

Board of Directors

1. Mr. Lalith De Mel – Independent Chairman

Mr. Lalith De Mel has a Master of Arts Degree from Cambridge University, UK, and the AMP Harvard Business School USA. He counts over 40 years Board experience having served as a Director of several companies in Sri Lanka and abroad. He has served most of his career at Reckitt Benckiser PIC, UK and was a main Board Director. He was the Global Director – Pharmaceuticals when he retired. He has served as the Chairman of the Board of Investment and the Chairman of Sri Lanka Telecom Limited, and was a Senior Advisor Ministry of Finance. He holds directorships in many other companies and is a Trustee of the Cambodia Trust UK.

2. Husein Esufally – Chief Executive Officer

Mr. H. N. Esufally was appointed as the Chairman of Hemas Power PLC in 2009. He is also the Chief Executive Officer of Hemas Holdings PLC. Mr. Esufally has over 28 years of management experience. Mr. Esufally holds a BSc (Honours) Degree in Electronics from the University of Sussex, UK. He is the founder member of the Association for Rehabilitation of Spinal Cord Injuries (ARSCI).

3. Abbas Esufally – Non Executive Director

Mr. A.N. Esufally is a Fellow of both the Institute of Chartered Accountants of England and Wales and the Institute of Chartered Accountants of Sri Lanka and is an all Island Justice of Peace. He serves as Chairman of Serendib Hotels PLC and Dolphin Hotels PLC. He has experience of over 30 years in Sri Lanka and overseas and has been in the forefront of the leisure industry in Sri Lanka. He is the Honorary Consul General of Bhutan in Sri Lanka.

4. Imtiaz A H Esufally – Executive Director

Mr I A H Esufally holds a Bachelor of Arts (Honours) degree in Accounting and Economics from the University of Kent, UK. He heads the Transportation Sector and has over 20 years management experience in this field and has been in the forefront of the aviation Industry. He was also past president of the IATA Agents Association of Sri Lanka.



5. Mr. Maithri Wickremesinghe – Independent Director

Mr. M.E. Wickremesinghe is an Honours Graduate in Law of the University of Colombo, an Attorney-at-Law of the Supreme Court of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. He is a practicing Attorney-at-Law specialising in Commercial, Corporate & Banking Law. He has previously lectured and examined at the Faculty of Laws of the University of Colombo, at the University of Moratuwa and at the Kotalawela Defense Academy.

6. Mr. Murtaza Esufally – Executive Director

Mr. M. A. H. Esufally holds a Bachelor of Law degree from the University of Essex, UK. He is a Barrister-at-Law (Lincoln's Inn) and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He has an Executive MBA from the Melbourne Business School. He has over 17 years of Senior Management experience. He is also the Chairman of Hemas Hospitals (Pvt) Ltd.

7. Mr. Divyaroop Bhatnagar – Independent Director

Mr. D. Bhatnagar is a Graduate in Mechanical Engineering from the Indian Institute of Technology, Kanpur, India with an MBA in Marketing from the Indian Institute of Management, Calcutta, India. He has over 25 years of experience with multinational companies such as Unilever, Benckiser, Phillips and ICI.

8. Mr. Pradipta Mohapatra – Independent Director

Pradipta K. Mohapatra sits on the Board of 15 publicly quoted as well as private companies in India, South Asia, USA and Europe. He had a long career, working as a Director on the main Board of US \$4 Billion RPG Enterprises in India, providing oversight to a number of businesses. Mr. Mohapatra coaches many CEOs & CXOs. He is a Graduate in Chemical Engineering and Studied Management at the Harvard Business School. He was also invited to be a fellow of the Chartered Management Institute, UK.



Senior Management

The Senior Management of the Hemas Group consists of the Executive Directors of Hemas Holdings PLC, the Board of Management and the Group Operating Committee.

The Board of Directors of Hemas Holdings PLC provides leadership for the affairs of the Company within the framework of prudent and effective risk management. It sets the strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives. The Board reviews management performance, sets the Company's values and standards and makes sure that the obligations to its shareholders are understood and met.

The role of the Board of Management is to develop overall Group strategy and annual business plans, review business plans, evaluate investment proposals, design and review Group policies and controls and provide a forum for the Chief Executive Officers to discuss ideas and issues.

The Group Operating Committee provides a Forum for Senior Management to appraise Group performance, share business information and best practices, and implement decisions delegated by the Board. From time to time learning interventions by high-level resource personnel are provided to this Group.

Board of Management



1. Malinga Arsakularatne - Chief Financial Officer
2. Kishan Nanayakkara - Managing Director, Hemas Power PLC
3. Imal Fonseka - Managing Director, Hemas Consumer Brands
4. Sanjeewa Samaranayake - Managing Director, Hemas Pharmaceuticals
5. Kasturi Chellaraja Wilson - Chief Process Officer

Also in the Board of Management:
Husein Esufally
Imtiaz Esufally
Murtaza Esufally

Group Operating Committee



1. Harith Perera - Managing Director, Diethelm Travels
2. Dr. Irshad Musheen - Director, Hemas Maritime
3. Roy Joseph - Director Finance, Hemas Consumer Brands
4. Indresh Fernando - Director Finance, Hemas Transportation
5. Riad Ameen - Legal Consultant
6. Dimuth De Alwis - Head of Group Human Resources
7. Dr. Aruna Rabel - Director Medical Services, Hemas Hospitals
8. Ranil De Silva - Managing Director, Serendib Hotels PLC

Also in the Group Operating Committee:

*Husein Esufally
Kishan Nanayakkara
Malinga Arsakularatne
Imal Fonseka
Kasturi Chellaraja Wilson
Sanjeewa Samaranyake*

Annual Report of the Board of Directors

Principal Activities

Hemas Holdings PLC (the Company) is a holding company which owns, directly or indirectly, investments in the numerous companies constituting Hemas. Hemas is engaged in the principal aspects of the Fast Moving Consumer Goods and Healthcare industry and also has interests in the Transportation, Leisure and Energy-related businesses. Details of the Company's subsidiaries can be found in the Financial Review and Sector Reviews, which form part of this Report.

Business Review

The information that fulfills the requirements of the Business Review can be found in the Chairman's Review, the Chief Executive Officer's review, Sector Reviews and also in the Financial Review, all of which are incorporated in this Report of the Directors by way of reference. Throughout the Report of the Directors, the Board aims to present a balanced and understandable assessment of the Company's position and prospects in its financial reporting to shareholders and other interested parties.

Serendib Hotels PLC, the owning company of the Hotel Sector, together with the Minor group, Thailand, acquired a 100% stake in Cyprea Lanka (Pvt) Ltd, owners of the Kani Lanka Resort & Spa, Kalutara, in August 2010. Cyprea Lanka (Pvt) Ltd subsequently changed its name to Jada Resort & Spa (Pvt) Ltd.

Hemas Hospitals (Pvt) Ltd, a subsidiary of Hemas raised Rs.1.4 bn by way of a Rights Issue during March 2011. The issue was underwritten by Hemas as a result of which it increased its stake upto 81%.

Accounting Policies

The Company and the Group have adopted significant accounting policies in preparing the Financial Statements, which are stated in note 2.

Post-Balance Sheet Events

Post-balance sheet events are given in Note 32 to the Consolidated Financial Statements.

Financial Statements and Dividends

The Consolidated Balance Sheet and Consolidated Statement of Income are available on pages 60 and 61 under Consolidated Financial Statements.

The Company paid an Interim dividend for the year ended 31st March 2011 of Rs.0.25 per share on 22nd November 2010 (2009/10: Rs.2.25) to Ordinary Shareholders whose names appeared in the Register at the close of business on 11th November 2010.

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term performance, keeping in view the Company's need for capital for its growth plans and the intent to finance such plans through internal accruals to the maximum.

Accordingly, shareholder approval will be sought to declare a final dividend of Rs.0.25 per Ordinary share as recommended by the Board, for the year ended 31st March 2011.

Board of Directors

Mr. Lalith De Mel Chairman
Mr. Husein Esufally CEO
Mr. Abbas Esufally
Mr. Imtiaz Esufally
Mr. Maithri Wickremesinghe
Mr. Murtaza Esufally
Mr. Pradipta Mohapatra
Mr. Divyaroop Bhatnagar

Profiles of the directors who held office at the end of the year are given in the directors' profiles section on pages 50 and 51.

The Company's Articles of Association requires a director to stand for re-election once every 3 years. Accordingly, Messrs. M.E. Wickremesinghe and D. Bhatnagar will stand for re-election at the forthcoming Annual General Meeting.

Mr. L. De Mel, the Independent Chairman, retires from Office having served a term of 1 year from the date of his re-appointment at the last AGM. The Board, unanimously recommends his re-appointment for another term of 1 year and a resolution to this effect is included in the Notice of Meeting on page 104.

Appointment and Re-Appointment of Non-Executive Directors

The terms and conditions of appointment of Non-Executive Directors are set out in their letters of appointment with the Company. No director is, or was, materially interested in any contract subsisting during or at the end of the year that was significant in relation to the Company's business. See also "Related party transactions" under note 35.

Qualifying Third-Party Indemnities

The Company has indemnified each of the directors, to the widest extent permitted by the applicable laws against any and all liability, howsoever caused (including by that Director's own negligence), suffered or incurred in the course of acting as a Director or Employee of the Company or certain other entities.

Directors' Interests

The interests (in shares or calculated equivalents) of the Directors in office at the end of the financial year, including any interests of a "connected person" (as defined in the Rules and Regulations of the Colombo Stock Exchange) of the directors, and the Chief Executive Officer's holding in shares of the Company are set out on page 101 of this Report.

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. All directors have made declarations as provided for in section 192(2) of the said Act and related entries were made in the Interest Register during the year under review.

There were no changes in Directors' share interests during the period under review other than as a result of the sub division carried out last year.

Remuneration of Directors

The fees payable to the Non-Executive Directors for 2010/2011 remain in place for the next year.

The aggregate remuneration paid to the Directors who served during the year is included under Key Management Personnel Compensation on page 96 of this report.

Board Committees

Audit Committee

Mr. Maithri Wickremesinghe (Chairman)
Mr. Pradipta Mohapatra

Remuneration Committee

Mr. Lalith De Mel (Chairman)
Mr. Maithri Wickremesinghe

Nominations Committee

Mr. Lalith De Mel (Chairman)
Mr. Pradipta Mohapatra
Mr. Husein Esufally

Operating Committees

Board of Management

Mr. Husein Esufally (Chairman)
Mr. Imtiaz Esufally
Mr. Murtaza Esufally
Mr. Malinga Arsakularatne
Mr. Kishan Nanayakkara
Mr. Imal Fonseka
Mr. Sanjeewa Samaranyake
Ms. Kasturi Chellaraja Wilson

Group Operating Committee

Mr. Husein Esufally
Mr. Kishan Nanayakkara
Mr. Malinga Arsakularatne
Mr. Imal Fonseka
Ms. Kasturi Chellaraja Wilson
Mr. Harith Perera
Mr. Sanjeewa Samaranyake
Dr. Irshad Musheen
Mr. Roy Joseph
Ms. Indresh Fernando
Mr. Riad Ameen
Mr. Dimuth De Alwis
Dr. Aruna Rabel
Mr. Ranil De Silva

Share Capital

Share Subdivision

At the Annual General Meeting held on 2nd July 2010, shareholders approval was obtained to subdivide the Company's issued shares in the proportion of five (5) new shares for every one (1) existing share held as at that date.

Thus the ordinary shares in issue increased from 101,958,124 to 509,790,620.

Share Ownership Scheme-2008

The Hemas Employee Share Ownership Scheme (ESOS) was established in 2008 to assist and enable its employees to obtain the benefits from an appreciation in the value of shares in the Company. The maximum number of shares to be granted to eligible employees under this scheme shall not exceed 3% of the issued ordinary shares of the Company.

Jacey Trust Services (Pvt) Ltd were appointed Trustees to the ESOS.

A first tranche of 650,000 shares were allotted in February 2009 and vested in the eligible employees for a period of 3 years from that date. With the sub division of shares that was carried out by the Company in July 2010, these shares increased to 3,250,000 and are held in Trust for and on behalf of the eligible employees until the expiry of the vesting period.

A total of 2,250,000 shares (post subdivision) were allotted under the 2nd tranche in December 2010 and is also held in trust with Jacey Trust Services (Pvt) Ltd.

The new scheme shares allotted pursuant to the ESOS are listed and rank pari passu with the issued ordinary shares of the Company.

Share Capital

The Company's issued share capital as at 31st March, 2011, was Rs.1,468,425,034/- details of which are set out in Note 14th to the Company Financial Statements.

Transfer of Securities

There are no significant restrictions on the transfer of securities.

Substantial Shareholdings

As at 31st March 2011, the Company had been notified by the following investors of their interests in 10% or more of the Company's shares. These interests are notified to the Company pursuant to Rule 7.6 of the Regulations of the Colombo Stock Exchange.

Name of Shareholder	Number of shares held	Percentage holding
AZ Holdings (Pvt) Ltd	90,762,875	17.73%
Saraz Investments (Pvt) Ltd	86,396,035	16.87%
Blueberry Investments (Pvt) Ltd	85,781,250	16.75%
Amagroup (Pvt) Ltd	85,780,665	16.75%

The names of the twenty major shareholders of the Company are indicated on page 101.

The percentage of shares held by the public as at 31st March 2011 was 28.05%.

Other Matters

Financial Risk Management, Objectives and Policies

Descriptions of the use of financial instruments and financial risk management objectives and policies are set out on pages 32 and 33.

Related Party Transactions

Other than disclosures given in Notes 35.1 and 35.2 to the Consolidated Financial Statements respectively, there were no transactions or proposed transactions that were material to either the Company or any related party. Nor were there any transactions that were unusual in their nature or conditions with any related party.

Annual Report of the Board of Directors

Charitable Contributions

Hemas, through individual subsidiary companies, donated Rs 9,665,268 (2010 - Rs 1,544,983) during the year under review to charitable causes.

Employee Communication and Involvement

Detailed information can be found in the Sustainability Report on page 37.

Group Employment

The number of persons in employment in the Company and its subsidiaries as at 31st March 2011 was 3,034 (2010 - 2585)

Corporate Social Responsibility

A summary of Hemas' approach to corporate social responsibility is contained in the Chief Executive Officer's Review. Further details are available in the Sustainability Report on page 34.

Contingent Liabilities and Capital Commitments

Commitments made on capital expenditure and contingent liabilities as at the year end are disclosed in note 33 to the financial statements.

Capital Expenditure

A sum of Rs. 1,095Mn (2010 - Rs. 463 Mn) was capitalised by the group in property plant and equipment during the year under review. The movement in Property, Plant and Equipment for the year are given in note 3 to the financial statements.

Market Statistics

Market statistics as at 31st March 2011 are indicated on page 101 of this report.

Reserves

Total reserves is the Company and the Group as at the close of the Financial year were Rs. 257Mn and Rs. 1,046Mn respectively. (2010 Rs. 257Mn and Rs. 806Mn)

Investments

Investment of the Company in subsidiaries, joint ventures, and external investments amounted to Rs. 5,849Mn (2010 - Rs. 5,728Mn). A detailed description of the long term investments held as at the balance sheet date is given in notes 7 to 9 of the Financials statements.

Statutory Payments

The directors are satisfied that all statutory payments to the Government and other statutory institutions including employee related payments have been made in time to the best of their knowledge and belief.

Auditors and Disclosure of Information to Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each director has taken all the steps that he is obliged to take as a director in order to make him aware of any relevant audit information and to establish that the auditors are aware of that information.

Ernst & Young, Chartered Accountants have signified their willingness to continue in office, and a resolution for their re-

appointment and to authorise the directors to set their remuneration will be submitted to the AGM.

Note 28 to the financial statements sets out details of the auditor's remuneration.

Corporate Governance

The Company's statement on Corporate Governance is included in the Corporate Governance Principles.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Group, its cash flow, liquidity position, facilities and borrowing position are described in the Financial review and note 17 to the financial statements provide further detail on the Group's borrowings and management of financial risks. The business review includes an analysis of the key risks facing the Group and the Group's approach to risk management.

After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The AGM will take place on June 30, 2011, at the Auditorium of the Chamber of Commerce, Navam Mawatha, Colombo 2. Details of the business to be put to shareholders at the AGM can be found in the Notice of the Annual General Meeting.

Acknowledgement

Your directors would like to express their appreciation for the assistance and co-operation received from financial institutions, banks, Government authorities, customers, vendors and members during the year under review. Your directors also wish to place on record their appreciation of the committed services by the executives, staff and workers of the Company.

Signed on behalf of the Board



Lalith de Mel
Chairman



Husein Esufally
CEO



Hemas Corporate Services (Pvt) Ltd.
Secretaries

26th May 2011