

Financial Statements

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Statement of Directors' Responsibility for Financial Reporting

In keeping with the provisions contained in Sections 150, 152 and 153 of the Companies' Act No. 7 of 2007, the Directors of Hemas Holdings PLC acknowledge their responsibility to prepare and present the Financial Statements of both the Company and the group.

The financial Statements for the year ended 31st March 2008, presented in this Report, have been prepared in compliance 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 consider, that appropriate accounting policies and Standards have been applied and reasonable estimations made when preparing the statements appearing on pages 54 to 98. A material deviation, if any from these Standards has been disclosed where necessary.

The Directors confirm their responsibility for ensuring the maintenance of proper books of accounts of the Company and its subsidiaries which give a true and fair view of the state of affairs of the Company and of the group as at the balance sheet date and that of the profit for the accounting period ending on the balance sheet date.

The financial reporting structure is assessed at regular intervals by the Board and through the Audit Committee. The views expressed by the Audit Committee on the financial reporting system is disclosed on page 40

In conformity with the Companies' Act No 7 of 2007, the Directors have caused a copy of the Annual Report to be sent to every shareholder fifteen working days before the date fixed for holding the Annual General Meeting. A copy of the Financial Statements has also been delivered to the Registrar General of Companies.

Adequate measures have been taken by the Board to safeguard the assets of the Group. Internal checks, internal audits and systems of internal control have been designed and established to provide reasonable assurance that all transactions are duly recorded so that misstatements fraud and other irregularities are either prevented or detected.

The external Auditors, Messrs Ernst & Young, were given every opportunity to conduct evaluations and inspections of data and financial records that were considered expedient for the performance of their duties. Their opinion, appears on page 53 of this Report.

COMPLIANCE REPORT.

The Directors confirm that to the best of their knowledge, all financial obligations of the group and all contributions, levies and taxes payable on behalf of the Employees of the group as at the date of the Balance Sheet have been paid or sufficiently provided for in the financial statements.

By Order of the Board
Hemas Corporate Services (Private) Limited
Secretaries

36, Bristol Street,
Colombo 1.

23rd May 2008

Auditor's Report



Chartered Accountants

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Hemas Holdings PLC, the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at March 31, 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2008 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2008 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151 (2) and Sections 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

Colombo
May 23, 2008

Income Statement

	Note	Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Revenue	3	14,163,804,924	11,778,136,195	224,683,897	126,704,982
Cost of Sales		(10,138,724,592)	(8,047,037,798)	-	-
Gross Profit		4,025,080,332	3,731,098,397	224,683,897	126,704,982
Dividend Income	4	738,337	1,225,585	157,137,674	60,174,089
Change in Fair Value of Investment Properties		144,300,000	163,385,091	13,000,000	50,579,482
Other Income and Gains	5	132,069,295	161,800,392	61,535	4,721,591
Selling and Distribution Costs		(997,373,635)	(929,825,347)	-	-
Administrative Expenses		(1,810,790,050)	(1,541,066,949)	(221,977,034)	(153,834,359)
Finance Cost	6.1	(346,564,545)	(272,926,465)	(42,484,908)	(42,599,730)
Finance Income	6.2	111,995,034	89,780,417	25,711,356	46,904,908
Share of Associate Companies Profit		-	3,713,596	-	-
Profit Before Tax	7	1,259,454,768	1,407,184,717	156,132,521	92,650,963
Income Tax Expenses	8	(108,624,845)	(387,647,543)	10,851,735	(25,016,040)
Profit for the Year		1,150,829,923	1,019,537,174	166,984,256	67,634,923
Attributable to:					
Equity Holders of the Parent		1,135,418,670	1,005,727,066	166,984,256	67,634,923
Minority Interests		15,411,253	13,810,108	-	-
		1,150,829,923	1,019,537,174	166,984,256	67,634,923
Earnings Per Share - Basic	9	11.13	9.90		
Dividends Per Share - Interim Paid	10	1.25	2.50	1.25	2.50

The Accounting Policies and Notes on pages 59 through 98 form an integral part of the financial statements.

Colombo
23 May 2008

Balance Sheet

	Note	Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	5,229,067,006	4,704,921,903	46,469,680	67,854,308
Investment Property	12	1,178,709,950	963,709,950	271,709,950	258,709,950
Intangible Assets	13	173,621,726	155,562,952	-	-
Leasehold Property	14	67,976,287	71,042,005	-	-
Deferred Tax Assets	27.1	18,482,425	-	-	-
Loans Due from Related Parties		-	-	-	12,183,718
Investments in Subsidiaries	15	-	-	4,353,762,768	4,335,974,468
Investments in Associates	16	205,793,202	42,933,320	-	-
Investments in Joint Venture	17	-	-	8,474,920	8,359,120
Other Investments	18	26,088,014	23,817,628	16,405,100	13,405,100
		6,899,738,610	5,961,987,758	4,696,822,418	4,696,486,664
Current Assets					
Inventories	19	1,263,114,406	991,030,234	-	-
Trade and Other Receivables	20	3,643,450,674	3,304,167,157	166,327,762	75,148,242
Loans Due from Related Parties	21	20,000,000	-	193,317,563	255,337,635
Investments	18	67,694	356,376	48,642	48,642
Tax Recoverable		91,994,344	47,509,765	6,532,260	1,688,741
Amounts Due from Related Parties	22	13,286,243	-	220,166,267	58,400,859
Short Term Cash Investments	32	631,461,389	631,039,743	1,308,473	3,586,272
Cash and Cash Equivalents	32	567,512,348	459,764,484	16,446,618	75,726,517
		6,230,887,098	5,433,867,759	604,147,585	469,936,908
Total Assets		13,130,625,708	11,395,855,517	5,300,970,003	5,166,423,572
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	23	1,329,012,573	1,329,012,573	1,329,012,573	1,329,012,573
Preference Share Capital	23.3	58,333,333	75,000,000	-	-
Reserves	24	783,413,227	635,444,251	372,663,859	372,663,859
Retained Earnings		4,262,938,674	3,234,682,081	2,665,572,306	2,612,568,365
Shareholders Funds		6,433,697,807	5,274,138,905	4,367,248,738	4,314,244,797
Minority Interest		604,966,737	588,527,376	-	-
Total Shareholders' Funds and Minority Interest		7,038,664,544	5,862,666,281	4,367,248,738	4,314,244,797
Non-Current Liabilities					
Non Interest Bearing Loans and Borrowings	25	25,945,564	21,034,768	-	421,281,342
Interest Bearing Loans and Borrowings	26	823,226,701	1,277,556,080	425,844,463	-
Deferred Tax Liabilities	27.2	139,563,588	171,032,817	37,047,574	51,882,237
Retirement Benefit Liability	28	145,535,317	120,831,293	13,276,545	11,381,592
Provisions	29	21,500,291	7,000,000	-	-
		1,155,771,461	1,597,454,958	476,168,582	484,545,171
Current Liabilities					
Trade and Other Payables	30	2,519,009,551	2,168,564,119	70,272,312	17,215,162
Dividends Payable		2,481,830	2,684,034	137,367	167,567
Income Tax Liabilities		17,907,223	157,674,586	-	-
Amounts Due to Related Parties	31	-	-	4,366,647	4,377,511
Non Interest Bearing Loans and Borrowings	25	1,207,000	1,207,000	-	-
Interest Bearing Loans and Borrowings	26	2,395,584,099	1,605,604,539	382,776,357	345,873,364
		4,936,189,703	3,935,734,278	457,552,683	367,633,604
Total Shareholders' Funds, Minority Interest and Liabilities		13,130,625,708	11,395,855,517	5,300,970,003	5,166,423,572

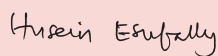
These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



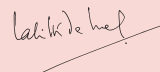
Malinga Arsakularatne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the board by,



Husein Esufally
Chief Executive Officer



Lalith De Mel
Chairman

The Accounting Policies and Notes on pages 59 through 98 form an integral part of the financial statements.

Statement of Changes in Equity

Group	Attributable to Equity Shareholders of the Parent							Total Equity
	Stated Capital	Preference Share Capital	Capital Redemption Reserve	Exchange Reserve	Revaluation and Other Capital Reserve	Retained Earnings	Minority Interests	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2006	1,185,528,893	91,666,665	8,333,335	14,427,822	567,822,473	2,451,308,150	496,967,120	4,816,054,458
Profit for the Year	-	-	-	-	-	1,005,727,066	13,810,108	1,019,537,174
Share Options (ESOP) exercised during the Year	143,483,680	-	-	-	-	143,483,680	-	143,483,680
Redemption of Preference Shares	-	(16,666,665)	16,666,665	-	-	(16,666,665)	-	(16,666,665)
Dividends Paid - Ordinary Shares (2007)	-	-	-	-	-	(249,975,090)	-	(249,975,090)
- Preference Shares	-	-	-	-	-	(10,002,740)	-	(10,002,740)
Revaluation Reserve during the Year	-	-	-	-	118,090,002	-	-	118,090,002
Transfer to/from during the Year	-	-	-	-	-	-	-	-
- Overhaul Reserve, Heat Rate and Lube Oil	-	-	-	-	70,696,939	(70,696,939)	-	-
- Revaluation Reserve	-	-	-	-	(8,198,250)	8,198,250	-	-
Effect of adopting SLAS 40 - Investment Property	-	-	-	-	-	-	-	-
- Changes in Fair Value	-	-	-	-	22,042,283	80,689,600	-	102,731,883
- Transfer to/(from) Revaluation Reserve	-	-	-	-	(41,193,306)	41,193,306	-	-
- Deferred Income Tax	-	-	-	-	-	(21,805,500)	-	(21,805,500)
Adjustment in respect of changes in Group Holding	-	-	-	-	(2,451,588)	16,712,643	-	(19,998,711)
Minority Share of Net Assets of Subsidiaries Acquired	-	-	-	-	-	-	34,259,766	(19,998,711)
Net Gain/(Loss) Recognised Directly in Equity	-	-	-	-	-	-	111,252,958	111,252,958
- Deferred Income Tax	-	-	-	-	(19,697,680)	-	756,956	(18,940,724)
- Write off of Project Development Cost	-	-	-	-	(18,924,865)	-	-	(18,924,865)
- Exchange Reserve	-	-	-	(92,169,579)	-	-	-	(92,169,579)
Balance as at 31 March 2007	1,329,012,573	75,000,000	25,000,000	(77,741,757)	688,186,008	3,234,682,081	588,527,376	5,862,666,281
Profit for the Year	-	-	-	-	-	1,135,418,670	15,411,253	1,150,829,924
Redemption of Preference Shares	-	(16,666,667)	(25,000,000)	-	-	25,000,000	-	(16,666,667)
Dividends Paid - Ordinary Shares (2008)	-	-	-	-	-	(113,980,315)	-	(113,980,315)
- Preference Shares	-	-	-	-	-	(8,037,900)	-	(8,037,900)
Transfer to/from during the Year	-	-	-	-	-	-	-	-
- Overhaul Reserve, Heat Rate and Lube Oil	-	-	-	-	85,323,530	(85,323,530)	-	-
- Revaluation Reserve	-	-	-	-	(8,252,985)	8,252,985	-	-
- Other Reserves	-	-	-	-	7,500,000	(7,500,000)	-	-
Effect of adopting SLAS 40 - Investment Property	-	-	-	-	-	-	-	-
- Transfer to/(from) Revaluation Reserve	-	-	-	-	70,700,000	-	-	70,700,000
- Deferred Income Tax	-	-	-	-	-	11,030,572	-	11,030,572
Adjustment in respect of changes in Group Holding	-	-	-	-	(18,094,054)	63,396,111	1,028,108	46,330,165
Net Gain/(Loss) Recognised Directly in Equity	-	-	-	-	-	-	-	-
- Deferred Income Tax	-	-	-	-	224,431	-	-	224,431
- Exchange Reserve	-	-	-	35,568,054	-	-	-	35,568,054
Balance as at 31 March 2008	1,329,012,573	58,333,333	-	(42,173,703)	825,586,930	4,262,938,674	604,966,737	7,038,664,544

The Accounting Policies and Notes on pages 59 through 98 form an integral part of the financial statements.

Statement of Changes in Equity

Company	Stated Capital Rs.	Capital and Revenue Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31 March 2006	1,185,528,893	372,663,859	2,794,908,532	4,353,101,284
Profit for the Year	-	-	67,634,923	67,634,923
Dividends Paid - 2007	-	-	(249,975,090)	(249,975,090)
Share Options exercised during the Year	143,483,680	-	-	143,483,680
Balance as at 31 March 2007	1,329,012,573	372,663,859	2,612,568,365	4,314,244,797
Profit for the Year	-	-	166,984,256	166,984,256
Dividends Paid - 2008	-	-	(113,980,315)	(113,980,315)
Balance as at 31 March 2008	1,329,012,573	372,663,859	2,665,572,306	4,367,248,738

The Accounting Policies and Notes on pages 59 through 98 form an integral part of the financial statements.

Colombo
23 May 2008

Cash Flow Statement

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Operating Activities				
Profit Before Taxation	1,259,454,768	1,407,184,717	156,132,521	92,650,963
Non-Cash				
Goodwill (Net)	-	(2,750,535)	-	-
Depreciation	432,672,721	407,899,381	27,417,748	22,296,816
Profit on Disposal of Property, Plant and Equipment	(6,896,558)	(12,128,936)	(604,969)	(1,555,905)
Provision for Retirement Benefit Plan	42,106,221	34,382,389	6,491,426	2,299,215
Finance Cost	346,564,546	272,926,465	42,484,907	42,599,730
Investment Income	(738,337)	(1,225,585)	(157,137,674)	(60,174,089)
Share of Profit of Associate/Subsidiary	-	(3,713,596)	-	-
Change in Fair Value of Investment Property	(144,300,000)	(163,385,091)	(13,000,000)	(50,579,482)
(Profit)/Loss on Disposal of Associate	(50,518,087)	16,958,711	-	(1,494,700)
Profit on Disposal of Investments	(394,539)	(2,300,639)	-	(922,500)
Amortisation of Intangibles	8,963,784	-	-	-
Working Capital Adjustments				
(Increase)/Decrease in Trade and Other Receivables	(339,283,517)	(854,353,710)	(91,179,521)	(59,381,325)
(Increase)/Decrease in Inventories	(272,084,172)	(245,668,798)	-	-
(Increase)/Decrease in Amounts Due from Related Parties	(13,286,243)	631,489	(161,805,476)	49,181,108
Increase/(Decrease) in Amounts Due to Related Parties	-	(3,377,623)	29,205	(9,824,690)
Increase/(Decrease) in Trade and Other Payables	350,445,432	10,222,514	53,057,150	(15,960,498)
Increase/(Decrease) in Provisions	14,500,291	(24,046,918)	-	-
Finance Cost Paid	(346,564,545)	(272,926,465)	(42,484,907)	(42,599,730)
Income Tax Paid	(333,962,793)	(364,184,212)	(8,853,340)	(4,918,177)
Gratuity Paid	(17,402,197)	(17,253,528)	(4,596,474)	(2,139,051)
Development Expenses paid	-	(5,898,074)	-	-
Net Cash from/(Used in) Operating Activities	929,276,775	176,991,956	(194,049,404)	(40,522,315)
Investing Activities				
Purchase of Property, Plant and Equipment	(1,068,607,918)	(365,415,804)	(6,925,439)	(26,406,452)
Purchase of Investment Property	-	-	-	(385,493)
Acquisitions and Disposals of Subsidiaries/Associates (Note 33)	(114,504,689)	(26,551,767)	(17,904,100)	(75,894,034)
Investment in Brand	(3,521,739)	(55,000,000)	-	-
Other Investments	(2,270,385)	(25,138)	(3,000,000)	(13,000,100)
Proceeds from Disposal of Property, Plant and Equipment	17,893,601	48,217,510	1,497,289	3,745,674
Proceeds from Disposal of Investments	902,644	13,935,919	-	34,917,200
Redemption of Preference Shares	(16,666,667)	(16,666,665)	-	-
Dividends Received from Associates	-	5,670,000	-	5,670,000
Investment Income	738,337	1,225,585	157,137,674	54,504,089
Net Cash from/(Used in) in Investing Activities	(1,186,036,816)	(394,610,360)	130,805,424	(16,849,116)
Financing Activities				
Interest Bearing Loans and Borrowings(Net) - Rupee Loan	393,835,379	16,423,670	118,347,547	145,845,157
- US\$ Loan	(380,524,143)	(372,574,392)	-	-
Proceeds from Issue of Share Options (ESOP)	-	143,483,680	-	143,483,680
Proceeds from Minority Shareholders	137,368,972	92,094,793	-	-
Dividends Paid - Ordinary Shares	(120,522,066)	(374,228,858)	(114,010,516)	(374,735,887)
- Preference Shares	(8,037,899)	(10,002,740)	-	-
Rental Deposits Received	4,910,796	9,721,914	-	-
Finance Lease Paid	(2,802,243)	(3,123,013)	-	-
Net Cash from/(Used in) in Financing Activities	24,228,796	(498,204,946)	4,337,031	(85,407,050)
Net Increase/(Decrease) in Cash and Cash Equivalents	(232,531,245)	(715,823,351)	(58,906,951)	(142,778,481)
Cash and Cash Equivalents at the Beginning of the Year (Note 32)	97,662,575	813,485,926	75,733,223	218,511,704
Cash and Cash Equivalents at the End of the Year (Note 32)	(134,868,670)	97,662,575	16,826,272	75,733,223

The Accounting Policies and Notes on pages 59 through 98 form an integral part of the financial statements.

Colombo
23 May 2008

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Hemas Holdings PLC is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office and the principal place of business are situated at No. 36, Bristol Street, Colombo 01. Hemas Holdings PLC does not have an identifiable parent of its own.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were carrying out investment activities, and providing management and administration services to other Companies in the group and the principal activities of the Subsidiaries, Associates and Joint Ventures are disclosed in note 40 to the financial statements.

1.3 Date of Authorisation for Issue

The financial statements of Hemas Holdings PLC for the year ended 31 March 2008 were authorised for issue, in accordance with a resolution of the Board of Directors on 23 May 2008.

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for investment properties and land and buildings that have been measured at fair value. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

2.1.1 Statement of Compliance

The consolidated financial statements of Hemas Holdings PLC and all its Subsidiaries (the 'Group') have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Going Concern

The Directors have made an assessment of the Company's and Subsidiaries' ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.3 Consolidation Policy - Principles of Consolidation

(a) Subsidiaries

The financial statements of the Group represents the consolidation of the financial statements of Hemas Holdings PLC and all its subsidiaries as at 31 March 2008. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are consolidated from the date the Parent obtains control until such time the control ceases.

The total profits and losses for the period of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Income Statement.

Minority Interests represent the portion of profit or loss and net assets not held by the group and presented separately in the Income Statement and within equity in the Consolidated Balance Sheet, separately from parent's shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, where the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

(b) Associate Companies

The Investments in associates companies are accounted for using the equity method of accounting. An associate is an entity in which the company has significant influence of 20% to 50% and which is neither a subsidiary nor a joint venture.

Under the equity method, investments in the associates are carried in the Balance Sheet at cost plus post acquisition changes in the Group's share of net assets of the associates, net of any dividends paid by such associates. The Income Statement reflects the share of the results of operations of each associate. Where there has been a change recognised directly in the equity of the associate, the company recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

(c) Joint Ventures

The Group has an interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its financial statements. The financial statements of the joint ventures are prepared for the same reporting year as the parent company except for Hellman Worldwide Logistics (Private) Ltd., where the financial statements are

Notes to the Financial Statements

prepared for 31 December 2007. All the material transactions are adjusted for the 3 months period ended 31 March 2008. Accounting policies of the joint ventures are consistent with the parent company.

(d) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Negative Goodwill

Negative goodwill arising on business combinations comprises the excess of the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Negative goodwill arising on business combinations are credited to the Income Statement.

(e) Changes in Group Companies

The Group has diluted its stake in Hemas Hospitals (Private) Ltd., from 70% to 49.7% which is now accounted as an Associate Company. Further, Hemas Hospitals (Private) Ltd., has acquired 100% stake in Hemas Southern Hospitals (Private) Ltd. The controlling interest in Serendib Hotels PLC was decreased to 51% from 63%. The group has acquired 100% stake in Okanda Power Grid (Private) Ltd. The interest in E-Channeling PLC (Associate Company) was disposed during the year. Further, the name of Prime Destinations (Private) Ltd. has been changed to Far Shipping Lanka (Private) Ltd. and started operations during the year.

(g) Country of Incorporation

All subsidiaries, associates and joint venture companies are incorporated in Sri Lanka, except for the following:

Name of Subsidiary	Country of Incorporation	Reporting Currency
HIF Logistics (Private) Ltd	Pakistan	Pakistan Rupee (PKR).

2.1.4 Comparative Information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

Previous years' figures and phrases have been re-arranged wherever necessary, to conform to the current year's presentation.

2.1.5 Discontinuing Operations

A discontinuing operation is a clearly distinguishable component of the Group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of industry or geographical area of operations.

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements

Deferred Tax Assets:

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of Goodwill:

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

Fair Value of Unquoted Equity Investments:

The unquoted equity instruments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

Notes to the Financial Statements

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translations and Hedging

The financial statements are presented in Sri Lankan rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to the Income Statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The resulting gains and losses are accounted for in the Income Statement.

The assets and liabilities of the foreign subsidiary is translated into the presentation currency of the Group at the rate of exchange ruling at the Balance Sheet date, and their Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

In respect of transactions which meet the conditions for special hedge accounting in relation to cash flow hedges, the portions of the exchange gain or loss on the hedge instrument that is determined to be an effective hedge is directly in equity through the Statement of Changes in Equity and ineffective portion is recognized in the Income Statement.

2.3.2 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of

Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

b) Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except;

- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

c) Tax on dividend income from subsidiaries and associates is recognized as an expense in the Consolidated Income Statement.

2.3.3 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.3.4 Intangible Assets (Other than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the

expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets that are not yet available for sale are tested for impairments at each financial year end, even if there is no indication that the asset is impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognized.

Research and Development Costs

Research costs are expensed as incurred. Intangible assets arising from development expenditure on an individual project is recognised only when the company can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the assets, how the assets will generate future economic benefits, the availability of resources to complete the assets and the ability to measure reliably the expenditure during the development.

During the period of development, the assets are tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the assets begins when development is completed and the asset is available for use. It is amortised over the period of expected future sales. During the period of which the asset is not yet in use it is tested for impairment annually.

2.3.5 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Notes to the Financial Statements

Raw Materials - At actual cost on first-in-first out/weighted average basis.

Foods and Beverages Stocks - At actual cost on weighted average basis

Finished Goods and Work-in-Progress - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.

Consumables and Spares - At actual cost on first-in-first out basis.

Goods-in-Transit and Other Stocks - At actual cost.

2.3.6 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less allowance for bad and doubtful receivables.

2.3.7 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consists 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.

2.3.8 Property, Plant and Equipment

a) Cost and Valuation

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the Balance Sheet date. Subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less accumulated depreciation and less accumulated impairment in value.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same

asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

b) Restoration Costs

Expenditure incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

c) Depreciation

Depreciation is calculated on a straight line method over the useful life of the all Property, Plant and Equipment than freehold land.

The principal annual rates used by the companies in the Group are as follows:

Freehold Buildings	1.5% - 5%
Leasehold Buildings	Over the lease term
Plant and Machinery	6% - 25%
Power Plant	Over 180 months
Furniture and Fittings	7% - 25%
Office and Factory Equipments	10% - 33.33%
Computer Hardware and Software	33.33 %
Motor Vehicles	20% - 25%
Crockery and Cutlery	50%- 100%
Revertment	5%

Buildings on Leasehold Land are depreciated over the remaining lease period (except for Serendib Hotel PLC).

In Serendib Hotels PLC, value of the buildings on the leasehold land is amortized in 20 equal annual installments commencing from 01 April 1994 and ending in 31 March 2014. The Company has further obtained an extension of the lease period for 30 years commencing 01 April 2002. Accordingly the balance written down value of buildings as at 01 April 2000 is amortized over a period of 33 years. However, if the lease is not renewed after the date of termination on 31 March 2034, the Company is entitled to compensation for the cost of buildings.

Notes to the Financial Statements

d) Derecognition

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

2.3.9 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery, awaiting capitalization.

Hemas Hospital (Private) Ltd., Hemas Southern Hospitals (Private) Ltd., and Giddawa Hydro Power (Private) Ltd., commenced projects to develop a chain of hospitals and hydro power plant respectively. The expenses that are of capital in nature are accounted as capital work-in-progress until the completion of the projects.

2.3.10 Leased Property

Leasehold property comprising of land use rights obtained on a long term basis, is stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19 - Leases in line with Ruling of the Urgent Issues Task Force of The Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortized over the remaining lease term or useful life of the leased property whichever is shorter.

2.3.11 Leases

a) Finance Leases

Property, Plant and Equipment on finance leases, which effectively transfer to the Group substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of leased property or, if lower, at the present value of minimum lease payments. Capitalized leased assets are disclosed as Finance Leases under Property, Plant and Equipment and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor together with interest payable over the period of lease is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to Income Statement over the period of lease.

b) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term, are classified as operating leases.

Lease rentals paid under operating leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

2.3.12 Investments

Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The company distinguishes and presents current and non current investment in the Balance Sheet.

Measurement:

a) Current Investments

Current investments are stated at lower of cost and market value determined on an aggregate portfolio basis.

The cost of an investment is the cost of acquisition inclusive of brokerage fees and stamp duty.

Unrealized gains and losses on current investments carried at market value i.e. reduction to market value and reversals of such reductions required to reflect current investments at the lower of cost and market value, are credited or charged to Income Statement.

b) Long Term Investments

Quoted and unquoted investments in shares held on a long term basis are stated at cost.

The cost of the investment is the cost of acquisition inclusive of brokerage fees, stamp duties and bank fees.

The carrying amount of long term investments is reduced to recognise a decline other than temporary in the value of investments, determined on an individual investment basis.

In the Company's financial statements, investments in subsidiaries were carried at fair value and associates were carried at cost, net of any provision for other than temporary diminution in value.

c) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects

Notes to the Financial Statements

market conditions at the Balance Sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property the Group accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

d) Other Investments

Treasury bills and other interest bearing securities held for resale in the near future to benefit from short term market movements are accounted for at cost plus relevant proportion of the discounts or premiums.

2.3.13 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.3.14 Retirement Benefit Liability

a) Defined Benefit Plan - Gratuity

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Balance Sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the Income Statement.

In respect of those employees those who have not completed 5 years, the provision required at the end of 5 years is built up on an increasing sum of digit basis and accordingly the retirement benefit cost is charged to the Income Statement.

The gratuity liability is not externally funded nor actuarially valued.

However, as per the Payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

b) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively. Some employees of the group are eligible for Mercantile Services Provident Society fund, for which the group contributes 12% of gross emoluments of employees.

2.3.15 Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset or cash-generating unit, unless the asset or cash-generating unit does not generate cash inflows that are largely independent of those from other assets or cash-generating units. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate

Notes to the Financial Statements

valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 March.

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate.

Associates

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each Balance Sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the Income Statement.

2.3.16 Income Statement

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, value added taxes, and other sales taxes and after eliminating intra-group sales. The following specific criteria are used for the purpose of recognition of revenue.

a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer; with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

c) Energy Supplied

Revenue from energy supplied is recognised, upon delivery of energy to Ceylon Electricity Board and will be adjusted for capacity charge for Minimum Guaranteed Energy Amount (MGEA) at the end of the calendar year if there has been a curtailment. (Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in Power Purchase Agreement (PPA) received at the metering point.)

d) Apartment and Food and Beverages Sales

Apartment revenue is recognised on the rooms occupied on a daily basis, and food and beverages sales are accounted for at the time of sales.

e) Turnover Based Taxes

Turnover based taxes include Value Added Tax, Economic Service Charge and Turnover Tax, which is payable to Provincial Council in respect of trading activities and

Notes to the Financial Statements

Tourism Development Levy, which is payable to the Ceylon Tourist Board by all companies licensed by the Board. Companies in the Group pay such taxes in accordance with the respective statutes.

f) Interest

Interest Income is recognised on an accrual basis.

g) Dividends

Dividend income is recognised on a cash basis (net of dividend tax).

h) Rental Income

Rental income is recognised on an accrual basis. Rental income arising on investment properties is accounted for on a straight line basis over the lease terms.

i) Others

Other income is recognised on an accrual basis.

2.4 EMPLOYEE SHARE OPTION PLAN (ESOP)/SHARE OPTION SCHEME (ESOS)

An Employee Share Option Plan (ESOP) was approved by the shareholders of the Company in the year 2003, whereby the Company issued a total of 3,120,000 Ordinary Shares to the Senior Management and Employees based on performance. These options were required to be exercised between the period 01 April 2004 and 31 March 2008.

The allocation to the Senior Management and the Employees, which has taken place and is expected to take place in the future is as follows:

The first grant which took place on 01 April 2004, entitled Senior Management and Employees to subscribe for their entitlements of Ordinary Shares at a price of Rs. 50/- per share. The second grant took place on 10 September 2004, to Senior Management at a price of Rs. 90/- per share. Subsequent to the bonus issue of 1 for 4, the exercise price

of the two grants were adjusted to Rs. 40/- and Rs. 72/- respectively. The first and the second grants were finalised as at 31 March 2006 and 31 March 2007 respectively. The third grant took place on 29 September 2005, to Senior Management at a price of Rs. 116/- per share. The Share option plan lapsed on 31 March 2008.

On 29 June 2006, subsequent to having received the concurrence of the Colombo Stock Exchange and the Securities & Exchange Commission of Sri Lanka respectively, shareholders approval was obtained to issue a further 2,994,000 shares representing 3% of the issued shares as at 31 March 2006 to the eligible management staff of the group by the creation of an Employee Share Option Scheme (ESOS). For the purpose of operating the ESOS, Messrs Jacey Trust Services were appointed as Trustees to the ESOS.

The 1st tranche of 1,006,000 shares were issued to the Trustees on 26 September 2006 at Rs. 105/- per share, on behalf of the Senior Management. Exercise of the share options would be between the period October 2006 and March 2009.

The Trustees were granted interest free loans by the subsidiaries of the Company to subscribe for a sum equivalent to the issue price of the total of 1,006,000 shares. 86,500 share options have been exercised as at 31 March 2008 and transferred from the Trust to the respective employees.

2.5 BUSINESS SEGMENT REPORTING

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments. The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting consolidated financial statements of the Group.

Inter Segment transfers are based on fair market prices.

	Date of Grant	No. of Options Granted	Date by which Options have to be Exercised	Share Adjusted due to Bonus Issue	No. of Options Exercised during the year	No. of Options Exercised to date	No. of Share Lapsed
Scheme I							
Grant 1	01-04-2004	1,558,850	31-03-2006	68,737	-	1,521,974	105,613
Grant 2	10-09-2004	732,500	31-03-2007	126,175	-	831,175	27,500
Grant 3	29-09-2005	781,150	31-03-2008	195,287	-	71,050	905,387
Scheme II							
Tranche 1	26-09-2006	1,006,000	31-03-2009	-	-	86,500	-

Notes to the Financial Statements

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
3. REVENUE				
Summary				
Sales of Goods	7,258,864,579	6,700,092,278	-	-
Rendering of Services	6,904,940,345	5,078,043,917	224,683,897	126,704,982
	14,163,804,924	11,778,136,195	224,683,897	126,704,982
Segment information is given in Note 38 to these financial statements.				
4. DIVIDEND INCOME				
Income from Investments - Related Parties	-	-	157,137,674	59,670,000
- Others	738,337	1,225,585	-	504,089
	738,337	1,225,585	157,137,674	60,174,089
5. OTHER INCOME AND GAINS				
Profit on Disposal of Investments	60,490,599	2,300,639	-	2,417,200
Gain/Surplus on Disposal and Acquisition	7,344,168	33,738,643	-	-
Rental Income	2,730,000	5,459,888	-	-
Commission Income	12,285,856	6,717,839	-	-
Exchange Gain	24,564,624	44,418,868	-	-
Sundry Income	21,498,359	32,560,199	61,535	2,304,391
Travel Counter Income	3,155,689	21,604,316	-	-
Profit on Disposal of Trade Marks	-	15,000,000	-	-
	132,069,295	161,800,392	61,535	4,721,591
6. FINANCE COST AND INCOME				
6.1 Finance Cost				
Interest Expense on Overdrafts	146,366,561	68,803,653	308,798	132,700
Interest Expense on Loans and Borrowings - Rupee	62,316,832	65,429,269	42,176,110	42,467,030
- USD	131,506,742	131,578,363	-	-
Debenture Interest	4,619,774	5,739,909	-	-
Bank Guarantee Charges	833,677	631,514	-	-
Finance Charges on Lease Liabilities	920,959	743,757	-	-
	346,564,545	272,926,465	42,484,908	42,599,730

Notes to the Financial Statements

6.2 Finance Income

		Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Interest Income	- Related Parties	-	-	24,569,767	28,072,914
	- Others	111,995,034	89,780,417	1,141,589	18,831,994
		111,995,034	89,780,417	25,711,356	46,904,908

		Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.

7. PROFIT FROM CONTINUING OPERATIONS

Stated after Charging/(Crediting)				
Auditors Fees and Expenses	5,626,908	4,081,025	975,000	694,125
Depreciation - Cost	405,657,234	378,236,631	27,417,748	22,296,816
- Valuation	24,137,263	24,035,746	-	-
- Leases	2,878,230	5,627,004	-	-
Donations	742,774	26,135,797	115,000	5,279,900
Profit on Disposal of Property, Plant and Equipment	(6,896,558)	(12,128,936)	(604,969)	(1,555,905)
Bad Debts Written off	29,766,210	9,534,586	-	-
Provision for Doubtful Debts	7,486,645	22,982,586	-	-
Provision for Obsolete Stocks	13,128,859	7,011,247	-	-
Goodwill Written off	-	3,916,956	-	-
Employee Benefits includes:				
Retirement Benefit Liability - Gratuity	42,106,221	34,382,389	6,491,426	2,299,215
Defined Contribution Plan Cost - MSPS/EPF/ETF	71,539,729	62,369,985	7,342,144	5,562,184
Legal Fees	1,633,561	1,274,163	20,000	-

Notes to the Financial Statements

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
8. INCOME TAX EXPENSE				
Current Income Tax				
Current Tax Expense on				
Ordinary Activities for the Year (8.1)	127,911,495	376,080,171	3,982,928	4,710,603
Under/(Over) Provision of Current Taxes in respect of prior years	1,791,612	1,886,356	-	-
Tax on Dividends	7,513,509	6,000,000	-	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (8.2)	(28,591,772)	3,681,016	(14,834,663)	20,305,437
	108,624,845	387,647,543	(10,851,735)	25,016,040

8.1 Reconciliation between Current Tax Expense/(Income) and the product of Accounting Profit

Accounting Profit Before Tax	1,259,454,768	1,407,184,717	156,132,521	92,650,963
Intra Group Adjustment/Share of Profits of Subsidiaries	408,478,386	66,335,535	-	-
	1,667,933,154	1,473,520,252	156,132,521	92,650,963
Aggregate Disallowed Items	426,316,131	447,166,939	49,341,037	67,526,565
Aggregate Allowable Expenses	(739,976,982)	(220,028,346)	(25,031,886)	(25,072,514)
Aggregate Allowable Income	(148,922,033)	(519,466,390)	(157,144,088)	(114,875,065)
Incentives not recognised in the Income Statements	(613,812,422)	(298,589)	61,535	-
Taxable Profit	591,537,848	1,180,893,866	23,359,119	20,229,949
Tax Losses Brought Forward and Utilized	(20,075,644)	(33,660,716)	(3,604,154)	(7,080,482)
	571,462,204	1,147,233,150	19,754,965	13,149,467
Current Income Tax Expense	127,911,495	376,080,171	3,982,928	4,710,603

The Group tax expense is based on taxable profit of each Group Company.

8.2 Deferred Tax Expense/(Income)

Deferred Tax Expense/(Income) arising due to				
- Origination and Reversal of Timing Differences	(28,591,772)	3,681,016	(14,834,663)	20,305,437
	(28,591,772)	3,681,016	(14,834,663)	20,305,437

8.3 Deferred Tax has been computed using current effective tax rates applicable to each Group Company.

Notes to the Financial Statements

8.4 Applicable Tax Rates

As per the Inland Revenue Act. No. 10 of 2006, all resident companies are liable to effective Income Tax of 35% (2007 - 35%), with the exception of the below stated Companies.

- Trading income of Serendib Hotels PLC, Hotel Sigiriya PLC, Stafford Hotels PLC, Miami Beach Hotels Ltd., Serendib Leisure Management Ltd., Hemas Travels (Private) Ltd. and Hemtours (Private) Ltd. is taxed at 15%, while other income of these Companies are taxed at 35%. (2007 - 35%).

- Hemas Developments (Private) Ltd., has obtained BOI approval under Section 17 and it enjoys a 7 year tax holiday commencing from year of assessment 1998/1999 in which the enterprise makes profits in relation to its transactions in that year or not later than 5 years from the date of its first commercial operation whichever is earlier. Thereafter the applicable tax rate would be 2% of Revenue.

-The profits and income of the Hemas Power (Private) Ltd., (other than from sale of capital assets) is exempted from income tax for a period of 5 years commencing from the year of assessment in which the Company commences to carry on commercial operations, under Section 23 of the Inland Revenue Act. No. 10 of 2006 (Provided that the Company, qualify the criteria specified in the said section). Commercial operations would be deemed to commence in the year in which the issued share capital of the Company reaches Rs. 100 Mn before 01 April 2008. The issued share capital of the Company as at 31 March 2008, amounted to Rs. 939 Mn.

- Pursuant to the agreement dated 28 August 2003, entered into with Board of Investment under Section 17 of the Board of Investment Law, Heladhanavi Ltd., is exempt from tax for a period of 10 years from the year in which the Company commences to make profits or any year of assessment not later than two years from the date of commencement of commercial operations of the enterprise, whichever is earlier. After the expiration of the said tax exemption period the income of the enterprise shall be charged at the rate of 15%.

However, other operating income of the Company is liable for income tax in accordance with the provisions of the Inland Revenue Act.

- Pursuant to agreement entered into with Board of Investment under Section 17 of the Board of Investment Law No. 4 of 1978 Vishwa BPO (Private) Ltd. and Hemas Hospitals (Private) Ltd. are exempt from income tax for a period of three (3) years and five (5) years respectively, reckoned from the year of assessment, in which the company commences to make profits or any year of assessment not later than two years from the date of commencement of commercial operations of the companies, whichever is earlier.

After the expiration of the tax exempted period, profits are charged at ten percentage (10%) for the next two (2) years.

After the expiration of the above mentioned tax rate exemption of 10%, the companies' profits are liable for tax at 20% thereon.

9. EARNINGS PER SHARE

9.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

Notes to the Financial Statements

9.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

	2008 Rs.	Group 2007 Rs.
Amount Used as the Numerator:		
Profit for the Year	1,135,418,670	1,005,727,066
Less: Preference Dividends	(8,037,900)	(10,002,740)
Net Profit Attributable to Ordinary Shareholders for		
Basic Earnings Per Share	1,127,380,770	995,724,326
	2008 Number	2007 Number
Number of Ordinary Shares Used as Denominator:		
Weighted Average number of Ordinary Shares in issue		
Applicable to Basic Earnings Per Share	101,308,124	100,530,310

9.3 There were no potentially dilutive ordinary shares outstanding at any time during the year.

10. DIVIDEND PER SHARE - Group / Company

	2008 Rs.	2007 Rs.
10.1 Dividends Paid		
Interim Paid - 1st Interim		
- Exempt Profit	-	126,214,173
- Liable Profit	126,635,155	-
- Tax on Dividends	(12,654,840)	-
	113,980,315	126,214,173
- 2nd Interim		
- Exempt Profit	-	99,000,000
- Liable Profit	-	27,512,130
- Tax on Dividends	-	(2,751,213)
	-	123,760,917
Total Dividends		
- Gross	126,635,155	252,726,303
- Tax on Dividends	(12,654,840)	(2,751,213)
- Net	113,980,315	249,975,090

10.2 Dividend Per Share

- 1 st Interim	1.25	1.25
- 2 nd Interim	-	1.25

10.3 The interim dividend has been paid on 21 February 2008.

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group	Balance As at 01.04.2007 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
Gross Carrying Amount				
At Cost/ Cost incurred since Last Revaluation				
Freehold Land	33,160,641	5,099,000	-	38,259,641
Freehold Buildings	24,726,964	12,769,128	(3,356,582)	34,139,510
Plant and Machinery	3,364,420,933	86,084,139	(12,318,467)	3,438,186,605
Furniture and Fittings	249,648,475	53,291,281	(9,561,562)	293,378,194
Office and Factory Equipment	139,198,283	12,115,273	(5,717,015)	145,596,541
Computer Hardware and Software	316,124,183	37,375,679	(12,492,171)	341,007,691
Motor Vehicles	262,236,408	51,432,210	(19,715,266)	293,953,352
Revertment	19,108,922	-	-	19,108,922
	4,408,624,809	258,166,710	(63,161,063)	4,603,630,456
At Valuation				
Freehold Land	434,266,370	-	-	434,266,370
Freehold Buildings	636,513,539	4,898,611	-	641,412,150
Buildings on Leasehold Land	308,076,427	24,500,499	(436,171)	332,140,755
	1,378,856,336	29,399,110	(436,171)	1,407,819,275
Assets on Finance Lease				
Motor Vehicles	13,939,889	-	-	13,939,889
	13,939,889	-	-	13,939,889
Total Value of Assets	5,801,421,033	287,565,820	(63,597,234)	6,025,389,620
Depreciation				
	Balance As at 01.04.2007 Rs.	Charge for the year Rs.	Disposals / Transfers Rs.	Balance As at 31.03.2008 Rs.
At Cost				
Freehold Buildings	4,044,699	2,756,308	-	6,801,007
Plant and Machinery	711,251,852	233,403,245	(9,099,217)	935,555,880
Furniture and Fittings	123,171,518	29,216,031	(4,869,925)	147,517,624
Office and Factory Equipment	64,971,376	12,991,610	(3,921,150)	74,041,836
Computer Hardware and Software	171,247,013	80,774,564	(11,357,117)	240,664,460
Motor Vehicles	143,821,912	45,668,366	(23,352,781)	166,137,497
Revertment	849,007	847,110	-	1,696,117
	1,219,357,377	405,657,234	(52,600,190)	1,572,414,421
At Valuation				
Freehold Buildings	30,636,756	15,470,211	-	46,106,967
Buildings on Leasehold Land	17,910,605	8,667,052	-	26,577,657
	48,547,361	24,137,263	-	72,684,624
Assets on Finance Lease				
Motor Vehicles	5,471,379	2,878,230	-	8,349,609
	5,471,379	2,878,230	-	8,349,609
Total Depreciation	1,273,376,117	432,672,727	(52,600,190)	1,653,448,654
Capital Work-In-Progress	176,876,986	851,951,719	(171,702,665)	857,126,040
	176,876,986	851,951,719	(171,702,665)	857,126,040
Net Book Values	2007 Rs.			2008 Rs.
At Cost	3,366,144,418			3,888,342,075
At Valuation	1,330,308,975			1,335,134,651
Assets on Finance Lease	8,468,510			5,590,280
Total Carrying Amount	4,704,921,903			5,229,067,006

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT (Contd....)

11.1.1 The Land and Buildings of Hemas Manufacturing (Private) Ltd., Stafford Hotels PLC and Miami Beach Hotels Ltd were last revalued during the financial year 2004/2005 by Mr. D.S.A. Senaratne (A.I.V.) an independent valuer. The results of such revaluation was incorporated in these financial statements from its effective date which is 31 March 2005. Such assets were valued on an open market value for existing use basis. The surplus arising from the revaluation was transferred to a Revaluation Reserve.

11.1.2 The Land and Buildings of Peace Haven Resort Ltd., was last revalued at the beginning of the financial year 2006/2007 by Mr. Arthur Perera(A.I.V.) an independent valuer. The results of such revaluation was incorporated in these financial statements from its effective date which is 01 April 2006. Such assets were valued on an open market value for existing use basis. The surplus arising from the revaluation was transferred to a Revaluation Reserve. The next revaluation will be carried out in accordance with the group policy.

11.1.3 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 1,068,607,918/- (2007 - Rs. 377,774,841/-) of which Rs.Nil (2007 - Rs.12,359,037/-) was acquired by means of finance leases. Cash payments amounting to Rs. 1,068,607,918/- (2007 - Rs. 365,415,804/-) was paid during the year for purchases of Property, Plant and Equipment.

11.1.4 Hemas Manufacturing (Private) Ltd.

Pursuant to the agreement with BOI, the Company has obtained the BOI status under 300 Enterprises Programme. Accordingly, the entire factory has been transferred to Dankotuwa. In addition, the Company has incurred an expense of Rs. 623,546,114/- towards the above project.

11.2 Company	Balance	Additions/	Disposal/	Balance
	As At	Transfers/	Transfers	As at
	01.04.2007	Acquisitions		31.03.2008
At Cost	Rs.	Rs.	Rs.	Rs.
Roadways	6,975,688	-	-	6,975,688
Furniture and Fittings	8,565,442	3,840,530	(1,127,460)	11,278,512
Office Equipment	9,997,544	1,619,159	(189,150)	11,427,553
Computer Hardware and Software	67,699,267	1,465,750	(581,565)	68,583,452
Motor Vehicles	13,123,015	-	-	13,123,015
Total Value of Assets	106,360,956	6,925,439	(1,898,175)	111,388,220
Depreciation	Balance	Charge	Disposals/	Balance
	As at	For the	Transfers	As at
At Cost	01.04.2007	Year		31.03.2008
	Rs.	Rs.	Rs.	Rs.
Furniture and Fittings	2,161,099	1,137,895	(496,664)	2,802,330
Office Equipment	5,823,346	1,101,500	(27,631)	6,897,215
Computer Hardware and Software	28,477,102	21,897,598	(481,560)	49,893,140
Motor Vehicles	2,045,101	3,280,754	-	5,325,855
Total Depreciation	38,506,648	27,417,747	(1,005,855)	64,918,540
Net Book Values			2008	2007
At Cost			Rs.	Rs.
			46,469,680	67,854,308

11.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 6,925,439/- (2007 - Rs. 26,406,452/-) of which Rs. 6,925,439/- (2007 - Rs. 26,406,452/-) was acquired by means of cash.

Notes to the Financial Statements

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
12. INVESTMENT PROPERTY				
Investment Properties at Fair Value at the Beginning of the Year	963,709,950	570,152,108	258,709,950	207,744,975
Reclassified from Property, Plant and Equipment	-	127,440,868	-	-
Change in Fair Value of Investment Properties on adoption of SLAS 40 - Investment Property	-	102,731,883	-	-
	963,709,950	800,324,859	258,709,950	207,744,975
Additions during the Year	-	-	-	385,493
Change in Fair Value of Investment Properties during the Year	215,000,000	163,385,091	13,000,000	50,579,482
Investment Properties at Fair Value at the End of the Year	1,178,709,950	963,709,950	271,709,950	258,709,950

The fair value of the Investment Properties of Hemas Holdings PLC and Hemas Developments (Private) Ltd., as at 31 March 2008 were assessed by a revaluation carried out by Mr. D.S.A. Senaratne (A.I.V.) an independent valuer on an open market value for existing use basis, the resulting surplus in fair value is included in the Income Statement.

	Group	
	2008 Rs.	2007 Rs.
13. INTANGIBLE ASSETS		
13.1 Non Current		
Goodwill	41,099,987	20,664,878
Brands	132,521,739	129,000,000
Project Development Expenses	-	5,898,074
	173,621,726	155,562,952
13.1.1 Goodwill		
Balance at the Beginning of the Year	20,664,878	14,327,963
Acquired during the Year	20,435,109	10,253,871
Impairment/Amortisation during the Year	-	(3,916,956)
Balance at the End of the Year	41,099,987	20,664,878
13.1.2 Brands		
Balance at the Beginning of the Year	129,000,000	74,000,000
Acquired during the Year	3,521,739	55,000,000
Balance at the End of the Year	132,521,739	129,000,000
13.1.3 Project Development Expenses		
Balance at the beginning of the year	5,898,074	18,939,865
Acquired during the Year	-	5,898,074
Impairment/Written Off during the Year	(5,898,074)	(18,939,865)
Balance at the End of the Year	-	5,898,074

Hemas Group and its Subsidiaries annually carry out an impairment test on all its intangible assets. Impairment tests are carried out as follows:

- Goodwill - The business acquisition to which the goodwill is attributable is valued based on the earnings growth method. Assumptions applied in such computations are reviewed each year.
- Brands - Brands are valued based on the earnings growth method, and assumptions applied are reviewed each year.
- Project Development Expenses - These include all expenditure attributable to the intangible asset during its development stage. The technical feasibility of completing the project and the business case for future economic benefits are reassessed each year. During the year the asset is impaired and written off to Income Statement.

Notes to the Financial Statements

	2008 Rs.	Group 2007 Rs.
14. LEASEHOLD PROPERTY		
Cost/Valuation		
Balance at the Beginning of the year	76,838,370	76,838,370
Balance at the End of the Year	76,838,370	76,838,370
Amortisation		
Balance at the Beginning of the Year	5,796,365	1,492,551
Amortised during the Year	3,065,718	4,303,814
Balance at the End of the Year	8,862,083	5,796,365
Carrying Value at the end of the Year	67,976,287	71,042,005

Serendib Hotels PLC has obtained leasehold rights to two lots of land situated in Bentota from The Sri Lanka Tourist Board by the agreement dated 19/02/1969 and 28/02/1973 respectively (the lease expires on 01/02/2019 and 28/02/2033 respectively) and Hotel Sigiriya PLC has obtained leasehold rights to land situated at Sigiriya from The Sri Lanka Tourist Board by the agreement dated 25/07/1974. Based on the Ruling 11 of Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, it was stated at revalued amounts. As a result of a revision to said ruling, the Company now carries such leasehold rights to land, at the values recorded in the balance sheet as at the effective date of SLAS 19 - Leases.

The revised UITF ruling does not permit further revaluation of Leasehold Property. An amount of Rs. 55,039,802/- and Rs. 3,434,900/- in Serendib Hotels PLC and Hotel Sigiriya PLC respectively is remaining in equity under Revaluation Surplus relating to previous revaluation of Leasehold rights to land.

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES

	Group Holding		Company Holding		Company	
	2008	2007	2008	2007	2008	2007
	%	%	%	%	Rs.	Rs.
15.1 Non-Quoted Investments						
Hemas Corporate Services (Private) Ltd.	100%	100%	100%	100%	16,890,699	16,890,699
Hemas Developments (Private) Ltd.	100%	100%	100%	100%	632,316,443	632,316,443
Hemas Power (Private) Ltd.	100%	100%	2.2%	2.2%	374,693,081	374,693,081
Hemas Manufacturing (Private) Ltd.	100%	100%	100%	100%	890,662,863	890,662,863
Hemas Marketing (Private) Ltd.	100%	100%	100%	100%	650,031,275	650,031,275
Hemas Foods (Private) Ltd.	100%	100%	100%	100%	24,845,575	24,845,575
Hemas Pharmaceuticals (Private) Ltd.	100%	100%	100%	100%	380,947,388	380,947,388
Hemas Surgicals and Diagnostics (Private) Ltd. (Formerly known as Hemas Healthcare (Private) Ltd.)	100%	100%	100%	100%	23,956,545	23,956,545
Hemas Travels (Private) Ltd.	100%	100%	100%	100%	123,876,586	123,876,586
Hemas International Freight (Private) Ltd.	100%	100%	100%	100%	61,314,987	61,314,987
Hemas Air Services (Private) Ltd.	100%	100%	100%	100%	64,687,574	64,687,574
Forbes Air Services (Private) Ltd.	100%	100%	100%	100%	97,581,714	97,581,714
Discover the World Marketing (Private) Ltd.	100%	100%	100%	100%	4,665,732	4,665,732
Hemas Aviation (Private) Ltd.	100%	100%	100%	100%	1,909,963	1,909,963
Exchange & Finance Investments Ltd.	100%	100%	100%	100%	9,411,793	9,411,793
Hemtours (Private) Ltd.	100%	100%	100%	100%	209,911,882	209,911,882
Leisure Asia Investments Ltd.	100%	100%	100%	100%	257,559,015	257,559,015
Peace Haven Resorts Ltd.	95.5%	95.5%	95.5%	95.5%	336,454,612	336,454,612
Hemas Shipping (Private) Ltd.	100%	100%	100%	100%	300,000	300,000
ACX International (Private) Ltd.	100%	100%	100%	-	21,788,300	7,000,000
Mowbray Hotels Ltd.	89%	89%	89%	-	46,201,442	46,201,442
Far Shipping Lanka (Private) Ltd.	100%	-	100%	-	3,000,000	-
					4,233,007,469	4,215,219,169
15.2 Quoted Investments						
Serendib Hotels PLC	51%	63%	22.4%	27.9%	120,755,299	120,755,299
Total					4,353,762,768	4,335,974,468

16. INVESTMENTS IN ASSOCIATES

16.1 Group	Holding %		Carrying Value	Transfer of	Disposal/	Carrying Value
	2008	2007	2007	Subsidiary to Associate	Transfer of Investment	2008
			Rs.	Rs.	Rs.	Rs.
E-Channeling PLC	-	24.6%	42,933,320	-	(42,933,320)	-
Hemas Hospitals (Private) Ltd.	49.7%	-	-	205,793,202	-	205,793,202
			42,933,320	205,793,202	(42,933,320)	205,793,202

17. INVESTMENT IN JOINT VENTURE

	Group Holding		Company Holding		Company	
	2008	2007	2008	2007	2008	2007
	%	%	%	%	Rs.	Rs.
Hellmann Worldwide Logistics (Private) Ltd.	49%	49%	49%	49%	8,474,920	8,359,120
Heladhanavi Ltd.	50%	50%	-	-	-	-
					8,474,920	8,359,120

Notes to the Financial Statements

18. OTHER INVESTMENTS

Summary	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Non Current				
Investments in Equity Securities (Note: 18.1/18.2)	26,088,014	23,817,628	16,405,100	13,405,100
	26,088,014	23,817,628	16,405,100	13,405,100
Current				
Investment in Equity Securities (Note: 18.1.2/18.2.1)	67,694	356,376	48,642	48,642
	67,694	356,376	48,642	48,642
Total Carrying Value of Other Investments	26,155,708	24,174,004	16,453,742	13,453,742

18.1 Investments in Equity Securities - Non Current

Group	No. of Shares		Carrying	Market	Carrying	Market
	2008	2007	Value	Value	Value	Value
			2008 Rs.	2008 Rs.	2007 Rs.	2007 Rs.
a) Quoted						
Overseas Realty (Ceylon) PLC	1,000	1,000	10,000	12,000	10,000	13,000
Eden Hotels Lanka PLC	127	127	861	1,778	861	1,461
Galadari Hotels PLC	2,000	2,000	18,750	22,500	18,750	21,500
Blue Diamond Jewellers PLC	1,300	1,300	3,900	3,510	3,900	3,640
Royal Palm Beach Hotels PLC	85	85	676	3,400	676	3,358
Kotmale Holdings PLC	40,000	40,000	400,000	410,000	400,000	470,000
Total Investment in Quoted Equity Securities			434,187	453,188	434,187	512,958
					Carrying	Carrying
					Value	Value
					2008	2007
					Rs.	Rs.
b) Non-Quoted						
Felix Hotels Ltd.					25,930	25,930
Rainforest Ecology (Private) Ltd.					10,000,000	10,000,000
SLFFA Cargo Services Ltd.					357,511	357,511
CT Capital (Private) Ltd.					16,000,000	13,000,000
					26,383,441	23,383,441
Less: Provision for fall in Value					(729,614)	-
Total Investment in Non-Quoted Equity Securities					25,653,826	23,383,441
Total Equity Investments (Group - Non Current)					26,088,014	23,817,628

Notes to the Financial Statements

18.1.2 Investments in Equity Securities - Current

Group	No. of	No. of	Carrying	Market	Carrying	Market
	Shares	Shares	Value	Value	Value	Value
	2008	2007	2008	2008	2007	2007
			Rs.	Rs.	Rs.	Rs.
a) Quoted						
John Keells Holdings PLC	726	726	48,642	86,939	48,642	112,530
Aitken Spence & Co. PLC	-	133	-	-	34,000	50,540
Lanka Milk Foods PLC	-	100	-	-	2,540	3,950
Harischandra Mills PLC	-	100	-	-	11,500	42,500
Millers PLC	500	500	24,000	-	24,000	342,000
Cargills PLC	-	200	-	-	17,200	90,000
Keells Food Products PLC	-	100	-	-	1,875	4,975
Elephant Lite Corporation PLC	-	100	-	-	700	725
Soy Foods (F&W) PLC	-	100	-	-	3,550	6,500
Muller & Phipps PLC	-	100	-	-	1,500	100
ChemaneX PLC	-	174	-	-	12,975	33,104
John Keells PLC	-	284	-	-	13,000	24,211
Glaxo Ceylon PLC	150	150	4,500	-	4,500	-
Shaw Wallace PLC	-	100	-	-	6,800	17,000
Ceylon Cold Stores PLC	-	300	-	-	4,025	45,600
Nestle Lanka PLC	-	100	-	-	22,313	26,000
Lankem Ceylon PLC	1,500	1,600	14,500	69,750	20,800	58,800
E.B. Creasy PLC	-	150	-	-	23,000	21,150
J.L. Morisons Son & Jones Ceylon PLC	-	130	-	-	30,550	54,600
Hayleys PLC	-	396	-	-	26,240	56,232
Chemical Industries Ceylon PLC	-	148	-	-	11,525	13,320
Lambretta Ceylon PLC	-	100	-	-	1,069	-
C.W. Mackie & Company PLC	-	100	-	-	2,236	2,375
Ceylon Tea Services PLC	-	200	-	-	55,784	36,000
			91,642	156,689	380,324	1,042,212
Less: Provision for fall in Value			(30,823)	-	(30,823)	-
Total Investments in						
Quoted Equity Securities (Group - Current)			60,819	156,689	349,501	1,042,212
b) Non - Quoted						
Coca Cola Beverages Sri Lanka Ltd.	100	100	5,275	-	5,275	-
Carsons Marketing Ltd.	100	100	1,600	-	1,600	-
Total Investment in Non-Quoted Equity Securities			6,875	-	6,875	-
Total Equity Investment (Group - Current)			67,694	156,689	356,376	1,042,212

Notes to the Financial Statements

18.2 Investment in Equity Securities - Non Current

Company	No. of Shares		Carrying	Market	Carrying	Market
	2008	2007	Value	Value	Value	Value
			Rs.	Rs.	Rs.	Rs.
a. Quoted						
Overseas Realty (Ceylon) PLC	500	500	5,000	6,000	5,000	6,500
Kotmale Holdings PLC	40,000	40,000	400,000	410,000	400,000	470,000
			405,000	416,000	405,000	476,500
b. Non - Quoted						
CT Capital (Private) Ltd.	1,600,000	1,300,000	16,000,000		13,000,000	
Giddawa Hydro Power (Private) Ltd.	1	1	100		100	
			16,000,100		13,000,100	
Total Carrying Value of Equity Investments (Company - Non Current)			16,405,100		13,405,100	

18.2.1 Investment in Equity Securities - Current

a. Quoted						
John Keells Holdings PLC	726	726	48,642	86,939	48,642	112,530
Total Carrying Value of Equity Investment (Company - Current)			48,642	86,939	48,642	112,530

19. INVENTORIES

	2008	Group	2007
	Rs.	Rs.	Rs.
Raw Materials	248,782,334		181,064,610
Work in Progress	32,531,227		24,167,234
Finished Goods and Other Stocks *	942,996,370		741,697,877
Goods in Transit	52,278,702		47,434,829
	1,276,588,633		994,364,550
Less: Provision for Unrealized Profit	(13,474,227)		(3,334,316)
	1,263,114,406		991,030,234

* Finished Goods and Other Stocks are net of provision for slow moving and obsolete stocks.

20. TRADE AND OTHER RECEIVABLES

20.1 Summary	Group		Company	
	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.
Trade Debtors				
Related Parties (20.2)	-	-	116,049,842	33,479,280
Others	1,862,889,861	1,869,033,157	3,052,504	3,206,860
Ceylon Electricity Board	1,071,780,425	732,373,833	-	-
Less: Provision for Doubtful Debts	(9,562,663)	(46,326,963)	-	-
	2,925,107,623	2,555,080,027	119,102,346	36,686,140
Other Debtors				
Related Parties (20.3)	-	-	9,711,402	-
Others	571,425,387	412,937,340	20,904,756	25,695,368
Advances and Prepayments	140,775,506	292,407,240	6,041,250	1,399,978
Less: Provision for Doubtful Debts	(46,683,401)	-	-	-
	3,590,625,115	3,260,424,607	155,759,754	63,781,486
Loans to Company Officers (20.4)	52,825,559	43,742,550	10,568,008	11,366,756
	3,643,450,674	3,304,167,157	166,327,762	75,148,242

Notes to the Financial Statements

	Relationship	Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
20.2 Trade Dues from Related Parties					
Hemas Pharmaceuticals (Private) Ltd.	Subsidiary	-	-	41,076,128	821,097
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	790,524	588,429
Hemas International Freight (Private) Ltd.	Subsidiary	-	-	1,450,340	10,190,877
Hemas Travels (Private) Ltd.	Subsidiary	-	-	10,844,446	7,079,369
Hemas Power (Private) Ltd.	Subsidiary	-	-	100,575	100,575
Hemas Marketing (Private) Ltd.	Subsidiary	-	-	16,857,536	399,600
Hemas Air Services (Private) Ltd.	Subsidiary	-	-	10,588,473	6,972,154
Vishwa BPO (Private) Ltd.	Subsidiary	-	-	-	5,270,283
Hemtours (Private) Ltd.	Subsidiary	-	-	1,088,363	2,011,748
Hemas Surgicals and Diagnostics (Private) Ltd.	Subsidiary	-	-	12,795	-
Exchange & Finance Investment Ltd.	Subsidiary	-	-	7,188	7,188
Giddawa Hydro Power (Private) Ltd.	Subsidiary	-	-	-	37,960
Hemas Southern Hospitals (Private) Ltd.	Associate	-	-	158,125	-
Hemas Hospitals (Private) Ltd.	Associate	-	-	171,518	-
Hemas Aviation (Private) Ltd.	Subsidiary	-	-	74,602	-
Hemas Manufacturing (Private) Ltd.	Subsidiary	-	-	11,332,235	-
Forbes Air Services (Private) Ltd.	Subsidiary	-	-	21,275,000	-
ACX International (Private) Ltd .	Subsidiary	-	-	221,994	-
		-	-	116,049,842	33,479,280
20.3 Other Dues from Related Parties					
Hemas Manufacturing (Private) Ltd.	Subsidiary	-	-	4,641,718	-
Hemtours (Private) Ltd.	Subsidiary	-	-	1,560,554	-
Hemas International Freight (Private) Ltd.	Subsidiary	-	-	296,573	-
Hemas Development (Private) Ltd.	Subsidiary	-	-	154,437	-
FAR Shipping Lanka (Private) Ltd.	Subsidiary	-	-	287,500	-
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	1,860,423	-
Forbes Air Services (Private) Ltd.	Subsidiary	-	-	362,690	-
Hemas Travels (Private) Ltd.	Subsidiary	-	-	547,507	-
		-	-	9,711,402	-
20.4 Loans to Company Officers:					
Summary					
Balance at the Beginning of the Year		43,742,550	29,560,373	11,366,756	4,429,141
Loans Granted During the Year		28,458,228	36,048,739	3,821,822	10,516,800
Less: Repayments		(19,375,219)	(21,866,562)	(4,620,570)	(3,579,185)
Balance at the End of the Year		52,825,559	43,742,550	10,568,008	11,366,756

Notes to the Financial Statements

21. LOANS DUE FROM RELATED PARTIES

	Relationship	Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Hemas Pharmaceuticals (Private) Ltd.	Subsidiary	-	-	20,000,000	89,500,000
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	5,539,999	2,499,999
Hemas Power (Private) Ltd.	Subsidiary	-	-	96,407,564	48,737,636
Hemas Marketing (Private) Ltd.	Subsidiary	-	-	3,100,000	5,000,000
Hemas International Freight (Private) Ltd.	Subsidiary	-	-	18,000,000	-
Hemas Travels (Private) Ltd.	Subsidiary	-	-	15,000,000	-
Hemas Air Services (Private) Ltd.	Subsidiary	-	-	-	42,000,000
Hemas Manufacturing (Private) Ltd.	Subsidiary	-	-	8,000,000	60,000,000
Hemas Surgicals and Diagnostics (Private) Ltd.	Subsidiary	-	-	1,000,000	1,000,000
ACX International (Private) Ltd.	Subsidiary	-	-	600,000	600,000
Hemas Hospitals (Private) Ltd.	Associate	20,000,000	-	20,000,000	-
Clinical Solutions (Private) Ltd.	Subsidiary	-	-	2,150,000	-
Hellmann Worldwide Logistics (Private) Ltd.	Joint Venture	-	-	3,520,000	6,000,000
		20,000,000	-	193,317,563	255,337,635

22. AMOUNTS DUE FROM RELATED PARTIES

Hemtours (Private) Ltd.	Subsidiary	-	-	14,925,000	877,978
Hemas Marketing (Private) Ltd.	Subsidiary	-	-	-	2,550,000
Hemas International Freight (Private) Ltd.	Subsidiary	-	-	19,904,137	9,527,601
Hemas Pharmaceuticals (Private) Ltd.	Subsidiary	-	-	59,780,869	33,601,084
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	36,131	2,575,770
Hemas Developments (Private) Ltd.	Subsidiary	-	-	-	252,091
Hemas Surgicals and Diagnostics (Private) Ltd.	Subsidiary	-	-	-	102,373
Hemas Air Services (Private) Ltd.	Subsidiary	-	-	3,372,425	2,520,827
Hemas Travels (Private) Ltd.	Subsidiary	-	-	1,000,000	1,386,381
Hemas Power (Private) Ltd.	Subsidiary	-	-	4,010,547	-
Forbes Air Services (Private) Ltd.	Subsidiary	-	-	3,678,375	86,128
Vishwa BPO (Private) Ltd.	Subsidiary	-	-	13,237,821	4,267,196
Hellmann Worldwide Logistics (Private) Ltd.	Joint Venture	-	-	25,154	643,766
ACX International (Private) Ltd.	Subsidiary	-	-	107,287	9,664
FAR Shipping (Private) Ltd.	Subsidiary	-	-	9,822	-
Clinical Solutions (Private) Ltd.	Subsidiary	-	-	32,123	-
Hemas Hospitals (Private) Ltd.	Associate	13,286,243	-	40,000,000	-
Hemas Manufacturing (Private) Ltd.	Subsidiary	-	-	60,046,575	-
		13,286,243	-	220,166,267	58,400,859

23. STATED CAPITAL - Group/Company

	2008		2007	
	Number	Rs.	Number	Rs.
23.1 Fully Paid Ordinary Shares (23.1.1)	101,308,124	1,329,012,573	101,308,124	1,329,012,573

With the enactment of the Companies Act No. 07 of 2007 applicable with effect from May 03, 2007 the concept of authorised capital and par value is no longer applicable. Therefore, comparable figures have been restated accordingly. The amount received by the Company or due and payable to the Company in respect of the issue of the shares are referred to as stated capital.

Notes to the Financial Statements

23.1.1 Fully Paid Ordinary Shares

	2008		2007	
	Number	Rs.	Number	Rs.
Balance at the Beginning of the Year	101,308,124	1,329,012,573	99,801,249	1,185,528,893
Issue of shares under Employee Share Ownership Plan	-	-	1,506,875	143,483,680
Balance at the End of the Year	101,308,124	1,329,012,573	101,308,124	1,329,012,573

23.2 Rights, Preferences and Restrictions of Classes of Capital

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 a meeting of the Company.

23.3 PREFERENCE SHARE CAPITAL

23.3.1 Terms of Redemption of 12% Cumulative Redeemable Preference Shares

12% Cumulative Redeemable Preference Shares of Rs. 200 Mn. (Group Share - Rs. 100 Mn.) has been issued to DFCC Bank PLC for initial fund requirement for the construction of the plant of Heladhanavi Ltd. These shares are to be redeemed by the Company in 12 equal semi-annual installments, commencing after 24 months from the first date of subscription (from December 2005).

The preference shares do not carry the right to vote.

24. RESERVES

Summary	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
(a) Revaluation and Other Capital Reserves				
Opening Balance as Previously Reported	688,186,008	567,822,473	372,663,859	372,663,859
Revaluation Reserve during the Year	-	118,090,002	-	-
Transfer to during the Year	84,570,545	62,498,689	-	-
Net Gain/(Loss) Recognised Directly in Equity	224,431	(38,622,545)	-	-
Effect of Adopting SLAS 40 (Investment Property)	70,700,000	(19,151,023)	-	-
Adjustment in respect of changes in Group Holding	(18,094,054)	(2,451,588)	-	-
	825,586,930	688,186,008	372,663,859	372,663,859
(b) Capital Redemption Reserve				
Balance at the Beginning of the Year	25,000,000	8,333,335	-	-
Transfer from Retained Earnings	(25,000,000)	16,666,665	-	-
Balance at the End of the Year	-	25,000,000	-	-
(c) Exchange Reserve				
Balance at the Beginning of the Year	(77,741,757)	14,427,822	-	-
Transfer from/(to) Retained Earnings	35,568,054	(92,169,579)	-	-
Balance at the End of the Year	(42,173,703)	(77,741,757)	-	-
Total Reserves	783,413,227	635,444,251	372,663,859	372,663,859

The above revaluation surplus consists of net surplus resulting from the revaluation of Property, Plant and Equipment as described in Note 11 to these financial statements.

Notes to the Financial Statements

25. NON INTEREST BEARING LOANS AND BORROWINGS

	Amount		2008 Total Rs.	Amount		2007 Total Rs.
	Repayable	Repayable		Repayable	Repayable	
	Within 1 Year Rs.	After 1 Year Rs.		Within 1 Year Rs.	After 1 Year Rs.	
25.1 Group						
Rent Deposits/Advances Payable	-	20,214,441	20,214,441	-	21,034,768	21,034,768
Other Payable	1,207,000	5,731,123	6,938,123	1,207,000	-	1,207,000
	1,207,000	25,945,564	27,152,564	1,207,000	21,034,768	22,241,768

25.2 Company

Loans from Related Parties (25.2.1) *	-	-	-	-	421,281,342	421,281,342
	-	-	-	-	421,281,342	421,281,342

25.2.1 Loans from Related Parties

Relationship	As at 01.04.2007		Transferred to Interest Bearing During the year		As at 31.03.2008
	Rs.	Rs.	Rs.	Rs.	Rs.
Hemas Marketing (Private) Ltd.	128,567,545	(128,567,545)			-
Hemas Air Services (Private) Ltd.	9,933,637	(9,933,637)			-
Hemas Developments (Private) Ltd.	10,269,202	(10,269,202)			-
Forbes Air Services (Private) Ltd.	52,672,645	(52,672,645)			-
Hemtours (Private) Ltd.	128,189,995	(128,189,995)			-
Hemas Manufacturing (Private) Ltd.	90,690,914	(90,690,914)			-
Hemas Travels (Private) Ltd.	957,404	(957,404)			-
	421,281,342	(421,281,342)			-

* Terms of repayment are mutually agreed with relevant related parties.
No securities are kept in respect of these loans.

26. INTEREST BEARING LOANS AND BORROWINGS

26.1 Group

	Amount		2008 Total Rs.	Amount		2007 Total Rs.
	Repayable	Repayable		Repayable	Repayable	
	Within 1 Year Rs.	After 1 Year Rs.		Within 1 Year Rs.	After 1 Year Rs.	
Finance Leases	1,105,755	3,103,556	4,209,311	2,672,832	4,338,723	7,011,555
Bank Loans - Rupee Loans (26.1.1)	70,654,800	96,151,112	166,805,912	116,075,115	153,064,845	269,139,960
- US\$ Syndicate Loan (26.1.2)	371,613,589	708,062,942	1,079,676,531	376,941,043	1,095,152,512	1,472,093,555
Debentures (26.1.3)	9,090,909	15,909,091	25,000,000	9,090,909	25,000,000	34,090,909
Commercial Papers						
- Nations Trust Bank PLC	336,560,379	-	336,560,379	-	-	-
Trust Receipt Loan						
- Standard Chartered Bank	227,716,260	-	227,716,260	107,682,988	-	107,682,988
- Deutsche Bank	45,000,000	-	45,000,000	-	-	-
Bank Overdrafts	1,333,842,407	-	1,333,842,407	993,141,652	-	993,141,652
	2,395,584,099	823,226,701	3,218,810,800	1,605,604,539	1,277,556,080	2,883,160,619

Notes to the Financial Statements

26.1.1 Rupee Loans

	As at 01.04.2007 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2008 Rs.
Bank Loans	269,139,960	24,000,000	(126,334,048)	166,805,912

26.1.2 US\$ Syndicate Loan

	As at 01.04.2007 Rs.	Loans Obtained Rs.	Repayments Rs.	Exchange Gain Rs.	As at 31.03.2008 Rs.
Syndicate Loan	1,472,093,555	-	(380,524,143)	(11,892,881)	1,079,676,531

Rate of Interest

- (a) In 2004 Heladanavi Ltd. (Joint Venture) entered into an Interest Rate SWAP Agreement with Hatton National Bank PLC, fixed interest rate 5.15% plus 3% per annum for US\$ 36.5 Mn. (Group Share - US\$ 18.25 Mn.)
- (b) Floating Interest Rate: Three months London Inter Bank Offer Rate (LIBOR) plus 3% per annum applicable for balance US\$ 2.5 Mn. (Group Share - US\$ 1.25 Mn.)
- Interest payable quarterly during the grace period and thereafter monthly.

Security

Immovable assets have been secured against US\$ 4 Mn (Group Share - US\$ 2 Mn.) loan and; movable assets, assignment of book debts, all shares of the venture and project documents have been secured against balance US\$ 35 Mn. (Group Share - US\$ 17.5 Mn.) loan.

Facility

The US\$ 39 Mn. (Group Share - US\$ 19.5 Mn.) syndicated loan facility was obtained from Hatton National Bank PLC, Commercial Bank of Ceylon PLC, Peoples' Bank, Bank of Ceylon, Seylan Bank PLC, Sampath Bank PLC, DFCC Bank PLC to finance the project and disbursements were made when it was requested by the Venture to make progress payments on the project.

Terms of Repayment

The Capital repayment of the loan commenced from June 2005 after a grace period of 18 months from the date of the first disbursement.

Terms & Conditions of US\$ Syndicate Loan

Undertaking not to declare dividends

According to the Syndicated Facility Agreement (SFA), Venture has agreed and undertaken not to declare any dividend without the prior consent of the lead bank during the grace period and thereafter.

Heladanavi has agreed and undertaken to maintain

1. Long term debt equity ratio below 2 : 1 from the second year of operation onwards
2. Debt Service Coverage Ratio be at least greater than one from the second year of operation
3. Liquidity at 2 : 1 from the second year of operation onwards.

No payments can be made to an amount aggregating to more than US\$ 100,000 (Group Share - US\$ 50,000) or its equivalent in any currency per quarter other than project related payments and payments of dividends with the prior consent of the lead bank.

Notes to the Financial Statements

26.1.3 Debentures

	As at 01.04.2007 Rs.	New Issues Rs.	Redemption Rs.	As at 31.03.2008 Rs.
15.75% Unsecured Subordinated Redeemable Fixed Rate Debenture	34,090,909	-	(9,090,909)	25,000,000

Security

Heladanavi Ltd. (Joint Venture) was not required by National Savings Bank to furnish any security for the Debentures issued by them.

Terms of Redemption

Grace period for the repayment of the loan is 18 months from the date of disbursement and equal capital repayments over 66 months thereafter.

The Reason for the issue

These debentures were issued to finance the cost of the project and carry an interest of 15.75% per annum, payable half-yearly in arrears.

26.2 Company

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2008 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2007 Total Rs.
Loans from Related Parties (26.2.1)	381,847,538	425,844,463	807,692,001	342,293,798	-	342,293,798
Bank Overdrafts	928,819	-	928,819	3,579,566	-	3,579,566
	382,776,357	425,844,463	808,620,820	345,873,364	-	345,873,364

26.2.1 Loans from Related Parties

	As at 01.04.2007 Rs.	Transferred from Non Interest Bearing Rs.	Loans Obtained During the Year Rs.	Repayment/ Transfer During the year Rs.	As at 31.03.2008 Rs.
Hemas Marketing (Private) Ltd. Subsidiary	-	128,567,545	159,500,000	(132,216,260)	155,851,285
Hemas Air Services (Private) Ltd. Subsidiary	56,000,000	9,933,637	179,734,960	(181,100,000)	64,568,597
Hemas Developments (Private) Ltd. Subsidiary	5,798,500	10,269,202	141,782,033	(91,632,187)	66,217,548
Hemas Manufacturing (Private) Ltd. Subsidiary	-	90,690,914	43,214,000	(32,000,000)	101,904,914
Peace Haven Resorts Ltd. Subsidiary	218,895,298	-	20,000,000	(10,000,000)	228,895,298
Hemas Pharmaceuticals (Private) Ltd. Subsidiary	55,500,000	-	-	(55,500,000)	-
Hemas Aviation (Private) Ltd. Subsidiary	6,100,000	-	-	(6,100,000)	-
Vishwa BPO (Private) Ltd. Subsidiary	-	-	45,700,000	(39,700,000)	6,000,000
Forbes Air Services (Private) Ltd. Subsidiary	-	52,672,645	4,315	-	52,676,960
Hemtours (Private) Ltd. Subsidiary	-	128,189,995	2,430,000	-	130,619,995
Hemas Travels (Private) Ltd. Subsidiary	-	957,404	-	-	957,404
	342,293,798	421,281,342	592,365,308	(548,248,447)	807,692,001

Terms and Conditions

(1) Treasury Loans (Current)

Security - Un Secured

Repayments - Within 3 Months

Interest - Based on Market Rates

(2) Other Loans (Non current)

Security - Un Secured

Repayments - Grace Period of 2 Years (01/04/07 - 31/03/09) and thereafter repayable over 3 years

Interest - Grace Period of 1 Year (01/04/07 - 31/03/08) and thereafter interest chargeable based on Market Rates.

Notes to the Financial Statements

27. DEFERRED INCOME TAX

27.1 DEFERRED TAX ASSETS

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Balance as at Beginning of the Year	-	-	-	-
Income/(expense) arising during the Year	18,482,425	-	-	-
Balance as at the end of the Year	18,482,425	-	-	-

27.2 DEFERRED TAX LIABILITIES

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Balance as at Beginning of the Year	171,032,817	126,605,577	51,882,237	31,576,800
Provision/(Release) made during the Year				
- Directly to P&L	(10,109,346)	3,681,016	(14,834,663)	4,392,569
- Directly to Equity	(8,597,819)	40,746,224	-	-
- In Respect of Investment Property - P&L	-	-	-	15,912,868
- Adjustment in respect of prior year Balance	(12,762,064)	-	-	-
Balance as at the End of the Year	139,563,588	171,032,817	37,047,574	51,882,237

28. RETIREMENT BENEFIT LIABILITY

Retirement Benefit Obligation - Gratuity				
Balance as at Beginning of the Year	120,831,293	103,702,432	11,381,592	11,221,428
Charge for the Year	42,106,220	34,382,389	6,491,426	2,299,215
Payments during the Year	(17,402,196)	(17,253,528)	(4,596,473)	(2,139,051)
Balance as at the End of the Year	145,535,317	120,831,293	13,276,545	11,381,592

29. PROVISIONS

Provision for Delay Interest under EPC/O&M Contracts	4,703,892	-	-	-
Provision for Delay Interest on Purchase of Fuel	11,350,000	7,000,000	-	-
Provision for Excess Energy and Others	5,446,399	-	-	-
	21,500,291	7,000,000	-	-

30. TRADE AND OTHER PAYABLES

Trade Payables				
Related Parties (30.1)	-	-	1,472,042	1,291,360
Others	1,933,966,526	1,881,816,088	149,379	5,537,146
Other Payables				
Related Parties (30.2)	-	-	27,587,872	-
Others	199,011,774	-	24,961,529	-
Sundry Creditors including Accrued Expenses	386,031,251	286,748,031	16,101,490	10,386,656
	2,519,009,551	2,168,564,119	70,272,312	17,215,162

30.1 Trade Dues to Related Parties

	Relationship			
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	77,856	244,264
Hemas Travels (Private) Ltd.	Subsidiary	-	76,082	463,701
Hemas Development (Private) Ltd.	Subsidiary	-	42,500	42,500
Hemas Marketing (Private) Ltd.	Subsidiary	-	444,304	444,304
Hemas Air Services (Private) Ltd.	Subsidiary	-	-	18,000
Hemas Manufacturing (Private) Ltd.	Subsidiary	-	16,800	69,010
Hemtours (Private) Ltd.	Subsidiary	-	364,500	9,581
Vishwa BPO (Private) Ltd.	Subsidiary	-	450,000	-
		-	1,472,042	1,291,360

Notes to the Financial Statements

30.2 Non Trade Dues to Related Parties

Relationship	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Hemas Corporate Services (Private) Ltd.	-	-	22,138	-
Peace Haven Resorts Ltd.	-	-	2,812,500	-
Forbes Air Services (Private) Ltd.	-	-	23,487,359	-
Hemas Marketing (Private) Ltd.	-	-	39,373	-
ACX International (Private) Ltd.	-	-	22,437	-
Hemas Manufacturing (Private) Ltd.	-	-	102,255	-
Hemtours (Private) Ltd.	-	-	1,100,810	-
Hemas International Freight (Private) Ltd	-	-	1,000	-
	-	-	27,587,872	-

31. AMOUNTS DUE TO RELATED PARTIES

Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	-	1,872,442
Peace Haven Resorts Ltd.	Subsidiary	-	-	1,702,082	-
Hemas Power (Private) Ltd.	Subsidiary	-	-	1,865,000	2,499,061
Spectrum Marketing (Private) Ltd.	Subsidiary	-	-	6,008	6,008
Hemas Hospitals (Private) Ltd.	Associate	-	-	793,557	-
				4,366,647	4,377,511

32. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
32.1 Favourable Cash & Cash Equivalents Balances				
Cash & Bank Balances	567,512,348	459,764,484	16,446,618	75,726,517
Fixed Deposits, Treasury Bills and Repo Investments	631,461,389	631,039,743	1,308,473	3,586,272
32.2 Unfavourable Cash & Cash Equivalent Balances				
Bank Overdraft (Note: 26.1/26.2)	(1,333,842,407)	(993,141,652)	(928,819)	(3,579,566)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(134,868,670)	97,662,575	16,826,272	75,733,223

Notes to the Financial Statements

33. ACQUISITION OF SUBSIDIARIES AND ASSOCIATE DURING THE YEAR - Group

The acquisitions and disposals had the following effects on the groups Assets & Liabilities

(a) Okanda Power Grid (Private) Ltd. (2008)/Mowbray Hotels Ltd and Giddawa Hydro Power (Private) Ltd. (2007)

	2008 Rs.	2007 Rs.
Assets		
Property, Plant and Equipment	2,177,600	131,014,790
Investments	-	1,139,434
Receivables	-	214,133
Cash and Cash Equivalents	-	2,300,706
	2,177,600	134,669,063
Less: Liabilities		
Creditors and Accruals	-	(44,832,964)
Net Assets Acquired	2,177,600	89,836,099
Minority Share	-	(10,139,893)
Carrying value of the investment	-	(27,431,826)
	2,177,600	52,264,380
Goodwill Acquired (negative Goodwill)	20,435,109	(19,012,486)
Cash & cash equivalents	-	(2,300,706)
Purchase Consideration	22,612,709	30,951,188
(b) Hemas Hospital (Private) Limited	194,921,361	-
(c) Serendib Hotels PLC	-	27,095,279
Total Cash Consideration	217,534,070	58,046,467
Proceeds from Disposal of Associate Companies	(103,029,381)	(31,494,700)
Net Cash Out flows	114,504,689	26,551,767

34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring subsequent to the Balance Sheet date, that require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

35. COMMITMENTS AND CONTINGENCIES

35.1 Capital Expenditure Commitments

(a) Hemas Hospitals (Private) Ltd.

As at Balance Sheet date, the Company had commitments of Rs. 841 Mn principally relating to construction of the Hospital.

(b) Giddawa Hydro Power (Private) Ltd.

The total estimated capital expenditure cost of the project will amount to Rs. 352Mn. of which Rs. 175.7Mn has been incurred during the current financial year.

35.2 Contingencies

(a) Hemas Holdings PLC

The contingent liability as at 31 March 2008 on guarantees given by Hemas Holdings PLC to banks on behalf of subsidiaries and joint venture relating to facilities obtained, are as follows:

	2008 Rs.	2007 Rs.
Hemas Pharmaceuticals (Private) Ltd.	88,750,000	88,750,000
Hemas Travels (Private) Ltd.	14,000,000	14,000,000
Hemas International Freight (Private) Ltd.	-	9,000,000
Hemas Corporate Services (Private) Ltd.	5,000,000	5,000,000
Hemas Southern Hospitals (Private) Ltd.	110,000,000	-
Heladhanavi Ltd.	-	100,000,000
Exchange & Finance Investments Ltd.	2,500,000	2,500,000
Giddawa Hydro Power (Private) Ltd.	132,000,000	132,000,000
	352,250,000	351,250,000

(b) Hemas Manufacturing (Private) Ltd.

A Civil case has been filed against the Company by Colgate Palmolive Company, seeking a declaration that the Company's Registered Trade Mark No. 74941 is null and void and of no force or effect in law from the date of the registration of the said Mark.

Based on the representation made by the Company Lawyers, the appeal is pending in the Supreme Court.

(c) Hemas Travels (Private) Ltd.

- (1) The Company has obtained Guarantees from Standard Chartered Bank favouring Airline Operators amounting to Rs. 159,300,000/-.
- (2) The Company has obtained Guarantees from Standard Chartered Bank favouring "Gullivers Travels" and Saltours International, Mumbai amounting to GBP 10,000/- and EURO 10,000 respectively.
- (3) The Company has obtained Guarantees from Standard Chartered Bank favouring Central Bank of Sri Lanka amounting to Rs. 2,500,000/-

(d) Hemas Air Services (Private) Ltd.

- (1) The Company has obtained Guarantees from Standard Chartered Bank favouring Airport & Aviation Services (Pvt) Ltd and Malaysian Airlines amounting to Rs.4,465,450/- and USD 200,000/- respectively.
- (2) The Company has obtained Guarantees from Standard Chartered Bank on behalf of Hemas Aviation (Pvt) Ltd favouring "Drukair" and "Island Aviation" amounting to USD 20,000/- and Rs. 1,000,000/- respectively.

(e) Forbes Air Services (Private) Ltd.

- (1) The Company has obtained Guarantees from Standard Chartered Bank favouring Emirates - Dubai amounting to Rs. 785,000,000/-.

Notes to the Financial Statements

35. COMMITMENTS AND CONTINGENCIES (Contd...)

(f) Hemas International Freight (Private) Ltd.

- (1) The Company has obtained Guarantee from Standard Chartered Bank favouring Sri Lankan Airlines amounting to Rs. 5 Mn.
- (2) The Company has obtained Guarantee from Standard Chartered Bank favouring Green Lanka Shipping Ltd. amounting to Rs. 4 Mn.
- (3) The Company has obtained Guarantee from Standard Chartered Bank favouring James Finlay & Company (Colombo) Ltd. amounting to Rs. 2.5 Mn.

(g) Exchange & Finance Investments Ltd.

- (1) The Company has obtained Guarantees from Nations Trust Bank PLC favouring Kenya Airways and Alitalia Airlines amounting to Rs. 4 Mn and Rs.7 Mn. respectively.
- (2) Mr. K.T.D Samarasinghe has filed a case against the Company claiming damages for Rs.5Mn. and the trial is still being continued. However no provision has been made in the accounts in this regard.

(h) Hemtours (Private) Ltd.

The Company has filed cases against Mr. Irosh Fernando and UVI Holidays for the purpose of recovering the receivables due from them.

35.3 Lease Commitments

(a) Hemas Hospitals (Private) Ltd.

Operating Lease Commitments - Company as Lessee

The Company has entered into an operating lease agreement to lease a land from Nihila Garments (Pvt) Ltd. This lease has a life of 30 years with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under operating lease as at 31 March are as follows:

	2008	2007
	Rs.	Rs.
Within 01 year	15,000,000	15,000,000
After 01 year but not more than 05 years	78,000,000	75,000,000
More than 05 years	564,744,000	579,744,000
	657,744,000	669,744,000

35.4 Commitments and Contingencies of the Jointly Controlled Entity

Heladhanavi Ltd. - The Group has 50% share of following;

Operations and Maintenance Agreement with Lakdhanavi Ltd.

According to this agreement, the fixed fee payable after the final completion date is US\$ 625,000 per annum paid in equal monthly installments.

Heladhanavi is liable to pay Lakdhanavi an additional sum of US \$ 2 Mn. for each remaining year of the term or pro rata for part of term upon the early termination of this agreement. A variable fee, depends on the Net Energy output generated.

Fuel Transport Agreement with LTL Projects (Pvt) Ltd.

Heladhanavi has entered into a contract during the period with LTL Projects (Pvt) Ltd, for the transportation of fuel. According to the arrangement the company needs to pay a fixed charge of US\$ 10,500 per month from the date of commencement of power generation in the plant.

Fuel Supply Agreement with Ceylon Petroleum Corporation

If the company is unable to accept fuel under supply schedule (subject to change) and/or comply with its obligations under this agreement and costs, expenses, damages and losses incurred as a direct and exclusive result of such failure or inability should be paid by the company within 30 days. However, the company's liability under this agreement is limited to a maximum of US\$ 500,000 per annum.

According to the clause 3.5 (C) of fuel supply agreement, company has established a Letter of Credit at Hatton National Bank PLC in favour of Ceylon Petroleum Corporation to the value of Rs. 280 Mn.

Notes to the Financial Statements

Power Purchase Agreement with Ceylon Electricity Board

If the company fails to supply Minimum Guaranteed Energy Amount (MGEA), which is 698,417,280 kwh per year, the Company would be liable for liquidated damages.

Shortfall	Amount of liquidated damages shortfall for each kwh of
Exceeding 10% of MGEA upto 25% of MGEA	15% of capacity charges
Exceeding 25% of MGEA	25% of capacity charges

36. ASSETS PLEDGED

The following assets have been pledged as security for liabilities as at the Balance Sheet date.

Name of The Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged		Included Under
			2008 Rs.	2007 Rs.	
Hemas Manufacturing (Private) Ltd.	Inventories and Trade Receivables	Concurrent Mortgage to the extent of bank facility obtained from HNB & HSBC	777,500,000	288,100,000	Trade Receivables and Inventories
Hemtours (Private) Ltd	Motor Vehicles	Primary Mortgage up to the value of Rs. 18 Mn. to NDB bank	-	9,078,913	Property, Plant and Equipment
Heladhanavi Ltd (The Group has 50% share of the Assets Pledged)	Immovable Assets.	US\$ 4,000,000 (Syndicated Loan Facility)	10,884,270	10,884,270	Property ,Plant and Equipment
	Mortgage of all movable assets and assignment of book debts of the company.	US\$ 35,000,000 (Syndicated Loan Facility)	8,090,961,137	6,336,435,807	Property, Plant and Equipment
	Share certificates of the Company.		1,200,000,070	1,200,000,070	Stated Capital.
	Assignment of project documents.				
	Immovable Assets.	Rs. 30,769,230 (Rupee Loan Facility)	10,884,270	10,884,270	Property ,Plant and Equipment.
	Mortgage of all movable assets and assignment of book debts of the company.	Rs. 269,230,769 (Rupee Loan Facility)	8,090,961,137	6,336,435,807	Property ,Plant and Equipment.
	Share certificates of the company.		1,200,000,070	1,200,000,070	Stated Capital
	Assignment of project documents.				

Notes to the Financial Statements

Name of The Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged		Included Under
			2008	2007	
			Rs.	Rs.	
Serendib Hotels PLC	Leasehold Land and Buildings	Primary Mortgage upto the value of Rs. 48Mn to Seylan Bank Secondary Mortgage up to the value of Rs.20 M to Seylan Bank	226,131,255	211,631,257	Leasehold Property and Property, Plant and Equipment
Stafford Hotels PLC	Freehold Land	Primary Mortgage upto the value of Rs. 55Mn to DFCC bank.	40,434,600	40,434,600	Property, Plant and Equipment
	Plant, Machinery, Equipment and Receivables	Primary mortgage over existing movable items up to the value of Rs. 5Mn to DFCC	27,829,342 42,008,676	30,145,431 45,248,264	Plant,Plant and Equipment Debtors
	Freehold Land	Secondary Mortgage up to value of Rs.3.785Mn to DFCC	40,434,600	40,434,600	Property, Plant and Equipment
Miami Beach Hotels Ltd.	Freehold Land and Buildings	Primary Mortgage upto the value of Rs. 65Mn to Seylan Bank	162,250,349	157,530,624	Property, Plant and Equipment
	Freehold Land	Secondary Mortgage up to value of Rs.15Mn to DFCC	50,944,300	50,944,300	Property, Plant and Equipment
	Plant, Machinery, Equipment and Debtors	Primary mortgage over existing movable items up to the value of Rs. 5Mn to DFCC	16,866,774 33,221,942	18,906,893 25,291,273	Plant,Plant and Equipment Debtors
Hotel Sigiriya Ltd.	Leasehold Land and Buildings	Primary Mortgage upto the value of Rs. 30 Mn to Commercial Bank Of Ceylon PLC	113,832,864	117,030,925	Plant,Plant and Equipment

Notes to the Financial Statements

37. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

37.1 Transaction with related entities

Nature of Transaction	Subsidiaries		Others		Total	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Management Fees Receivable	12,500,000	10,000,000	-	-	12,500,000	10,000,000
Consultancy Fees Receivable	137,958,571	42,000,000	-	-	137,958,571	42,000,000
Bank Guarantee Fees Receivable	1,585,625	1,280,000	-	-	1,585,625	1,280,000
IT Charges Receivable	59,227,555	56,523,248	-	-	59,227,555	56,523,248
Rent Receivable	5,301,083	4,608,052	-	-	5,301,083	4,608,052
Loan Interest Income Receivable	24,569,767	28,072,914	-	-	24,569,767	28,072,914
Dividend Income Receivable	157,137,674	59,670,000	-	-	157,137,674	59,670,000
Treasury Loans Granted	(709,633,200)	(1,161,611,804)	-	-	(709,633,200)	(1,161,611,804)
Loan Interest Income Payable	(42,176,110)	(40,016,446)	-	-	(42,176,110)	(40,016,446)
Receipt of Services	(4,855,106)	(4,191,466)	-	-	(4,855,106)	(4,191,466)
Shared Service Fee Payable	(3,228,444)	(2,279,412)	-	-	(3,228,444)	(2,279,412)
Purchase of Air Ticket	(4,361,914)	(9,617,263)	-	-	(4,361,914)	(9,617,263)
Treasury Loans Obtained	605,418,447	866,564,500	-	-	605,418,447	866,564,500
Repayment of Loans (Net)	152,258,543	391,247,903	-	-	152,258,543	391,247,903
	391,702,491	242,250,226	-	-	391,702,491	242,250,226

Off Balance Sheet items

Guarantees given by the Company to banks on behalf of related parties are disclosed in Note 35.2 to these financial statement.

Terms and Conditions:

- Sales and purchase of goods and/or services to related parties were made at on the basis of the price lists in force with non related parties, but subject to approved discounts . Property, plant and equipment purchases and sales are made at Net book values of surrendering Company. Fees relating to rendering of services were made at agreed prices. Settlement will take place in cash .
- Terms and conditions on loans obtained from related parties are disclosed in note 25 and 26 to these financial statements.

37.2 Transactions with Key Management Personnel

The key management personnel are the members of its Board of Directors of Hemas Holdings PLC.

a) Key Management Personnel Compensation

	2008 Rs.	2007 Rs.
Directors' Fees	3,805,000	3,160,000
Emoluments	36,552,438	26,010,271
Non Cash Benefits	2,978,893	2,040,310
	43,336,331	31,210,581

b) Transactions, arrangements and agreements involving Key Management Personnel

Purchase of Air Tickets	9,626,254	7,363,220
	9,626,254	7,363,220

No other significant transactions had taken place involving Key Management Personnel & their Close Family Members.

Notes to the Financial Statements

38. SEGMENTAL INFORMATION

Information based on the primary segments (Business Segment)

For the year ended 31st March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Revenue														
Segmental revenue - gross	4,871,773,189	5,552,771,741	3,234,294,651	2,854,606,642	945,342,677	863,642,303	570,668,027	507,250,402	5,266,013,484	3,643,389,658	385,173,642	261,129,248	15,273,265,670	13,682,789,994
Intra Segmental Revenue	(689,347,728)	(1,707,286,105)	(77,352,698)	-	-	-	-	-	-	-	(18,603,261)	(13,924,157)	(785,303,687)	(1,721,210,262)
Inter Segmental revenue	4,182,425,461	3,845,485,636	3,156,941,953	2,854,606,642	945,342,677	863,642,303	570,668,027	507,250,402	5,266,013,484	3,643,389,658	366,570,381	247,205,091	14,487,961,983	11,961,579,732
	-	(21,670,408)	-	-	-	-	-	-	-	-	(302,486,651)	(183,443,537)	(324,157,059)	(183,443,537)
Total Revenue	4,182,425,461	3,845,485,636	3,135,271,545	2,854,606,642	945,342,677	863,642,303	570,668,027	507,250,402	5,266,013,484	3,643,389,658	64,083,730	63,761,554	14,163,804,924	11,778,136,195
Results														
Segmental Results	537,191,094	622,148,619	265,931,550	226,526,195	74,480,793	94,662,159	157,145,856	149,938,522	570,995,043	522,541,592	(144,025,023)	(102,804,594)	1,461,719,314	1,513,012,494
Finance Cost	(141,846)	(279,540)	(39,857,590)	(11,356,808)	(34,568,388)	(29,804,289)	(8,071,283)	(13,082,773)	(263,592,840)	(218,253,394)	(332,599)	(149,661)	(346,564,546)	(272,926,465)
Change in Fair Value of Investment Properties	-	-	-	-	-	-	-	-	-	-	144,300,000	163,385,091	144,300,000	163,385,091
Share of Associate Company Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	3,713,596	-	3,713,596
Profit Before Tax	537,049,248	621,869,079	226,073,961	215,169,387	39,912,405	64,857,871	149,074,573	136,855,749	307,402,202	304,288,198	(57,622)	64,144,432	1,259,454,768	1,407,184,717
Income Tax	(23,814,024)	(222,486,918)	(41,620,535)	(74,269,676)	(14,038,652)	(22,194,086)	(28,041,010)	(34,622,083)	(1,110,623)	(34,074,780)	(1,110,623)	(34,074,780)	(108,624,845)	(387,647,543)
Profit for the Year	513,235,225	399,382,161	184,453,425	140,899,711	25,873,753	42,663,784	121,033,563	102,233,666	307,402,202	304,288,198	(1,168,246)	30,069,652	1,150,829,923	1,019,537,174
Attributable to														
Equity holder of the Parent	513,235,225	399,382,161	184,453,425	140,899,711	10,462,500	28,853,676	121,033,563	102,233,666	307,402,202	304,288,198	(1,168,245)	30,069,653	1,135,418,670	1,005,727,066
Minority Interest	-	-	-	-	15,411,253	13,810,108	-	-	-	-	-	-	15,411,253	13,810,108
	513,235,225	399,382,161	184,453,425	140,899,711	25,873,753	42,663,784	121,033,563	102,233,666	307,402,202	304,288,198	(1,168,245)	30,069,653	1,150,829,923	1,019,537,174
As at 31st March														
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Assets and Liabilities														
Non Current Assets														
Property, Plant & Equipment	1,173,640,364	504,974,719	81,373,197	204,954,974	1,385,597,301	1,358,923,338	46,135,061	53,797,456	2,466,840,462	2,494,017,256	75,480,619	88,254,160	5,229,067,006	4,704,921,903
Investment Property	-	-	-	-	-	-	-	-	-	-	1,178,709,950	963,709,950	1,178,709,950	963,709,950
Other Non Current Assets	744,807,454	839,091,355	346,016,260	173,040,000	141,502,635	149,935,603	168,401,209	106,560,985	773,146,200	743,462,810	5,617,571,130	5,333,612,346	6,612,734,938	6,381,993,149
Segmental Non Current Assets	1,918,447,818	1,344,066,074	427,389,457	377,994,974	1,527,099,937	1,508,858,941	214,536,270	160,358,441	3,248,925,897	3,237,480,066	5,693,051,749	5,421,866,506	13,020,511,894	12,050,625,002
Deferred Tax Assets	-	-	-	-	-	-	-	-	-	-	-	-	18,482,425	-
Eliminations/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(6,139,255,709)	(6,088,637,244)
Total Non Current Assets	2,057,459,646	1,604,274,368	1,587,074,439	1,305,205,230	904,819,732	753,046,880	1,628,968,099	1,466,516,638	1,858,779,412	1,367,272,083	680,156,066	574,192,550	8,717,257,394	7,070,507,758
Current Assets														
Segmental Current Assets	2,057,459,646	1,604,274,368	1,587,074,439	1,305,205,230	904,819,732	753,046,880	1,628,968,099	1,466,516,638	1,858,779,412	1,367,272,083	680,156,066	574,192,550	8,717,257,394	7,070,507,758
Tax Refunds	-	-	-	-	-	-	-	-	-	-	-	-	91,994,344	47,509,765
Eliminations/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,578,364,640)	(1,684,149,754)
Total Current Assets	2,057,459,646	1,604,274,368	1,587,074,439	1,305,205,230	904,819,732	753,046,880	1,628,968,099	1,466,516,638	1,858,779,412	1,367,272,083	680,156,066	574,192,550	8,717,257,394	7,070,507,758
	2,057,459,646	1,604,274,368	1,587,074,439	1,305,205,230	904,819,732	753,046,880	1,628,968,099	1,466,516,638	1,858,779,412	1,367,272,083	680,156,066	574,192,550	8,717,257,394	7,070,507,758
Total Assets	4,182,425,461	3,845,485,636	3,135,271,545	2,854,606,642	945,342,677	863,642,303	570,668,027	507,250,402	5,266,013,484	3,643,389,658	64,083,730	63,761,554	14,163,804,924	11,778,136,195

Notes to the Financial Statements

As at 31st March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non Current Liabilities														
Segmental Non-current Liabilities	40,684,423	33,969,330	39,704,805	32,820,453	98,776,952	120,613,171	33,285,146	43,680,739	866,809,888	1,182,588,762	436,570,946	456,984,006	1,515,832,160	1,870,656,461
Deferred Tax Liability													139,563,588	171,032,817
Eliminations/Adjustments													(499,624,287)	(444,234,320)
Total Non Current Liabilities													1,155,771,461	1,597,454,958
Current Liabilities														
Segmental Current Liabilities	1,619,611,519	872,879,987	1,344,266,087	923,696,652	472,008,532	421,345,995	1,316,184,186	1,130,555,620	1,888,751,823	1,446,310,435	493,083,408	391,207,522	7,133,905,555	5,185,996,211
Income Tax Liability													17,907,223	157,674,586
Eliminations/Adjustments													(2,215,623,075)	(1,407,936,519)
Total Current Liabilities													4,936,189,703	3,935,734,278
Total Liabilities													6,091,961,164	5,533,189,236
Total Segmental Assets	3,975,907,464	2,948,340,442	2,014,463,896	1,683,200,204	2,431,919,668	2,261,905,821	1,843,504,369	1,626,875,079	5,098,766,074	4,604,752,148	6,373,207,816	5,996,059,056	21,737,769,288	19,121,132,750
Total Segmental Liabilities	1,660,295,942	906,849,317	1,383,970,892	956,517,105	570,785,484	541,959,166	1,349,469,332	1,174,236,358	2,755,561,711	2,628,899,196	929,654,354	848,191,528	8,649,737,715	7,056,652,672
Other Segmental Information														
Acquisition Cost of Property														
Plant and Equipment	758,549,200	105,148,332	15,760,072	163,743,050	96,025,312	38,943,748	8,711,230	23,144,845	168,610,604	15,513,968	20,951,500	31,280,898	1,068,607,918	377,774,841
Depreciation of Segmental Assets	89,948,450	79,401,483	31,883,256	23,865,125	67,705,703	61,522,030	14,285,310	21,328,409	196,415,625	196,116,873	32,434,383	25,665,459	432,672,727	407,899,381
Other Non Cash expenses														
Provision for Retiring Gratuity	9,965,053	12,061,372	9,712,311	6,081,922	6,818,224	3,950,706	7,957,791	7,063,636	193,750	175,083	7,459,090	5,049,669	42,106,221	34,382,389
Impairment of Intangibles	-	-	-	-	5,898,074	18,939,865	-	-	-	3,916,956	-	-	5,898,074	22,856,821
Investment in Associates														
Investment in Associates	-	-	82,716,260	-	-	-	-	-	140,433,590	42,933,320	-	-	223,149,850	42,933,320
Adjustment on account of Associate company share of Net Assets/Disposals	-	-	-	-	-	-	-	-	-	-	-	-	(17,356,648)	-
Investment in associates-Equity Method													205,793,202	42,933,320

Notes to the Financial Statements

39. PROPORTIONATE INTEREST IN JOINT VENTURES

The Group's proportionate share of Heladhanavi Ltd (50%) and Hellmann Worldwide Logistics (Pvt) Ltd (49%) Income and Expenses, Assets and Liabilities have been included in the Group Income statement and Balance sheet respectively.

The aggregate amounts so included are as follows;

	Group	
	2008 Rs.	2007 Rs.
a) Current Assets	1,598,400,686	1,296,096,540
b) Non Current Assets	2,250,133,737	2,445,268,880
c) Current Liabilities	1,671,943,597	1,345,769,746
d) Non Current Liabilities	777,747,786	1,188,634,802
e) Income	5,291,987,769	3,702,827,998
g) Net Profit	271,089,808	310,095,691

40. GROUP COMPANIES

Proportion of Subsidiaries	Proportion of Ownership Interest as at	Proportion of Voting Power as at	Proportion of Ownership Interest as at	Proportion of Voting Power as at	Principal Activities
	31.03.2008	31.03.2008	31.03.2007	31.03.2007	
Hemas Travels (Private) Ltd.	100%	100%	100%	100%	Travel Agent
Hemas Manufacturing (Private) Ltd.	100%	100%	100%	100%	Manufacture of FMCG Products
Hemas Air Services (Private) Ltd.	100%	100%	100%	100%	GSA Malaysian Airline
Forbes Air Services (Private) Ltd.	100%	100%	100%	100%	GSA Emirates Airline
Hemas Aviation (Private) Ltd.	100%	100%	100%	100%	Airline Presentation
Go Asia Air Lines (Private) Ltd.	100%	100%	100%	100%	Airline Presentation
Exchange & Finance Investment (Private) Ltd.	100%	100%	100%	100%	Airline Presentation
Discover the World Marketing (Private) Ltd.	100%	100%	100%	100%	Airline Presentation
Hemas Surgicals & Diagnostics (Private) Ltd. (Formerly known as Hemas Healthcare (Private) Ltd.)	100%	100%	100%	100%	Distribution of Healthcare Products
Hemas Foods (Private) Ltd.	100%	100%	100%	100%	Import and sale of Food Products
Hemas Corporate Services (Private) Ltd.	100%	100%	100%	100%	Corporate Secretaries
Leisure Asia Investments Ltd.	100%	100%	100%	100%	Investment Holding Company
Serendib Hotels PLC (Group)	51%	51%	63%	61%	Leisure Investments
Hemas Power (Private) Ltd.	100%	100%	100%	100%	Venture Capital Company
Hemtours (Private) Ltd.	100%	100%	100%	100%	Destination Management Services
Hemas Developments (Private) Ltd.	100%	100%	100%	100%	Property Development
Conventions Asia (Private) Ltd.	100%	100%	100%	100%	Event Management
Peace Haven Resorts Ltd.	95%	95%	95%	95%	Hotel Property
Hemas Marketing (Private) Ltd.	100%	100%	100%	100%	Trading & Distribution of FMCG Products
Spectrum Marketing (Private) Ltd	100%	100%	100%	100%	Dormant
Hemas Pharmaceuticals (Private) Ltd.	100%	100%	100%	100%	Distribution of Pharmaceutical Products
Hemas International Freight (Private) Ltd.	100%	100%	100%	100%	Freight Forwarders
ACX International (Private) Ltd.	100%	100%	100%	100%	Courier Services
Clinical Solutions (Private) Ltd.	100%	100%	100%	100%	Support Services of Clinical Trials

Notes to the Financial Statements

Vishwa BPO (Private) Ltd.	100%	100%	100%	100%	Financial and Accounting BPO
Giddawa Hydro Power (Private) Ltd.	100%	100%	96%	96%	Mini Hydro Power Plant (under construction)
Okanda Power Grid (Private) Ltd.	100%	100%	-	-	
Mowbray Hotels Ltd.	89%	89%	89%	89%	Hotel Property
Hemas Hospitals (Private) Ltd.	-	-	70%	70%	Hospital Services (under construction)
Far Shipping Lanka (Private) Ltd.	100.0%	100.0%	-	-	Shipping Agents
Jointly Controlled Entity					
Heladhanavi Ltd.	50%	50%	50%	50%	Thermal Power Plant
Hellman Worldwide Logistics (Private) Ltd.	49%	49%	49%	49%	Freight Forwarders
Associates					
E-Channeling PLC	-	-	24.6%	24.6%	Electronic Channeling of Health Services
Hemas Hospitals (Private) Ltd.	49.7%	49.7%	-	-	Hospital Services (under construction)