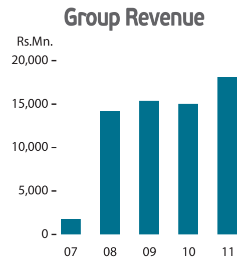
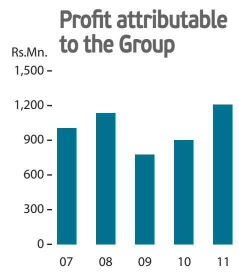
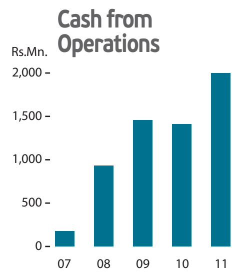
Financial Highlights

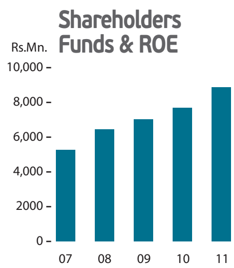
Year Ended 31 March		2011	2010	Change %	2009
Operating Results					
Group Revenue	Rs '000s	18,067,489	14,997,405	20.5	15,169,509
Profit Before Interest and Tax	Rs '000s	1,867,081	1,544,095	20.9	1,328,870
Profit Before Taxation	Rs '000s	1,569,345	1,094,719	43.4	856,932
Profit After Taxation	Rs '000s	1,355,191	934,644	45.0	719,078
Profit Attributable to the Group	Rs '000s	1,210,159	901,730	34.2	775,128
Dividend Gross	Rs '000s	382,390	183,525	108.4	126,635
Cash from Operations	Rs '000s	1,994,662	1,407,985	41.7	1,458,434
Balance Sheet Highlights					
Total Assets	Rs '000s	19,215,874	16,066,931	19.6	14,835,812
Total Shareholders' Funds	Rs '000s	8,874,005	7,692,116	15.4	7,028,290
No. of Shares	'000s	512,041	101,958	-	101,958
Gearing	%	27.8	25.8	7.8	32.9
Shareholder Information					
Return on Equity	%	14.6	12.3	18.7	11.5
Earnings per Share*	Rs.	2.36	1.76	33.8	1.51
Dividend per Share*	Rs.	0.70	0.36	94.4	0.25
Dividend Payout	%	29.6	20.3	45.8	16.5
Net Assets per Share*	Rs.	17.33	15.09	14.8	13.79
Market Capitalisation	Rs '000s	23,553,869	12,234,975	92.5	6,142,977
Price Earnings Ratio	Times	19.5	13.6	43.2	8.0
Market Price as at 31st March*	Rs.	46.00	24.00	91.7	12.05

* Comparative figures adjusted for sub division of ordinary shares in the proportion of 5:1





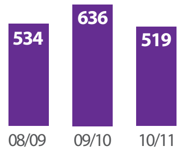




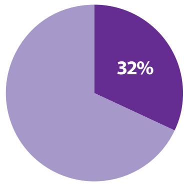
FMCG

Personal Care
Home Care
Food
Paper Products

PROFIT AFTER TAX
Rs.Mn



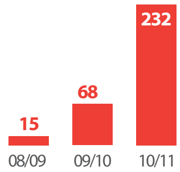
TURNOVER



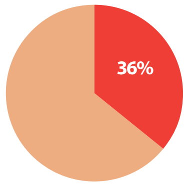
HEALTHCARE

Pharmaceuticals
Diagnostics & Surgical
Hospitals

PROFIT AFTER TAX
Rs.Mn



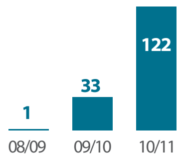
TURNOVER



LEISURE

Hotels
Destination Management

PROFIT AFTER TAX
Rs.Mn



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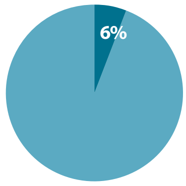
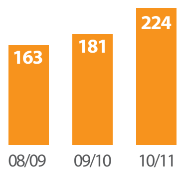


TRANSPORTATION

Aviation
Maritime
Freight & Logistics
Courier Services

PROFIT AFTER TAX
Rs.Mn



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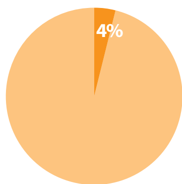
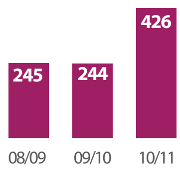


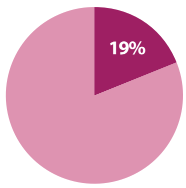
POWER

Thermal
Mini Hydro

PROFIT AFTER TAX
Rs.Mn



TURNOVER



Chairman’s Review

20% increase in
EBITDA

Rs. 1,569Mn
Profit Before Tax

The war is fast becoming a distant memory. The tranquillity of peace gives us the climate to plan for the future without apprehension. However the expectation that a great economic boom is the dividend of peace has not quite materialised.

One requirement for an explosive economic boom is large infusions of foreign direct investment. This has not happened, although the world of private equity, hedge funds and sovereign funds are awash with funds, seeking opportunities outside the West now grappling with a recession.

As an investment opportunity, tourism was perceived as a juicy red cherry that will attract massive inflows of investment. This has not happened. Foundations have so far been laid for only a fraction of the 15 to 20,000 rooms required to cater to an incremental million tourists.

Our excellent GDP growth has not been strong enough to generate inflows of investment.

"Why?" is the tantalising question that hangs in the air without a clear answer.

There was an interesting comment by the country director of ADB that is certainly food for thought. As reported he said the World Bank has ranked the island 105th out of 183 countries in its "ease of doing business classification." He therefore stressed the need to cut red tape, minimize bureaucracy, expedite approval processes, guarantee investment protection and have consistent policies in place to attract investments.

Providers of funds are concerned with aspects outside monetary returns. Human rights, good governance and an atmosphere free of political interference are now becoming as important or possibly more important than good returns on investments.

Importantly it is the perceptions that matter whatever the facts. Perceptions are reality and the real challenge is to manage perceptions.

From the general macro picture I must now zoom into our world of Hemas. The business has moved on from a family business to become a major public quoted company following all the principles of good corporate governance . This has not dulled its spirit of entrepreneurship which is now entrenched in the genes of this business. Even during the days of war the company saw the opportunities and invested for the future. The sectors that benefited from this bold approach: Hospitals, Power and Hotels, are showing a very promising profile and the green shoots of cash and profits are now visible.

The CEO in his report will deal in depth with the performance of the business. I will confine myself to a few headline comments.

The old heartland of the business continues to be a very strong base. FMCG had a slight blip due to changes in rates of duty that affected its major household product Diva. Remedial measures are already in place. Not withstanding this it produced a very impressive profit number. Pharmaceuticals sustained its star performance. Aviation continued to provide good profit growth. The Power portfolio has been restructured into a public quoted company which has an increasing emphasis in mini hydro power. The Sector has turned in a good performance. One of the new sectors that is showing early signs of good profitability is Shipping. The business is rapidly developing a better balance. The old core sectors are now being supported by new growth areas with very good long term potential.

In terms of performance, the highlights are that sales increased by 20.5 % to Rs.18.1Bn, EBITDA increased by 19.9% to Rs. 2,493Mn. Through the refinancing of our US Dollar loans, the Group was able to reduce the finance costs from Rs.449Mn to Rs.298Mn. Profit before tax was Rs. 1,569Mn which was a growth of 43.4%.There is a revaluation gain of Rs. 24Mn behind the profit number. Earnings showed a growth of 34.2% to be Rs. 1,210Mn. A key feature of this business and one of its major strengths is its cash flow. Cash generated increased by 41.7% to Rs. 1,995Mn.

Your Board has paid an interim dividend of Rs. 0.25 per share and proposed a final dividend of Rs. 0.25 per share.

As for the future, we have every reason to be optimistic. The emerging profile has brought into focus the need to determine and design the best structures that will provide optimum corporate governance. This will be a key area of my focus in the coming year.

I must congratulate the CEO and his team for a very good performance. I am particularly delighted with the energy and enthusiasm with which they have dealt with the challenges of growth in the new sectors. I thank my colleagues on the Board for their strong support. It was a challenging year for the Audit Committee with the growth of new business units and the resulting challenges of risk management. It was a great comfort to me that the Audit Committee was in the safe of hands of Maithri Wickremesinghe. Everything we have achieved is due to the fine contribution made by our employees at all levels of the business. My Board and I express our deep appreciation of their contribution to the results of this business.

Lalith De Mel
Chairman

26th May 2011

CEO's Review

21% increase in
Revenue

Rs. 1,210Mn
Earnings

I take great pleasure in reporting the performance of Hemas Holdings PLC and its subsidiaries for the year ended 31 March 2011. For the year under review, your company has recorded a consolidated revenue of Rs.18.1Bn, a year-on-year growth of 20.5%, and earnings attributable to equity holders of Rs. 1,210Mn, a year-on-year growth of 34.2%. Our Hospitals, Hotels and the Pharmaceticals Distribution businesses have been the key drivers of revenue growth for the year with 45.4%, 32.6% and 24.2% growth rates respectively. With regard to growth in earnings, the businesses of Hotels, Power and Pharmaceuticals Distribution have led the way with growth rates of 105.9%, 74.4% and 23.7% respectively, whilst hospitals too contributed positively by reducing its startup losses by 49.0% during its second full year of operation.

The past year turned out to be an important one for the company as well as the country as a whole.

During 2010, the first full calendar year in post-war Sri Lanka, the GDP grew by 8.0% in real terms vis-a-vis a real growth of 3.5% in 2009. The past year has seen a high level of interest in many sectors of the economy from both domestic and foreign investors in terms of direct and indirect investment. Both the primary and secondary equity markets remained buoyant throughout the year. The stock market witnessed many successful IPOs, with great enthusiasm on the part of both domestic and foreign investors. In the secondary market too, investor confidence and optimism continued to gather momentum as reflected in the 92.9% growth in the All Share Price Index during 2010, following up on the 127.1% growth recorded in the previous year. During the year under review, the share price of Hemas appreciated 91.7% (after adjusting for 5:1 split which took place in June 2010), and with the annual dividend payout of Rs. 0.70 per share, the total return generated by Hemas shares for the year was 94.6%.

A year in which diversification paid off...

This year's Group performance was marked by a healthy growth in revenues and profits despite our biggest and most profitable business, FMCG posting a decline in profits. This was possible as a result of the strong performance of our Pharmaceuticals business, the steady build up of our Hospital revenues, the resurgence in our Hotels business and the excellent year enjoyed by our Renewable Energy business. It was a year in which our past investments in related diversifications have brought about stability and growth to our business portfolio.

Our FMCG business grew its revenues by 10.5% to close the year at Rs. 5.8Bn although profits declined by 18.4% to Rs. 519 Mn. This was mainly due to the introduction of a CESS on selected imports impacting our margins in the households category, together with the continuing upward momentum of palm oil prices which resulted in a sharp rise in raw material costs of our personal wash products. However, through timely management interventions the business was able to overcome these setbacks, and we expect that margins will be gradually restored over the coming year. On the other hand, it was encouraging that the underlying fundamentals of the business remained strong, with our key categories performing well in the market. Our flagship brand, ***Baby Cheramy***, continued to be the market leader in baby care and the brand had grown steadily in many of the baby care categories, on the back of its relaunch in 2009. ***Kumarika*** hair oil introduced two new variants in January this year, offering the customer wider choice and increasing its shelf presence. ***Diva***, was adversely impacted by the CESS on imports which resulted in some supply issues last year. The business responded positively by setting up local manufacturing arrangements and the product is now sourced locally thus restoring its competitive position and in fact being better placed to pursue its mission of bringing a superior solution for washing clothes to Sri Lankan consumers. Our toilet soap brand, ***Velvet***, enjoyed a successful year following its relaunch in December 2009. Continuous brand building efforts led to a much strengthened market position, and ***Velvet*** has become the third strongest brand in the adult toilet soap category, outperforming most of its competitors.

Our Pharmaceuticals Distribution business, which has been a steady performer over the past years, demonstrated a strong performance yet again with revenues growing by 24.2% and net profits growing by 23.7%. With a market share of 16.4% (source: IMS), the business continued its dominance as the leader in the domestic drug distribution market, which saw a rapid growth during the year. Thus far, the management team has proactively and successfully responded to the challenging industry dynamics. From a consumer standpoint, the market continues to shift away from branded products towards generics and branded generics. From a manufacturer's standpoint, value additions by the Distributor in a multitude of aspects is essential for the sustainability of the business. From a competitive standpoint, the market offers an abundance of choice in terms of efficacy and affordability. We have addressed these factors successfully through our rich distribution portfolio that keeps evolving to address the changing market needs and our superior service offering that is customized to each principal. During the year under review, the business further enhanced its portfolio by securing a new agency, Mankind, which specializes in acute and chronic therapies. In an effort to expand our presence in the currently underserved health and wellness market, we have established a dedicated OTC division to provide strategic and operational focus in this area. We have already launched several new products in the market in partnership with overseas principals, and we believe this is the kind of related diversification that will augment the core business well in the long term.

Hospitals, Hotels and Power in development mode...

Our Hospitals business, which currently consists of a 100 bed hospital in Wattala and a 50 hospital in Galle, grew its top line by 45.4% and reduced its losses by 49.0% during the year under review. Within a mere two years of operation we are being recognized as one of the key industry players, and our consumer franchise is growing on a daily basis. Our unique offering in the market was complemented with the accreditation by the Australian Council of Hospital Standards Institute (ACHSI). With this, Hemas Hospitals in Wattala and Galle have become the only internationally accredited hospitals in the country. With the promising results of our unique healthcare delivery model, which has a singular focus on patient care, we have embarked on a new 50-bed project in Battaramulla. Whilst we anticipate the new hospital to be operational in mid 2012, we intend to expand our hospital network into key suburbs in Colombo and across key cities in the island in the years to come.

CEO's Review

Our Hotels business performed well to post a 32.6% growth in revenues and a 105.9% growth in profits for the year under review. During the first half of the year, we invested Rs. 530Mn to renovate and upgrade Club Hotel Dolphin as a four star property. Subsequently, the hotel has managed to attract significantly higher yields without losing the high level of occupancies it used to enjoy in the past. On the back of the tourism resurgence, Hotel Serendib and Hotel Sigiriya too performed remarkably well, with higher rates and occupancies. The year under review also saw us partnering with the Minor Group in the acquisition of Kani Lanka Resort & Spa, where a stake of 19.9% was acquired by Serendib Hotels PLC with the balance being acquired by Minor. Serendib is also operating as the management company of the newly acquired Kani Lanka. A key priority for the coming year is the repositioning of Hotel Serendib as an upmarket 'design hotel'. We expect that the repositioning will enable us to target the product and service offering to a new and more sophisticated clientele, where we would be able to secure much higher yields. We have budgeted Rs. 650Mn for the project with Rs. 501Mn to be raised through a rights issue, which has already received the approval of shareholders. There will be more development activity in the coming years, as we intend converting our undeveloped leisure properties into unique propositions.

Our Power business too enjoyed a successful year with profits growing by 74.4% although revenue growth was limited to 18.5%. The disproportionate growth in profits was a result of a debt restructuring in our Thermal Power business, Heladhanavi, leading to a significant reduction in the cost of borrowing. From an operational standpoint, growth was also driven by the Mini Hydro plants, which witnessed an unprecedented year in terms of rainfall. This, coupled with our increased investment into this sector, saw the profit contribution of Renewable Energy to the Power business increasing to nearly 45.0% from 25.0% last year. This contribution is expected to increase even further over the coming years, as we increase our exposure to Renewable Energy through more and more investments. Our latest Mini Hydro project, Magal Ganga, which is currently under development, is expected to commence commercial operations in September this year, and this will add a capacity of 2.4MW to our portfolio. Going forward, we will pursue more renewable energy opportunities in line with the government's target of generating 15.0% of the national energy supply through non-conventional renewable energy sources by 2015. We will also look to diversify our investments outside Sri Lanka by focusing our competencies on profitable offshore opportunities.

Our Transportation business, which consists of Aviation and Maritime, grew its top line by10.5 % and profits by 23.8% year-on-year. The Aviation arm, which experienced an ordinary year in 2009/10 with a profit decline, recovered well during the year under review, on the back of an impressive performance by our GSA's. The Maritime arm largely consists of our ship agency business, which performed remarkably well during the year under review. Going forward, we intend expanding our scope in the maritime industry and establishing our presence in a more significant manner by exploring opportunities in areas such as asset ownership and port operations.

Developing our talent for the next phase of growth...

With the increasing pace of change in the business world, today's competencies that make us winners in the market place become fast irrelevant for tomorrow's challenges. This is particularly true in the case of Sri Lanka, where the economy is expected to take off in light of the positive factors such as capital investment into infrastructure development and growth in the middle class segment. These new developments will present us new challenges and new opportunities. We have realized the need to keep our top leadership up-to-date with change and prepare our next levels to take on future challenges. Through timely and focused interventions in the form of leadership development, technical training and executive coaching we plan to build new relevant capabilities while enhancing our existing capabilities. By doing this we aim to have a pool of talent that will drive Hemas successfully in the next phase of growth.

In line with our mission of Enriching Lives, we continue to place the highest emphasis on sustainability.

As we grow in multiple directions, we recognise the need to have a strong system of Governance in place. Over the year we have strengthened board processes, improved our risk management capability and sharpened the quality of management information. One subject that has taken up the special attention of the Board is that of succession and a Board Nomination subcommittee was set up to deliberate on this.

Whilst the year under review proved to be a decisive one for Hemas, the coming year is likely to be even more decisive in terms of executing our long-term growth plan. We have committed significant investments and resources behind the development plans of Hospitals, Hotels and Power, and I am confident of the successful delivery of all these projects. We will also maintain a high degree of focus in growing the underlying earnings of FMCG and Pharmaceuticals, with renewed product offerings and expansion into new markets. As always, we will continue to keep a close eye on acquisition opportunities that will fit in well with our business portfolio.

In conclusion, I wish to thank the Board of Directors and the Chairman for the guidance and wisdom provided, in steering the Group forward whilst keeping an even keel. My congratulations and thanks as always to Team Hemas for their commitment and excellence in delivering this year's successful performance, and I count on their support as we strive to accelerate growth in the years ahead.

Our business would not prosper if not for the enduring support of our customers and business partners, and to them I say a big, Thank You. Finally, my sincere thanks go out to all our shareholders for the confidence you have placed in Hemas and I can assure you of our best efforts to deliver superior business results in the years to come.

Husein Esufally
Chief Executive Officer

26th May 2011

Financial Review

Revenue

For the year under review the Group recorded consolidated revenues of Rs.18.1Bn, reflecting a growth of 20.5% over the previous year.

Revenue growth was driven by the Leisure and Healthcare sectors, which grew by 37.6% and 29.0% respectively. Leisure sector revenues were boosted by higher occupancies as well as increased room rates on the back of a post-war tourism revival. The Healthcare sector, which consists of Pharmaceuticals and Hospitals, enjoyed an excellent year, where our Pharmaceuticals turnover increased by 24.2% on the back of strong market growth and Hospitals turnover increased by 45.4% as a result of the successful build up of business volumes during its second year of operations.

Revenue growth of 18.5% in the Power sector was driven largely by an increased energy output by our mini hydro power plants due to higher rainfall and upward revisions of fuel prices, which get passed through to the revenue of our thermal power plant.

The Healthcare sector, which grew its revenues by 29.0%, which is well above the Group revenue growth of 20.5%, increased its revenue contribution to the Group from 33.7% to 36.1%, making it the largest revenue contributor for the year ended 31 March 2011. Moreover, the sector accounted for 47.7% of the growth in consolidated revenues.

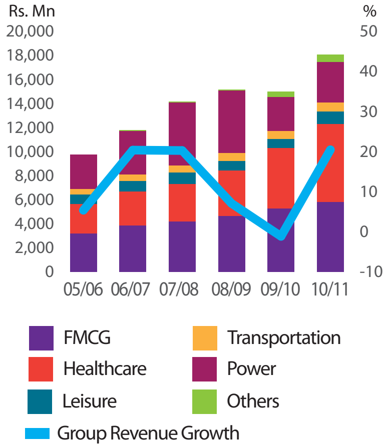
Our FMCG sector experienced a modest year in terms of revenue growth, posting a 10.5% increase for the year, but it was encouraging to see that revenue growth was almost entirely driven by volume growth, and we have managed to successfully defend our market positions in many categories. FMCG accounted for 18.0% of the growth in consolidated revenues, and as a result of its modest growth in turnover, the Sector's contribution to overall revenues have declined from 35.0% to 32.1%.

Operating Profit

Operating Profit of the Group increased by 26.1% over last year and the operating margin increased from 9.7% to 10.2%. Of the 0.5% improvement in operating margins, -0.2% is attributable to changes in revenue mix and 0.7% is attributable to changes in profitability.

The Leisure sector posted the largest increase in operating profits, driven by an excellent winter season enjoyed by all our hotels, and as a result the sector operating margins improved from 9.3% to 17.6%. The Transportation sector too, saw a healthy growth in operating margins, from 31.5% to 35.8%, as a result of increased business volumes on the back of higher passenger and cargo movements whilst successfully managing operating costs. On the other hand, FMCG suffered a drop in margin of 3.5%, from 13.0% last year to 9.5% this year, due to the significant increase in raw material prices and the new CESS levied on certain imports. We expect the negative impact on FMCG margins due to the increase in input costs and CESS to be reversed during the course of the year through the corrective actions that we have already taken.

Group Revenue Break-up



Operating Profit

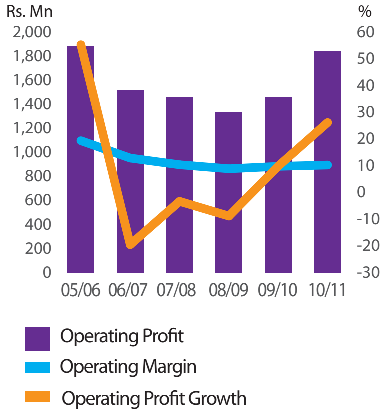


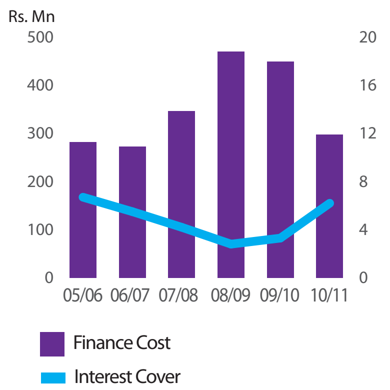
Table 1: **Revenue Analysis**

	Revenue Mix 09/10	Growth 10/11	Contribution to Growth	Revenue Mix 10/11
FMCG	35.0%	10.5%	18.0%	32.1%
Healthcare	33.7%	29.0%	47.7%	36.1%
Leisure	5.0%	37.6%	9.2%	5.7%
Transportation	4.4%	10.5%	2.3%	4.1%
Power	19.0%	18.5%	17.2%	18.7%
Other	2.9%	39.4%	5.7%	3.4%
Group	100.0%	20.5%	100.0%	100.0%

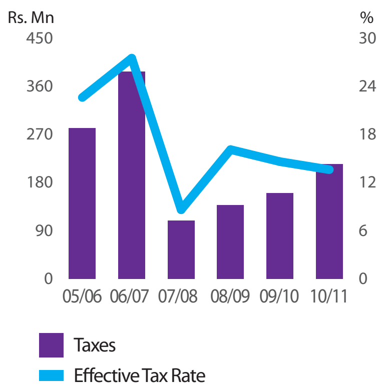
Table 2: **Operating Margin Analysis**

	Revenue Mix		Operating Margins		Margin Impact		
	09/10	10/11	09/10	10/11	Mix	Profitability	Total
	%	%	%	%	%	%	%
FMCG	35.0	32.1	13.0	9.5	0.0	-1.2	-1.2
Healthcare	33.7	36.1	6.6	7.3	-0.1	0.2	0.2
Leisure	5.0	5.7	9.3	17.6	0.1	0.4	0.5
Transportation	4.4	4.1	31.5	35.8	-0.1	0.2	0.1
Power	19.0	18.7	14.8	15.1	0.0	0.1	0.1
Other	2.9	3.4	-58.1	-23.2	-0.2	1.0	0.9
Group	100.0	100.0	9.7	10.2	-0.2	0.7	0.5

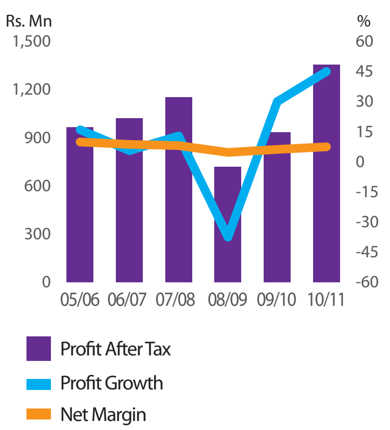
Finance Cost



Taxation



Profit After Tax



Finance Costs

Group finance costs declined 33.7% from Rs. 449Mn to Rs. 298Mn. This coupled with the increase in operating profits, has pushed the interest cover to 6.2 in comparison to 3.3 reported during the previous year.

The overall drop in finance costs was largely attributable to the 53.6% drop in finance costs in the Power sector, which refinanced the working capital facilities of Heladhanavi through USD borrowings, to take advantage of favorable Dollar interest rates at a time when the Rupee remained strong. Our Healthcare sector too recorded a lower finance cost due to repayments of the long term loans of Hospitals and the overall drop in interest rates. The Leisure sector showed an increase in finance costs during the year under review mainly due to the increase in gearing levels at Serendib Hotels to fund the refurbishment of Hotel Dolphin and the acquisition of the Kani Lanka Resort and Spa.

Overall borrowings of the Group increased to Rs. 4,080Mn from Rs.3,186Mn, increasing the gearing ratio to 27.8% from 25.8% in 2009/10. Additional borrowings were mainly used to fund the expansion plans of our Leisure sector.

Taxation

With the improved performance of most of our businesses, the Group taxation increased to Rs. 214Mn from Rs. 160Mn recorded last year. However, the effective tax rate declined marginally to 13.6% from 14.6% recorded the previous year, as a result of the improved performances of low-tax paying and tax free businesses such as Hotels and Power.

Net Profit

The Group achieved a commendable growth in net profits of 45.0% to record Rs. 1,355Mn for the year under review. The earnings attributable to the Group stood at Rs. 1,210Mn, in comparison to Rs. 902Mn posted in 09/10, a growth of 34.2% year-on-year.

Due to the impact on sector margins, FMCG profits declined by 18.4% from last year. The buildup of our Hospitals business and the impressive performance of our Pharmaceutical business boosted the Healthcare sector profits by 239.2% to record Rs. 232Mn this year. The Leisure sector achieved a net profit of Rs. 122Mn in comparison to Rs. 33Mn the previous year, a growth of 263.4% mainly driven by an excellent winter season.

The reduction in finance costs and the increase in the hydro power performance, helped boost the Power sector profitability by 74.4% over last year. Profits of Heladhanavi were marginally impaired by the drop in the non-escalable component of the revenue mix, which was however mitigated by the absence of a high maintenance cost for the year under review. Our Transportation sector too showed a growth in net profit of 23.8% to record Rs. 224Mn for the year, while maintaining a net margin of 30.5%.

Table 3: **Net Margin Analysis**

	Revenue Mix		PAT Margins		Margin		
	09/10	10/11	09/10	10/11	Mix	Profitability	Total
FMCG	35.0%	32.1%	12.1%	9.0%	-0.1%	-1.1%	-1.2%
Healthcare	33.7%	36.1%	1.4%	3.6%	-0.1%	0.7%	0.7%
Leisure	5.0%	5.7%	4.4%	11.8%	0.0%	0.4%	0.4%
Transportation	4.4%	4.1%	27.2%	30.5%	-0.1%	0.1%	0.1%
Power	19.0%	18.7%	8.6%	12.6%	0.0%	0.8%	0.7%
Other	2.9%	3.4%	-51.8%	-27.3%	-0.2%	0.7%	0.6%
Group	100.0%	100.0%	6.2%	7.5%	-0.3%	1.6%	1.3%

The Group net margin stood at 7.5% in comparison to 6.2% recorded the previous year. The revenue mix during the year had a negative impact of 0.3% on net profit margins, whilst the sector profitability had a positive impact of 1.6% on the overall net margin.

Cash Flow

The Group net operating cash flow for the year under review stood at Rs. 1,995Mn, a growth of 41.7% year-on-year. The growth in profitability was translated into a healthier growth in net operating cash flow, with the reduction in cash tied up in working capital.

The net cash from investing activities increased to Rs. 1,245Mn from Rs. 650Mn last year, fuelled by our investments in Hotels and the Power sector.

The year under review saw an increase in Rupee borrowings of Rs. 259Mn and an increase in Dollar borrowings equivalent to Rs. 229Mn. These increases are largely attributable to investments in the Leisure sector and the refinancing of Heladhanavi loans. A sum of Rs. 135Mn was raised by our Power sector in the form of a preference share issue. Net cash flow from financing activities was Rs. 339Mn this year, vis-à-vis a cash out flow of Rs. 21Mn last year.

Return on Capital

Over the last three years the return on capital employed of the Group declined due to the high level of investments across the Group. This year the Group was able to improve its return on capital employed to 13.6% from 12.2% recorded last year, mainly due to the improvement in profitability and asset utilization.

With most of our businesses enjoying a good year, interest cover improved from 3.3 to 6.2, whereas the gearing ratio increased from 25.8% to 27.8%, contributing to a higher return on equity of 14.6% for the year under review, compared to 12.3% during the previous year.

Stock Performance

During the year the secondary market activity of Hemas shares improved significantly following the 5:1 stock split that took place in June 2010. Dividends of Rs. 0.70 per share were paid out to shareholders during the year and the total shareholder return for the year ended 31 March 2011 was 94.6%.

Cash Flow

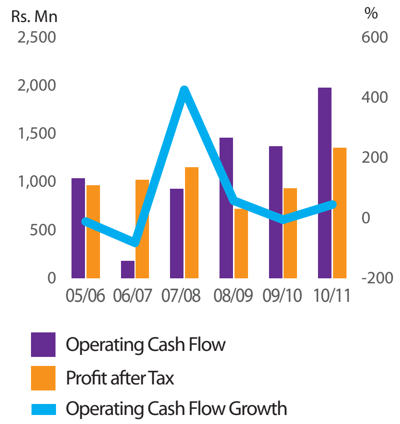


Table 4: **Return on Capital**

	06/07	07/08	08/09	09/10	10/11
Operating Margin	12.8%	10.3%	8.8%	9.7%	10.2%
Asset Turnover	1.10	1.15	1.08	0.97	1.02
Assets / Capital Employed	1.32	1.29	1.27	1.29	1.31
ROCE	18.6%	15.4%	12.1%	12.2%	13.6%
Interest Cover	5.5	4.2	2.8	3.3	6.2
Effective Tax Rate	27.5%	8.6%	16.1%	14.6%	13.6%
Gearing	33.0%	31.4%	32.9%	25.8%	27.8%
ROE	21.0%	19.4%	11.5%	12.3%	14.6%