,457)
On lease creditor	-	-	(6,857,851)	(2,057,355)
Provisions for bonus	(75,154,918)	(22,546,475)	(73,761,271)	(22,128,381)
	<u>(58,086,556)</u>	<u>(17,425,967)</u>	<u>(10,703,605)</u>	<u>(3,211,081)</u>

Deferred tax has been computed at the rate of 30% (2024/25-30%)

AS AT 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
23. EMPLOYEE BENEFIT OBLIGATION				
Retiring gratuity				
As at 01 April	206,381,522	167,080,828	206,381,522	167,080,828
Actuarial loss	14,200,849	17,367,255	14,200,849	17,367,255
Charge for the year (Note 23.1)	38,048,516	32,652,842	38,048,516	32,652,842
	<u>258,630,887</u>	<u>217,100,925</u>	<u>258,630,887</u>	<u>217,100,925</u>
Gratuity paid	(12,621,674)	(10,719,403)	(12,621,674)	(10,719,403)
Balance as at 31 March	<u>246,009,213</u>	<u>206,381,522</u>	<u>246,009,213</u>	<u>206,381,522</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

23. EMPLOYEE BENEFIT OBLIGATION (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
23.1 Charge for the year				
Interest cost	22,701,967	20,049,699	22,701,967	20,049,699
Current service cost	15,346,549	12,603,143	15,346,549	12,603,143
	<u>38,048,516</u>	<u>32,652,842</u>	<u>38,048,516</u>	<u>32,652,842</u>
Amount charged to Income Statement	38,048,516	32,652,842	38,048,516	32,652,842
Amount charged to Other Comprehensive Income	14,200,849	17,367,255	14,200,849	17,367,255
	<u>52,249,365</u>	<u>50,020,097</u>	<u>52,249,365</u>	<u>50,020,097</u>

23.2 Principal Actuarial Assumptions Used

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

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

A Long-term Treasury Bond rate of 10.5% p.a. (2025 - 11%p.a.) has been used to discount future liabilities taking into consideration remaining working life of eligible employees. Further, the salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

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

23.3 Actuarial assumptions	2026	2025
a. Financial assumptions		
Discount rate as at 31 March	10.5%	11%
Future salary increases	10%	10%

b. Demographic assumptions

The demographic assumptions underlying the valuation are retirement age at 60 years, early withdrawal from services and death before and after retirement. Assumption regarding the future mortality are based on the 1967 - 70 mortality table issued by the Institute of Actuaries, London.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

23. EMPLOYEE BENEFIT OBLIGATION (CONTD.)

c. Staff Turnover Rates:

AGE GROUP	Rate
18 to 24	21%
25 to 29	16%
30 to 34	8%
35 to 39	8%
40 to 44	6%
45 to 49	5%
50 to 54	5%
>55	0%

23.4 Sensitivity of assumptions used

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

31 March 2026	Effect on charged to Statement of Profit or Loss and Other comprehensive Income		Effect on Employee Benefit Obligations In the Statement of Financial Position	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate 1%	13,382,995	(15,097,087)	(13,382,995)	15,097,087
Salary increment 1%	(16,029,528)	14,449,235	16,029,528	(14,449,235)

31 March 2025	Effect on charged to Statement of Profit or Loss and Other comprehensive Income		Effect on Employee Benefit Obligations In the Statement of Financial Position	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate 1%	10,992,564	(12,379,768)	(10,992,564)	12,379,768
Salary increment 1%	(13,204,609)	11,917,489	13,204,609	(11,917,489)

Detailed Accounting Disclosures as per LKAS 19.

All Categories

Break up of actuarial (gain) /loss on the defined benefit obligation (Rs.)	
Experience adjustment (Financial and Demographic)	7,470,242
Due to changes in financial assumptions	6,887,477
Due to changes in Demographic assumptions	(156,870)
Total	14,200,849

Distribution of present Value of Defined Benefit Obligation in Future Years (Rest.)	
(Maturity Profile of Defined Benefit Obligation)-Present Value of Expected benefit Payment)	
Less than one year	71,186,285
Between 2-5 years	66,924,159
Between 6-10 years	56,051,897
Above 10years	51,846,872
Total	246,009,213

Weighted Average Duration of Defined Benefit Obligation (Years)

6.30

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

AS AT 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
24. TRADE & OTHER PAYABLES				
Trade payables	306,244,285	220,562,741	306,244,285	220,562,741
Other payables (Note 24.1)	360,586,845	342,198,656	360,256,497	341,898,309
	<u>666,831,130</u>	<u>562,761,397</u>	<u>666,500,782</u>	<u>562,461,050</u>
24.1 Other payables				
Accrued expenses (Note 24.2)	77,620,762	81,884,599	77,436,864	81,700,701
VAT payable	89,584,684	74,981,807	89,584,684	74,981,807
Trade & customer deposits	15,738,005	14,053,005	15,738,005	14,053,005
Provision for bonus	75,154,934	73,761,271	75,154,934	73,761,271
Provision for market returns	87,450,060	81,966,288	87,450,060	81,966,288
Unclaimed dividend payable	5,586,218	5,115,957	5,586,218	5,115,957
Others	9,452,182	10,435,729	9,305,732	10,319,280
	<u>360,586,845</u>	<u>342,198,656</u>	<u>360,256,497</u>	<u>341,898,309</u>
24.2 Accrued expenses primarily consists of obligations for salaries payable and utility bills payable.				
25. LEASE CREDITOR				
Balance as at 1 April	6,857,851	25,790,380	6,857,851	25,790,380
Interest amortised for the year	143,466	1,738,023	143,466	1,738,023
Re-payment	<u>(7,001,317)</u>	<u>(20,670,552)</u>	<u>(7,001,317)</u>	<u>(20,670,552)</u>
Balance as at 31 March	<u>-</u>	<u>6,857,851</u>	<u>-</u>	<u>6,857,851</u>
Non-Current				
Lease creditor - due after one year	-	-	-	-
Current				
Lease creditor - due within one year	<u>-</u>	<u>6,857,851</u>	<u>-</u>	<u>6,857,851</u>
	<u>-</u>	<u>6,857,851</u>	<u>-</u>	<u>6,857,851</u>
25.1 Amount recognized in statement of comprehensive income				
Lease under SLFRS 16				
Interest on lease liabilities	143,466	1,738,023	143,466	1,738,023
ROU amortisation	4,945,096	14,835,240	4,945,096	14,835,240
Amount recognized in statement of cash flows				
Cash outflows for leases				
Capital repayment paid	(6,857,851)	(18,932,529)	(6,857,851)	(18,932,529)
Interest paid	(143,466)	(1,738,023)	(143,466)	(1,738,023)
26. CURRENT TAX LIABILITIES				
As at 01 April	60,597,654	10,328,177	60,597,654	12,911,602
Provision for the year (Note 08)	126,404,246	116,397,621	126,404,246	116,397,621
Prior year under provision (Note 08)	-	7,446,094	-	7,446,094
Written off tax recoverable	-	2,583,425	-	-
	<u>187,001,900</u>	<u>136,755,317</u>	<u>187,001,900</u>	<u>136,755,317</u>
Payments during the year	<u>(142,118,342)</u>	<u>(76,157,663)</u>	<u>(142,118,342)</u>	<u>(76,157,663)</u>
As at 31 March	<u>44,883,558</u>	<u>60,597,654</u>	<u>44,883,558</u>	<u>60,597,654</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

27. TRANSACTIONS WITH RELATED PARTIES

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

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

27.1 Parent and ultimate controlling party

In the opinion of Directors the Company does not have an identifiable parent of its own as at 31 March 2026.

27.2 Key management personnel compensation

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

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

i) Loans to Directors

No loans have been given to the directors of the Company.

ii) Key management personnel compensation comprised :

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Short term benefits	78,962,268	70,748,825	78,962,268	70,748,825
Long term benefits	6,053,893	9,929,925	6,053,893	9,929,925
Total (Note 06)	<u>85,016,161</u>	<u>80,678,750</u>	<u>85,016,161</u>	<u>80,678,750</u>

27.3 Transactions with subsidiary

Recurrent transactions

Name of the related party	Nature of transaction	2026		2025	
		Volume of transaction	Balance as at 31.03.26	Volume of transaction	Balance as at 31.03.25
Harischandra Mills (Distributors) Limited	Expenses incurred	330,000	330,000	300,000	300,000
	Write off	(300,000)	(300,000)	-	-

27.4 Transactions with other entities

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

28. CAPITAL EXPENDITURE COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

29. CONTINGENT LIABILITIES

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

A confirmation letter has been provided by Harischandra Mills PLC to Harischandra Mills (Distributors) Ltd, affirming its commitment to support Harischandra Mills (Distributors) Ltd's, ability to continue as a going concern. Accordingly , Harischandra Mills PLC has undertaken to provide unconditional and financial assistance to Harischandra Mills (Distributors) Ltd as necessary, to enable Harischandra Mills (Distributors) Ltd to meet its financial obligation as and when they fall due and payable.

30. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events occurring after the reporting date that require adjustment or disclosure in the financial statements except below;

Following the Share Sale and Purchase Agreement (SSPA) dated January 24, 2026, and the subsequent Addendum dated March 20, 2026, Ambeon Essentials (Private) Limited (a subsidiary of Ambeon Capital PLC) proceeded with a Voluntary Offer to acquire the ordinary voting shares of Harischandra Mills PLC at a price of LKR 3,400/- per share.

As of May 2026, Ambeon Essentials (Private) Limited has successfully concluded the acquisition of a controlling stake of 51.11% (comprising 981,118 ordinary voting shares) from a consortium of existing shareholders.

31. DIRECTORS' RESPONSIBILITY

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

32. SEGMENTAL INFORMATION

GROUP

Information based on the primary segments

For the year ended 31 March	Food Products		Fuel and Lubricant		Soap		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue:								
Totalsales	4,881,865,915	4,556,897,840	1,086,457,125	1,048,950,828	762,768,400	715,809,652	6,731,091,440	6,321,658,320
Operating profit:								
Segment operating profit before depreciation	359,683,571	299,834,899	2,486,444	3,921,174	1,533,196	83,216,769	363,703,211	386,972,842
Depreciation and amortization	(94,629,307)	(82,327,560)	(1,040,375)	(856,281)	(14,785,380)	(12,932,232)	(110,455,062)	(96,116,073)
Segment operating profit	265,054,264	217,507,339	1,446,069	3,064,893	(13,252,184)	70,284,537	253,248,149	290,856,769
Other operating income							121,798,917	26,521,366
Net finance income							36,678,690	32,821,853
Profit before income tax expense							411,725,756	350,199,988
Income tax expense							(116,449,615)	(97,136,464)
Profit after income tax							295,276,141	253,063,524
Assets:								
Operating assets	2,280,642,133	1,892,629,777	507,555,910	435,663,831	356,339,517	297,299,326	3,144,537,560	2,625,592,934
Cash & cash equivalents							18,514,572	131,347,978
Deferred tax asset							17,425,967	3,211,081
Total assets							3,180,478,099	2,760,151,993
Liabilities:								
Operating liabilities	852,722,769	628,654,411	189,773,080	144,709,754	133,233,889	98,750,709	1,175,729,738	872,114,874
Deferred tax liabilities								-
Income tax payable							44,883,558	60,597,654
Total liabilities							1,220,613,296	932,712,528

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

33. SEGMENTAL INFORMATION

COMPANY

Information based on the primary segments

For the year ended 31 March	Food Products		Fuel and Lubricant		Soap		Total	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Revenue:								
Total sales	4,881,865,915	4,556,897,840	1,086,457,125	1,048,950,828	762,768,400	715,809,652	6,731,091,440	6,321,658,320
Operating profit:								
Segment operating profit before depreciation	359,713,571	302,402,073	2,486,444	3,921,174	1,533,196	83,216,769	363,733,211	389,540,016
Depreciation and amortization	(94,629,307)	(82,327,560)	(1,040,375)	(856,281)	(14,785,380)	(12,932,232)	(110,455,062)	(96,116,073)
Segment operating profit	265,084,264	220,074,513	1,446,069	3,064,893	(13,252,184)	70,284,537	253,278,149	293,423,943
Other operating income							121,798,917	26,521,366
Net finance income							36,678,690	32,821,853
Profit before income tax expense							411,755,756	352,767,162
Income tax expense							(116,449,615)	(97,136,464)
Profit after income tax							295,306,141	255,630,698

Assets:

Operating assets	2,280,642,184	1,892,629,827	507,555,921	435,663,842	356,339,525	297,299,335	3,144,537,630	2,625,593,004
Cash & cash equivalents							18,469,656	131,303,063
Deferred tax assets							17,425,967	3,211,081
Total assets							3,180,433,253	2,760,107,148

Liabilities:

Operating liabilities	952,483,178	628,437,910	189,719,758	144,659,917	33,196,454	98,716,700	1,175,399,390	871,814,527
Deferred tax liabilities								-
Income tax payable							44,883,558	60,597,654
Total liabilities							1,220,282,948	932,412,181

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

34. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

34.1 Financial Risk Management

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

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- d. Operational risk

34.1.1 Risk Management Framework

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

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

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

34.1.2 Credit Risk

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

34.1.2.1 Exposure to Credit Risk

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

AS AT 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Cash at bank	17,288,363	25,419,040	17,243,447	25,374,125
Trade and other receivables	637,140,911	619,436,577	637,140,911	619,436,577
Short term deposits	213,643	104,805,342	213,643	104,805,342
Investment in unit trust	4,632,828	142,430,650	4,632,828	142,430,650
Investments in fixed deposit	633,980,349	487,610,913	633,980,349	487,610,913
	<u>1,293,256,094</u>	<u>1,379,702,522</u>	<u>1,293,211,178</u>	<u>1,379,657,607</u>

(a) Trade and Other Receivables

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

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

1 - 60 days	532,094,815	534,872,839	532,094,815	534,872,839
61 - 180 days	70,957,713	40,787,386	70,957,713	40,787,386
Above 181 days	34,088,383	43,776,352	34,088,383	43,776,352
	<u>637,140,911</u>	<u>619,436,577</u>	<u>637,140,911</u>	<u>619,436,577</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

Impairment Losses

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

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

AS AT 31 MARCH,	GROUP / COMPANY			
	2026		2025	
	Gross	Impairment	Gross	Impairment
	Balance		Balance	
	Rs.	Rs.	Rs.	Rs.
Past due 0-30 days	415,799,355	-	415,479,426	-
Past due 31-90 days	147,350,285	-	126,381,470	-
Past due 91-180 days	1,475,809	-	909,999	-
Past due 181-270 days	75,383	-	520,284	-
Past due 271-365 days	153,752	-	42,497	-
More than one year	5,605	2,175,026	453,622	2,175,026
Total	<u>564,860,189</u>	<u>2,175,026</u>	<u>543,787,298</u>	<u>2,175,026</u>

(b) Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs.18.5 million as at 31 March 2026 (2025: Rs. 131 million), which represent its maximum credit exposure on these assets. Cash and cash equivalents are held with bank, which are rate AA (LKA) to A+ (LKA), based on Fitch ratings.

(c) Investment in Unit Trust

Investment in unit trust is made in units managed by NDB Wealth Management Ltd.

(d) Investment in Fixed deposits

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

34.1.3 Expected credit losses

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

Stage one : 12 month expected credit losses (ECL)

Stage two : Lifetime expected credit losses (ECL) - not credit impaired

Stage three : Lifetime expected credit losses (ECL) - credit impaired

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

Group

As at 31 March 2026

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	17,502,006	-	-	17,502,006
Trade and other receivables	Note 17	637,140,911	-	-	637,140,911
Investment in fixed deposits		633,980,349	-	-	633,980,349
Investment of unit trust		4,632,828	-	-	4,632,828
Total assets		<u>1,293,256,094</u>	<u>-</u>	<u>-</u>	<u>1,293,256,094</u>

Company

As at 31 March 2026

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	17,457,090	-	-	17,457,090
Trade and other receivables	Note 17	637,140,911	-	-	637,140,911
Investment in fixed deposits		633,980,349	-	-	633,980,349
Investment of unit trust		4,632,828	-	-	4,632,828
Total assets		<u>1,293,211,178</u>	<u>-</u>	<u>-</u>	<u>1,293,211,178</u>

Group

As at 31 March 2025

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	130,224,382	-	-	130,224,382
Trade and other receivables	Note 17	619,436,577	-	-	619,436,577
Investment in fixed deposits		487,610,913	-	-	487,610,913
Investment of unit trust		142,430,650	-	-	142,430,650
Total assets		<u>1,379,702,522</u>	<u>-</u>	<u>-</u>	<u>1,379,702,522</u>

Company

As at 31 March 2025

		12-month ECL Rs.	Life Time ECL – Not Credit Impaired Rs.	Life Time ECL – Credit Impaired Rs.	Total Rs.
Cash and cash equivalents	Note 18	130,179,467	-	-	130,179,467
Trade and other receivables	Note 17	619,436,577	-	-	619,436,577
Investment in fixed deposits		487,610,913	-	-	487,610,913
Investment of unit trust		142,430,650	-	-	142,430,650
Total assets		<u>1,379,657,607</u>	<u>-</u>	<u>-</u>	<u>1,379,657,607</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

34.1.4 Liquidity Risk

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

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

As at 31 March 2026

The Maturity Analysis of Liabilities

Group	Carrying amount	Contractual cash flows				
		Contractual cash flows	6 month or less	6-12 month	2-5 years	more than 5 years
LIABILITIES						
Bank overdraft	262,889,395	262,889,395	262,889,395	-	-	-
Trade and other payables	504,226,136	504,226,136	504,226,136	-	-	-
Lease creditor	-	-	-	-	-	-
Total liabilities	<u>767,115,531</u>	<u>767,115,531</u>	<u>767,115,531</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 March 2025

The Maturity Analysis of Liabilities

Group	Carrying amount	Contractual cash flows				
		Contractual cash flows	6 month or less	6-12 month	2-5 years	more than 5 years
LIABILITIES						
Bank overdraft	96,114,104	96,114,104	96,114,104	-	-	-
Trade and other payables	407,033,838	407,033,838	407,033,838	-	-	-
Lease creditor	6,857,851	6,857,851	6,857,851	-	-	-
Total liabilities	<u>510,005,793</u>	<u>510,005,793</u>	<u>510,005,793</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 March 2026

The Maturity Analysis of Liabilities

Company	Carrying amount	Contractual cash flows				
		Contractual cash flows	6 month or amount	6-12 month less	2-5 years	more than 5 years
LIABILITIES						
Bank overdraft	262,889,395	262,889,395	262,889,395	-	-	-
Trade and other payables	503,895,788	503,895,788	503,895,788	-	-	-
Lease creditor	-	-	-	-	-	-
Total liabilities	<u>766,785,183</u>	<u>766,785,183</u>	<u>766,785,183</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 March 2025

The Maturity Analysis of Liabilities

Company	Carrying amount	Contractual cash flows				
		Contractual cash flows	6 month or amount	6-12 month less	2-5 years	more than 5 years
LIABILITIES						
Bank overdraft	96,114,104	96,114,104	96,114,104	-	-	-
Trade and other payables	406,733,491	406,733,491	406,733,491	-	-	-
Lease creditor	6,857,851	6,857,851	6,857,851	-	-	-
Total liabilities	<u>509,705,446</u>	<u>509,705,446</u>	<u>509,705,446</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

34.1.5 Market Risk

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

34.1.5.1 Currency Risk

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

34.1.5.2 Interest Rate Risk

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

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

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

34.1.6 Operational Risk

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

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

34.2 Accounting Classifications and Fair Values

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Group
As at 31 March 2026

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	17,502,006	-	17,502,006	-	-	-	-
Trade and other receivables	-	637,140,911	-	637,140,911	-	-	-	-
Investments in unit trust	4,632,828	-	-	4,632,828	4,632,828	-	4,632,828	-
Investments in fixed deposit	-	633,980,349	-	633,980,349	-	-	-	-
Trade and other payables	-	-	(504,226,136)	(504,226,136)	-	-	-	-
Overdraft	-	-	(262,889,395)	(262,889,395)	-	-	-	-
	<u>4,632,828</u>	<u>1,288,623,266</u>	<u>(767,115,531)</u>	<u>526,140,563</u>	<u>4,632,828</u>	-	<u>4,632,828</u>	-

Company
As at 31 March 2026

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	17,457,090	-	17,457,090	-	-	-	-
Trade and other receivables	-	637,140,911	-	637,140,911	-	-	-	-
Investments in unit trust	4,632,828	-	-	4,632,828	4,632,828	-	4,632,828	-
Investments in fixed deposit	-	633,980,349	-	633,980,349	-	-	-	-
Trade and other payables	-	-	(503,895,788)	(503,895,788)	-	-	-	-
Overdraft	-	-	(262,889,395)	(262,889,395)	-	-	-	-
	<u>4,632,828</u>	<u>1,288,578,350</u>	<u>(766,785,183)</u>	<u>526,425,995</u>	<u>4,632,828</u>	-	<u>4,632,828</u>	-

Group
As at 31 March 2025

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	130,224,382	-	130,224,382	-	-	-	-
Trade and other receivables	-	619,436,577	-	619,436,577	-	-	-	-
Investments in unit trust	142,430,650	-	-	142,430,650	142,430,650	-	142,430,650	-
Investments in fixed deposit	-	487,610,913	-	487,610,913	-	-	-	-
Trade and other payables	-	-	(407,033,838)	(407,033,838)	-	-	-	-
Overdraft	-	-	(96,114,104)	(96,114,104)	-	-	-	-
	<u>142,430,650</u>	<u>1,237,271,872</u>	<u>(503,147,942)</u>	<u>876,554,580</u>	<u>142,430,650</u>	-	<u>142,430,650</u>	-

Company
As at 31 March 2025

	FVTPL investments	Amortized cost	Other financial liabilities	Total carrying amount	Fair value	Fair value hierarchy level		
	Rs.	Rs.	Rs.	Rs.	Rs.	1	2	3
Cash and cash equivalents	-	130,179,467	-	130,179,467	-	-	-	-
Trade and other receivables	-	619,436,577	-	619,436,577	-	-	-	-
Investments in unit trust	142,430,650	-	-	142,430,650	142,430,650	-	142,430,650	-
Investments in fixed deposit	-	487,610,913	-	487,610,913	-	-	-	-
Trade and other payables	-	-	(406,733,491)	(406,733,491)	-	-	-	-
Overdraft	-	-	(96,114,104)	(96,114,104)	-	-	-	-
	<u>142,430,650</u>	<u>1,237,226,957</u>	<u>(502,847,595)</u>	<u>876,810,012</u>	<u>142,430,650</u>	-	<u>142,430,650</u>	-

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investments in unit trusts	Fair value is based on the unit prices as at year end Rs. 38.58 (2026) Rs. 35.84 (2025)	Based on unit prices	The estimated fair value would increase (decrease) if: the unit prices were higher (lower)

34.3 Capital Management

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

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

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

AS AT 31 MARCH,	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Total Liabilities	1,220,613,296	932,712,528	1,220,282,948	932,412,181
Less: Cash and cash equivalents	(18,514,572)	(131,347,978)	(18,469,656)	(131,303,063)
Adjusted net debt	1,202,098,724	801,364,550	1,201,813,292	801,109,118
 Total equity	 1,959,864,803	 1,827,439,465	 1,960,150,305	 1,827,694,967
Net debt to equity ratio	0.61	0.44	0.61	0.44

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

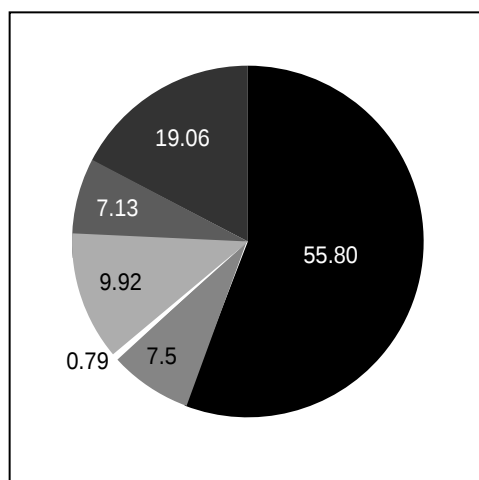
STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 MARCH,

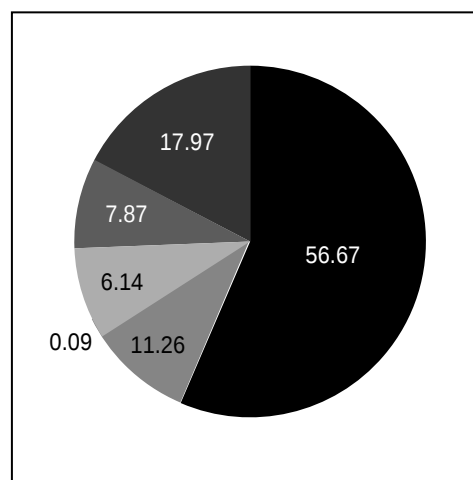
	2026	2025
	Rs.000	Rs.000
Turnover	6,731,091	6,321,658
Other Income	170,935	69,997
	<u>6,902,026</u>	<u>6,391,655</u>
Cost of Goods & Services bought in	(5,352,925)	(5,013,985)
Value Added	<u><u>1,549,101</u></u>	<u><u>1,377,670</u></u>

Distribution as follows	%	Rs.000	%	Rs.000
To Employees	55.58	861,038	55.80	768,870
To Government	7.52	116,450	7.05	97,136
To Lenders	0.79	12,314	0.65	8,916
To Shareholders	9.92	153,568	11.15	153,568
Retained in Business				
Depreciation	7.13	110,455	6.98	96,116
Profit Retained	19.06	295,276	18.37	253,064
	<u>100.00</u>	<u>1,549,101</u>	<u>100.00</u>	<u>1,377,670</u>

2026



2025



- To Employees
- To Government
- To Lenders
- To Shareholders
- Depreciation
- Profit Retained

TEN YEARS STATISTICAL SUMMARY

Reported as per	SLFRS/LKAS									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	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	3,003,824	3,131,674	3,626,418	3,652,268	3,531,605	4,581,110	6,464,393	6,301,494	6,321,658	6,731,091
Profit before tax	179,075	204,478	247,644	242,372	189,923	261,815	135,692	365,497	350,200	411,726
Taxation	(53,930)	(81,635)	(74,848)	(94,079)	(13,056)	(52,407)	(45,497)	(140,832)	(97,136)	(116,450)
Profit after tax	125,145	122,843	172,796	148,293	176,867	209,408	90,195	224,665	253,064	295,276
Funds Employed										
Stated Capital	9,598	105,578	105,578	105,578	105,578	105,578	105,578	105,578	105,578	105,578
Capital reserves	19,852	19,852	7,011	7,011	7,011	7,011	7,011	7,011	7,011	7,011
Revenue reserves	1,199,258	1,141,830	1,243,608	1,294,239	1,365,424	1,494,968	1,478,458	1,626,876	1,714,850	1,847,276
Shareholders' funds	1,228,708	1,267,260	1,356,197	1,406,828	1,478,013	1,607,557	1,591,047	1,739,465	1,827,439	1,959,865
Assets Employed										
Non current assets	817,348	829,444	811,752	929,357	999,037	902,094	839,091	890,156	905,410	1,145,776
Current assets	783,556	869,128	913,962	1,001,051	1,164,208	1,388,722	1,405,531	1,847,187	1,854,742	2,034,702
Current liabilities	(260,725)	(292,908)	(232,882)	(372,075)	(478,499)	(506,232)	(472,891)	(795,233)	(726,331)	(974,604)
Provisions	(111,471)	(138,404)	(136,635)	(151,505)	(206,733)	(177,027)	(180,684)	(202,645)	(206,382)	(246,009)
Capital employed	1,228,708	1,267,260	1,356,197	1,406,828	1,478,013	1,607,557	1,591,047	1,739,465	1,827,439	1,959,865
Cash Flow										
Net cash inflow/(outflow)from operating activities	117,719	224,296	167,953	167,642	301,796	249,409	91,394	366,269	419,007	83,671
Net cash inflow/(outflow)from investing activities	(67,707)	(74,322)	(132,917)	(172,247)	(175,861)	(12,160)	(27,762)	(96,527)	(163,089)	(203,368)
Net cash inflow/(outflow)from financing activities	(81,584)	(80,133)	(86,383)	(101,420)	(111,088)	(112,450)	(99,934)	(365,737)	(173,603)	(159,912)
Increase/(decrease)in cash and cash equivalents	(31,572)	69,841	(51,347)	(106,025)	14,847	124,799	(36,302)	(95,995)	(82,315)	(279,609)
Key Indicators										
Earnings per share	130.38	63.99	90.02	77.25	92.14	109.09	46.99	117.04	131.83	153.82
Net assets per share	1,280.17	660.17	706.50	732.88	769.96	837.44	828.84	906.16	951.99	1,020.98
Market price per share	2,799.90	1,351.10	1,388.90	1,687.20	4,048.25	4,500.00	4,000.00	4,000.00	4,000.00	5,068.75
Return on equity	10.19	9.69	12.74	10.54	11.97	13.03	5.67	12.92	13.85	15.07
Price earning ratio	21.47	21.11	15.43	21.84	43.94	41.25	85.13	34.18	30.34	32.95
Dividend per share	85.00	42.00	45.00	50.00	50.00	50.00	55.00	40.00	80.00	80.00

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

INVESTOR INFORMATION

01. Stock Exchange Listing

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

02. Ordinary Shareholders

2.1 Distribution of stated capital

As at 31 March

Range of Shareholdings	No. of Shareholders	Residents			Non-Residents			Total		
		No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	
1 1,000	960	46,394	2.42	3	231	0.01	963	46,625	2.43	
1,001 10,000	17	40,630	2.12	1	4,494	0.23	18	45,124	2.35	
10,001 100,000	6	215,049	11.20	-	-	-	6	215,049	11.20	
100,001 1,000,000	4	1,612,802	84.02	-	-	-	4	1,612,802	84.02	
1,000,001 & Over	-	-	-	-	-	-	-	-	-	
Total	987	1,914,875	99.76	4	4,725	0.24	991	1,919,600	100.00	

2.2 Classification of Shareholders

As at 31 March

	No. of Shareholders	2026		No. of Shareholders	2025	
		Total Holdings	Percentage %		Total Holding	Percentage %
Individuals	958	1,135,723	59.16	512	1,139,061	59.34
Institutional investors	33	783,877	40.84	20	780,539	40.66
	991	1,919,600	100.00	532	1,919,600	100.00

2.3 Twenty largest shareholders of the company

Shareholder's name	No. of Shares	%	No. of Shares	%
01. Hayleys PLC	780,026	40.63	-	0.00
02. Upeka de Silva	286,936	14.95	286,936	14.95
03. Chitra Padmini Rodrigo	278,920	14.53	278,920	14.53
04. Samarasinghe N.T.	266,920	13.90	266,920	13.90
05. Senaka Nilkantha Samarasinghe	76,670	3.99	76,670	3.99
06. Nanditha Rodrigo	30,736	1.60	30,736	1.60
07. Satyajit Arjuna Rodrigo	30,736	1.60	30,736	1.60
08. D.H.C.Ekanayake	28,292	1.47	28,292	1.47
09. A G I Selvaraj	27,014	1.41	27,014	1.41
10. H.D. Wijayanandana	21,601	1.13	24,760	1.29
11. MP de Silva	5,000	0.26	5,000	0.26
12. Chandra Sigamoney	4,494	0.23	4,494	0.23
13. C.J.Wijayawardana	3,821	0.20	4,300	0.22
14. Jayantha D	3,800	0.20	3,800	0.20
15. D.P.Navaratnam	3,461	0.18	3,382	0.18
16. Ramani Kamala Samarasinghe	3,200	0.17	3,200	0.17
17. H.A.Abeysekera	2,800	0.15	2,800	0.15
18. D.A.Jayasinghe	2,720	0.14	2,720	0.14
19. Estate of Mohommed Rafeek	2,668	0.14	2,668	0.14
20. Seyed Hamid Mohamed Kaleel	2,501	0.13	2,536	0.13

INVESTOR INFORMATION (CONTD.)

FOR THE YEAR ENDED 31 MARCH		2026	2025
03.	Details of share transactions during the year		
	No. of transactions	162	206
	No. of share traded	2,254	1,263
	Value of transactions (Rs.)	8,915,305	4,756,593
04.	The transacted value of an ordinary share		
		Rs.	Rs.
	Highest Price	8,500.00	4,198.00
	Lowest Price	4,600.00	3,600.00
	Closing Price	5,068.75	4,000.00
05.	Dividend Paid		
	Interim	76,784,000	76,784,000
	Final	76,784,000	76,784,000
		<u>153,568,000</u>	<u>153,568,000</u>
06.	Earning		
	Earnings per share (Rs.)		
	Basic	153.82	131.83
	Diluted	153.82	131.83
	Price earning ratio	32.95	30.34
07.	Divided per share from previous year profit (Rs.)	80.00	80.00
08.	Divided cover (Times)	1.92	1.65
09.	Dividend Yield (%)	1.58	2.00
10.	Dividend Payout (%)	60.68	68.35
As At 31 March		2026	2025
11.	Public Holding		
	No. of shares	1,052,704	865,993
	Percentage	54.84%	54.89%
	No. of public shareholders	986	527
	The Company had float adjusted market capitalization of Rs.4,214,673,760 and company qualifies under option one of the minimum public holding requirement for the Diri Savi Boad of the CSE.		
12.	Net Asset per share (Rs.)	1,020.98	951.99
13.	Current asset ratio	2.09:1	2.55:1
14.	Quick asset ratio	1.42:1	1.90:1
15.	Equity to total asset ratio (%)	61.62	66.21

FORM OF PROXY

I/We, (name of the shareholder) holder of the national identity card/ passport number or bearing company number (NIC / passport / company number of the shareholder) of (address of the shareholder) being a shareholder(s) of Harischandra Mills PLC (the "Company") do hereby appoint (name of the proxy), holder of the national identity card / passport number (NIC / passport of the proxy) of (address of the proxy) or failing him/ her;

- | | |
|------------------------------|-----------------|
| 1. Mr. T.K. Bandaranayake | or failing him, |
| 2. Mr. S.N. Samarasinghe | or failing him, |
| 3. Mr. S.A.S Jayasundara | or failing him, |
| 4. Mr. L.L.S. Wickremasinghe | or failing him, |
| 5. Mr. P.A. De Silva | or failing him, |
| 6. Mr. D.T.S.H. Mudalige | or failing him, |
| 7. Mr. S.L. Sebastian | or failing him, |
| 8. Dr. K.S. Narangoda | or failing him, |

as my/ our proxy to attend and vote as indicated hereunder at the 74th annual general meeting of the Company to be held on Wednesday, 23rd September 2026 at 10.00 a.m. and at any adjournment thereof.

	For	Against	Abstain
1. To receive and consider the annual report of the board of directors (the "Board") of the Company together with the financial statements of the Company for the year ended 31st March 2026 and the auditors' report thereon.	☐	☐	☐
2. To approve the final dividend of Sri Lanka Rupees Seventy Three (LKR 73.00) per share for the financial year ended 31st March 2026 as declared by the Board of the Company.	☐	☐	☐
3. To re-appoint Messrs. KPMG, Chartered Accountants, as the auditors of the Company until the next annual general meeting of the Company and to authorize the Board of the Company to determine their remuneration.	☐	☐	☐
4. To approve the donations and contributions made by the Company during the financial year ended 31st March 2026, and to authorize the Company to determine contributions to charities for the ensuing year, in terms of Companies (Donations) Act No.26 of 1951.	☐	☐	☐

.....
Signature of the Shareholder

Signed on this Day of 2026

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

INSTRUCTIONS AS TO COMPLETION THE FORM OF PROXY

1. Kindly perfect the Form of Proxy after filling in legibly your full name, national identity/passport/ company number (as applicable) and address and sign in the space provided. Please fill in the date of signature.
2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.
3. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy who need not be a shareholder, to attend and vote instead of him.
4. In the case of a corporate shareholder, the Form of Proxy must be completed under its Common Seal or otherwise signed by its Attorney or by an officer on behalf of the Corporation. The corporate shareholder may, but shall not be bound to require evidence of the authority of any such Attorney or officer.
5. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by articles of association.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 11, C.A. Harischandra Mawatha, Matara or forwarded to corporateservices@corporateservices.lk not less than forty eight (48) hours before the appointed time for the AGM.
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 AGM.



HARISCHANDRA MILLS PLC | ANNUAL REPORT 2025/26

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

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Fax: 041 2222003

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