



focus



CEO's Review

Your company recorded a Turnover of Rs 3.13Bn for the first quarter of the financial year reflecting a year on year growth of 20%. Operating margins, however, declined to 12% mainly due to higher input costs at FMCG along with an increase in establishment overheads. Finance costs for the quarter were Rs 80.4Mn which is an increase of 26% over the previous quarter. This is due to higher market interest rates along with increased borrowings to fund our investments in Hospitals and relocation of our FMCG factory. For the quarter under review, the effective tax rate decreased to 18% on account of investment relief benefits. As a result a 3% drop in pre-tax profits have been translated into a 6% increase in post tax profits, to Rs 229.6Mn.

We saw a slow down in industry growth at FMCG when compared to 2006 with the Personal Care category registering a value growth of 7% during the first 5 months of calendar 2007. During this period the Sector did well to strengthen its overall market share with key brands like Baby Cheramy, Clogard and Kumarika growing share. For the quarter under review, turnover grew faster than the market by 22% to Rs 1,018Mn although Profits declined by 3% largely on account of higher input costs which were not passed on in full to the consumer. The Sector is focusing on proactive cost management with a view to minimizing the impact of the increasing input costs on consumers.

The Healthcare sector performance was below expectation with a sluggish April holding back turnover for the quarter to Rs 689Mn, a growth of 6% growth over the corresponding quarter of last year. Profits were up by 14% to Rs 31.3Mn. Development of our 100 bed hospital in Wattala is progressing as per schedule. In June 2007, we completed the acquisition of Southern Hospitals, Galle and the first phase of a two stage refurbishment program is already underway.

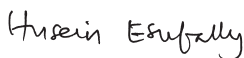
The Leisure sector has, as expected, fared below potential due to the security situation. Pursuant to our decision to postpone the repositioning of Serendib,

the hotel has been reintroduced to the market in its original state and will open for operations for the winter season. Our destination management company has focused on improving productivity during this difficult period and has developed an integrated booking solution which will come on stream in August this year.

The Transportation sector closed with a profit for the quarter of Rs 26.9Mn, a 31% increase over the corresponding period last year. During the quarter, the closure of the airport for night flights had a significant impact on our GSA operations with both Emirates and Malaysian Airlines reducing frequencies. We anticipate a full recovery of these schedules now that the airport is once again operating round the clock.

The Heladhanavi power plant continues to operate satisfactorily and the 42% increase in turnover for the quarter was mainly as a result of the higher tariffs as a result of the pass through cost of fuel. Although, profits for the quarter have closed at Rs 104.7Mn which is 57% over last year, this will defray in part due to a major scheduled maintenance of the machines which will be carried out during the second quarter.

The outlook for the forthcoming quarter remains conservative with no clear solution in sight with regard to the cessation of hostilities or stabilization of economic fundamentals. We are however looking at mitigating country risk by exploring opportunities to take the FMCG and leisure business regional and develop on our regional expansion in the transport sector.



Husein Esufally

Director / Chief Executive Officer

19th July 2007

Investor Information

	3 Months Ended Jun '07	3 Months Ended Jun '06
Market Value of Shares		
Closing Price on 30th June (Rs)	102.50	103.00
Highest Price during the Period (Rs)	120.00	114.00
Lowest Price during the Period (Rs)	95.00	100.00
Market Capitalization on 30th June (Rs Mn)	10,384	10,283
Ratios		
Net Asset Per Share on 30th June (Rs)	53.98	45.15
Price Earnings Ratio on 30th June (times)	10.97	11.84
Share Trading		
No of transactions during the Period	288	461
No of shares traded during the Period	238,900	1,923,700
Value of shares traded during the Period (Rs Mn)	25	202

Consolidated Income Statement

	Three Months Ended 30.06.2007 Rs '000	Three Months Ended 30.06.2006 Rs '000	Change %
Revenue	3,130,961	2,605,225	20.2
Cost of Sales	<u>(2,197,781)</u>	<u>(1,729,977)</u>	(27.0)
Gross Profit	933,180	875,248	6.6
Dividend Income	-	-	NA
Change in Fair Value of Investment Property	6,000	6,000	-
Other Income	46,869	42,287	10.8
Distribution Expenses	(231,736)	(234,991)	1.4
Administrative Expenses	(379,690)	(321,251)	(18.2)
Other Operating Expenses	<u>(14,358)</u>	<u>(13,948)</u>	(2.9)
Operating Profit	360,265	353,345	1.9
Finance Cost	(80,457)	(63,605)	(26.5)
Share of Associate Companies Profits	<u>-</u>	<u>85</u>	(100.0)
Profit Before Taxation	279,808	289,825	(3.5)
Income Tax Expenses	<u>(50,242)</u>	<u>(74,135)</u>	32.2
Profit for the Year	<u>229,566</u>	<u>215,690</u>	6.4
Attributable to:			
Equity Holders of the Parent	236,550	216,964	9.0
Minority Interest	<u>(6,984)</u>	<u>(1,274)</u>	(448.2)
	<u>229,566</u>	<u>215,690</u>	6.4
Earnings per Share (Rs)	2.33	2.17	
Earnings per Share (Rs) - Annualised	9.34	8.70	
Dividends per Share (Rs)	-	-	

The above figures are provisional and subject to audit.

Consolidated Balance Sheet

	30.06.2007 Rs '000	30.06.2006 Rs '000	31.03.2007 Rs '000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	4,947,364	4,645,342	4,704,922
Investment Property	969,710	576,152	963,710
Leasehold Property	70,733	74,270	71,042
Intangible Assets & Deferred Expenditure	210,536	107,264	155,563
Investments in Associates	42,933	102,695	42,933
Other Investments	23,838	25,380	23,838
	<u>6,265,114</u>	<u>5,531,103</u>	<u>5,962,008</u>
Current Assets			
Inventories	986,510	812,722	991,030
Trade and Other Receivables	3,403,211	2,516,370	3,304,167
Other Investments	513,974	897	125,542
Taxation Recoverable	152,797	68,100	47,510
Short Term Cash Investments	268,056	755,887	505,834
Cash & Bank Balances	464,623	387,726	459,765
	<u>5,789,171</u>	<u>4,541,702</u>	<u>5,433,848</u>
Total Assets	<u>12,054,285</u>	<u>10,072,805</u>	<u>11,395,856</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	1,329,012	1,188,277	1,329,012
Preference Share Capital	66,667	83,334	75,000
Reserves	654,493	584,041	635,445
Accumulated Profits	3,418,777	2,651,748	3,234,682
Shareholders' Funds	<u>5,468,949</u>	<u>4,507,400</u>	<u>5,274,139</u>
Minority Interest	730,134	495,693	588,527
Total Shareholders' Funds and Minority Interest	<u>6,199,083</u>	<u>5,003,093</u>	<u>5,862,666</u>
Non-Current Liabilities			
Non-Interest Bearing Loans & Borrowings	440,049	14,236	21,035
Interest Bearing Loans & Borrowings	1,186,144	1,499,645	1,277,556
Deferred Tax Liabilities	162,655	125,854	171,033
Other Deferred Liabilities	125,919	104,371	120,831
Provisions	14,175	37,289	7,000
Negative Goodwill	-	-	-
	<u>1,928,942</u>	<u>1,781,395</u>	<u>1,597,455</u>
Current Liabilities			
Trade & Other Payables	1,924,789	2,009,873	2,168,564
Dividends Payable	2,682	2,008	2,684
Income Tax liabilities	248,119	194,010	157,675
Amounts due to Related Parties	-	2,650	-
Non Interest Bearing Loans & Borrowings	9,553	1,207	1,207
Interest Bearing Loans & Borrowings	1,741,117	1,078,569	1,605,605
	<u>3,926,260</u>	<u>3,288,317</u>	<u>3,935,735</u>
Total Equity and Liabilities	<u>12,054,285</u>	<u>10,072,805</u>	<u>11,395,856</u>
Net Asset per Share (Rs)	53.98	45.15	52.06

The above figures are provisional and subject to audit. The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed on behalf of the Board

Husein Esufally
Director / Chief Executive Officer
19th July 2007

Lalith De Mel
Chairman

Company Income Statement

	Three Months Ended 30.06.2007 Rs '000	Three Months Ended 30.06.2006 Rs '000	Change %
Revenue	33,202	30,219	9.9
Cost of Sales	-	-	NA
Gross Profit	33,202	30,219	9.9
Other Income	5,842	6,773	(13.8)
Distribution Expenses	-	-	NA
Administrative Expenses	(41,335)	(30,164)	(37.0)
Other Operating Expenses	-	-	NA
Operating Profit	(2,291)	6,828	(133.5)
Finance Cost	(8,993)	(7,728)	(16.4)
Profit Before Taxation	(11,284)	(900)	(1,153.8)
Income Tax Expenses	(1,468)	860	(270.7)
Profit for the Year	(12,752)	(40)	(31,780.0)
Attributable to:			
Equity Holders of the Parent	(12,752)	(40)	(31,780.0)
Minority Interest	-	-	NA
	(12,752)	(40)	(31,780.0)
Earnings per Share (Rs)	-	-	
Earnings per Share (Rs) - Annualised	-	-	
Dividends per Share (Rs)	-	-	

The above figures are provisional and subject to audit.

Company Balance Sheet

	30.06.2007 Rs '000	30.06.2006 Rs '000	31.03.2007 Rs '000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	62,089	68,637	67,854
Investment Property	258,710	207,745	258,710
Loans Receivable from Related Parties	29,938	101,067	12,184
Investments in Subsidiaries	4,344,334	4,255,394	4,335,975
Investments in Associates	-	43,046	-
Investments in Joint Venture	-	-	8,359
Other Investments	13,405	12,905	13,405
	<u>4,708,476</u>	<u>4,688,794</u>	<u>4,696,487</u>
Current Assets			
Trade and Other Receivables	112,318	100,060	75,148
Loans Receivable from Related Parties	162,699	285,196	255,337
Other Investments	49	49	49
Taxation Recoverable	11,254	7,991	10,920
Amounts due from Related Parties	48,825	27,917	58,361
Short Term Cash Investments	3,160	209,574	3,586
Cash and Bank Balances	7,389	12,484	75,727
	<u>345,694</u>	<u>643,271</u>	<u>479,128</u>
Total Assets	<u>5,054,170</u>	<u>5,332,065</u>	<u>5,175,615</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	1,329,012	1,188,277	1,329,012
Reserves	372,665	372,664	372,665
Accumulated Profits	2,599,816	2,794,869	2,612,568
Shareholders' Funds	<u>4,301,493</u>	<u>4,355,810</u>	<u>4,314,245</u>
Non-Current Liabilities			
Non-Interest Bearing Loans and Borrowings	422,036	326,424	421,281
Deferred Tax Liabilities	53,273	30,716	51,882
Other Deferred Liabilities	11,569	11,560	11,382
	<u>486,878</u>	<u>368,700</u>	<u>484,545</u>
Current Liabilities			
Trade and Other Payables	24,710	25,644	17,215
Dividends Payable	166	-	168
Income Tax Liabilities	8,689	5,510	9,231
Amounts Due to Related Parties	229,324	6,406	4,338
Interest Bearing Loans & Borrowings	2,910	569,995	345,873
	<u>265,799</u>	<u>608,031</u>	<u>376,825</u>
Total Equity and Liabilities	<u>5,054,170</u>	<u>5,332,065</u>	<u>5,175,615</u>
Net Asset per Share (Rs)	42.46	43.63	42.59

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Signed on behalf of the Board

Husein Esufally
Director / Chief Executive Officer
19th July 2007

Lalith De Mel
Chairman

Statement of Changes of Equity-Consolidated

Three months to 30th June 2007

	Stated Capital Rs '000	Preference Share Capital Rs '000	Capital Redemption Reserve Rs '000	Exchange Reserve Rs '000	Revaluation & Revenue Reserves Rs '000	Accumulated Profits Rs '000	Total Rs '000	Minority Interests Rs '000	Total Equity Rs '000
Balance as at 01st April 2007	1,329,012	75,000	25,000	(77,742)	688,187	3,234,682	5,274,139	588,527	5,862,666
Net Profit / (Loss) for the Period	-	-	-	-	-	236,550	236,550	(6,984)	229,566
Dividends	-	-	(2,537)	-	-	(2,537)	(2,537)	-	(2,537)
Shares Issued to Minority Shareholders	-	-	-	-	(2,137)	(9,095)	(11,232)	148,591	137,359
Redemption of Preference Shares	-	(8,333)	8,333	-	-	(8,333)	(8,333)	-	(8,333)
Transferred to/from during the Period	-	-	-	-	-	-	-	-	-
- Overhaul Reserve	-	-	-	-	37,796	(37,796)	-	-	-
- Revaluation & Revenue Reserves	-	-	-	-	(4,181)	5,306	1,125	-	1,125
Net Gain/(Loss) Recognised Directly in Equity	-	-	-	(20,763)	-	-	(20,763)	-	(20,763)
- Exchange Reserve	-	-	-	(98,505)	719,665	3,418,777	5,468,949	730,134	6,199,083
Balance as at 30th June 2007	1,329,012	66,667	33,333	(98,505)	719,665	3,418,777	5,468,949	730,134	6,199,083

Three months to 30th June 2006

	Stated Capital Rs '000	Preference Share Capital Rs '000	Capital Redemption Reserve Rs '000	Exchange Reserve Rs '000	Revaluation & Revenue Reserves Rs '000	Accumulated Profits Rs '000	Total Rs '000	Minority Interests Rs '000	Total Equity Rs '000
Balance as at 01st April 2006	1,185,529	91,667	8,333	14,428	567,822	2,451,308	4,319,087	496,967	4,816,054
Net Profit / (Loss) for the Period	-	-	-	-	-	216,964	216,964	(1,274)	215,690
Dividends	-	-	-	-	-	(2,742)	(2,742)	-	(2,742)
Shares Issued for Cash & Fully Paid (ESOP)	2,748	-	-	-	-	-	2,748	-	2,748
Redemption of Preference Shares	-	(8,333)	8,333	-	-	(8,333)	(8,333)	-	(8,333)
Transferred to/from during the Period - Overhaul Reserve	-	-	-	-	5,449	(5,449)	-	-	-
Net Gain/(Loss) Recognised Directly in Equity	-	-	-	(20,324)	-	-	(20,324)	-	(20,324)
- Exchange Reserve	-	-	-	(5,896)	573,271	2,651,748	4,507,400	495,693	5,003,093
Balance as at 30th June 2006	1,118,277	83,334	16,666	(5,896)	573,271	2,651,748	4,507,400	495,693	5,003,093

The above figures are provisional and subject to audit.

Statement of Changes of Equity-Company

Three months to 30th June 2007

	Stated Capital	Capital & Revenue Reserves	Accumulated Profit	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 01st April 2007	1,329,012	372,665	2,612,568	4,314,245
Net Profit / (Loss) for the Period	-	-	(12,752)	(12,752)
Dividends	-	-	-	-
Shares Issued for Cash & Fully Paid (ESOP)	-	-	-	-
Bonus Issue	-	-	-	-
Share of Capital Reserves of Subsidiaries	-	-	-	-
Balance as at 30th June 2007	<u>1,329,012</u>	<u>372,665</u>	<u>2,599,816</u>	<u>4,301,493</u>

Three months to 30th June 2006

	Stated Capital	Capital & Revenue Reserves	Accumulated Profits	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 01st April 2006	1,185,529	372,664	2,794,909	4,353,102
Net Profit / (Loss) for the Period	-	-	(40)	(40)
Dividends	-	-	-	-
Shares Issued for Cash & Fully Paid (ESOP)	2,748	-	-	2,748
Bonus Issue	-	-	-	-
Share of Capital Reserves of Subsidiaries	-	-	-	-
Balance as at 30th June 2006	<u>1,188,277</u>	<u>372,664</u>	<u>2,794,869</u>	<u>4,355,810</u>

The above figures are provisional and subject to audit.

Cash Flow Statement - Consolidated

For the three months ended June

	2007 Rs '000	2006 Rs '000
Operating Activities		
Net Profit Before Taxation	279,808	289,825
<u>Non - Cash</u>		
Depreciation	106,514	99,232
(Profit)/Loss on Sale of Property, Plant & Equipment	(860)	(4,175)
Provision for Retiring Gratuity	7,647	5,509
Amortisation of Intangible Assets	6,208	4
Finance Cost	80,457	63,605
(Profit)/Loss on Associates/Subsidiaries	-	(85)
Change in Fair Value of Investment Property	(6,000)	(6,000)
<u>Working Capital Adjustments</u>		
(Increase)/Decrease in Receivables	(99,044)	(66,556)
(Increase)/Decrease in Inventories	4,520	(67,361)
Increase/(Decrease) in Amounts due from Related Companies	-	631
Increase/(Decrease) in Amounts due to Related Companies	-	(728)
Increase/(Decrease) in Creditors and Accruals	(243,775)	(105,963)
Increase/(Decrease) in Provisions	7,175	6,242
Finance Cost Paid	(80,457)	(63,605)
Income Tax Paid	(73,464)	(39,563)
Gratuity Paid	(2,559)	(4,842)
Net Cash from / (used in) Operating Activities	(13,830)	106,170
Investing Activities		
Purchase of Property, Plant & Equipment	(352,427)	(79,379)
Investment in Intangible Assets	(60,871)	-
Acquisition of Other Investments	(388,431)	(10,903)
Redemption of Preference Shares	(8,333)	(8,333)
Proceeds from Sale of Property, Plant & Equipment	5,455	4,999
Maturity of Fixed Deposit	-	20,410
Net Cash from / (used in) Investing Activities	(804,607)	(73,206)
Financing Activities		
Borrowing (Net)	(636,201)	(46,984)
Proceeds from Issue of Shares (Net of Issue Expenses)	-	2,748
Proceeds from Issue of Shares to Minority	137,359	-
Dividends Paid	(2,539)	(127,672)
Net Cash from / (used in) Financing Activities	(501,381)	(171,908)
Net Decrease in Cash & Cash Equivalents	(1,319,818)	(138,944)
Cash & Cash Equivalents at the Beginning of the Year	(27,543)	813,486
Cash & Cash Equivalents at the End of the Period	(1,347,361)	674,542

Cash Flow Statement - Company

For the three months ended June

	2007 Rs '000	2006 Rs '000
Operating Activities		
Net Profit Before Taxation	(11,284)	(900)
<u>Non - Cash</u>		
Depreciation	6,798	5,579
(Profit)/Loss on Sale of Property, Plant & Equipment		7
Provision for Retiring Gratuity	541	338
Finance Cost	8,993	7,728
<u>Working Capital Adjustments</u>		
(Increase)/Decrease in Receivables	(37,171)	(84,770)
(Increase)/Decrease in Amounts due from Related Companies	84,421	(39,117)
Increase/(Decrease) in Amounts due to Related Companies	(116,553)	270,933
Increase/(Decrease) in Creditors and Accruals	7,494	(7,056)
Finance Cost Paid	(8,993)	(7,728)
Income Tax Paid	(952)	(1,000)
Gratuity Paid	(354)	-
Net Cash from / (used in) Operating Activities	(67,060)	144,014
Investing Activities		
Purchase of Property, Plant & Equipment	(1,032)	(8,300)
Acquisition of Other Investments		(10,000)
Proceeds from Sale of Property, Plant & Equipment		12
Net Cash from / (used in) Investing Activities	(1,032)	(18,288)
Financing Activities		
Proceeds from Issue of Shares (Net of Issue Expenses)	-	2,748
Dividends Paid	(2)	(124,928)
Net Cash from / (used in) Financing Activities	(2)	(122,180)
Net Increase / (Decrease) in Cash & Cash Equivalents	(68,094)	3,546
Cash & Cash Equivalents at the Beginning of the Year	75,733	218,512
Cash & Cash Equivalents at the End of the Period	7,639	222,058

Notes to the Financial Statements

- 1 The Interim Financial Statements have been prepared in accordance with the accounting policies set out in the audited accounts for the year ended 31st March 2007, and also in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.
- 2 The previous years'/periods' figures and phrases have been rearranged wherever necessary to conform to the current presentation.
- 3 There has not been a significant change in the nature of the contingent liabilities which were disclosed in the Audited Accounts for the year ended 31st March 2007.
- 4 No circumstances have arisen since the Balance Sheet date that would require adjustments to or disclosure in the financial statements.
- 5 The operational results of the first three months may not reflect the full year results due to seasonality and cyclicity of the business, especially in the Leisure sector.

Industry Segment - Turnover

	Three Months	Three Months	Change %
	Ended 30.06.2007	Ended 30.06.2006	
	Total Rs Mn	Total Rs Mn	
FMCG	1,018.6	834.6	22.0
Healthcare	689.3	650.4	5.9
Leisure	149.5	204.7	(26.9)
Transportation	138.1	112.1	23.2
Power	1,118.9	788.1	41.9
Others	66.6	59.4	12.1
	<u>3,181.0</u>	<u>2,649.3</u>	20.1
Less: Inter Sector Sales	(50.1)	(44.1)	
	<u>3,130.9</u>	<u>2,605.2</u>	20.2

Industry Segment - Group Profit

	Three Months	Three Months	Change %
	Ended 30.06.2007	Ended 30.06.2006	
	Total Rs Mn	Total Rs Mn	
FMCG	101.4	104.8	(3.2)
Healthcare	31.3	27.5	13.8
Leisure	(3.1)	7.9	(139.2)
Transportation	26.9	20.6	30.6
Power	104.7	66.7	56.9
Others	(24.6)	(10.5)	(134.3)
	<u>236.6</u>	<u>217.0</u>	9.0

Corporate Information

NAME OF THE COMPANY	Hemas Holdings PLC
LEGAL FORM	A listed company with limited liability incorporated in Sri Lanka under the Company's Ordinance No. 51 of 1938 on 10th December 1948. The Company was re- registered in terms of the Company's Act No.7 of 2007 on 30th May 2007.
STOCK EXCHANGE LISTING	The Ordinary Shares of the Company were listed in the Colombo Stock Exchange on 27th August 2003.
COMPANY REGISTRATION NO.	P Q 6
REGISTERED OFFICE	No. 36, Bristol Street, Colombo 01.
DIRECTORS	Lalith De Mel - Chairman Husein Esufally Abbas Esufally Imtiaz Esufally Murtaza Esufally Divyaroop Bhatnagar Maithri Wickremesinghe Pradipta Mohapatra
AUDIT COMMITTEE	Maithri Wickremesinghe Pradipta Mohapatra
REMUNERATION COMMITTEE	Lalith De Mel Maithri Wickremesinghe
SECRETARIES	Hemas Corporate Services (Pvt) Ltd No. 36, Bristol Street, Colombo 01.
REGISTRARS	SSP Corporate Services (Pvt) Ltd 101, Inner Flower Road, Colombo 03.
AUDITORS	M/S. Ernst & Young Chartered Accountants No. 201, De Saram Place, P O Box 101, Colombo 10.
LAWYERS	D L and F de Saram No. 47, Alexandra Place, Colombo 07.
BANKERS	Commercial Bank of Ceylon Ltd Deutsche Bank Hongkong & Shanghai Banking Corp. Ltd Hatton National Bank Ltd

