## Financial Statements

# STATEMENT OF DIRECTORS' RESPONSIBILITIES and approval of the Annual Financial Statements

**The Directors are responsible for preparing the Annual Report and the Annual Financial Statements in accordance with the Companies Act No.7 of 2007 and the Rules of the Colombo Stock Exchange.**

The Directors are also required to prepare financial statements for the Company and the Group in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The Directors have chosen to prepare financial statements for the Company and the Group accordingly.

The Directors are responsible for the maintenance of proper accounting records and the preparation, integrity and fair presentation of the financial statements of Hemas Holdings PLC (Company) and its subsidiaries (Group).

The Directors also prepared the other information included in the Annual Report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have general responsibility for selecting suitable accounting policies and applying them consistently and for taking such steps as are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities. The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the Group and Company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the Company and the Group is supported by the financial statements.

The financial statements have been audited by the independent accounting firm, Ernst & Young (E&Y), which was given unrestricted access to all financial records and related data, including Minutes of all meetings of shareholders, the Board of Directors and Committees of the board. The Directors believe that all representations made to the independent auditors during their audit were valid and appropriate. E&Y's audit report is presented on page 63.

The maintenance and integrity of the company's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the report since it was initially presented on the website.

**Directors' responsibility statement**

The Directors confirm to the best of their knowledge that:

- The financial statements, presented on pages 63 to 133, have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) as endorsed by the Rules of the Colombo Stock Exchange and the requirements of Companies Act No. 7 of 2007 and give a true and fair view of the profit of the Group for the year ended 31 March 2013 and of the assets, liabilities, financial position of the Group and Parent Company as at 31 March 2013.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

The financial statements were approved by the Board of Directors on 22 May 2013 and are signed on its behalf by:

**Malinga Arsakularatne**
*Chief Financial Officer*

**Husein Esufally**
*Chief Executive Officer*

**Lalith De Mel**
*Chairman*

# INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

Chartered Accountants
201 De Saram Place
P.O. Box 101
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Sri Lanka

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC**

**Report on the financial statements**
We have audited the accompanying financial statements of Hemas Holdings PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statements of financial position as at 31 March 2013, and the income statements, statements of comprehensive income,statements of changes in equity and statements of cash flows 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 policies 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 31 March 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance 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 financial position as at 31 March 2013 and its financial performance 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**
These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

22 May 2013
Colombo.

# INCOME STATEMENT

| | | Group | | Company | |
|---|---|---|---|---|---|
| **Year ended 31 March** | **Notes** | **2013 Rs.'000** | **2012 Rs.'000** | **2013 Rs.'000** | **2012 Rs.'000** |
| **Revenue** | 3 | **26,098,362** | 21,532,503 | **561,558** | 373,654 |
| Cost of Sales | | **(18,075,091)** | (14,957,725) | **-** | - |
| **Gross Profit** | | **8,023,271** | 6,574,778 | **561,558** | 373,654 |
| Other Operating Income | 4 | **296,674** | 174,875 | **633,763** | 438,338 |
| Selling and Distribution Expenses | | **(2,087,198)** | (1,789,554) | **-** | - |
| Administrative Expenses | | **(3,800,693)** | (3,188,074) | **(391,490)** | (317,252) |
| Share of Profit of an Associate | 16 | **1,554** | 11,925 | **-** | - |
| Operating Profit | | **2,433,608** | 1,783,950 | **803,831** | 494,740 |
| Finance Cost | 5 | **(370,103)** | (465,269) | **(252,417)** | (123,745) |
| Finance Income | 5 | **342,650** | 202,399 | **100,136** | 58,877 |
| **Profit Before Tax** | 6 | **2,406,155** | 1,521,080 | **651,550** | 429,872 |
| Income Tax Expense | 7 | **(472,422)** | (259,772) | **(26,083)** | (22,271) |
| **Profit for the Year** | | **1,933,733** | 1,261,308 | **625,467** | 407,601 |

| | | |
|---|---|---|
| **Attributable to:** | | |
| Equity Holders of the Parent | **1,657,655** | 1,164,525 |
| Non-Controlling Interests | **276,078** | 96,783 |
| | **1,933,733** | 1,261,308 |

| | | **Rs** | **Rs** |
|---|---|---|---|
| Earnings Per Share | 8 | **3.22** | 2.27 |
| Dividends Per Share | 9 | **0.55** | 0.50 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| **Year ended 31 March** | **2013 Rs.'000** | **2012 Rs.'000** | **2013 Rs.'000** | **2012 Rs.'000** |
| **Profit for the Year** | **1,933,733** | 1,261,308 | **625,467** | 407,601 |
| **Other Comprehensive Income** | | | | |
| Exchange Differences on Translation of Foreign Operations | **(279)** | (272) | **-** | - |
| Net Movement on Cash Flow Hedges | **37,458** | (58,211) | **-** | - |
| Net Gain/(Loss) on Available-For-Sale Financial Assets | **12,314** | (8,576) | **(2,450)** | (8,680) |
| Revaluation of Land and Buildings | **129,042** | 1,083,496 | **-** | - |
| Income tax effect | - | (41,414) | **-** | - |
| **Other Comprehensive Income for the Year, Net of Tax** | **178,535** | 975,023 | **(2,450)** | (8,680) |
| **Total Comprehensive Income for the Year, Net of Tax** | **2,112,268** | 2,236,331 | **623,017** | 398,921 |

| | | |
|---|---|---|
| **Attributable to:** | | |
| Equity Holders of the Parent | **1,810,879** | 2,025,706 |
| Non-Controlling Interests | **301,389** | 210,625 |
| | **2,112,268** | 2,236,331 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31 March | Notes | Group 2013 Rs.'000 | Group 2012 Rs.'000 | Group 1 April 2011 Rs.'000 | Company 2013 Rs.'000 | Company 2012 Rs.'000 | Company 1 April 2011 Rs.'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non Current Assets** | | | | | | | |
| Property, Plant and Equipment | 10 | **11,293,957** | 10,283,616 | 7,446,650 | **153,730** | 105,186 | 102,340 |
| Investment Properties | 11 | **578,453** | 474,685 | 1,309,965 | **566,289** | 331,500 | 309,965 |
| Leasehold Right | 12 | **90,592** | 94,455 | 98,386 | **-** | - | - |
| Intangible Assets | 13 | **436,701** | 461,499 | 491,318 | **398** | 1,275 | 2,965 |
| Investment in Subsidiaries | 14 | **-** | - | - | **6,344,133** | 6,194,296 | 5,696,001 |
| Investment in Joint Ventures | 15 | **-** | - | - | **38,519** | 38,519 | 38,519 |
| Investment in Associates | 16 | **221,325** | 179,399 | 168,002 | **-** | - | - |
| Other Non Current Financial Assets | 17 | **399,147** | 324,069 | 277,255 | **224,924** | 229,941 | 200,231 |
| Deferred Tax Assets | 24 | **39,762** | 35,621 | 35,014 | **-** | - | - |
| | | **13,059,937** | 11,853,344 | 9,826,590 | **7,327,993** | 6,900,717 | 6,350,021 |
| **Current Assets** | | | | | | | |
| Inventories | 18 | **2,425,137** | 2,004,989 | 1,680,772 | **-** | - | - |
| Trade and Other Receivables | 19 | **7,047,695** | 5,854,420 | 4,227,619 | **1,026,351** | 366,158 | 224,755 |
| Tax Recoverables | | **78,590** | 134,306 | 148,019 | **5,323** | 585 | - |
| Other Current Financial Assets | 17 | **172,919** | 361,515 | 733,190 | **647,913** | 350,717 | 526,622 |
| Cash and Short Term Deposits | 27 | **3,223,380** | 2,447,112 | 2,490,005 | **85,301** | 42,919 | 23,889 |
| | | **12,947,721** | 10,802,342 | 9,279,605 | **1,764,888** | 760,379 | 775,266 |
| **TOTAL ASSETS** | | **26,007,658** | 22,655,686 | 19,106,195 | **9,092,881** | 7,661,096 | 7,125,287 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| Stated Capital | 20 | **1,600,603** | 1,600,603 | 1,468,426 | **1,600,603** | 1,600,603 | 1,468,426 |
| Other Capital & Revenue Reserves | 21 | **409,751** | 440,601 | 345,206 | **257,032** | 257,032 | 257,032 |
| Other Components of Equity | | **1,314,477** | 1,161,253 | 300,877 | **17,789** | 20,239 | 28,919 |
| Retained Earnings | | **8,828,511** | 7,447,822 | 6,613,376 | **4,590,472** | 4,248,415 | 4,098,276 |
| **Equity Attributable to Equity Holders of the Parent** | | **12,153,342** | 10,650,279 | 8,727,885 | **6,465,896** | 6,126,289 | 5,852,653 |
| Non-Controlling Interests | | **2,259,037** | 1,990,665 | 1,589,630 | **-** | - | - |
| **Total Equity** | | **14,412,379** | 12,640,944 | 10,317,515 | **6,465,896** | 6,126,289 | 5,852,653 |
| **Non Current Liabilities** | | | | | | | |
| Interest Bearing Loans and Borrowings | 22 | **2,182,887** | 1,384,827 | 1,700,040 | **1,288,566** | 940,785 | 633,523 |
| Other Non Current Financial Liabilities | 23 | **140,343** | 144,518 | 149,523 | **4,383** | 10,599 | - |
| Deferred Tax Liabilities | 24 | **193,313** | 161,309 | 123,609 | **51,196** | 40,056 | 42,022 |
| Employee Benefit Liability | 25 | **287,427** | 248,342 | 230,298 | **26,431** | 30,551 | 18,676 |
| | | **2,803,970** | 1,938,996 | 2,203,470 | **1,370,576** | 1,021,991 | 694,221 |
| **Current Liabilities** | | | | | | | |
| Trade & Other Payables | 26 | **5,906,044** | 5,189,966 | 4,115,056 | **159,802** | 222,226 | 209,883 |
| Income Tax Payable | | **141,591** | 63,743 | 89,891 | **-** | - | 13,385 |
| Interest Bearing Loans and Borrowings | 22 | **715,230** | 936,458 | 991,266 | **1,055,324** | 290,590 | 321,640 |
| Bank Overdraft | 27 | **2,028,444** | 1,885,579 | 1,388,997 | **41,283** | - | 33,505 |
| | | **8,791,309** | 8,075,746 | 6,585,210 | **1,256,409** | 512,816 | 578,413 |
| **TOTAL EQUITY AND LIABILITIES** | | **26,007,658** | 22,655,686 | 19,106,195 | **9,092,881** | 7,661,096 | 7,125,287 |

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 70 through 133 form an integral part of these financial statements.

Colombo
May 22, 2013

# STATEMENT OF CHANGES IN EQUITY (GROUP)

| | Attributable to Equity Holders of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stated Capital | Other Capital & Revenue Reserve | Other Component of Equity: Revaluation Reserve | Other Component of Equity: Exchange Reserve | Other Component of Equity: Available For Sale Reserve | Other Component of Equity: Cash Flow Hedge Reserve | Retained Earnings | Total | Non Controlling Interests | Total Equity |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| **As at 1 April 2011 (SLFRS)** | 1,468,426 | 345,206 | 273,077 | (1,179) | 28,979 | - | 6,613,376 | 8,727,885 | 1,589,630 | 10,317,515 |
| Profit for the Year | - | - | - | - | - | - | 1,164,525 | 1,164,525 | 96,783 | 1,261,308 |
| Other Comprehensive Income | - | - | 913,687 | (272) | (8,576) | (43,658) | - | 861,181 | 113,842 | 975,023 |
| **Total Comprehensive Income** | - | - | 913,687 | (272) | (8,576) | (43,658) | 1,164,525 | 2,025,706 | 210,625 | 2,236,331 |
| Issue of Ordinary Shares under ESOS | 132,177 | - | - | - | - | - | - | 132,177 | - | 132,177 |
| Dividends Paid - Ordinary Shares | - | - | - | - | - | - | (256,833) | (256,833) | - | (256,833) |
| Transfer to/from During the Year | | | | | | | | | | |
| - Overhaul Reserve | - | 95,395 | - | - | - | - | (71,546) | 23,849 | (23,849) | - |
| - Revaluation Reserve | - | - | (805) | - | - | - | 805 | - | - | - |
| Shares Issued to Non Controlling Interests | - | - | - | - | - | - | - | - | 277,540 | 277,540 |
| Transaction Cost on Issue of Shares | - | - | - | - | - | - | (2,505) | (2,505) | (1,852) | (4,357) |
| Dividends to Non Controlling Interests | - | - | - | - | - | - | - | - | (68,195) | (68,195) |
| Adjustment in Respect of Changes in Group Holding | - | - | - | - | - | - | - | - | 6,766 | 6,766 |
| **As at 31 March 2012** | 1,600,603 | 440,601 | 1,185,959 | (1,451) | 20,403 | (43,658) | 7,447,822 | 10,650,279 | 1,990,665 | 12,640,944 |
| Profit for the Year | - | - | - | - | - | - | 1,657,655 | 1,657,655 | 276,078 | 1,933,733 |
| Other Comprehensive Income | - | - | 116,771 | (279) | 8,639 | 28,093 | - | 153,224 | 25,311 | 178,535 |
| **Total Comprehensive Income** | - | - | 116,771 | (279) | 8,639 | 28,093 | 1,657,655 | 1,810,879 | 301,389 | 2,112,268 |
| Dividends Paid - Ordinary Shares | - | - | - | - | - | - | (283,410) | (283,410) | - | (283,410) |
| Transfer to/from During the Year | | | | | | | | | | |
| - Overhaul Reserve | - | (30,850) | - | - | - | - | 17,397 | (13,453) | 5,800 | (7,653) |
| Transaction Cost on Issue of Shares | - | - | - | - | - | - | (10,953) | (10,953) | (1,770) | (12,723) |
| Dividends to Non Controlling Interests | - | - | - | - | - | - | - | - | (77,232) | (77,232) |
| Adjustment in Respect of Changes in Group Holding | - | - | - | - | - | - | - | - | 40,185 | 40,185 |
| **As at 31 March 2013** | 1,600,603 | 409,751 | 1,302,730 | (1,730) | 29,042 | (15,565) | 8,828,511 | 12,153,342 | 2,259,037 | 14,412,379 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY (COMPANY)

| | Stated Capital Rs.'000 | Other Capital Reserve Rs.'000 | Other Components of Equity — Available for Sale Reserve Rs.'000 | Retained Earnings Rs.'000 | Total Equity Rs.'000 |
|---|---|---|---|---|---|
| **Balance as at 1 April 2011** | 1,468,426 | 257,032 | 28,919 | 4,098,276 | 5,852,653 |
| Profit for the Year | - | - | - | 407,601 | 407,601 |
| Other Comprehensive Income | - | - | (8,680) | - | (8,680) |
| **Total Comprehensive Income** | - | - | (8,680) | 407,601 | 398,921 |
| Issue of Ordinary Shares under ESOS | 132,177 | - | - | - | 132,177 |
| Transaction Cost on Issue of Shares | - | - | - | (629) | (629) |
| Final Dividend Paid | - | - | - | (128,010) | (128,010) |
| Interim Dividend Paid | - | - | - | (128,823) | (128,823) |
| **Balance as at 31 March 2012** | 1,600,603 | 257,032 | 20,239 | 4,248,415 | 6,126,289 |
| Profit for the Year | - | - | - | 625,467 | 625,467 |
| Other Comprehensive Income | - | - | (2,450) | - | (2,450) |
| **Total Comprehensive Income** | - | - | (2,450) | 625,467 | 623,017 |
| Final Dividend Paid | - | - | - | (128,823) | (128,823) |
| Interim Dividend Paid | - | - | - | (154,587) | (154,587) |
| **Balance as at 31 March 2013** | 1,600,603 | 257,032 | 17,789 | 4,590,472 | 6,465,896 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

| | | Group | | Company | |
|---|---|---|---|---|---|
| **Year ended 31 March** | | **2013** | **2012** | **2013** | **2012** |
| | **Notes** | **Rs.'000** | **Rs.'000** | **Rs.'000** | **Rs.'000** |
| **Operating Activities** | | | | | |
| Profit Before Taxation | | **2,406,155** | 1,521,080 | **651,550** | 429,872 |
| **Adjustments for** | | | | | |
| Depreciation | 10 | **707,593** | 629,422 | **29,980** | 22,682 |
| (Gain)/Loss on Disposal of Property, Plant and Equipment | | **(40,876)** | (37,651) | **(1,548)** | 2,666 |
| Unrealised Profit | | **-** | 7,427 | **-** | - |
| Reversal of Heat & Lube oil Provision | | **(7,653)** | - | **-** | - |
| Gain on Fair Value Adjustment of Investment Properties | 11 | **(65,322)** | (32,127) | **(66,908)** | (14,559) |
| Amortisation/Impairment of Intangible Assets | 13 | **42,004** | 37,971 | **975** | 1,956 |
| Amortisation of Leasehold Rights | 12 | **3,863** | 3,931 | **-** | - |
| (Gain)/Loss on Sale of Non-Current Investments | | **(576)** | 1,716 | **(78,908)** | 8,175 |
| Impairement of Investment of Subsidiaries | | **-** | - | **-** | 10,676 |
| Exchange Gain or Loss on Foreign Currency Borrowings | | **16,768** | 90,648 | **-** | - |
| Finance Cost | 5 | **370,103** | 465,269 | **252,417** | 123,745 |
| Finance Income | 5 | **(342,650)** | (202,399) | **(100,136)** | (58,877) |
| Investment Income | | **-** | - | **(478,819)** | (424,031) |
| Share of Profit of an Associate | 16 | **(1,554)** | (11,925) | - | - |
| Movement in Employee Benefit Liability | 25 | **64,938** | 32,837 | **5,804** | 12,007 |
| **Working Capital Adjustments** | | | | | |
| (Increase)/Decrease in Inventories | | **(417,181)** | (324,217) | **-** | - |
| (Increase)/Decrease in Trade and Other Receivables | | **(1,165,832)** | (1,632,305) | **(655,242)** | (141,403) |
| (Increase)/Decrease in Other Current Financial Assets | | **279,821** | 411,722 | **(6,446)** | (13,893) |
| Increase/(Decrease) in Trade and Other Payables | | **709,437** | 1,070,628 | **(62,424)** | 12,341 |
| Increase/(Decrease) in Other Non Current Financial Liabilities | | **2,639** | 2,050 | **(6,216)** | 10,599 |
| Finance Cost Paid | | **(376,509)** | (398,244) | **(227,730)** | (75,085) |
| Finance Income Received | | **301,184** | 162,352 | **82,029** | 52,325 |
| Income Tax Paid | | **(316,715)** | (275,916) | **(19,682)** | (38,206) |
| Employee Benefit Liability Paid | 25 | **(26,200)** | (14,286) | **(9,924)** | (131) |
| **Net Cash flows from/(Used in) Operating Activities** | | **2,143,437** | 1,507,983 | **(691,228)** | (79,141) |
| **Investing Activities** | | | | | |
| Purchase of Property, Plant and Equipment | 10 | **(1,363,622)** | (1,588,724) | **(80,443)** | (43,400) |
| Purchase of Investment Property | | **(167,881)** | - | **(167,881)** | - |
| Increase in Investment in Associate | | **(41,338)** | - | **-** | - |
| Investment in Intangible Assets | 13 | **(1,743)** | (2,275) | **(98)** | (266) |
| (Acquisition)/Disposal of Subsidiaries | | **(23,308)** | 3,186 | **(198,541)** | (520,083) |
| Investment in Non Current Financial Assets | | **(124,769)** | (122,428) | **15,211** | (52,209) |
| Redemption of Preference Shares | | **-** | (7,056) | **-** | - |
| Proceeds from Disposal of Investments | | **-** | - | **127,612** | 2,937 |
| Proceeds from Disposal of Property, Plant and Equipment | | **81,357** | 108,474 | **3,465** | 8,233 |
| Investment Income Received | | **-** | - | **478,819** | 424,031 |
| **Net Cash flows from/(Used in) Investing Activities** | | **(1,641,304)** | (1,608,823) | **178,144** | (180,757) |
| **Financing Activities** | | | | | |
| Interest Bearing Loans and Borrowings (Net) | | **464,528** | (518,074) | **797,593** | 437,718 |
| Transaction Cost on Subsidiary Share Issue | | **(12,722)** | (4,358) | **-** | (629) |
| Proceeds from Non-Controlling Interests | | **40,185** | 277,540 | **-** | - |
| Proceeds from Issue of Shares | | **-** | 132,177 | **-** | 132,177 |
| Dividends Paid to Equity Holders of the Parent | | **(283,410)** | (256,833) | **(283,410)** | (256,833) |
| Dividends Paid - Non-Controlling Interests | | **(77,232)** | (68,196) | **-** | - |
| **Net Cash flows from/(Used in) Financing Activities** | | **131,349** | (437,744) | **514,183** | 312,433 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | **633,482** | (538,584) | **1,099** | 52,535 |
| Net Foreign Exchange Difference | | **(79)** | (891) | **-** | - |
| Cash and Cash Equivalents at the Beginning of the Year | 27 | **561,533** | 1,101,008 | **42,919** | (9,616) |
| **Cash and Cash Equivalents at the End of the Year** | 27 | **1,194,936** | 561,533 | **44,018** | 42,919 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General
Hemas Holdings PLC is a public limited liability Company listed on the Colombo Stock Exchange incorporated and domiciled in Sri Lanka. The registered office and the principal place of business is situated at No. 75, Braybrooke Place, Colombo 02.

Hemas Holdings PLC does not have an identifiable parent of its own.

### 1.2 Consolidated Financial Statements
The Consolidated financial statements of the Company for the year ended 31 March 2013 comprise Hemas Holdings PLC (the 'Company') and all its Subsidiaries, Joint Ventures and Associates whose accounts have been consolidated therein (the 'Group').

### 1.3 Principal Activities and Nature of Operations
During the year, the principal activities of the Company were carrying out investment activities and providing advisory services to other Companies in the Group and the principal activities of the Subsidiaries, Joint Ventures and Associates are disclosed in Note 35 to the financial statements.

### 1.4 Date of Authorisation for Issue
The Consolidated financial statements of Hemas Holdings PLC for the year ended 31 March 2013 were authorised for issue, in accordance with a resolution of the Board of Directors on 22 May 2013.

## 2. GENERAL POLICIES

### 2.1 Basis of Preparation and adoption of SLAS (SLFRS and LKAS) effective for the period beginning on or after 01 April 2012
The Consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards, comprising SLFRSs/LKASs (here after "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

For all periods up to and including the year ended 31 March 2012 the Group prepared its financial statements in accordance with Sri Lanka Accounting Standard (SLAS). These financial statements for the year ended 31 March 2013 are the first the Group has prepared in accordance with SLFRS.

The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention unless otherwise stated. The financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency and all values are rounded to the nearest rupee thousand (Rs '000) except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

Subject to certain transition elections and exceptions disclosed in Note 2.3, the Group has consistently applied the accounting policies used in preparation of its opening SLFRS statement of financial position at 1 April 2011 through all periods presented, as if these policies had always been in effect.

Note 2.4 discloses the impact of the transition to SLFRS on the Group's reported financial position, performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Group's Consolidated financial statements for the year ended 31 March 2012 prepared under SLASs.

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

*2.1.2 Basis of Consolidation*
The financial statements of the Group represent the consolidation of the financial statements of Hemas Holdings PLC and all its Subsidiaries, Joint Ventures and Associates as at 31 March 2013.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company and in compliance with the Group's accounting policies unless specifically stated.

All intra-group balances, income and expenses and unrealised gains/losses resulting from intra-group transactions are eliminated in full.

**(a) Subsidiaries**
Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of voting rights or otherwise has a controlling interest.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loss control over a subsidiary, it;

a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
b) Derecognises the carrying amount of any non-controlling interests
c) Derecognises the cumulative translation differences, recorded in equity
d) Recognises the fair value of the consideration received
e) Recognises the fair value of any investment retained
f) Recognises any surplus or deficit in profit or loss
g) Reclassifies the parent' share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Diethelm Travel The Maldives (Pvt) Ltd and Hemas Logistics (Pvt) Ltd have been consolidated as subsidiaries based on the power to govern the financial and operating policies by the Parent.

The following subsidiaries have been incorporated outside Sri Lanka.

| Name/Country of incorporation | Reporting Currency |
|---|---|
| **Hemas Consumer Brands (Pvt) Ltd** Bangladesh | Taka (BDT) |
| **Diethelm Travel The Maldives (Pvt) Ltd** Republic of Maldives | US Dollar (USD) |
| **Butama Hydro Electricity Company Limited** Republic of Uganda | Uganda Shillings |

Non-Controlling Interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the Consolidated Income Statement and within equity in the Consolidated Statement of Financial Position separately from parent shareholders' equity.

**(b) Joint Ventures**
The Group has an interest in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. 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 consolidated financial statements.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is rcognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

The financial statements of the joint ventures are prepared for the same reporting year as the parent company except for Hellman Worldwide Logistics (Pvt) Ltd. where the financial statements are prepared for 31 December 2012. All the material transactions are adjusted for the 3 months period ended 31 March 2013. Accounting policies of the joint ventures are consistent with the parent company.

The following Joint venture has been incorporated outside Sri Lanka.

| Country of Incorporation | Reporting Currency |
|---|---|
| **HIF Logistics (Pvt) Ltd** Pakistan | Pakistan Rupee (PKR) |

**(c) Investment in Associate**
The Group's investments in Associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of Associate since acquisition date.

Goodwill relating to the Associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of results of operations of the Associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of the profit or loss of an Associate is shown on the face of the income statement and represents profit or loss before tax.

The financial statements of the Associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its Associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount in 'share of losses of an Associate' in the income statement. Upon loss of significant influence over the Associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

**(d) Business Combinations and Goodwill**
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

# NOTES TO THE FINANCIAL STATEMENTS

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in the income statement or as a change to the other comprehensive income (OCI).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination transferred; irrespective of whether other assets or liabilities of the acquiree are assigned to thoses units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 2.2 Summary of Significant Accounting Policies

### *2.2.1 Revenue Recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and value added taxes.

The following specific recognition criteria must also be met before revenue is recognised:

**(a) Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**(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) is 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) Interest income**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

**(f) Dividends**

Revenue is recognised when the Group's/ Company's right to receive the payment is established.

**(g) Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

**(h) Others**

Other income is recognised on an accrual basis.

### *2.2.2 Foreign Currencies*

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss arising from this method.

**(a) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to the income statements. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 is determined.

The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

**(b) Foreign Operations**

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

*2.2.3 Taxation*

**a) Current Tax**

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 on the reporting date in the country where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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 No 10 of 2006 and the amendments thereto.

**b) Deferred Taxation**

Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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;

**i)** 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

**ii)** 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 credits 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 credits and unused tax losses can be utilised except:

**i)** 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

**ii)** 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.

The carrying amount of deferred income tax assets is reviewed at each reporting 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.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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 as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income stement. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

**c) Tax on dividend income**
Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement.

*2.2.4 Property, Plant and Equipment*
Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Group derecognises net book value of the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

When items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on straight line basis over the estimated useful lives of all Property, Plant and Equipment.

The principal annual rates of depreciation, used by the Group are as follows;

| | |
|---|---|
| Freehold Buildings | 1.5% - 10% |
| Civil Construction at Plant – Thermal | 10% |
| Civil Construction at Plant – Hydro | 2% |
| Plant and Machinery | 6% - 25% |
| Power Plant - Thermal | 6.67% |
| Power Plant - Hydro | 3% |
| Furniture and Fittings | 7% - 25% |
| Office and Factory Equipment | 10% - 33.33% |
| Computer Hardware and Software | 25% - 33.33% |
| Motor Vehicles | 16.66% - 25% |
| Crockery and Cutlery | 50% - 100% |
| Soil Erosion Prevention | 5% - 10% |

Buildings on Leasehold Land are depreciated over the remaining lease period.

An item of Property, Plant and Equipment and any significant part initially recognised 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 when the asset is derecognised.

*2.2.5 Leases*
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

**Group/Company as a lessee**
Finance leases that transfer to the Group/Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group/Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

*2.2.6 Borrowing Costs*
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

*2.2.7 Investment Properties*
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

*2.2.8 Intangible Assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. 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 as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives 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 the end of each reporting period. 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 are 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 of the intangible assets.

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

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 derecognised.

**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 Group 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 benefit. During the period where the asset is not yet in uses it is tested for impairment annually.

*2.2.9 Inventories*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- 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 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
- Medical Supplies - At actual cost on first-in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

*2.2.10 Financial Instruments - Initial Recognition and Subsequent Measurement*

**i) Financial Assets**

*Initial Recognition and Measurement*

Financial assets within the scope of LKAS 39 are classified as financial assets at Fair Value Through Profit or Loss, Loans and Receivables, Held-To-Maturity investments and Available-For-Sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs of assets in the case of investments not at fair value through profit or loss.

The financial assets include cash and short-term deposits, trade and other receivables, other financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

*Subsequent Measurement*
The subsequent measurement of financial assets depends on their classification as follows:

*Financial Assets at Fair Value Through Profit or Loss*
Financial assets at Fair Value Through Profit or Loss include financial assets held-for-trading and financial assets designated upon initial recognition at Fair Value Through Profit or Loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at Fair Value Through Profit and Loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

*Loans and Receivables*
Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

*Held to Maturity Investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held To-Maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, Held-To-Maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised as finance cost in the income statement.

*Available for Sale Financial Investments*
Available-For-Sale financial investments include equity and debt securities. Equity investments classified as Available-For- Sale are those, which are neither classified as held for trading nor designated at Fair Value Through Profit or Loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, Available-For-Sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the Available-For-Sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the Available-For-Sale reserve. Interest income on Available-For-Sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its Available-For-Sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to Loans and Receivables is permitted when the financial assets meet the definition of Loans and Receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the Held-To-Maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the Available-For-Sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

*Derecognition*
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when,

**i)** The rights to receive cash flows from the asset have expired

**ii)** The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

-The Group has transferred substantially all the risks and rewards of the asset, or
-The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**ii) Impairment of Financial Assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial Assets Carried at Amortised Cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

*Available for Sale Financial Investments*

For Available-For-Sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as Available-For-Sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as Available-For-Sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

**iii) Financial Liabilities**

*Initial Recognition and Measurement*

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at Fair Value Through Profit or Loss, loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and other financial liabilities.

*Subsequent Measurement*

The measurement of financial liabilities depends on their classification as follows;

## NOTES TO THE FINANCIAL STATEMENTS

*Financial Liabilities at Fair Value Through Profit or Loss*
Financial liabilities at Fair Value Through Profit or Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as Fair Value Through Profit or Loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at Fair Value Through Profit or Loss.

*Loans and Borrowings / Other Financial Liabilities*
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

*Derecognition*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**iv) Offsetting of Financial Instruments**
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**v) Fair Value of Financial Instruments**
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. (bid price for long position and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details of measurement is provided in note 13.

### *2.2.11 Derivative Financial Instruments and Hedge Accounting*

*Initial Recognition and Subsequent Measurement*
The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

*Cash Flow Hedges*
The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

### *2.2.12 Impairment of Non - Financial Assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU 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, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate 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, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income 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 estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 a revalued amount, in which case the reversal is treated as a revaluation increase.

*Goodwill*

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

*2.2.13 Cash and Short term deposits*

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

*2.2.14 Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*2.2.15 Retirement Benefit Liability*

**(a) 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 such employees.

**(b) Defined Benefit Plan – Gratuity**

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the projected benefit valuation method. Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in the income statement.

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

The gratuity liability is not externally funded.

*2.2.16 Operating Segment*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the

# NOTES TO THE FINANCIAL STATEMENTS

segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

*2.2.17 Employees Share Option Plan (ESOP)/ Share Option Scheme (ESOS)*

The Employee Share Option Plans (ESOP) were approved by the shareholders of the Company in the years 2003 and 2006, whereby the Company issued a total of 4,468,699 Ordinary Shares to the senior management and employees based on performance. The options were required to be exercised between the period 01 April 2004 and 31 March 2009. The two schemes have however since lapsed.

In the year 2008, the Board recommended a further 3,000,000 shares by way of an Employee Share Ownership Scheme (ESOS). The new scheme was approved by the Members and came into effect on 9 December 2008.

The 1st tranche of 650,000 shares were issued to the Trustees on 6 February 2009 at Rs. 62.00 per share, on behalf of the Senior Management. These shares will be held in trust for the eligible employees until such time as the shares are transferred to them in terms of the ESOS Trust – 2008.

The 2nd tranche of 2,250,000 shares were issued to the trustees on 27 December 2010 at 44.09 per share, on behalf of the Senior Executives of the Group. These shares will be held in trust for the eligible employees until such time as the shares are transferred to them in terms of the ESOS Trust -2008.

The 3rd tranche of 3,250,000 shares were issued to the trustees on 26 September 2011 at 40.67 per share, on behalf of the Senior Executives of the Group. These shares will be held in trust for the eligible employees until such time as the shares are transferred to them in terms of the ESOS Trust -2008.

*2.2.18 Share Based Payment Transactions*

Employees (senior management) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share based payment transaction and the fair value of any identifiable goods or services received at the grant date.

**(a) Equity-Settled Transactions**

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Groups best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

**(b) Cash-Settled Transactions**

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

## 2.3 First Time Adoption of SLFRS

These financial statements, for the year ended 31 March 2013, are the first the Group has prepared in accordance with SLFRS. For periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2011, the Group's date of transition to SLFRS. This note explains the principal adjustments made by the Group in restating its SLAS statement of financial position as at 1 April 2011 and its previously published SLAS financial statements as at and for the year ended 31 March 2012.

*Exemptions Applied*

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions and exceptions from the retrospective application of certain SLFRS. Set out below are the applicable exemptions and exceptions under SLFRS 1 applied by the Group in preparing the first financial statements for the year ended 31 March 2013 under SLFRS/LKAS.

**Optional Exemptions which the Group has opted to apply**

*Business Combinations*

SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in associates and joint ventures that occurred before 1 April 2011.

Use of this exemption means that the local SLAS carrying amounts of assets and liabilities, which are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SLFRS recognition requirements.

SLFRS 1 also requires that the local SLAS carrying amount of goodwill must be used in the opening SLFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS. No goodwill impairment was deemed necessary at 1 April 2011.

The Group has not applied LKAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SLFRS.

*Share Based Payment Transactions*
SLFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted on or before 1 January 2012.

*Fair value as deemed cost*
Certain items of property plant and equipment have been measured at fair value and used that fair value s the deemed cost at the date of transition to SLFRS/ LKAS.

*Leases*
The Group has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition. Accordingly the Group has determined whether an arrangement existing at the date of transition to SLFRS contains a lease on the basis of facts and circumstances existing at that date.

*Investments in Subsidiaries, Jointly Controlled Entities and Associates*
The basis of measurement of an investment in a subsidiary, jointly controlled entity or associate is at its deemed cost in the separate SLFRS financial statements of the subsidiary, jointly controlled entity or associate. The Group has applied the previous carrying value under SLAS on 1 April 2011 as the deemed cost of such investments.

*Assets and Liabilities of Subsidiaries, Jointly Controlled Entities and Associates*
When the parent becomes a first-time-adopter later than its subsidiary, associate or joint venture, in the parent's consolidated financial statements the assets and liabilities of the subsidiary's associate's or joint venture's financial statements (after adjusting for consolidation and equity accounting adjustments and for the effects for the effects of the business combination in which the entity acquired the subsidiary).

*Designations of Previously Recognised Financial Instruments*
The Group has designated unquoted equity instruments held at 1 April 2011 as available-for-sale investments.

**Exceptions the Group has not applied retrospectively**

*Estimates*
The estimates at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with SLAS (after adjustments to reflect any differences in accounting policies).

*De-recognition of Financial Assets and Financial Liabilities*

The Group has applied the derecognition requirements in LKAS 39 prospectively to transactions occurring after 1 April 2011. Therefore the non-derivative financial assets or non-derivative financial liabilities which were previously de-recognised under SLAS as a result of a transaction that occurred before the transition date 1 April 2011 has not been re-recognised in the SLFRS financial statements.

*Hedge Accounting*
Transactions entered into before the date of transition to SLFRS have not been retrospectively designated as hedges. Further, the application of hedge accounting has been discontinued if an instrument is designated as a hedge before the date of transition, but does not meet the conditions for hedge accounting in LKAS 39.

*Non-controlling interests*
The following requirements of LKAS 27 are applied prospectively from the date of transition to SLFRS.

(i) to attribute total comprehensive income to non controlling interest irrespective of whether this results in a deficit balance.
(ii) to treat changes in a parent's ownership interest that does not result in a loss of control as equity transactions.
(iii) to apply LKAS 27 to loss of control of a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012

FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of equity as at 1 April 2011 ( Date of transition to SLFRS )

| | Notes | SLAS Rs.'000 | Remeasurement Rs.'000 | SLFRS as at 1 April 2011 Rs.'000 |
|---|---|---|---|---|
| **Non Current Assets** | | | | |
| Property, Plant and Equipment | A | 7,457,601 | (10,950) | 7,446,650 |
| Investment Properties | | 1,309,965 | - | 1,309,965 |
| Leasehold Properties | B | 58,779 | 39,608 | 98,386 |
| Intangible Assets | A,C | 323,895 | 167,423 | 491,318 |
| Investment in Associates | C | - | 168,002 | 168,002 |
| Other Investments | C | 433,676 | (433,676) | - |
| Other Long Term Receivables | B,D | 254,223 | (254,223) | - |
| Other Non Current Financial Assets | D | | 277,255 | 277,255 |
| Deferred Tax Assets | E | 25,489 | 9,524 | 35,014 |
| | | 9,863,628 | (37,038) | 9,826,590 |
| **Current Assets** | | | | |
| Inventories | | 1,680,772 | (0) | 1,680,772 |
| Trade and Other Receivables | F | 4,365,024 | (137,406) | 4,227,619 |
| Other Investments | | 53 | (53) | - |
| Tax Recoverable | | 148,020 | - | 148,019 |
| Other Current Financial Assets | G | - | 733,190 | 733,190 |
| Short Term Cash Investments | G | 2,025,097 | (668,372) | 1,356,725 |
| Cash and Cash at Bank | | 1,133,280 | - | 1,133,280 |
| | | 9,352,246 | (72,641) | 9,279,605 |
| **TOTAL ASSETS** | | 19,215,874 | (109,679) | 19,106,195 |
| **Equity** | | | | |
| Stated Capital | | 1,468,426 | - | 1,468,426 |
| Other Capital & Revenue Reserves | | 1,045,976 | (778,152) | 345,206 |
| Other Components of Equity | | - | 300,877 | 300,877 |
| Retained Earnings | | 6,359,604 | 176,392 | 6,613,376 |
| **Equity Attributable to Owners of the Parent** | | 8,874,006 | (300,883) | 8,727,885 |
| Non-Controlling Interest | | 1,701,635 | 42,757 | 1,589,630 |
| **Total Equity** | | 10,575,641 | (258,126) | 10,317,515 |
| **Non Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | | 1,700,040 | - | 1,700,040 |
| Other Non-Current Financial Liabilities | H | - | 149,523 | 149,523 |
| Deferred Tax Liabilities | | 123,609 | - | 123,609 |
| Retirement Benefit Liability | | 230,298 | - | 230,298 |
| Other Non-Current Liabilities | H | 10,243 | (10,243) | - |
| | | 2,064,190 | 139,280 | 2,203,470 |
| **Current Liabilities** | | | | |
| Trade and Other Payables | I,J | 4,093,091 | 21,965 | 4,115,056 |
| Dividends Payable | J | 12,798 | (12,798) | - |
| Income Tax Liabilities | | 89,891 | - | 89,891 |
| Interest Bearing Loans and Borrowings | | 991,266 | - | 991,266 |
| Bank Overdraft | | 1,388,997 | - | 1,388,997 |
| | | 6,576,043 | 9,167 | 6,585,210 |
| **TOTAL EQUITY AND LIABILITIES** | | 19,215,874 | (109,679) | 19,106,195 |

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of equity as at 31 March 2012

| | Notes | SLAS Rs.'000 | Remeasurement Rs.'000 | SLFRS as at 31 March 2012 Rs.'000 |
|---|---|---|---|---|
| **Non Current Assets** | | | | |
| Property, Plant and Equipment | A | 10,288,807 | (5,191) | 10,283,616 |
| Investment Properties | | 474,685 | - | 474,685 |
| Leasehold Properties | B | 55,713 | 38,742 | 94,455 |
| Intangible Assets | A,C | 300,409 | 161,090 | 461,499 |
| Investment in Associates | C | - | 179,399 | 179,399 |
| Other Investments | C | 384,148 | (384,148) | - |
| Other Long Term Receivables | B,D | 399,346 | (399,346) | - |
| Other Non Current Financial Assets | D | - | 324,069 | 324,069 |
| Deferred Tax Assets | E | 25,031 | 10,590 | 35,621 |
| | | 11,928,139 | (74,795) | 11,853,344 |
| **Current Assets** | | | | |
| Inventories | | 2,004,990 | - | 2,004,989 |
| Trade and Other Receivables | F | 6,038,471 | (184,051) | 5,854,420 |
| Other Investments | | 53 | (53) | - |
| Tax Recoverable | | 134,306 | - | 134,306 |
| Other Current Financial Assets | G | - | 361,515 | 361,515 |
| Short Term Cash Investments | G | 1,614,035 | (255,902) | 1,358,133 |
| Cash and Cash at Bank | | 1,088,979 | - | 1,088,979 |
| | | 10,880,833 | (78,491) | 10,802,342 |
| **TOTAL ASSETS** | | 22,808,972 | (153,286) | 22,655,686 |
| **Equity** | | | | |
| Stated Capital | | 1,600,603 | - | 1,600,603 |
| Reserves | | 1,995,771 | (1,632,552) | 440,601 |
| Other Components of Equity | | | 1,161,252 | 1,161,253 |
| Retained Earnings | | 7,195,185 | 175,256 | 7,447,822 |
| **Equity Attributable to Owners of the Parent** | | 10,791,559 | (296,043) | 10,650,279 |
| Non-Controlling Interest | | 2,145,976 | (549) | 1,990,665 |
| **Total Equity** | | 12,937,535 | (296,591) | 12,640,944 |
| **Non Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | | 1,384,827 | - | 1,384,827 |
| Other Non-Current Financial Liabilities | H | | 144,518 | 144,518 |
| Deferred Tax Liabilities | | 161,309 | - | 161,309 |
| Retirement Benefit Liability | | 248,342 | - | 248,342 |
| Other Non-Current Liabilities | H | 13,506 | (13,506) | - |
| | | 1,807,984 | 131,012 | 1,938,996 |
| **Current Liabilities** | | | | |
| Trade and Other Payables | I,J | 5,171,602 | 18,364 | 5,189,966 |
| Dividends Payable | J | 6,071 | (6,071) | - |
| Income Tax Liabilities | | 63,743 | - | 63,743 |
| Interest Bearing Loans and Borrowings | | 936,458 | - | 936,458 |
| Bank Overdraft | | 1,885,579 | - | 1,885,579 |
| | | 8,063,453 | 12,293 | 8,075,746 |
| **TOTAL EQUITY AND LIABILITIES** | | 22,808,972 | (153,286) | 22,655,686 |

# NOTES TO THE FINANCIAL STATEMENTS

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of total comprehensive income for the year ended 31 March 2012

| | Notes | SLAS Rs.'000 | Remeasurement Rs.'000 | SLFRS as at 31 March 2012 Rs.'000 |
|---|---|---|---|---|
| **Revenue** | K | 21,409,596 | 122,907 | 21,532,503 |
| Cost of Sales | I,K | (14,836,030) | (121,695) | (14,957,725) |
| **Gross Profit** | | 6,573,566 | 1,212 | 6,574,778 |
| Other Operating Income | | 174,875 | | 174,875 |
| Selling and Distribution Expenses | F | (1,793,789) | 4,235 | (1,789,554) |
| Administrative Expenses | B,D,F,H,L | (3,292,373) | 104,299 | (3,188,074) |
| Share of Profit of an Associate | C | - | 11,925 | 11,925 |
| Operating Profit | | 1,662,279 | 121,671 | 1,783,950 |
| Finance Cost | D,H,L | (249,718) | (215,551) | (465,269) |
| Finance Income | D,G | 162,352 | 40,047 | 202,399 |
| **Profit Before Tax** | | 1,574,913 | (53,833) | 1,521,080 |
| Income Tax Expenses | E | (260,307) | 535 | (259,772) |
| **Profit for the Year** | | 1,314,606 | (53,298) | 1,261,308 |
| | | | | |
| Profit for the Year | | 1,314,606 | (53,298) | 1,261,308 |
| | | | | |
| **Other Comprehensive Income** | | | | |
| Exchange Differences on Translation of Foreign Operations | | (272) | - | (272) |
| Net Movement on Cash Flow Hedges | | (58,211) | - | (58,211) |
| | | | | |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | D | - | (8,576) | (8,576) |
| | | | | |
| Revaluation of Land and Buildings | | 1,083,496 | - | 1,083,496 |
| Income Tax Effect | | (41,414) | - | (41,414) |
| | | | | |
| **Other Comprehensive Income for the Year, Net of Tax** | | 983,601 | (8,576) | 975,024 |
| | | | | |
| **Total Comprehensive Income for the Year, Net of Tax** | | 2,298,206 | 61,875 | 2,236,331 |

## 2.4 FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of equity as at 1 April 2011 ( Date of transition to SLFRS ) and 31 March 2012 and Total Comprehensive income for the year ended 31 March 2012

**A. Property, Plant and Equipment**
*Transfer from PPE to intangible assets*
Computer software that are not integral to operate the hardware were reclassified as a separate intangible asset at the date of transition to SLFRS. Therefore Rs. 15Mn was transferred to Intangible assets as at 1 April 2011 and depreciation of Rs. 6Mn has been reclassified as an amortization in the income statement for the year ended 31 March 2012.

*Fair value as deemed cost*
The Group has elected to measure certain items of fully depreciated property, plant and equipment at fair value at the date of transition to SLFRS.

As a result Rs. 4.6Mn was recognised in property, plant and equipment s at 1 April 2011 through retained earnings.

**B. Leasehold Right**
Under the previous standards, refundable deposits placed for lease right were carried at cost and shown as long term receivables. This is a financial asset and therefore at initial recognition was measured at fair value and difference of Rs. 43.2Mn was recognised as a lease right. Cumulative amortisation as at 1 April 2011 amounting to Rs. 3.6Mn was recognised in retained earnings. For the year ended 31 March 2012, Rs.0 .9Mn was recognised as the lease right amortisation in the income statement.

**C. Investment in Associates**
Investment in Jada Resorts and Spa (Pvt) Ltd, amounting Rs. 320Mn was de-recognised from other non current investment and recognised Rs. 168Mn as an investment in associate by recognising Goodwill arising on acquisition, Rs 152Mn as an intangible asset as at 1 April 2011. During the year ended 31 March 2012, Rs. 12Mn was recognised as a share profit of the associate.

**D. Other Non Current Financial Assets**
*Available for sale investments*
As at 1 April 2011, Investment in quoted equity shares classified as available for sale investments amounting to Rs.114Mn were measured at fair value. The net gain of 29Mn as at 1 April 2011 and Rs. 8.7Mn, net loss for the year ended 31 March 2012, were recognised as an available for sale reserve in equity respectively.

*Refundable deposit*
Refundable deposits amounting to Rs. 5Mn shown under Trade and other receivables were recognised as a financial asset and Rs. 2Mn was recognised as a net amount of fair value difference in retained earnings.

*ESOS Valuation*
ESOS receivables is a financial asset and therefore a net amount of fair value difference at initial recognition and unwinding finance income of Rs.80Mn were recognised in retained earnings. A difference of Rs. 41Mn was recognised with respect to the amounts granted during the year ended 31 March 2012. Unwinding interest of Rs. 21Mn arising from the receivable as at 1 April 2011, was recognised as a finance income for the year ended 31 March 2012.

**E. Deferred Tax Assets**
Group entities enjoying tax holiday period reassessed the deferred tax impact as at 1 April 2011 and recognised Rs. 9.5Mn in retained earnings and for the year ended 31 March 2012, Rs. 10.5Mn was recognised in the income statement.

**F. Trade and Other Receivables**
*Impairment Trade and Other Receivables*
Provision for bad and doubtful debts made under previous standards consisted of both a specific amount for incurred losses and a general amount for expected future losses. SLFRS does not permit recognition of impairment for expected future losses. Hence an amount of Rs. 57Mn adjusted as at 1 April 2011 through retained earnings. by using the collective impairment model. Accordingly the group recognised a provision of Rs. 111Mn through retained earnings as at 1 April 2011 and a provision of 19Mn has been made for the year ended 31 March 2011.

**G. Other Current Financial Assets**

*Staff loans given at concessionary rates of interest*
Under previous standards staff loans were recorded in Trade & Other receivables and initially recognised at cost. Under SLFRS, the Group measured the staff loans granted below the market rate/at zero rate ,at their fair value based on the market rate of interest for similar loans. Rs. 8Mn the difference between the fair value of and loan granted has been recognised as pre-paid staff cost and amortised over the term of the loan as at 01 April 2011. Adjustment for recognition of Interest income at the rate prevailing at the grant date of Rs. 2Mn recognised in the retained earnings as at 1 April 2011 and for the year ended 31 March 2012,Rs. 2Mn was recognised as finance income in the income statement.

*Short term Investments*
Government securities with a maturity of more than 3 months amounting Rs. 49Mn has been reclassified from short term investment. Rs.7.5Mn has been recognised through retain earnings to measure the amortised cost of REPO investment as at 1 April 2011. During the year ended 31 March 2012 Rs. 7.5Mn has been recognised as finance income in the income statement.

Deposits with maturity of more than 3 months amounting to Rs. 619Mn were reclassified from short term Investments as at 1 April 2011 and Rs. 256Mn was reclassified as at 31 March 2012.

## NOTES TO THE FINANCIAL STATEMENTS

**H. Other Non-Current Financial Liabilities**

Redeemable preference shares amounting to Rs.206Mn previously reported as equity were reclassified under other Non current financial liabilities measured at amortised cost.

Preference share issue cost of Rs. 1.8Mn was transferred to Other Non current liabilities- Preference shares as at 1 April 2011.

Accordingly preference share dividend amounting to Rs. 15Mn has been reclassified to finance cost for the year ended 31 March 2012.

Refundable deposits with the maturity & more than 1 year amounting to Rs. 10Mn were reclasified under other Non current financial liabilities as at 1 April 2011 & 31 March 2012.

**I. Trade and other Payables**

Provision for sales returns amounting to Rs. 9Mn was recognised through retained earnings based on the historical average return rate as at 1 April 2011 and Rs. 2Mn was provided for the year ended 31 March 2012.

**J. Dividend Payable**

Unclaimed dividend as at 1 April 2011 and 31 March 2012 were reclassified under Trade & other payables

**K. Revenue & Cost of Sales**

Under previous practice, certain subsidiaries had not grossed revenue for Nations Building Levy. Therefore revenue and cost of sales has been restated by Rs. 120Mn.

**L. Finance Cost**

Exchange difference on foreign currency borrowings amounting to Rs. 132Mn has been reclassified from administration expenses to finance cost for the ended 31 March 2012.

**M. Statement of Cash Flows**

The transition from SLAS to SLFRS has not had a material impact except for the reclassifications stated in note G above.

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Company reconciliation of equity as at 1 April 2011 ( Date of transition to SLFRS )

| | Notes | SLAS Rs.'000 | Remeasurements Rs.'000 | SLFRS as at 1 April 2011 Rs.'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment | A | 105,305 | (2,965) | 102,340 |
| Investment Properties | | 309,965 | - | 309,965 |
| Intangible Assets | A | - | 2,965 | 2,965 |
| Investments in Subsidiaries | | 5,696,001 | - | 5,696,001 |
| Investment in Joint Venture | | 38,519 | - | 38,519 |
| Other Non-Current Financial Assets | D,E | 192,168 | 8,063 | 200,231 |
| | | 6,341,958 | 8,063 | 6,350,021 |
| **Current Assets** | | | | |
| Trade and Other Receivables | B,G | 243,753 | (18,998) | 224,755 |
| Other Current Financial Assets | C | 519,322 | 7,300 | 526,622 |
| Cash and Short Term Deposits | | 23,889 | - | 23,889 |
| | | 786,964 | (11,698) | 775,266 |
| **TOTAL ASSETS** | | 7,128,922 | (3,635) | 7,125,287 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Stated Capital | | 1,468,426 | - | 1,468,426 |
| Other Capital Reserves | | 257,032 | - | 257,032 |
| Other Components of Equity | D | - | 28,919 | 28,919 |
| Retained Earnings | B,C,F,E,G | 4,077,851 | 20,425 | 4,098,276 |
| **Total Equity** | | 5,803,309 | 49,344 | 5,852,653 |
| **Non-Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | F | 686,502 | (52,979) | 633,523 |
| Deferred Tax Liabilities | | 42,022 | - | 42,022 |
| Employee Benefit Liability | | 18,676 | - | 18,676 |
| | | 747,200 | (52,979) | 694,221 |
| **Current Liabilities** | | | | |
| Trade & Other Payables | | 209,883 | - | 209,883 |
| Income Tax Payable | | 13,385 | - | 13,385 |
| Interest Bearing Loans and Borrowings | | 321,640 | - | 321,640 |
| Bank Overdraft | | 33,505 | - | 33,505 |
| | | 578,413 | - | 578,413 |
| **TOTAL EQUITY AND LIABILITIES** | | 7,128,922 | (3,635) | 7,125,287 |

# NOTES TO THE FINANCIAL STATEMENTS

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Company reconciliation of equity as at 31 March 2012

| | Notes | SLAS Rs.'000 | Remeasurements Rs.'000 | SLFRS as at 31 March 2012 Rs.'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment | A | 106,461 | (1,275) | 105,186 |
| Investment Properties | | 331,500 | - | 331,500 |
| Intangible Assets | A | - | 1,275 | 1,275 |
| Investments in Subsidiaries | | 6,194,296 | - | 6,194,296 |
| Investment in Joint Venture | | 38,519 | - | 38,519 |
| Other Non-Current Financial Assets | D,E | 240,773 | (10,832) | 229,941 |
| | | 6,911,549 | (10,832) | 6,900,717 |
| **Current Assets** | | | | |
| Trade and Other Receivables | B,G | 421,526 | (55,368) | 366,158 |
| Tax Recoverable | | 585 | - | 585 |
| Other Current Financial Assets | C | 329,523 | 21,194 | 350,717 |
| Cash and Short Term Deposits | | 42,919 | - | 42,919 |
| | | 794,553 | (34,174) | 760,379 |
| **TOTAL ASSETS** | | 7,706,102 | (45,006) | 7,661,096 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Stated Capital | | 1,600,603 | - | 1,600,603 |
| Other Capital Reserves | | 257,032 | - | 257,032 |
| Other Components of Equity | D | - | 20,239 | 20,239 |
| Retained Earnings | B,C,E,F,G | 4,288,973 | (40,558) | 4,248,415 |
| **Total Equity** | | 6,146,608 | (20,319) | 6,126,289 |
| **Non-Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | F | 965,472 | (24,687) | 940,785 |
| Other Non-Current Financial Liabilities | | 10,599 | - | 10,599 |
| Deferred Tax Liabilities | | 40,056 | - | 40,056 |
| Employee Benefit Liability | | 30,551 | - | 30,551 |
| | | 1,046,678 | (24,687) | 1,021,991 |
| **Current Liabilities** | | | | |
| Trade & Other Payables | | 222,226 | - | 222,226 |
| Interest Bearing Loans and Borrowings | | 290,590 | - | 290,590 |
| | | 512,816 | - | 512,816 |
| **TOTAL EQUITY AND LIABILITIES** | | 7,706,102 | (45,006) | 7,661,096 |

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Company reconciliation of total comprehensive income for the year ended 31 March 2012

| | Notes | SLAS Rs.'000 | Remeasurements Rs.'000 | SLFRS as at 31 March 2012 Rs.'000 |
|---|---|---|---|---|
| **Revenue** | | 373,654 | - | 373,654 |
| Cost of Sales | | - | - | - |
| **Gross Profit** | | 373,654 | - | 373,654 |
| Other Operating Income | H | 447,411 | (9,073) | 438,338 |
| Selling and Distribution Expenses | | - | - | - |
| Administrative Expenses | B,C | (298,377) | (18,875) | (317,252) |
| Operating Profit | | 522,688 | (27,948) | 494,740 |
| Finance Cost | E,F | (75,085) | (48,660) | (123,745) |
| Finance Income | C,E,G,H | 43,252 | 15,625 | 58,877 |
| **Profit Before Tax** | | 490,855 | (60,983) | 429,872 |
| Income Tax Expense | | (22,271) | - | (22,271) |
| **Profit for the Year** | | 468,584 | (60,983) | 407,601 |
| Profit for the Year | | 468,584 | (60,983) | 407,601 |
| **Other Comprehensive Income** | | | | |
| Net Gain/(Loss) on Available-For-Sale Financial Assets | D | - | (8,680) | (8,680) |
| Income Tax Effect | | - | - | - |
| Other Comprehensive Income for the Year, Net of Tax | | - | (8,680) | (8,680) |
| Total Comprehensive Income for the Year, Net of Tax | | 468,584 | (69,663) | 398,921 |

# NOTES TO THE FINANCIAL STATEMENTS

### 2.4 First time adoption of SLFRS-Company

Notes to the reconciliation of equity as at 1 April 2011 and 31 March 2012 and total comprehensive income for the year ended 31 March 2012.

#### A. Transfer from PPE to Intangible Assets

All computer systems are currently categorised in property, plant and equipment. However, as per LKAS 38, computer systems that are not integral to operate the hardware should be recognised as a separate intangible asset and should be amortised. Therefore, as at 1 April 2011 a cost of Rs.20.5Mn and an accumulated depreciation of Rs.17.5Mn recorded in property plant and equipment has been transferred to intangible assets and accumulated amortisation respectively. A cost of Rs.0.3Mn and depreciation expense of Rs.2.0Mn has been transferred from property plant and equipment to Intangible assets and amortisation expense respectively for the year ended 31 March 2012.

#### B. Impairment of Trade Receivables

According to the current practice, the provision for impairment of receivables consists of both a specific amount for incurred losses and a general amount for expected future losses. SLFRS/LKAS do not permit recognition of impairment for expected future losses. Hence this amount (Rs.0.5Mn) has been eliminated against retained earnings as at 1 April 2011. A debtor or a group of debtors are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the debtor (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the debtor or the group of debtors that can be reliably estimated. Debtors are tested for impairment by using the collective impairment model. Accordingly, Company has recognised a impairment allownce of Rs.16.4Mn through retained earnings as at 1 April 2011 an impairment allownce of Rs. 18.5Mn has been made for the year ended 31 March 2012.

#### C. Fair Valuation and Subsequent Amortisation of Staff Loans

Under SLAS, staff loans were initially recognised at cost. As per LKAS 39 staff loans at initial recognition, should be measured at fair value. Since staff loans had been given below market rates fair valuation is required. The difference of Rs. 1.7Mn in fair value and loan granted has been recognised as a prepaid staff cost and amortized over the term of the loan. (Amortised amount as at 01 April 2011 is Rs. 0.4Mn). After the fair valuation, recognised interest income of Rs. 0.6Mn under SLAS is reversed and Rs. 1.2Mn interest income has been accrued by using the market rate (EIR) as at 1 April 2011. Prepaid staff cost of Rs. 0.8Mn has been recognised for the year ended 31 March 2012. Interest income of Rs. 0.6Mn recognised under SLAS has been reversed and an interest income of Rs. 1.1Mn has been recognised under LKAS 39 for the year ended 31 March 2012.

#### D. Fair Valuation of Quoted Investments

Under SLAS, the Company accounted for investments in quoted equity shares as financial instruments measured at cost. Under SLFRS / LKAS, the Company has classified such investments as available-for-sale investments. SLFRS / LKAS require available-for-sale investments to be measured at fair value. At the date of transition to SLFRS / LKAS, the fair value of quoted investment is Rs.83.0Mn and their SLAS carrying amount was Rs. 54.1Mn. The difference of Rs. 28.9Mn between the instruments' fair value and SLAS carrying amount has been recognised as a separate component of equity in the available-for-sale reserve. The fair value loss of Rs. 8.7Mn from available for sale investments has been recognised in other comprehensive income for the year ended 31 March 2012.

#### E. ESOS Valuation

Under the current practice receivables from JC trust is initially recognised at cost. This is a financial asset and therefore as per LKAS 39, receivables from JC Trust at initial recognition should be measured at fair value and subsequently measured at amortised cost. Since, receivables from JC Trust has not accrued any interest, fair valuation is required at initial recognition. A net amount of fair value difference at initial recognition and unwinding finance income of Rs. 20.9Mn has been recognised through retained earnings as at 1 April 2011. A difference of Rs. 20.4Mn in initial cost and fair value has been recognised in the income statement as finance cost and an unwinding finance income of Rs. 10.2Mn is recognised in the income statement as for the year ended 31 March 2012.

#### F. Intercompany Loans

Under the current practice, loans taken from fully owned subsidiaries are initially recognised at cost. This is a financial liability and therefore as per LKAS 39, loans taken from related parties at initial recognition should be measured at fair value and subsequently measured at amortised cost. Since, related party loans has not accrued any interest, fair valuation is required. The difference of Rs.112.6Mn in amortised cost and fair value is recognised through retained earnings as at 1 April 2011 as a dividend receipt from subsidiaries. Amount of Rs. 60.0Mn has been accrued as interest cost and adjusted in retained earnings as at 1 April 2011. An interest cost of Rs. 28.3Mn has been recognised in finance cost for the year ended 31 March 2012.

#### G. Preference Share Dividends

Currently, Company recognises the dividend income on a cash basis. According to the LKAS 18, dividend income should be recognised when the company's right to receive the payment is established. Therefore, company recognised the dividend income of Rs. 4.1Mn for Giddawa preference shares as at 1 April 2011 to retained earnings. During the year ended 31 March 2012, Company has received the divided income relating to previous year. Therefore, company has reversed the previous year dividend income of Rs. 4.1Mn from the income statement for the year ended 31 March 2012. Dividend income relating to 31 March 2012 has been received during the period.

#### H. Transfer of Dividend Income

During the year ended 31 March 2012, Company has reclassified its investment in Giddawa preference shares as a loan. Therefore, the dividends received from these preference shares Rs. 9.1Mn has been transferred from other income to finance income in the income statement for the year ended 31 March 2012.

#### I. Statement of Cash Flows

The transition from SLAS to SLFRS has not had material impact in the statement of cash flows.

### 2.5 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

*Judgments*

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised 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.

*Estimates and Assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Fair Valuation of Investment Properties*

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The company engaged independent valuation specialists to determine fair value as at 31 March 2013. For the investment property valuation specialists have used valuation techniques based on an open market value for existing use basis.

The determined fair value of the investment properties is more sensitive to the open market value for existing use basis. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 11.

*Share Based Payment Transactions*

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for the share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of most appropriate inputs to the valuation model including the expected life of the share option, volatility and making assumptions about them.

*Defined Benefit Plans*

The cost of defined benefit plans-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and retirement age. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

*Fair Value of Financial Instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values.

### 2.6 Effect of Sri Lanka Accounting Standards Issued but not yet Effective:

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial Statements. Those SLFRS will have an effect on the Accounting policies currently adopted by the group and may have an impact on the future financial statements.

**(i)** SLFRS 9 – Financial Instruments: Classification and measurement
SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applied to classification and measurement of financial assets and liabilities. This standard will be effective for the financial period beginning on or after 1 January 2015.

**(ii)** SLFRS 13 – Fair value measurement
SLFRAS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS. This Standard was originally effective for the financial period beginning on or after 1 January 2013 and early application was allowed. However effective date has been deferred subsequently.

In addition to the above, following standards were also issued with an original effective date of 1 January 2013, which were also deferred subsequently.

SLFRS 10 - Consolidated Financial Statements
SLFRS 11 - Joint Arrangements SLFRS 12 - Disclosure of Interests in Other Entities.

The Group will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Sale of Goods | **15,344,843** | 13,120,023 | **-** | - |
| Rendering of Services | **10,753,519** | 8,412,480 | **561,558** | 373,654 |
| | **26,098,362** | 21,532,503 | **561,558** | 373,654 |

Segmental information is given in Note 34 to these financial statements.

## 4 OTHER OPERATING INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Gain/(Loss) on Disposal of Investments | **576** | (1,716) | **78,908** | (8,175) |
| Gain/(Loss) on Disposal of Property Plant & Equipment | **40,876** | 30,224 | **1,548** | (2,666) |
| Change in Fair Value of Investment Properties | **65,322** | 32,127 | **66,908** | 14,559 |
| Rental Income | **3,652** | 1,686 | **7,500** | 6,430 |
| Commission Income | **17,427** | 12,950 | **-** | - |
| Foreign Exchange Gain | **117,972** | 48,832 | **-** | - |
| Dividend Income on Financial Assets - Related parties | **-** | - | **478,811** | 424,025 |
| Dividend Income on AFS Financial Assets - Others | **2,050** | 106 | **8** | 6 |
| Sundry Income | **48,799** | 50,666 | **80** | 4,159 |
| | **296,674** | 174,875 | **633,763** | 438,338 |

## 5 FINANCE COST AND INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| **5.1 Finance Cost** | | | | |
| Interest Expense on Overdrafts | **125,287** | 56,695 | **8,326** | 198 |
| Interest Expense on Loans and Borrowings | | | | |
| - Related Party | **-** | - | **201,750** | 78,965 |
| - Others | **229,299** | 325,257 | **42,341** | 24,213 |
| Finance Charges on Lease Liabilities | **6,775** | 718 | **-** | - |
| Preference Share Dividend | **15,148** | 15,573 | **-** | - |
| Total Interest Expense | **376,509** | 398,243 | **252,417** | 103,376 |
| Amortised cost adjustment of Preference Shares | **(6,814)** | - | **-** | - |
| Fair Value Difference on Financial Assets measured at amotised cost | **408** | 67,026 | **-** | 20,369 |
| **Total Finance Cost** | **370,103** | 465,269 | **252,417** | 123,745 |

*5 Finance Cost and Income (Contd...)*

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| **5.2 Finance Income** | | | | |
| Interest Income from Available For Sale Investments | - | - | - | - |
| Interest Income on Loans and Receivables -Related Party | - | - | 84,475 | 47,005 |
| Interest Income on Loans and Receivable - Others | 301,184 | 162,352 | 3,018 | 1,717 |
| Total Interest Income | 301,184 | 162,352 | 87,493 | 48,722 |
| Unwinding of Fair Value Difference on Financial Assets Measured at Amortised Cost | 41,466 | 40,047 | 12,643 | 10,155 |
| **Total Finance Income** | 342,650 | 202,399 | 100,136 | 58,877 |

## 6 PROFIT BEFORE TAX

**Stated after Charging/(Crediting)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| **Included in Cost of Sales** | | | | |
| Depreciation | 255,487 | 313,326 | - | - |
| Provision for Obsolete Stocks | (2,646) | (19,272) | - | - |
| **Included in Administrative Expenses** | | | | |
| Employees Benefits including the following | | | | |
| Defined Benefit Plan Cost - Gratuity | 64,938 | 32,837 | 5,804 | 5,725 |
| Defined Contribution Plan Cost - MSPS/EPF/ETF | 159,168 | 126,386 | 13,876 | 11,735 |
| Depreciation | 452,106 | 316,096 | 29,980 | 22,682 |
| Exchange Loss | 738 | 81,922 | - | - |
| Amortisation/ Impairment of Intangibles | 42,004 | 37,970 | 975 | 1,956 |
| Impairment of Investment in Subsidiaries | - | - | - | 10,676 |
| (Gain)/Loss on Disposal of Property, Plant and Equipment | (40,876) | (37,651) | (1,548) | 2,666 |
| Auditors' Fees and Expenses | 10,911 | 10,764 | 1,248 | 1,076 |
| Legal Fees | 2,059 | 1,365 | 48 | 3 |
| Donations | 5,877 | 6,305 | 499 | 772 |
| Impairment of Trade Receivables | (8,121) | 4,428 | 17,921 | 18,472 |
| **Included in Selling & Distribution Expenses** | | | | |
| Transport Cost | 80,828 | 99,525 | - | - |
| Advertising Cost | 471,302 | 413,637 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 7 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2013 and 2012 are

| | Group | | Company | |
|---|---|---|---|---|
| **Income Statement** | **2013 Rs.'000** | **2012 Rs.'000** | **2013 Rs.'000** | **2012 Rs.'000** |
| **Current Income Tax** | | | | |
| Current Income Tax Charge | **345,170** | 225,237 | **15,159** | 23,709 |
| Adjustment in respect of Current Income Tax of Prior Years | **58,658** | 4,486 | **(216)** | 528 |
| Share of Associate Company Income Tax | **965** | 529 | **-** | - |
| Tax on Dividends | **45,614** | 33,509 | **-** | - |
| ESC Written Off | **95** | - | **-** | - |
| **Deferred Income Tax Expense/(Income) arising due to** | | | | |
| - Origination and Reversal of Temporary Differences (Note 24) | **21,920** | (3,989) | **11,140** | (1,966) |
| | **472,422** | 259,772 | **26,083** | 22,271 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 Rs.'000** | **2012 Rs.'000** | **2013 Rs.'000** | **2012 Rs.'000** |
| **7.1 Reconciliation Between Income Tax Expenses and the Accounting Profit** | | | | |
| Accounting Profit Before Tax | **2,406,155** | 1,521,080 | **651,550** | 429,872 |
| Intra Group Adjustment/Share of Profits of Subsidiaries | **674,953** | 563,472 | **-** | - |
| Income not subject to Income Tax | **(797,100)** | (791,808) | **(642,742)** | (463,288) |
| Exempt Profit | **(666,501)** | (421,642) | **-** | - |
| Aggregate Disallowable Expenses | **413,487** | 457,135 | **95,402** | 146,054 |
| Aggregate Allowable Expenses | **(557,631)** | (194,541) | **(47,568)** | (27,964) |
| Aggregate Disallowable Income | **(33,553)** | (38,587) | **(2,504)** | - |
| Adjustment for Tax Losses | **(49,082)** | (11,280) | **-** | - |
| Taxable Profit | **1,390,728** | 1,083,829 | **54,138** | 84,709 |
| Income Tax at 28% (2011 - 35%) | **274,432** | 181,487 | **15,159** | 23,709 |
| Income Tax at 20% | **6,491** | - | **-** | - |
| Income Tax at 15% | **5,027** | 599 | **-** | - |
| Income Tax at 12% | **42,828** | 23,841 | **-** | - |
| Income Tax at 2% | **2,040** | 1,557 | **-** | - |
| Income Tax at Other Rates | **14,352** | 17,753 | **-** | - |
| Current Income Tax Charge | **345,170** | 225,237 | **15,159** | 23,709 |

### 7.2 Applicable Tax Rates

As per the Inland Revenue Act No.10 of 2006 and amendments thereto, all group companies which are resident in Sri Lanka are liable to Income Tax at 28% (2011/12- 28%) on taxable profit during the year 2012/2013 with the exception of the Companies stated below.

| Company/ Sector | Nature | Exemption or Concession | Period |
|---|---|---|---|
| **Exemptions / Concessions Granted Under the Board of Investment Law** | | | |
| Hemas Developments (Pvt) Ltd | Enjoys a concessionary tax rate | 2% on Revenue | 15 years ending 2019/2020 |
| Heladhanavi Limited | Exempt from Income Tax | Exempt | 10 years ending 2014/2015 |
| Okanda Power Grid (Pvt) Ltd | Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter | Exempt | 5 years from 1st year of profit or 2 years from operations |
| Upper Agra Oya Hydro Power (Pvt) Ltd | Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter | Exempt | 5 years ending 2012/2013 |
| Giddawa Hydro Power (Pvt) Ltd | Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter | Exempt | 5 years ending 2012/2013 |
| Hemas Hospitals (Pvt) Ltd | Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter | Exempt | 5 years from 1st year of profit or 2 years from operations |
| Hemas Southern Hospitals (Pvt) Ltd | Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter | Exempt | 5 years from 1st year of profit or 2 years from operations |
| Vishwa BPO (Pvt) Ltd | Exempt from income tax for a period of 3 years, at 10% for the next 2 years and 20% thereafter | 20% | Open-ended |
| Hemas Manufacturing (Pvt) Ltd | For manufacturing and/or marketing of soap, personal care items and other fast moving consumer goods at its relocated factory in Dankotuwa under "300 Enterprises Programme", Inland Revenue Act shall not apply for a period of 5 years. After the exemption, the profits are taxed at 10% for a period of 2 years and 20% thereafter | Exempt | 5 years ending 2012/2013 |
| **Exemptions/Concessions Granted Under the Inland Revenue Act** | | | |
| Hemas Power PLC | Classified as a venture capital Company and enjoys a concessionary tax rate | 12% | Open-ended |
| N-able (Pvt) Ltd | Exempt from income tax for a period of 3 years, after the exemption at 5% for the first year, 10% in the second year and 15% thereafter | Exempt | 3 years ending 2012/2013 |
| Hemas Capital Hospital (Pvt) Ltd | Entitled for a tax exemption period of 9 years as per Sec 17A | Exempt | 9 years from 1st year of profit or 2 years from operations |
| Leisure Sector | Promotion of tourism | 12% | Open-ended |

As per ''Business Profit Tax Act" in Maldives, taxable profits of Diethelm Travel The Maldives (Pvt) Ltd is charged at 15%.

As per SRO No 172-Law/Income Tax/2009 dated 30 June 2009 Hemas Consumer Brands (Pvt) Ltd is entitled to pay tax at reduce rate on income. As the Company incurred a loss during the year, minimum tax has been made as provisions for income tax in line with the provisions of the ITO-1984.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 EARNINGS PER SHARE

**8.1** 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.

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

| | Group | |
|---|---|---|
| | **2013 Rs.'000** | **2012 Rs.'000** |
| **Amount Used as the Numerator:** | | |
| Profit for the Year | **1,657,655** | 1,164,525 |
| Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share | **1,657,655** | 1,164,525 |

| In'000s | 2013 | 2012 |
|---|---|---|
| **Number of Ordinary Shares Used as Denominator:** | | |
| Number of Shares at the Beginning of the Year | **515,291** | 512,041 |
| Sub Division of Shares | **-** | - |
| | **515,291** | 512,041 |
| Effect of Issue of Shares under ESOS | | 1,625 |
| **Weighted Average Number of Ordinary Shares in Issue applicable to Basic Earnings Per Share** | **515,291** | 513,666 |

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

## 9 DIVIDENDS PER SHARE

### 9.1 Dividends Paid

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| Declared and Paid during the Year | | |
| Dividends on Ordinary Shares | | |
| Final Dividends | **128,823** | 128,010 |
| Interim Dividends | **154,587** | 128,823 |
| | **283,410** | 256,833 |

### 9.2 Dividends Per Share

| | 2013 Rs. | 2012 Rs. |
|---|---|---|
| Final Dividend out of 2011/2012 - (2012-2010/2011) Profits | **0.25** | 0.25 |
| Interim Dividend out of 2012/2013 - (2012-2011/2012) Profits | **0.30** | 0.25 |

The final dividends for 2011/2012 has been paid on 12 July 2012 and interim dividends for 2012/2013 has been paid on 3 December 2012.

## 10 PROPERTY, PLANT AND EQUIPMENT

### 10.1 Group

| | Free Hold Land Rs.'000 | Free hold Buildings Rs.'000 | Buildings on LH Land Rs.'000 | Plant and Machinery Rs.'000 | Furniture, Fitting & Equipments Rs.'000 | Motor Vehicles Rs.'000 | Capital Work-in-Progress Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| As at 1 April 2011 | 668,117 | 3,181,212 | 344,897 | 3,780,031 | 1,670,787 | 489,064 | 278,410 | 10,412,518 |
| Additions | 152,019 | 235,076 | 426,301 | 334,515 | 434,399 | 102,954 | 735,790 | 2,421,054 |
| Revaluations | 721,938 | 309,147 | 52,411 | - | - | - | - | 1,083,496 |
| Disposals | - | - | (1,452) | (23,186) | (159,171) | (92,816) | (3,903) | (280,528) |
| Exchange Translation Difference | - | - | - | 17 | 778 | - | - | 795 |
| Transfer | 233,480 | (515,270) | 864,130 | - | 294 | - | (870,367) | (287,733) |
| **As at 31 March 2012** | 1,775,554 | 3,210,165 | 1,686,287 | 4,091,377 | 1,947,087 | 499,202 | 139,930 | 13,349,602 |
| **Accumulated Depreciation** | | | | | | | | |
| As at 1 April 2011 | - | 188,326 | 54,320 | 1,630,960 | 826,228 | 266,034 | - | 2,965,868 |
| Charge | - | 96,992 | 13,950 | 263,497 | 197,765 | 57,218 | - | 629,422 |
| Disposals | - | - | - | (18,850) | (119,953) | (69,787) | - | (208,590) |
| Exchange Translation Difference | - | - | - | 4 | 173 | - | - | 177 |
| Transfer | - | (252,915) | (68,270) | - | 294 | - | - | (320,891) |
| **As at 31 March 2012** | - | 32,403 | - | 1,875,611 | 904,507 | 253,465 | - | 3,065,986 |
| **Carrying Value** | | | | | | | | |
| **As at 31 March 2012** | **1,775,554** | **3,177,762** | **1,686,287** | **2,215,766** | **1,042,580** | **245,737** | **139,930** | **10,283,616** |
| As at 1 April 2011 | 668,117 | 2,992,886 | 290,577 | 2,149,071 | 844,559 | 223,030 | 278,410 | 7,446,650 |

# NOTES TO THE FINANCIAL STATEMENTS

## 10 Property, Plant and Equipment (*Contd...*)

### 10.2 Group

| | Free Hold Land Rs.'000 | Free hold Buildings Rs.'000 | Buildings on LH Land Rs.'000 | Plant and Machinery Rs.'000 | Furniture, Fitting & Equipments Rs.'000 | Motor Vehicles Rs.'000 | Capital Work-in-Progress Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| As at 1 April 2012 | 1,775,554 | 3,210,165 | 1,686,287 | 4,091,377 | 1,947,087 | 499,202 | 139,930 | 13,349,602 |
| Additions | 1,195 | 12,051 | 11,930 | 91,149 | 243,075 | 187,470 | 816,752 | 1,363,622 |
| Acquisition of Subsidiary | - | - | - | - | 7,234 | 152,811 | - | 160,045 |
| Revaluations | 87,614 | 41,428 | - | - | - | - | - | 129,042 |
| Disposals | - | - | - | (4,326) | (16,047) | (100,227) | (17,162) | (137,762) |
| Exchange Translation Difference | - | (73) | - | 54 | (118) | - | - | (137) |
| Transfer | 43,986 | 81,799 | 3,650 | - | - | - | - | 129,435 |
| **As at 31 March 2013** | 1,908,349 | 3,345,370 | 1,701,867 | 4,178,254 | 2,181,231 | 739,256 | 939,520 | 14,993,847 |
| **Accumulated Depreciation** | | | | | | | | |
| As at 1 April 2012 | - | 32,403 | - | 1,875,611 | 904,507 | 253,465 | - | 3,065,986 |
| Charge | - | 102,800 | 15,823 | 272,202 | 235,344 | 81,425 | - | 707,593 |
| Acquisition of Subsidiary | - | - | - | - | 1,770 | 21,760 | - | 23,530 |
| Disposals | - | - | - | (2,145) | (12,271) | (82,866) | - | (97,281) |
| Exchange Translation Difference | - | - | - | 61 | 1 | - | - | 62 |
| **As at 31 March 2013** | - | 135,203 | 15,823 | 2,145,729 | 1,129,351 | 273,784 | - | 3,699,890 |
| **Carrying Value** | | | | | | | | |
| **As at 31 March 2013** | **1,908,349** | **3,210,167** | **1,686,044** | **2,032,525** | **1,051,880** | **465,472** | **939,520** | **11,293,957** |
| As at 31 March 2012 | 1,775,554 | 3,177,762 | 1,686,287 | 2,215,766 | 1,042,580 | 245,737 | 139,930 | 10,283,616 |

*10 Property, Plant and Equipment (Contd…)*

**10.2.1** Following companies have stated their properties at revalued amounts. The surplus arising from the revaluation was transferred to revaluation reserve.

| Property | Extent | Valuation Rs'000 | Date of the valuation | Valuer | Valuation Details |
|---|---|---|---|---|---|
| **Hemas Manufacturing (Pvt) Ltd** | | | | | |
| Buildings at Dankotuwa<br>Land at Dankotuwa | 174,446 sq.ft.<br>9A-2R-24.5P | 534,702<br>83,403 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| Buildings on Leasehold Land at Ambakumbura | 11,171.5 sq.ft. | 6,000 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| Land of Industrial Property at Welisara<br>Buildings of Industrial Property at Welisara | 1A-0R-33.12P<br>53,802 sq.ft. | 74,351<br>137,249 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Hemas Hospitals (Pvt) Ltd** | | | | | |
| Buildings on Leasedhold Land at Wattala | 102,219 sq.ft. | 949,200 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Hemas Southern Hospitals (Pvt) Ltd** | | | | | |
| Land at Galle<br>Building at Galle | 2R-23.83P<br>38,778 sq.ft. | 127,000<br>268,000 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Hemas Corporate Services (Pvt) Ltd** | | | | | |
| Buildings in Colombo | 1,786 sq.ft. | 24,000 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Peace Haven Resorts Ltd** | | | | | |
| Land at Tangalle<br>Buildings at Tangalle | 41A-1R-15.4P<br>4,957 sq.ft. | 721,500<br>7,500 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Mowbray Hotels Ltd** | | | | | |
| Land at Kandy<br>Buildings at Kandy | 32A-1R-29P<br>11,134 sq.ft. | 155,670<br>16,330 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Serendib Hotels PLC** | | | | | |
| Buildings on Leasehold Land at Bentota | 95,112 sq.ft. | 588,167 | 31-Mar-2012 | A.R Ajith Fernando Incorporated Valuers | Profit Basis |
| **Miami Beach Hotel Ltd** | | | | | |
| Land at Waikkal<br>Buildings at Waikkal | 7A-3R-31P<br>74,270 sq.ft. | 103,269<br>396,742 | 31-Mar-2012 | A.R Ajith Fernando Incorporated Valuers | Profit Basis |
| **Dolphin Hotels PLC** | | | | | |
| Land at Waikkal<br>Buildings at Waikkal | 5A-5R-24.8P<br>139,529 sq.ft. | 102,001<br>537,950 | 31-Mar-2012 | A.R Ajith Fernando Incorporated Valuers | Profit Basis |
| **Hotel Sigiriya PLC** | | | | | |
| Buildings on Leasehold Land at Sigiriya | 70,172 sq.ft. | 156,356 | 31-Mar-2012 | A.R Ajith Fernando Incorporated Valuers | Profit Basis |
| **Giddawa Hydro Power (Pvt) Ltd**<br>Land | 1A-34-30.90 P | 8,549 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Profit Basis |
| **Okanda Power Grid (Pvt) Ltd**<br>Land | 0A-3R-31.83P | 2,650 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Profit Basis |
| **Ella Dendro Electric (Pvt) Ltd**<br>Land | 23A-2R-29.30P | 39,500 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Profit Basis |

# NOTES TO THE FINANCIAL STATEMENTS

*10 Property, Plant and Equipment (Contd...)*

### 10.2.2 Carrying value

| | 2013 | 2012 | 1 April 2011 |
|---|---|---|---|
| At Cost | 5,074,054 | 4,326,567 | 5,776,065 |
| At Valuation | 6,119,869 | 5,948,690 | 1,668,475 |
| On Finance Lease | 100,034 | 8,359 | 2,111 |
| | 11,293,957 | 10,283,616 | 7,446,651 |

**10.2.3** The carrying amount of revalued Freehold Land & Buildings and Buildings on leasehold land if they were carried at cost less depreciation, would be as follows;

| | Cost | Cumulative Depreciation | Net Carrying Amount 2013 | 2012 | 1 April 2011 |
|---|---|---|---|---|---|
| Freehold Land | 423,071 | - | 423,071 | 422,977 | 404,819 |
| Building on Freehold Land | 2,783,961 | 276,776 | 2,507,183 | 2,522,718 | 2,536,134 |
| Building on Leasehold Land | 662,380 | 111,608 | 550,772 | 572,007 | 89,365 |
| | 3,869,412 | 388,384 | 3,481,026 | 3,517,702 | 3,030,318 |

**10.2.5** Group property, plant and equipment with a cost of Rs. 806Mn have been fully deprecated and continue to be in use by the group.

### 10.3 Company

| | Roadways Rs.'000 | Furniture and Fittings Rs.'000 | Office Equipment Rs.'000 | Computer Hardware Rs.'000 | Motor Vehicles Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at 1 April 2011 | 6,975 | 17,193 | 11,050 | 63,730 | 91,773 | 190,721 |
| Additions | - | 16,233 | 5,692 | 6,235 | 15,240 | 43,400 |
| Disposals | - | (10,038) | (4,132) | - | (6,290) | (20,460) |
| Transfers to Investment Property/Other | (6,975) | - | - | - | - | (6,975) |
| Balance as at 1 April 2012 | - | 23,388 | 12,610 | 69,965 | 100,723 | 206,686 |
| Additions | - | 22,696 | 8,758 | 7,379 | 41,610 | 80,443 |
| Disposals | - | (1,188) | (61) | (1,024) | (5,958) | (8,231) |
| Balance as at 31 March 2013 | - | 44,896 | 21,307 | 76,320 | 136,375 | 278,898 |
| **Accumulated Depreciation** | | | | | | |
| Balance as at 1 April 2011 | - | 7,397 | 8,050 | 57,247 | 15,687 | 88,381 |
| Charge for the Year | - | 2,588 | 789 | 5,157 | 14,148 | 22,682 |
| Disposals | - | (3,575) | (2,604) | - | (3,384) | (9,563) |
| Balance as at 1 April 2012 | - | 6,410 | 6,235 | 62,404 | 26,451 | 101,500 |
| Charge for the Year | - | 4,383 | 989 | 5,312 | 19,296 | 29,980 |
| Disposals | - | (1,047) | (7) | (912) | (4,346) | (6,312) |
| Balance as at 31 March 2013 | - | 9,746 | 7,217 | 66,804 | 41,401 | 125,168 |

*10 Property, Plant and Equipment (Contd…)*

**10.3.1 Carrying Value**

| | Roadways Rs.'000 | Furniture and Fittings Rs.'000 | Office Equipment Rs.'000 | Computer Hardware Rs.'000 | Motor Vehicles Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| 31 March 2013 | - | 35,150 | 14,090 | 9,516 | 94,974 | 153,730 |
| 31 March 2012 | - | 16,978 | 6,375 | 7,561 | 74,272 | 105,186 |
| 1 April 2011 | 6,975 | 9,796 | 3,000 | 6,483 | 76,086 | 102,340 |

**10.3.2** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 40.4Mn (2012-Rs. 43.4Mn & 2011 - Rs. 71.5Mn) by means of cash.

**10.3.3** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 86.9Mn.

**11 INVESTMENT PROPERTIES**

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| At the Beginning of the Year | **474,685** | 1,309,965 | **331,500** | 309,965 |
| Additions (Subsequent Expenditure) | **167,881** | - | **167,881** | - |
| Net Gain/(Loss) on Fair Value Adjustment | **65,322** | 32,127 | **66,908** | 14,559 |
| Transfers | **(129,435)** | (867,407) | **-** | 6,976 |
| At the End of the Year | **578,453** | 474,685 | **566,289** | 331,500 |
| Rental Income Derived from Investment Properties | **23,617** | 26,270 | **20,909** | 18,142 |
| Direct Operating Expenses (Including Repair and Maintenance) Generating Rental Income | **(7,918)** | (11,574) | **(2,351)** | (6,273) |
| Direct Operating Expenses (Including Repair and Maintenance) that did not Generate Rental Income | **(395)** | (354) | **(477)** | (354) |
| Net Profit Arising from Investment Properties Carried at Fair Value | **15,304** | 14,341 | **18,081** | 11,515 |

# NOTES TO THE FINANCIAL STATEMENTS

### 11.1 Details of Investment Properties

| Property | Extent | Valuation Rs'000 | Date of the valuation | Valuer | Valuation Details |
|---|---|---|---|---|---|
| **Hemas Holdings PLC** | | | | | |
| Freehold Property at Welisara<br>Land<br>Building | 1A-3R-8P<br>66,340 sq.ft. | 307,250 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value |
| Freehold Property at Handala<br>Land<br>Building | 2R-4.13P<br>2,960 sq.ft. | 54,500 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value |
| Freehold Property at Tangalle<br>Land | 1A-0R-30P | 47,500 | 31-Mar-2013 | Sunil Fernando Associates | Open Market Value |
| Freehold Property at Moratuwa<br>Land | 0A-2R-39P | 157,039 | 31-Mar-2013 | Sunil Fernando Associates | Open Market Value |
| **Hemas Developments (Pvt) Ltd.** | | | | | |
| Freehold Property at Braybrooke Place<br>Land<br>Building | 1R-10P<br>99,372 sq.ft. | 1,204,700 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Income Basis |

The significant assumptions used by the valuer are as follows

| | |
|---|---|
| Growth in Future Rentals | 12% |
| Anticipated Maintenance Cost | 55% |
| Discount Rate | 6% |

## 12 LEASEHOLD RIGHT

| | Group 2013 Rs.'000 | Group 2012 Rs.'000 |
|---|---|---|
| At the Beginning of the Year | **94,455** | 98,386 |
| Additions/Acquisitions | **-** | - |
| Amortisation | **(3,863)** | (3,931) |
| At the End of the Year | **90,592** | 94,455 |

### 12.1 Details of Leasehold Properties

| Property | Extent | Lease period | Value Rs'000 |
|---|---|---|---|
| **Hemas Manufacturing (Pvt) Ltd** | | | |
| Land at Ambakumbura | 5A - 1R - 23.47P | 21 Years | 17,333 |
| Serendib Hotels PLC | | | |
| Land at Bentota | 2A - 0R - 6P<br>1A - 0R - 37P | 50 Years<br>30 Years | 35,736 |
| **Hotel Sigiriya PLC** | | | |
| Land at Sigiriya | 8A - 0R - 16P | 30 Years | 2,644 |
| **Hemas Hospitals (Pvt) Ltd** | | | |
| Land at Wattala | 227.5P | 30 years | 42,673 |

## 13 INTANGIBLE ASSETS

| | Group | | | | | Company | |
|---|---|---|---|---|---|---|---|
| | Software Rs.'000 | Brand Rs.'000 | Development Expenses Rs.'000 | Goodwill on Consolidaion Rs.'000 | Total Rs.'000 | Software Rs.'000 | Total Rs.'000 |
| **13.1 Cost or Valuation** | | | | | | | |
| As at 1 April 2011 | 43,437 | 132,521 | 10,833 | 353,067 | 539,858 | 20,484 | 20,484 |
| Addition/ Change in Percentage Holding | 1,129 | - | 1,146 | 6,767 | 9,042 | 266 | 266 |
| Acquisition of Subsidiary | - | - | - | - | - | - | - |
| Disposals | (1,633) | - | - | - | (1,633) | - | - |
| As at 31 March 2012 | 42,933 | 132,521 | 11,979 | 359,834 | 547,267 | 20,750 | 20,750 |
| **Accumulated Amortisation/Impairment** | | | | | | | |
| As at 1 April 2011 | 27,886 | 12,658 | 7,996 | - | 48,540 | 17,519 | 17,519 |
| Amortisation | 6,572 | 8,178 | 2,556 | - | 17,306 | 1,956 | 1,956 |
| Acquisition of Subsidiary | - | - | - | - | - | - | - |
| Impairment/ Derecognition | - | - | - | 20,664 | 20,664 | - | - |
| Disposals | (742) | - | - | - | (742) | - | - |
| As at 31 March 2012 | 33,716 | 20,836 | 10,552 | 20,664 | 85,768 | 19,475 | 19,475 |
| **Carrying Value** | 9,217 | 111,685 | 1,427 | 339,170 | 461,499 | 1,275 | 1,275 |
| **13.2 Cost or Valuation** | | | | | | | |
| As at 1 April 2012 | 42,933 | 132,521 | 11,979 | 359,834 | 547,267 | 20,750 | 20,750 |
| Addition/ Change in Percentage Holding | 1,743 | - | - | - | 1,743 | 98 | 98 |
| Acquisition of Subsidiary | - | - | - | 15,463 | 15,463 | - | - |
| Disposals | - | - | - | - | - | - | - |
| As at 31 March 2013 | 44,676 | 132,521 | 11,979 | 375,297 | 564,473 | 20,848 | 20,848 |
| **Accumulated Amortisation/Impairment** | | | | | | | |
| As at 1 April 2012 | 33,716 | 20,836 | 10,552 | 20,664 | 85,768 | 19,475 | 19,475 |
| Amortisation | 4,830 | 28,542 | 632 | - | 34,004 | 975 | 975 |
| Acquisition of Subsidiary | - | - | - | - | - | - | - |
| Impairment/ Derecognition | - | 8,000 | - | - | 8,000 | - | - |
| Disposals | - | - | - | - | - | - | - |
| As at 31 March 2013 | 38,546 | 57,378 | 11,184 | 20,664 | 127,772 | 20,450 | 20,450 |
| **Carrying Value** | 6,130 | 75,143 | 795 | 354,633 | 436,701 | 398 | 398 |

The Group and the Company annually carry out an impairment test on 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.

**Development Expenses :** These include all expenditure attributable to the intangible asset during its development stage. The technical feasibility of completing the project/ product and the business case for future economic benefits are reassessed each year.

# NOTES TO THE FINANCIAL STATEMENTS

## 14 INVESTMENT IN SUBSIDIARIES

| | Holding | | | | | |
|---|---|---|---|---|---|---|
| | 2013 % | 2012 % | 1 April 2011 % | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Non-Quoted Investments** | | | | | | |
| Hemas Corporate Services (Pvt) Ltd. | **100%** | 100% | 100% | **39,891** | 39,891 | 39,891 |
| Hemas Developments (Pvt) Ltd. | **73%** | 73% | 73% | **632,316** | 632,316 | 632,316 |
| Hemas Manufacturing (Pvt) Ltd. | **100%** | 100% | 100% | **509,905** | 509,905 | 509,905 |
| Hemas Marketing (Pvt) Ltd. | **100%** | 100% | 100% | **192,600** | 192,600 | 192,600 |
| Hemas Foods (Pvt) Ltd. | **100%** | 100% | 100% | **24,846** | 24,846 | 24,846 |
| Hemas Pharmaceuticals (Pvt) Ltd. | **100%** | 100% | 100% | **213,331** | 213,331 | 213,331 |
| Hemas Surgicals and Diagnostics (Pvt) Ltd. | **100%** | 100% | 100% | **23,957** | 23,957 | 23,957 |
| Hemas Travels (Pvt) Ltd. | **100%** | 100% | 100% | **91,359** | 91,359 | 91,359 |
| Hemas Air Services (Pvt) Ltd. | **100%** | 100% | 100% | **64,687** | 64,687 | 64,687 |
| Forbes Air Services (Pvt) Ltd. | **100%** | 100% | 100% | **62,452** | 62,452 | 62,452 |
| Discover the World Marketing (Pvt) Ltd. | **100%** | 100% | 100% | **4,666** | 4,666 | 4,666 |
| Hemas Aviation (Pvt) Ltd. | **100%** | 100% | 100% | **1,910** | 1,910 | 1,910 |
| Exchange & Finance Investments (Pvt) Ltd. | **100%** | 100% | 100% | **9,412** | 9,412 | 9,412 |
| Hemtours (Pvt) Ltd. | **100%** | 100% | 100% | **161,207** | 209,911 | 209,911 |
| Leisure Asia Investments Ltd. | **100%** | 100% | 100% | **398,795** | 398,795 | 257,559 |
| Peace Haven Resorts Ltd. | **95%** | 95% | 95% | **336,455** | 336,455 | 336,455 |
| Hemas Transportation (Pvt) Ltd. | **100%** | 100% | 100% | **85,049** | 300 | 300 |
| ACX International (Pvt) Ltd. | **0%** | 0% | 100% | **-** | - | 21,788 |
| Mowbray Hotels Ltd. | **89%** | 89% | 89% | **46,200** | 46,200 | 46,200 |
| Far Shipping Lanka (Pvt) Ltd. | **100%** | 100% | 100% | **3,000** | 3,000 | 3,000 |
| Hemas Hospitals (Pvt) Ltd. | **81%** | 81% | 74% | **1,241,225** | 1,128,783 | 877,564 |
| Vishwa BPO (Pvt) Ltd. | **100%** | 100% | 100% | **10,000** | 10,000 | 10,000 |
| | | | | **4,153,264** | 4,004,777 | 3,634,109 |
| **Quoted Investments** | | | | | | |
| Serendib Hotels PLC | | | | **248,101** | 248,101 | 120,755 |
| Hemas Power PLC | | | | **1,941,137** | 1,941,137 | 1,941,137 |
| Dolphin Hotels PLC | | | | **1,631** | 281 | - |
| **Total** | | | | **6,344,133** | 6,194,296 | 5,696,001 |

## 15 INVESTMENT IN JOINT VENTURES

| | Company | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 April 2011 | 2013 | 2012 | 1 April 2011 |
| | Holding % | | | Rs.'000 | Rs.'000 | Rs.'000 |
| Hellmann Worldwide Logistics (Pvt) Ltd. | **49%** | 49% | 49% | **8,475** | 8,475 | 8,475 |
| Hemas International Freight (Pvt) Ltd. | **49%** | 49% | 49% | **30,044** | 30,044 | 30,044 |
| ACX International (Pvt) Ltd. | | | | **-** | 10,676 | - |
| | | | | **38,519** | 49,195 | 38,519 |
| Less- Impairment in Investment | | | | **-** | (10,676) | - |
| | | | | **38,519** | 38,519 | 38,519 |

### 15.1 Proportionate Interest in Joint Ventures

Aggregate amounts of Group's proportionate share of Heladhanavi Ltd (47%), HIF Logistics (Pvt) Ltd (49%) , Skynet Worldwide Express (Pvt) Ltd. (49%) and Hellmann Worldwide Logistics (Pvt) Ltd, (49%), ACX International (Pvt) Ltd (49%),H & M Shipping (Pvt) Ltd (50%) included in the Group financial statements are as follows:

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| **Statement of Financial Position** | | |
| a) Current Assets | **2,382,797** | 2,096,507 |
| b) Non Current Assets | **1,256,577** | 1,399,577 |
| c) Current Liabilities | **2,087,228** | 2,142,078 |
| d) Non Current Liabilities | **388,451** | 179,778 |
| **Income Statement** | | |
| e) Revenue | **5,490,743** | 4,477,903 |
| f) Net Profit | **195,421** | 185,610 |

## 16 INVESTMENT IN ASSOCIATES

The Group has a 19.9% interest in Jada Resort (Pvt) Ltd which is involved in hotel operations. Jada resorts is a Private Limited company that is not listed on any public exchange.

| | Group | | |
|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1st April 2011 Rs.'000 |
| **Group's Share of Associate's Statement of Financial Position** | | | |
| Current Assets | **81,807** | 38,687 | 21,200 |
| Non Current Assets | **315,108** | 157,461 | 165,238 |
| Current Liabilities | **70,990** | 15,195 | 17,658 |
| Non-Current Liabilities | **104,600** | 1,554 | 778 |
| **Equity** | **221,325** | 179,399 | 168,002 |
| Share of the Associate Revenue | **48,009** | 75,037 | - |
| Share of the Associate Profit Before Tax | **1,554** | 11,925 | - |
| Share of the Associate Profit After Tax | **589** | 11,397 | - |
| **Carrying Amount of the Investment** | **221,325** | 179,399 | 168,002 |

# NOTES TO THE FINANCIAL STATEMENTS

## 17 OTHER FINANCIAL ASSETS

| OTHER FINANCIAL ASSETS | Group 2013 Rs.'000 | Group 2012 Rs.'000 | Group 1 April 2011 Rs.'000 | Company 2013 Rs.'000 | Company 2012 Rs.'000 | Company 1 April 2011 Rs.'000 |
|---|---|---|---|---|---|---|
| **Available For Sale Investments** | | | | | | |
| Quoted Equity Shares (Note 17.1.1) | **197,438** | 74,354 | 83,065 | **71,846** | 74,296 | 82,976 |
| Unquoted Equity Shares (Note 17.1.1) | **12,388** | 10,371 | 10,215 | **-** | - | - |
| | **209,826** | 84,725 | 93,280 | **71,846** | 74,296 | 82,976 |
| **Loans and Receivables** | | | | | | |
| ESOS Receivables (Note 17.1.2) | **274,462** | 274,811 | 130,881 | **96,389** | 93,045 | 42,255 |
| Loans to Company Officers | **82,684** | 65,252 | 62,694 | **9,893** | 8,843 | 7,350 |
| Loans Due from Related Parties (Note 17.2.1) | **-** | - | - | **694,709** | 404,474 | 594,272 |
| Refundable Deposit | **5,094** | 4,833 | 3,545 | **-** | - | - |
| Short Term Investments | **-** | 255,963 | 670,496 | **-** | - | - |
| | **362,240** | 600,859 | 867,616 | **800,991** | 506,362 | 643,877 |
| **Held to Maturity Investment** | | | | | | |
| Investments in Treasury Bonds | **-** | - | 49,549 | **-** | - | - |
| | **-** | - | 49,549 | **-** | - | - |
| **Total Other Financial Assets** | **572,066** | 685,584 | 1,010,445 | **872,837** | 580,658 | 726,853 |
| Total Non-Current (Note 17.1) | **399,147** | 324,069 | 277,255 | **224,924** | 229,941 | 200,231 |
| Total Current (Note 17.2) | **172,919** | 361,515 | 733,190 | **647,913** | 350,717 | 526,622 |

*Available For Sale Investment - Quoted Equity Shares*

The Company and Group have investments in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

*Available For Sale Investment - Unquoted Equity Shares*

The Group has investments in unquoted equity securities. The fair value of the unquoted equity shares is estimated using appropriate valuation techniques.

*Impairment on Available For Sale Financial Investments*

For Available For Sale financial investments, the Group and Company assess at each reporting date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as Available For Sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or prolonged requires judgment. In making this judgment, the Group and Company evaluate, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

### 17.1 Other Financial Assets - Non Current

| | Group 2013 Rs.'000 | Group 2012 Rs.'000 | Group 1 April 2011 Rs.'000 | Company 2013 Rs.'000 | Company 2012 Rs.'000 | Company 1 April 2011 Rs.'000 |
|---|---|---|---|---|---|---|
| Investment in Equity Securities - (Note 17.1.1) | **209,826** | 84,725 | 93,280 | **71,846** | 74,296 | 82,976 |
| ESOS Receivables (Note 17.1.2) | **184,227** | 234,511 | 130,881 | **78,078** | 80,645 | 42,255 |
| Loans Due from Related Parties (Note 17.1.3) | - | - | - | 75,000 | 75,000 | 75,000 |
| Refundable Deposits | **5,094** | 4,833 | 3,545 | **-** | - | - |
| Investments in Treasury Bonds | **-** | - | 49,549 | **-** | - | - |
| | **399,147** | 324,069 | 277,255 | **224,924** | 229,941 | 200,231 |

*17 Other Financial Assets (Contd...)*

### 17.1.1 Investment in Equity Securities - Non Current

| Group | No. of Shares | | Carrying value | | | Fair value | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| (a) Quoted | | | | | | | | |
| Overseas Realty (Ceylon) PLC | **1,000** | 1,000 | **14** | 13 | 15 | **14** | 13 | 15 |
| Eden Hotels Lanka PLC | **127** | 127 | **4** | 4 | 7 | **4** | 4 | 7 |
| Galadari Hotels PLC | **2000** | 2000 | **24** | 39 | 65 | **24** | 39 | 65 |
| Blue Diamond Jewellers PLC | **1300** | 1300 | **4** | 4 | 4 | **4** | 4 | 4 |
| Royal Palm Beach Hotels PLC | **85** | 85 | **3** | 5 | 6 | **3** | 5 | 6 |
| Mecantile Shipping PLC | **484,334** | 424,323 | **69,889** | 72,559 | 80,621 | **69,889** | 72,559 | 80,621 |
| Kotmale Holdings PLC | **40,000** | 40,000 | **1,436** | 1,580 | 2,140 | **1,436** | 1,580 | 2,140 |
| John Keells Holdings PLC | **2081** | 726 | **514** | 150 | 207 | **514** | 150 | 207 |
| Pan Asia Power PLC | **139,200** | - | **125,550** | - | - | **125,550** | - | - |
| | | | **197,438** | 74,354 | 83,065 | **197,438** | 74,354 | 83,065 |

| | No. of Shares | | Carrying value | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| (b) Unquoted | | | | | |
| Rainforest Ecology (Pvt) Ltd. | **1,000,000** | 1,000,000 | **12,000** | 10,000 | 10,000 |
| SLFFA Cargo Services Ltd. | **18,900** | 18,900 | **383** | 366 | 210 |
| Coca Cola Beaverages Ltd. | **100** | 100 | **5** | 5 | 5 |
| | | | **12,388** | 10,371 | 10,215 |

**Investment in Equity Securities - Non Current**

| Company | No. of Shares | | | Carrying Value | | | Fair Value | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 April 2011 | 2013 | 2012 | 1 April 2011 | 2013 | 2012 | 1 April 2011 |
| Quoted | | | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Overseas Realty (Ceylon) PLC | **500** | 500 | 500 | **7** | 7 | 8 | **7** | 7 | 8 |
| Kotmale Holdings PLC | **40,000** | 40,000 | 40,000 | **1,436** | 1,580 | 2,140 | **1,436** | 1,580 | 2,140 |
| Mercantile Shipping PLC | **484,334** | 426,223 | 426,223 | **69,889** | 72,559 | 80,621 | **69,889** | 72,559 | 80,621 |
| John Keells Holdings PLC | **2,081** | 726 | 726 | **514** | 150 | 207 | **514** | 150 | 207 |
| | | | | **71,846** | 74,296 | 82,976 | **71,846** | 74,296 | 82,976 |

### 17.1.2 ESOS Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| ESOS receivable at the Begining of the Year | **274,811** | 130,881 | **93,045** | 42,255 |
| Payment Made during the Year | **(37,725)** | 154,747 | **(9,299)** | 61,004 |
| Fair Valuation | **-** | (39,390) | **-** | (20,369) |
| Unwinding of Interest | **37,376** | 28,573 | **12,643** | 10,155 |
| | **274,462** | 274,811 | **96,389** | 93,045 |
| Non Current | **184,227** | 234,511 | **78,078** | 80,645 |
| Current | **90,235** | 40,300 | **18,311** | 12,400 |

# NOTES TO THE FINANCIAL STATEMENTS

*17 Other Financial Assets (Contd...)*

### 17.1.3 Loans Due from Related Parties

| | | Company | | |
|---|---|---|---|---|
| | Relationship | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **15,000** | 15,000 | 15,000 |
| Giddawa Hydro Power (Pvt) Ltd. | Subsidiary | **60,000** | 60,000 | 60,000 |
| | | **75,000** | 75,000 | 75,000 |

### 17.2 Other Financial Assets - Current

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| ESOS Receivables | **90,235** | 40,300 | - | **18,311** | 12,400 | - |
| Loans to Company Officers | **82,684** | 65,252 | 62,694 | **9,893** | 8,843 | 7,350 |
| Loans due from Related parties (17.2.1) | **-** | - | - | **619,709** | 329,474 | 519,272 |
| Short Term Investments | **-** | 255,963 | 670,496 | **-** | - | - |
| **Total Current Financial Assets** | **172,919** | 361,515 | 733,190 | **647,913** | 350,717 | 526,622 |

### 17.2.1 Loans Due from Related Parties

| | | Company | | |
|---|---|---|---|---|
| | Relationship | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **50,000** | 27,716 | 98,716 |
| Hemas Corporate Services (Pvt) Ltd . | Subsidiary | **21,540** | 5,340 | - |
| HIF Logistics (Pvt) Ltd. | Joint Venture | **124** | 124 | 6,000 |
| Hemas Surgicals and Diagnostics (Pvt) Ltd. | Subsidiary | **-** | - | 1,000 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **366,895** | 175,895 | 237,896 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **-** | - | 10,000 |
| Hemtours (Pvt) Ltd. | Subsidiary | **65,000** | 65,000 | 65,000 |
| N-able (Pvt) Ltd. | Subsidiary | **75,000** | 55,000 | 47,000 |
| Peace Haven Resorts (Pvt) Ltd. | Subsidiary | **40,000** | - | - |
| Serendib Hotels PLC | Subsidiary | **1,150** | 19 | 53,510 |
| Leisure Asia Investments Ltd. | Subsidiary | **-** | 380 | 150 |
| | | **619,709** | 329,474 | 519,272 |

## 18 INVENTORIES

| | Group 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
|---|---|---|---|
| Raw Materials | **306,323** | 254,310 | 312,798 |
| Work in Progress | **31,938** | 40,170 | 37,801 |
| Finished Goods & Other Stocks | **2,005,174** | 1,701,875 | 1,406,401 |
| Goods in Transit | **136,010** | 65,590 | - |
| Less:Provision for Obsolete Stocks | **(54,308)** | (56,956) | (76,228) |
| | **2,425,137** | 2,004,989 | 1,680,772 |

## 19 TRADE AND OTHER RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| Trade Debtors | | | | | | |
| Related Parties (19.1) | **-** | - | - | **258,872** | 133,841 | 92,771 |
| Others | **3,851,559** | 3,327,985 | 2,898,620 | **3,913** | 1,684 | 2,171 |
| Ceylon Electricity Board | **1,875,008** | 1,532,730 | 603,958 | **-** | - | - |
| Less: Allowance for Impairment -Related Party | **-** | - | - | **(52,146)** | (34,465) | (16,431) |
| -Other | **(141,480)** | (158,993) | (145,952) | **(678)** | (438) | - |
| | **5,585,087** | 4,701,722 | 3,356,626 | **209,961** | 100,622 | 78,511 |
| Other Debtors | | | | | | |
| Related Parties (19.2) | **-** | - | - | **692,539** | 169,921 | 127,894 |
| Others | **711,597** | 572,770 | 574,860 | **26,476** | 5,888 | 6,874 |
| Advances and Prepayments | **770,654** | 585,975 | 299,869 | **97,375** | 89,727 | 11,476 |
| Less: Allowance for Impairment | **(19,643)** | (6,047) | (3,736) | **-** | - | - |
| | **7,047,695** | 5,854,420 | 4,227,619 | **1,026,351** | 366,158 | 224,755 |

**Group**

As at 31 March, the Age Analysis of Trade Receivables is as follows:

| | Total Rs.'000 | Current Rs.'000 | Past due but not Impaired < 30 Rs.'000 | 31-60 days Rs.'000 | 61-90 days Rs.'000 | 91-120 days Rs.'000 | > 120 days Rs.'000 |
|---|---|---|---|---|---|---|---|
| 2013 | 5,585,087 | 3,879,223 | 645,626 | 563,462 | 487,622 | 8,502 | 650 |
| 2012 | 4,701,722 | 3,310,011 | 560,476 | 418,878 | 405,892 | 5,814 | 650 |
| 2011 | 3,356,626 | 2,578,161 | 364,311 | 202,409 | 191,923 | 19,822 | - |

**Company**

As at 31 March, the Age Analysis of Trade Receivables is as follows;

| | Total Rs.'000 | Current Rs.'000 | Past due but not Impaired < 30 Rs.'000 | 31-60 days Rs.'000 | 61-90 days Rs.'000 | 91-120 days Rs.'000 | > 120 days Rs.'000 |
|---|---|---|---|---|---|---|---|
| 2013 | 209,961 | 175,023 | 12,405 | 19,262 | 2,443 | 758 | 70 |
| 2012 | 100,622 | 90,851 | 2,467 | 1,682 | 1,309 | - | 4,313 |
| 2011 | 78,511 | 41,667 | 17,788 | 3,846 | 6,704 | 6,245 | 2,261 |

# NOTES TO THE FINANCIAL STATEMENTS

*19 Trade and Other Receivables (Contd...)*

**19.1 Trade Dues from Related Parties**

| | Relationship | Company 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
|---|---|---|---|---|
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **69,364** | 23,296 | 20,362 |
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **1,101** | 469 | 466 |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | **-** | 34 | - |
| HIF Logistics (Pvt) Ltd. | Joint Venture | **-** | - | 41 |
| Hemas Travels (Pvt) Ltd. | Subsidiary | **5,346** | 1,681 | 1,578 |
| Hemas Power PLC | Subsidiary | **174** | 127 | 805 |
| Hemas Air Services (Pvt) Ltd. | Subsidiary | **19,350** | 4,814 | 467 |
| Hemtours (Pvt) Ltd. | Subsidiary | **-** | 5,117 | 511 |
| Exchange & Finance Investment (Pvt) Ltd. | Subsidiary | **6** | 6 | - |
| Hemas Southern Hospitals (Pvt) Ltd. | Subsidiary | **5,561** | 4,958 | 3,576 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **35,739** | 6,830 | 9,081 |
| Hemas Capital Hospital (Pvt) Ltd. | Subsidiary | **382** | - | - |
| Hemas Surgicals & Diagnostics (Pvt) Ltd. | Subsidiary | **7,438** | 178 | 20 |
| Hemas Aviation (Pvt) Ltd. | Subsidiary | **35** | 46 | 44 |
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | **11,046** | 29,161 | 7,283 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | **60,207** | 41,038 | 34,761 |
| ACX International (Pvt) Ltd. | Joint Venture | **219** | 219 | 68 |
| Hemas Developments (Pvt) Ltd. | Subsidiary | **8** | 43 | 90 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **508** | 458 | 461 |
| Heladhanavi Ltd. | Joint Venture | **90** | 90 | 90 |
| Giddawa Hydro Power (Pvt) Ltd. | Subsidiary | **7** | 3 | 3 |
| Serendib Leisure Management (Pvt) Ltd. | Subsidiary | **574** | 821 | 3,718 |
| Serendib Hotels PLC | Subsidiary | **5,749** | 2,609 | 876 |
| Hellmann Worldwide Logistics (Pvt) Ltd. | Joint Venture | **138** | 117 | 117 |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | **21,575** | 763 | 1,411 |
| N-able (Pvt) Ltd. | Subsidiary | **10,654** | 10,880 | 6,889 |
| Skynet Worldwide Express (Pvt) Ltd. | Joint Venture | **30** | 72 | 53 |
| Peace Haven Resorts Ltd. | Subsidiary | **384** | 11 | - |
| Okanda Power Grid (Pvt) Ltd. | Subsidiary | **33** | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | **3,154** | - | - |
| | | **258,872** | 133,841 | 92,771 |

*19 Trade and Other Receivables (Contd...)*

### 19.2 Other Dues from Related Parties

**Company**

| | Relationship | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
|---|---|---|---|---|
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | **34,897** | 6,913 | 972 |
| Hemtours (Pvt) Ltd. | Subsidiary | **-** | 11,904 | 16,369 |
| Hemas Development (Pvt) Ltd. | Subsidiary | **75** | - | - |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | **25** | 11 | 1,925 |
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **14,917** | 12,492 | 812 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | **90** | 48,096 | 48,521 |
| Hemas Aviation (Pvt) Ltd. | Subsidiary | **-** | 17 | - |
| Hemas Travels (Pvt) Ltd. | Subsidiary | **1,047** | 6,676 | 1,035 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **2,434** | 2,192 | - |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | **3,531** | 1,722 | 251 |
| Hemas Surgicals and Diagnostics (Pvt) Ltd. | Subsidiary | **8** | 8 | 8 |
| Hemas Clinical Research Services (Pvt) Ltd. | Subsidiary | **3,496** | 3,496 | 3,496 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **570,606** | 38,788 | 38,370 |
| Hemas Capital Hospital (Pvt) Ltd. | Subsidiary | **28** | 236 | - |
| Hemas Southern Hospitals (Pvt) Ltd. | Subsidiary | **162** | - | - |
| Hemas Power PLC | Subsidiary | **3,241** | 781 | 745 |
| N-able (Pvt) Ltd. | Subsidiary | **15,728** | 10,925 | 2,761 |
| Peace Haven Resorts Ltd. | Subsidiary | **5,907** | 4,921 | - |
| Skynet Worldwide Express (Pvt) Ltd. | Joint Venture | **176** | - | - |
| Hemas Air Services (Pvt) Ltd. | Subsidiary | **154** | 12,616 | 12,539 |
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **22,064** | 5,829 | - |
| Leisure Asia Investments Ltd. | Subsidiary | **4,242** | - | - |
| Hemas Transportation (Pvt) Ltd. | Subsidiary | **12** | - | - |
| Mowbray Hotels Ltd. | Subsidiary | **5,482** | 4,571 | 3,586 |
| Serendib Leisure Management (Pvt) Ltd. | Subsidiary | **7,658** | 1,223 | - |
| Serendib Hotels PLC | Subsidiary | **10** | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | **45** | - | - |
| Less: Allowance for impairment | | **(3,496)** | (3,496) | (3,496) |
| | | **692,539** | 169,921 | 127,894 |

## 20 STATED CAPITAL

| | 2013 Number | 2013 Rs.'000 | 2012 Number | 2012 Rs.' 000 |
|---|---|---|---|---|
| **20.1 Fully Paid Ordinary Shares** | | | | |
| Balance at the Beginning of the Year | **515,290,620** | **1,600,603** | 512,040,620 | 1,468,426 |
| Sub Division of Shares | | | | - |
| Issue of Shares under Employee Shares Ownership Scheme | **-** | - | 3,250,000 | 132,177 |
| Balance at the End of the Year | **515,290,620** | **1,600,603** | 515,290,620 | 1,600,603 |

### 20.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 21 OTHER CAPITAL AND REVENUE RESERVE

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Balance at the Beginning of the Year | **440,601** | 345,206 | **257,032** | 257,032 |
| Net Gain/(Loss) Recognised Directly in Equity | **(30,850)** | 95,395 | **-** | - |
| **Balance at the End of the Year** | **409,751** | 440,601 | **257,032** | 257,032 |

**21.1** Group's other capital and revenue reserves represents Overhaul reserve and Heat Rate and Lube Oil reserve of joint venture, Heladhanavi Ltd and genreral reserves of other subsdiaries.

**21.2** Other Capital reserves of the company represents the share of subsidiaries capital reserves accounted for using equity method until 31 March 2006. With effect from 1 April 2006 in accordance with the revised SLAS 26 the investments in subsidiaries are accounted at carrying value as at that date and any investment made affter 1 April 2006 are carried at cost, net of any provision for impairment.

## 22 INTEREST BEARING LOANS AND BORROWINGS

### 22.1 Group

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| Balance as at Beginning of the Year | **2,321,285** | 2,691,306 |
| Obtained during the Year | **942,949** | 974,491 |
| Acquired during the Year | **132,993** | |
| Repayments | **(478,421)** | (1,493,372) |
| Exchange Differences through Income Statement | **16,768** | 90,649 |
| Exchange Differences through Other Comprehensive Income | **(37,457)** | 58,211 |
| **Balance as at the End of the Year** | **2,898,117** | 2,321,285 |
| | | |
| Non Current | **2,182,887** | 1,384,827 |
| Current | **715,230** | 936,458 |
| | **2,898,117** | 2,321,285 |

### 22.1.1 *Interest Bearing Loans and Borrowings (Contd...)*

| Security and Repayment Terms | Lending Institution | Nature of Facility | Interest Rate and Security | Repayment Terms | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|---|---|---|---|
| Hemas Holdings PLC | HNB | Term Loan | Interest - Monthly AWPLR+1 | Repayable over 6 Years Starting from 1st November 2013 | 503,001 | - |
| Hemas Pharmaceuticals (Pvt)Ltd. | SCB | Term Loan | 11.75% | Repayable within | | 291,000 |
| | Central Finance | Finance Lease | | 120 days | 1,079 | 1,583 |
| Heladhanavi Ltd. | HSBC | Term Loan | 1 Month LIBOR + 3.25 p.a<br><br>Registered undertaking to mortgage over Project assets (Land , Building , Plant & Machinary ) for USD 6,400,000 | 36 Equal Monthly Installments of USD 177,777.78 | 63,271 | 192,532 |
| Heladhanavi Ltd. | SCB | Term Loan | 1 Month LIBOR + 3.25 p.a re Priced Quarterly<br><br>Registered undertaking to mortgage over Project assets (Land , Building , Plant & Machinary ) for USD 6,000,000 | 42 Equal Monthly Installments of USD 142,857 | 108,454 | 214,879 |
| Heladhanavi Ltd. | HSBC | Term Loan | 1 Month LIBOR + 3.25 p.a<br><br>Registered undertaking to mortgage over Project assets (Land , Building , Plant & Machinary ) for USD 6,000,000 | 6 equal quartely instalments of USD 750,000 | 358,287 | - |
| Heladhanavi Ltd. | Sampath Bank | Term Loan | Floting interest rate. | - | | 94,120 |
| Hemas Hospitals (Pvt) Ltd. | HNB | Term Loan | The Term Loan interest is calculated on 1.25% interest per annum above the Average Weighted Prime Lending Rate. That will be repaid over 05 years. The Revolving Short Term Interest is calculated based on the short term money market rate.<br><br>The loan is secured by a primary mortgage over Leasehold Land, Plant, Machinery, Equipment, and Building. | The Capital repayment of the loan commences after a grace period of 12 months from January 2010 which is paid in 48 monthly installments. | 79,820 | 64,000 |

# NOTES TO THE FINANCIAL STATEMENTS

*22.1.1 Interest Bearing Loans and Borrowings (Contd...)*

| Security and Repayment Terms | Lending Institution | Nature of Facility | Interest Rate and Security | Repayment Terms | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|---|---|---|---|
| Hemas Hospitals (Pvt) Ltd. | DFCC | Project Loan | 4% interest per annum above the Average Weighted Deposit Rate. The rate of interest will be revised in every 3 months until the settlement of loan in full. Provided that the Company pays the loan installments and interest regularly without any default. | The Capital repayment of the loan commences after a grace period of 24 months from October 2007 which is paid in 84 monthly installments. | 427,850 | 547,250 |
| Hemas Hospitals (Pvt) Ltd | NTB | Finance Lease | | | 1,103 | 1,968 |
| Hemas Southern Hospitals (Private) Ltd. | Sampath Bank | Term Loan | 4% interest per annum above the Average Weighted Prime Lending Rate. The rate of interest will be revised in every 3 months until the settlement of loan in full. Provided that the Company pays the loan installments and interest | The Capital repayment of the loan commences after an extended grace period of 12 months from December 2010 which is need to be paid in 59monthly installments. | 103,887 | 148,606 |
| Hemas Logistics (Pvt) Ltd. | Mercantile Investments | Finance Lease | | | 43,187 | |
| | Sampath Bank | Finance Lease | | | 19,619 | |
| | Union Bank | Finance Lease | | | 7,994 | |
| | Central Finance Company | Finance Lease | | | 160 | |
| Hemas Logistics (Pvt) Ltd. | NDB | Term Loan | 16.25% p.a | 48 months | 5,230 | |
| Hemas Logistics (Pvt) Ltd. | UNION BANK | Term Loan | 19.00% p.a | 48 months | 8,432 | |
| N'ble (Pvt) Ltd. | NTB | Import Loan | 13.90% p.a | 3 months | - | 6,507 |
| | | Import Loan | 16.00% p.a | 2 months | - | 11,920 |
| Diethelm Travel Lanka (Pvt) Ltd. | NTB | Finance Lease | | | 2,899 | 3,890 |
| Skynet Worldwide Express (Pvt) Ltd. | Commercial Leasing | Finance Lease | | | 317 | 543 |
| | Melsta Regal Finance | Finance Lease | | | 802 | - |
| H & M Shipping Services (Pvt) Ltd. | SCB | Term Loan | Variable at the discretion of the Bank | 36 Months | 8,750 | - |
| Serendib Hotels PLC | HNB EURO | Term Loan | 3 Months EURIBOR+ 3.5% p.a | 59 instalments from Nov'12 | 99,858 | 116,837 |
| | HNB GBP | Term Loan | 3 Months LIBOR+ 3.5% p.a | 59 instalments from Nov'12 | 54,928 | 64,974 |
| | HNB EURO | Term Loan | 3 Months EURIBOR+ 3.5% p.a | 60 instalments from Nov'12 | 92,609 | 57,977 |
| | HNB GBP | Term Loan | 3 Months LIBOR+ 3.5% p.a | 59 instalments from Nov'12 | 50,830 | 102,650 |
| | HNB EURO | Term Loan | 3 Months EURIBOR+ 5.25% p.a | 60 instalments from Sep'13 | 104,617 | - |
| Dolphin Hotels PLC | Commercial Bank EURO | Term Loan | At 3.75 0ver 1 month Euro LIBOR p.a | 72 instalments from May '11 | 119,810 | 135,581 |
| Miami Beach Hotel Ltd. | Commercial Bank GBP | Term Loan | At 3.75 0ver 1 month GBP LIBOR p.a | 72 instalments from May '11 | 231,205 | 264,494 |
| Hotel Sigiriya PLC | Commercial Bank | Term Loan | 6.5% p.a. | 60 monthly instalments | 116 | 466 |
| Serendib Leisure Management (Pvt) Ltd. | Jada Resort (Pvt) Ltd | | Prevailing market Rate | On demand | 400,000 | - |

*22.2 Interest Bearing Loans and Borrowings (Contd...)*

**Company**

| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
|---|---|---|---|
| **Interest Bearing Loans and Borrowings-Non Current** | | | |
| Loans from Related Parties (Note 22.2.1) | **820,496** | 940,785 | 633,523 |
| Bank Loans | **468,070** | - | - |
| | **1,288,566** | 940,785 | 633,523 |
| **Interest Bearing Loans and Borrowings-Current** | | | |
| Loans from Related Parties (Note 22.2.1) | **1,020,393** | 290,590 | 321,640 |
| Bank Loans | **34,931** | - | - |
| | **1,055,324** | 290,590 | 321,640 |

### 22.2.1 Loans from Related Parties

| | Relationship | As at 01 April 2012 Rs.'000 | Obtained During the Year Rs.'000 | Repayment/ Transfer Rs.'000 | As at 31 March 2013 Rs.'000 | As at 01 April 2011 Rs.'000 | Obtained During the Year Rs.'000 | Repayment/ Transfer Rs.'000 | As at 31 March 2012 Rs.'000 |
|---|---|---|---|---|---|---|---|---|---|
| Hemas Air Services (Pvt) Ltd. | Subsidiary | 75,703 | 83,765 | (32,405) | **127,063** | 74,023 | - | 1,680 | 75,703 |
| Hemas Developments (Pvt) Ltd. | Subsidiary | 95,972 | 89,965 | (30,340) | **155,597** | 132,167 | 21,400 | (57,595) | 95,972 |
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | 327,345 | 200,000 | (60,000) | **467,345** | 145,274 | 1,096,253 | (914,182) | 327,345 |
| Hemas Pharmaceuticals (Pvt)Ltd. | Subsidiary | 150,000 | 170,000 | (320,000) | **-** | - | 150,000 | - | 150,000 |
| Hemas Power PLC | Subsidiary | 80,000 | 154,000 | (165,000) | **69,000** | - | 80,000 | - | 80,000 |
| Peace Haven Resorts Ltd. | Subsidiary | 197,289 | - | (197,289) | **-** | 214,195 | 7,850 | (24,756) | 197,289 |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | 8,000 | 76,500 | (49,500) | **35,000** | 8,000 | - | - | 8,000 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | 182,994 | 15,000 | (92,503) | **105,491** | 286,396 | 135,000 | (238,402) | 182,994 |
| Dolphin Hotels PLC | Subsidiary | - | 210,200 | (7,000) | **203,200** | - | - | - | - |
| Hotel Sigiriya PLC | Subsidiary | - | 53,000 | - | **53,000** | - | - | - | - |
| Serendib Leisure Management Ltd. | Subsidiary | - | 561,000 | (93,000) | **468,000** | - | - | - | - |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | - | 80,000 | (30,000) | **50,000** | - | - | - | - |
| Serendib Hotels PLC | Subsidiary | - | 23,463 | - | **23,463** | - | - | - | - |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | - | 40,000 | - | **40,000** | - | - | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | - | 43,730 | - | **43,730** | - | - | - | - |
| Hemtours (Pvt) Ltd. | Subsidiary | 114,072 | - | (114,072) | **-** | 95,108 | - | 18,964 | 114,072 |
| | | 1,231,375 | 1,800,623 | (1,191,109) | **1,840,889** | 955,163 | 1,490,503 | (1,214,291) | 1,231,375 |

Terms and Conditions

(1) Treasury Loans (Current)
Security - Unsecured
Repayment - Within 3 Months
Interest - Based on Market Rates

(2) Other Loans : Hatton National Bank
Security - Unsecured
Repayments - Repayable over 6 Years ( Starting from 1 November 2013)
Interest - Monthly AWPLR+1%

# NOTES TO THE FINANCIAL STATEMENTS

## 23 OTHER NON CURRENT FINANCIAL LIABILITIES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Other Financial Liabilities at Amortised Cost** | | | | | | |
| Preference Shares | **127,615** | 134,430 | 141,485 | **-** | - | - |
| Rent Deposits/Advances | **12,728** | 10,088 | 8,038 | **4,383** | 10,599 | - |
| **Total Other Non Current Financial Liabilities** | **140,343** | 144,518 | 149,523 | **4,383** | 10,599 | - |

**23.1** Preference sheres represents Rs. 135Mn redeemable preference shares issued by Hemas Power PLC to National Development Bank.

## 24 DEFERRED TAX

| Group | Deferred Tax Assets | | Deferred Tax Liabilities | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Balance as at Beginning of the Year | **35,621** | 35,014 | **161,309** | 123,609 |
| Income/(Expense) arising during the Year | **4,141** | 607 | **26,061** | (3,382) |
| Recognised through Equity | **-** | - | **121** | 41,414 |
| Acquired/disposed during the Year | **-** | - | **5,822** | (332) |
| **Balance at the End of the Year** | **39,762** | 35,621 | **193,313** | 161,309 |

| Company | Deferred Tax Liabilities | |
|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 |
| Balance as at Beginning of the Year | **40,056** | 42,022 |
| Income/(Expense) arising during the Year | **11,140** | (1,966) |
| **Balance at the End of the Year** | **51,196** | 40,056 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| The Closing Deferred Tax Liability/(Asset) Balances Relate to the Following | | | | |
| Revaluation of Land and Buildings to Fair Value | **27,225** | 27,191 | **-** | - |
| Revaluation of Investment Properties to Fair Value | **51,114** | 47,719 | **51,114** | 47,718 |
| Accelerated Depreciation for Tax Purposes | **169,812** | 141,079 | **7,483** | 892 |
| Employee Benefit Liability | **(55,540)** | (52,121) | **(7,401)** | (8,554) |
| Losses Available for Offset against Future Taxable Income | **(39,060)** | (38,180) | **-** | - |
| Others | **-** | - | **-** | - |
| | **153,551** | 125,688 | **51,196** | 40,056 |

## 25 EMPLOYEE BENEFIT LIABILITY

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2013 Rs.'000** | **2012 Rs.'000** | **1 April 2011 Rs.'000** | **2013 Rs.'000** | **2012 Rs.'000** | **1 April 2011 Rs.'000** |
| Balance as at Beginning of the Year | **248,342** | 230,298 | 184,963 | **30,551** | 18,676 | 17,026 |
| Acquisition of Subsidiary | **346** | - | - | **-** | - | |
| Interest Cost | **32,179** | 22,922 | 18,683 | **3,360** | 1,867 | 1,873 |
| Current Service Cost | **29,373** | 31,602 | 31,211 | **1,909** | 1,983 | 1,586 |
| Benefits Paid | **(26,200)** | (14,793) | (20,219) | **(9,924)** | (131) | (1,873) |
| Transfer | **-** | - | - | **-** | 6,281 | - |
| Acturial (Gain) or Loss | **3,387** | (21,687) | 15,660 | **535** | 1,875 | 64 |
| **Balance as at the End of the Year** | **287,427** | 248,342 | 230,298 | **26,431** | 30,551 | 18,676 |

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31/03/2013. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

| | **2013** | **2012** | **2011** |
|---|---|---|---|
| Discount Rate Assumed (%) | **11%** | 11% | 10% |
| Further Salary Increase (%) | **9%** | 9% | 9% |
| Retirement Age | **55 Years** | 55 Years | 50 - 60 Years |

## 26 TRADE AND OTHER PAYABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2013 Rs.' 000** | **2012 Rs.' 000** | **1 April 2011 Rs.' 000** | **2013 Rs.' 000** | **2012 Rs.' 000** | **1 April 2011 Rs.' 000** |
| Trade Payables | | | | | | |
| Related Parties | **-** | - | - | **-** | - | - |
| Others | **4,421,220** | 3,656,458 | 2,815,163 | **-** | - | 585 |
| Other Payables | | | | | | |
| Related Parties (26.1) | **-** | - | - | **96,433** | 176,852 | 173,276 |
| Others | **552,688** | 435,844 | 558,241 | **34,990** | 19,638 | 10,507 |
| Sundry Creditors including Accrued Expenses | **925,347** | 1,091,593 | 728,854 | **25,209** | 23,183 | 23,583 |
| Dividend Payables-Unclaimed | **6,789** | 6,071 | 12,798 | **3,170** | 2,553 | 1,932 |
| | **5,906,044** | 5,189,966 | 4,115,056 | **159,802** | 222,226 | 209,883 |

# NOTES TO THE FINANCIAL STATEMENTS

*26 Trade and other Payables (Contd...)*

## 26.1 Non Trade Dues to Related Parties

| | Relationship | Company 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 |
|---|---|---|---|---|
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **5,888** | 1,415 | 458 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | **1,421** | 1,458 | 70 |
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **2,812** | 3,730 | 27,917 |
| ACX International (Pvt) Ltd. | Joint Venture | **74** | 74 | 5,160 |
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | **8,207** | 2,638 | - |
| Hemtours (Pvt) Ltd. | Subsidiary | **-** | 14,567 | 14,329 |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | **531** | 17,893 | 14,725 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **1,075** | 509 | 167 |
| N-able (Pvt) Ltd. | Subsidiary | **14,603** | 11,053 | 1,355 |
| HIF Logistics (Pvt) Ltd. | Joint Venture | **39** | 11 | 39 |
| Hemas Travels (Pvt) Ltd. | Subsidiary | **1,863** | 8,308 | 8,260 |
| Hemas Power PLC | Subsidiary | **9,853** | 9,772 | 9,602 |
| Hemas Aviation (Pvt) Ltd. | Subsidiary | **-** | 5,398 | 5,398 |
| Exchange & Finance Investment (Pvt) Ltd. | Subsidiary | **-** | 3,752 | 3,752 |
| Discover the World Marketing (Pvt) Ltd. | Subsidiary | **-** | 3,320 | 3,320 |
| Hemas Air Services (Pvt) Ltd. | Subsidiary | **1,754** | 50,935 | 50,453 |
| Hemas Developments (Pvt) Ltd. | Subsidiary | **24,056** | 35,460 | 22,671 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **3,650** | 450 | - |
| Peace Haven Resorts (Pvt) Ltd. | Subsidiary | **10,842** | 509 | - |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | **214** | 5,600 | 5,600 |
| Serendib Leisure Managements (Pvt) Ltd. | Subsidiary | **5,355** | - | - |
| Dolphin Hotels PLC | Subsidiary | **2,715** | - | - |
| Hotel Sigiriya PLC | Subsidiary | **664** | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | **503** | - | - |
| Serendib Hotels PLC | Subsidiary | **314** | - | - |
| | | **96,433** | 176,852 | 173,276 |

## 27 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

| | Group 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 | Company 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 |
|---|---|---|---|---|---|---|
| **Components of Cash and Cash Equivalents** | | | | | | |
| **27.1 Favourable Cash and Cash Equivalent Balances** | | | | | | |
| Cash & Bank Balances | **1,620,213** | 1,088,980 | 1,133,280 | **79,157** | 34,119 | 23,679 |
| Fixed Deposits, Treasury Bills and Repo Investments | **1,603,167** | 1,358,132 | 1,356,725 | **6,144** | 8,800 | 210 |
| | **3,223,380** | 2,447,112 | 2,490,005 | **85,301** | 42,919 | 23,889 |
| **27.2 Unfavourable Cash and Cash Equivalent Balances** | | | | | | |
| Bank Overdraft | **(2,028,444)** | (1,885,579) | (1,388,997) | **(41,283)** | - | (33,505) |
| Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement | **1,194,936** | 561,533 | 1,101,008 | **44,018** | 42,919 | (9,616) |

### 27.3 Acquisition of Subsidiary

The fair value of net assets acquired of Hemas Logistics (Pvt) Ltd (Formally known as Forward Air Logistics (Pvt)Ltd.) during the year ended 31 March 2013 were as follows,

| | |
|---|---|
| Property, Plant and Equipment- Cost | 160,045 |
| Property, Plant and Equipment- Depreciation | (23,530) |
| Inventories | 2,968 |
| Trade and Other Receivables | 27,443 |
| Income Tax Recoverable | 172 |
| Cash and Cash Equivalents | 2,775 |
| Interest Bearing Loans and Borrowings | 132,993 |
| Retirement Benefit Liability | 346 |
| Deferred Tax Liability | 5,822 |
| Trade and Other Payables | 6,638 |
| | |
| Net Assets | 24,072 |
| | 50% |
| Share of Net Assets Acquired | 12,036 |
| Goodwill | |
| | |
| Purchase Consideration paid | |
| Paid in Cash | 23,308 |
| Cash and Cash Equivalents of Subsidiary Acquired | 2,775 |

### 27.4 Disposal of Subsidiaries

The fair value of net assets disposed of Solas Lanka (Pvt) Ltd and 51% disposal of ACX International (Pvt) Ltd during the year ended 31 March 2012 were as follows,

| | Solas | ACX | Total |
|---|---|---|---|
| Property, Plant and Equipment | - | 2,008 | 2,008 |
| Intangible Assets | - | - | - |
| Other Investments | - | 13 | 13 |
| Inventories | - | - | - |
| Trade and Other Receivables | 2,977 | 2,527 | 5,504 |
| Interest Bearing Borrowings | - | 807 | 807 |
| Retirement Benefit Liability | 10 | 497 | 507 |
| Deferred Tax Liabilities | - | 332 | 332 |
| Trade and Other Payables | 1,723 | 462 | 2,185 |
| Income Tax Liabilities | 235 | (1,444) | (1,209) |
| | | | |
| **Total net Assets** | 1,009 | 3,894 | 4,903 |
| Profit/(Loss) on Disposal of Subsidiaries | (759) | (957) | (1,716) |
| | 250 | 2,937 | 3,187 |

# NOTES TO THE FINANCIAL STATEMENTS

## 28 FAIR VALUE

### Group

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

| | Carrying Amount | | | Fair Value | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Financial Asets** | | | | | | |
| Trade and Other Receivables | **7,047,695** | 5,854,420 | 4,227,619 | **7,047,695** | 5,854,420 | 4,227,619 |
| Other Financial Assets | | | | | | |
| Loans and Other Receivables | | | | | | |
| Loans to Company Officers | **82,684** | 65,252 | 62,694 | **72,320** | 46,625 | 42,211 |
| ESOS Receivable | **274,462** | 274,811 | 130,881 | **260,468** | 245,948 | 189,379 |
| Refundable Deposits | **5,094** | 4,832 | 3,545 | **5,094** | 4,832 | 3,545 |
| Held to Maturity Investment | **-** | - | 49,549 | **-** | - | 49,549 |
| Available for Sale Investments | **209,826** | 84,725 | 93,280 | **209,826** | 84,725 | 93,280 |
| Short term Investments | **-** | 255,963 | 670,496 | **-** | 255,963 | 670,496 |
| Cash and Short Term Deposits | **3,223,380** | 2,447,112 | 2,490,005 | **3,223,380** | 2,447,112 | 2,490,005 |
| **Total** | **10,843,141** | 987,115 | 7,728,069 | **10,818,783** | 8,939,625 | 7,766,084 |
| **Financial Liabilities** | | | | | | |
| Other Non Current Financial Liabilities | | | | | | |
| Redeemable Preference Shares | **127,615** | 134,430 | 141,485 | **127,615** | 134,430 | 141,485 |
| Rent Depsoits/Advances | **12,728** | 10,088 | 8,038 | **12,728** | 10,088 | 8,038 |
| Interest Bearing Loans and Borrowings | **2,820,956** | 2,313,797 | 2,686,613 | **2,820,956** | 2,313,797 | 2,686,613 |
| Obligations under Finance Leases | **77,161** | 7,488 | 4,693 | **83,420** | 7,391 | 4,794 |
| Trade and Other Payables | **5,906,044** | 5,189,966 | 4,115,056 | **5,906,044** | 5,189,966 | 4,115,056 |
| Bank Overdraft | **2,028,444** | 1,885,579 | 1,388,997 | **2,028,444** | 1,885,579 | 1,388,997 |
| **Total** | **10,972,948** | 9,491,348 | 8,344,882 | **10,979,207** | 9,541,251 | 8,344,983 |

### Company

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

| | Carrying Amount | | | Fair Value | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Financial Assets** | | | | | | |
| Trade and Other Receivables | **1,026,351** | 366,158 | 224,755 | **1,026,351** | 366,158 | 224,755 |
| Other Financial Assets | | | | | | |
| Loans and Other Receivables | | | | | | |
| Loans to Company Officers | **9,893** | 8,843 | 7,350 | **8,397** | 7,896 | 6,209 |
| Loans Due from Related Parties | **694,709** | 404,474 | 594,272 | **694,709** | 404,474 | 594,272 |
| ESOS Receivable | **96,389** | 93,045 | 42,255 | **87,537** | 82,945 | 44,541 |
| Available for Sale Investments | **71,846** | 74,296 | 82,976 | **71,846** | 74,296 | 82,976 |
| Cash and Short Term Deposits | **85,301** | 42,919 | 23,889 | **85,301** | 42,919 | 23,889 |
| **Total** | **1,984,489** | 989,735 | 975,497 | **1,974,141** | 978,688 | 976,642 |
| **Financial Liabilities** | | | | | | |
| Interest Bearing Loans and Borrowings | | | | | | |
| Loans Due to Related Parties | **1,840,889** | 1,231,375 | 955,163 | **1,840,889** | 1,231,375 | 955,163 |
| Bank Loans | **503,001** | - | - | **503,001** | - | - |
| Other Non Current Financial Liabilities | | | | | | |
| Rent Deposits | **4,383** | 10,599 | - | **4,383** | 10,599 | - |
| Trade and Other Payables | **159,802** | 222,226 | 209,883 | **159,802** | 222,226 | 209,883 |
| Bank Overdraft | **41,283** | - | 33,505 | **41,283** | - | 33,505 |
| **Total** | **2,549,358** | 1,464,200 | 1,198,551 | **2,549,358** | 1,464,200 | 1,198,551 |

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**The following methods and assumptions were used to estimate the fair values:**
- Cash and short-term deposits and trade receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

- variable-rate and long-term fixed-rate receivables/borrownigs are evaluated by the Group/Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2013, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

-Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

**Fair Value Hierarchy**
The Group/Company held the following financial instruments carried at fair value on the statement of financial position :

The Group/Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1: quoted (unadjusted ) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

**Group**

| **Assets Measured at Fair Value** | **31 March 2013 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 209,826 | 197,438 | 12,388 | - |

| **Assets Measured at Fair Value** | **31 March 2012 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 84,725 | 74,354 | 10,371 | - |

As at 1 April 2011, the Group held the following financial instruments carried at fair value on the statement of financial position :

| **Assets Measured at Fair Value** | **1 April 2011 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 93,280 | 83,065 | 10,215 | - |

**Company**

| **Assets Measured at Fair Value** | **31 March 2013 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 71,846 | 71,846 | - | - |

| **Assets Measured at Fair Value** | **31 March 2012 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Asset | | | | |
| Equity Shares | 74,296 | 74,296 | - | - |

As at 1 April 2011, the Company held the following financial instruments carried at fair value on the statement of financial position :

| **Assets Measured at Fair Value** | **1 April 2011 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 82,976 | 82,976 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 29 EVENTS AFTER THE REPORTING PERIOD

**(a)** The Board of Directors of the Company has declared a final dividend of Rs. 0.45 per share for the financial year ended 31 March 2013 as required by section 56(2) of the companies Act No 07 of 2007 , the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to declaring the final dividend which is to be paid on 9 July 2013.

In accordance with the Sri Lanka Accounting Standard (LKAS 10) - Events after the reporting date, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2013.

**(b)** The Hemas Power PLC invested a Rs. 300Mn in Panasian Power PLC on 24th April 2013. Thereby Hemas Power PLC together with its Subsidiaries acquired the controling stake (29.3%) of Panasian Power PLC.

## 30 COMMITMENTS & CONTINGENCIES

### 30.1 Capital Commitments

**(a) Hemas Capital Hospital (Pvt) Ltd.**

1 Hemas Capital Hospital has, committed Letter of Credits for capital expenditure amounting to Rs 24,442,587/- with Hatton National Bank PLC.

2 The company has entered in to a Forex Forward Facility of USD 800,000 (SLR 101,760,000/-) for a period of 3 months to purchase Radiology Equipments subject to board Resolution.

### 30.2 Contingencies

**(a) Hemas Holdings PLC**

The contingent liability as at 31 March 2013 on guarantees given by Hemas Holdings PLC, to banks on behalf of subsidiaries and joint ventures relating to facilities obtained, are as follows;

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| Hemas Southern Hospitals (Pvt) Ltd. | 110,000 | 110,000 |
| Heladhanavi Ltd. | - | 300,000 |
| Hemas Power PLC | 10,000 | 10,000 |
| Forbes Air Services (Pvt) Ltd. | 150,000 | 150,000 |
| Hemas Hospitals (Pvt) Ltd. | 200,000 | 200,000 |
| Serendib Hotels PLC | 418,800 | 628,504 |
| N-able (Pvt) Ltd. | 320,000 | 320,000 |
| | 1,208,800 | 1,718,504 |

**(b) Hemas Manufacturing (Pvt) Ltd.**

Department of Inland Revenue has issued an income tax assessment for the assessment years 2008/09 and 2009/2010 to the company. The company has communicated the intention to appeal to Tax appeals commission on which the proceedings are pending as at the date the financial statements. No provision has been made in the financial statements in this regard.

**(c) Hemas Travels (Pvt) Ltd.**

The Company has obtained guarantees from Standard Chartered Bank favouring BSP and non BSP Airlines amounting to Rs.142,400,000/-

The Company has obtained guarantees from Standard Chartered Bank favouring DNATA Emirates groups headquarters amounting to USD 10,000/-

The Company has obtained guarantees from Standard Chartered Bank favouring Royal Caribbean Cruises (Asia) PTE amounting to USD 25,000/-

*30 Commitments & Contingencies (Contd...)*

The Company has obtained guarantees from Standard Chartered Bank favouring Indian Railway Catering and Tourism amounting to USD 10,000/-.

The Company has obtained guarantees from Standard Chartered Bank favouring Asiatravel.com Holdings Ltd amounting to USD 10,000/-

The Company has obtained guarantees from Standard Chartered Bank favouring Saltours International amounting to EUR 10,000/-

The Company has obtained guarantees from Standard Chartered Bank favouring M/S Gulliver's Travels Associates amounting to GBP 15,000/-

**(d) Hemas Air Services (Pvt) Ltd.**
The Company has obtained a guarantee from Standared Chartered Bank favouring Malaysian Air lines for the purpose of GSA agreement for Cargo , Passenger and MAS Holidays amounting to US $ 20,000 ,US $ 64,000 and $ 25,000 respectively.

The Company has obtained guarantee from Standared Chartered Bank on behalf of Hemas Aviation (Pvt) Ltd, favouring Sri Lankan Air Lines Ltd, Drukair Corporation Ltd, amounting US $ 10,000 and US $ 20,000 respectively.

The Company has obtained a guarantee from Standard Chertered Bank favouring Airport & Aviation Services (Pvt) Ltd amounting to Rs.5,201,450.

**(e) Forbes Air Services (Pvt) Ltd.**
The Company has obtained a guarantee from Standard Chartered Bank favouring Emirates - Dubai amounting to Rs.1,182,700,000/-.

The Company has obtained a guarantee from Standard Chartered Bank favouring Airport and Aviation amounting to Rs.215,040/-

The Company has obtained a guarantee from Standard Chartered Bank favouring Director General of Civil Aviation amounting to Rs.80,444,000/-.

**(f) Far Shipping Lanka ( Pvt) Ltd.**
The Company has obtained guarantees from Standard Chartered Bank favouring Sri Lanka Ports Authority amounting to Rs. 500,000/-.

The Company has obtained guarantees from Standard Chartered Bank favouring Director General of Merchant Shipping amounting to Rs. 500,000/-.

The Company has obtained guarantees from Standard Chartered Bank on behalf of Hemas Maritime (Pvt) Ltd favouring Director General of Merchant Shipping amounting to Rs. 500,000/-.

The Company has obtained guarantees from Standard Chartered Bank on behalf of Hemas Maritime (Pvt) Ltd favouring Sri lanka Ports Authority amounting to Rs. 250,000/-.

**(g) Hemas Aviation (Pvt) Ltd.**
The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd in favouring Druk Air Corporation Ltd amounting to USD 20,000.

The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd in favouring Sri Lankan Airlines Ltd amounting to USD 10,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring The Island Aviation Services Ltd amounting Rs.1,000,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring The Alitalia Compagnia Area Italiana S.P.A amounting Rs.1,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

*30 Commitments & Contingencies (Contd...)*

**(h) Discover the World Marketing ( Pvt) Ltd.**

The Company has given a guarantee amounting to USD 25,000 to its principal "Discover Momentum" in relation to the credit facilities obtained by the principal.

The Company has given a guarantee amounting to USD 70,000 to China Southern Airlines Company Ltd for the purpose of GSA agreement for passenger.

**(i) Diethelm Travel Lanka (Pvt) Ltd.**

The Company has filed a case against a former employee in the Magistrate Court under the case no. 89669/11 Fraud Bureau regarding the fraud which occurred during the year, the loss on fraud incurred by the company is Rs. 1,600,000. The status of the case to be mentioned on 21st May 2013. The Company is in the opinion, except the legal case bearing No. 89669/11 in the Magistrate Court, there are no other legal proceedings.

**(j) Hemas Southern Hospitals (Pvt) Ltd.**

There has been a Court Case as at the Balance Sheet date, filed against the company claiming damages of Rs.2,500,000 for medical negligence. No provision has been made in these financial statements.

**(k) Hemas Power PLC**

The Inland Revenue Department raised an assesments for interest income by disallowing expenses for the year 2008/2009 & 2009/2010. Commissioner's hearing determined unfavourable to Company. However Company is going to apply tax appeal commission & no provision has been made in these financial statments.

**30.3 Lease Commitments**

**(a) Hemas Hospitals (Pvt) 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:

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| Within 01 Year | **18,000** | 15,750 |
| After 01 Year but not more than 05 Years | **90,000** | 90,000 |
| More than 05 Years | **431,994** | 488,244 |
| | **539,994** | 593,994 |

**(b) Hemas Capital Hospital (Pvt) Ltd.**

*Operating Lease Commitments - Company as Lessee*

The Company has entered into an operating lease agreement to lease a land from Dhammika Eliyapura. 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.

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| Within 01 Year | **10,270** | - |
| After 01 Year but not more than 05 Years | **68,800** | 41,080 |
| More than 05 Years | **455,332** | 493,322 |
| | **534,402** | 534,402 |

**30.4 Commitments and Contingencies of the Jointly Controlled Entities**

**Heladhanavi Ltd.**

*30.4.1 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 and Heladhanavi Ltd. is liable to pay Lakdhanavi Ltd. an additional sum of US $ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement

*30.4.2 Fuel Transport Agreement with LTL Projects (Pvt) Ltd.*
Heladhanavi Ltd. 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.

*30.4.3 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 & losses incurred as a direct and exclusive result of such failure or inability should be paid by the company within 30 days. However, 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 in favour of Ceylon Petroleum Corporation, at Hatton National Bank - to the value of Rs. 280Mn.

*30.4.4* CEB has flouted the PPA by refusing to settle Rs. 57 Mn delayed interest income to Heladanavi Limited. Further, they attempted to reclaim the dividend tax of Rs. 215Mn which reimbursed in prior years to Heladanavi Ltd again effecting a breach of the PPA. The two matters are now under Arbitration Proceedings.The directors are of the view that , CEB does not have any right whatsoever under the PPA for such claims and disputes.

*30.4.5 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 for each kwh of shortfall |
|---|---|
| Exceeding 10% of MGEA up to 25% of MGEA | 15% of capacity charges |
| Exceeding 25% of MGEA | 25% of capacity charges |

*30.4.6 Eligibility to apply for a Generation Licence*
As per the section 9 (1) ( c ) of Sri Lanka Electricity Act No.20 of 2009, a company incorporated under the Companies Act No 7 of 2007 which generates electricity over and above generating capacity of 25MW is eligible to apply for the issue of a Generation Licence, provided that in the said company either the Government or a Public Corporation or a company in which Government holds more than fifty per centum of the shares or a subsidiary of such company, holds such number of shares as may be determined by the Secretary to the Treasury, with the concurrence of the Minister in charge of the subject of Finance.

Heladhanavi Ltd ('Heladanavi') too, which is currently operating under the Generation License validly obtained on 26th September 2003, applied for a Generation License under the Sri lanka Eelctricity Act No. 20 of 2009. However, Heladanavi was informed by Public Utilities Commision of Sri Lanka (PUCSL) that the Company does not fulfill the eligibility criteria to apply for a Generation License, in terms of the above section of the Sri Lanka Electricity Act No 20 of 2009. At the same time, it was learnt that the Government of Sri Lanka intends to amend the new Electricity Act to exempt the existing independent Power Producers (including Heladanavi) from this requirement.

However, Heladanavi sought legal opinion in this regard and was informed that, Heladanavi is entitled to seek legal remedies and indemnification under the 'Changes in Law' section of the Power Purchase Agreement and the Implementation Agreement.

**Hellman Worldwide Logistics (Pvt) Ltd.**

*30.4.7* The Company has obtained corporate guarantees from Hellmann Worldwide Logistics Ltd ( Hong Kong ) for Hong Kong Dollars equivalent to Rs.24,990,000/-

# NOTES TO THE FINANCIAL STATEMENTS

## 31 ASSETS PLEDGED

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

| Name of The Company | Nature of Assets | Nature of Liability | Carrying Amount of the Assets Pledged 2013 Rs.'000 | Carrying Amount of the Assets Pledged 2012 Rs.'000 | Included Under |
|---|---|---|---|---|---|
| Heladhanavi Ltd. (The Group has its proportionate share of the assets pledged) | Land,Building, Plant and Machinery | US $ 6,400,000 ( Term Loan with HSBC ) | 2,556,932 | 2,949,165 | Property , Plant and Equipment and Trade Debtors |
| | Land,Building, Plant and Machinery & Trade Debtors | US $ 11,600,000 | 6,541,225 | 6,206,135 | |
| | Land,Building, Plant and Machinery | US $ 6,000,000 ( Term Loan with Standard Chartered Bank ) | 2,556,932 | 2,949,165 | Property , Plant and Equipment |
| | Fixed Deposit (US$) | Overdraft | 685,206 | 690,390 | Short term Investments |
| Dolphin Hotels PLC | Freehold Land and Buildings | Primary Mortgage upto the value of Rs. 126.3 Mn to Commercial Bank of Ceylon PLC of Ceylon (EIB Loan)<br><br>Primary Mortgage upto the value of Rs. 20 Mn to Commercial Bank of Ceylon PLC (Overdraft facility of Rs.20Mn)<br><br>A supplimentary mortgage bond in EURO executed in connection with primary mortgage bond no 3120 dated 13/07/2010 linking the rupee exposure in foreign currency. | 630,985 | 639,951 | Property, Plant and Equipment |
| Miami Beach Hotels Ltd. | Freehold Land and Buildings | Primary Mortgage upto the value of Rs. 234.6 Mn to Commercial Bank of Ceylon PLC (EIB Loan)<br><br>Primary Mortgage upto the value of Rs. 10 Mn to Commercial Bank of Ceylon PLC<br><br>A supplimentary mortgage bond in GBP executed in connection with primary mortgage bond no 1425 dated 13/07/2010 linking the rupee exposure in foreign currency. | 493,398 | 500,011 | Property, Plant and Equipment |
| Hotel Sigiriya PLC | Plant, Machinery and Equipment | Primary Mortgage up to the value of Rs.1.75 Mn to Commercial Bank of Ceylon PLC | 2,458 | 2,691 | Property, Plant and Equipment |
| Hemas Hospitals (Pvt) Ltd. | Leasehold right to the Leasehold Land | Primary Mortgage up to the value of Rs 750,000,000 to DFCC Bank | 1,271,254 | 1,330,100 | Property, Plant and Equipment |
| Hemas Southern Hospitals (Pvt) Ltd. | Land and Building | Concurrent mortgage to the extent of Bank facility obtained from Sampath Bank | 395,000 | 395,000 | Property, Plant and Equipment |

### 32 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, comprise loans and borrowings, and trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

**The Group is Exposed to Market Risk, Credit Risk and Liquidity Risk**

"The Group's senior management oversees the management of these risks. The senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Group. BOD provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Hemas Holdings PLC."

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

**Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations with floating interest rates.

The company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The company's policy is to maintain an appropriate balance between fixed and variable rate borrowings.

**Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and net investment in foreign subdsidiaries.

The major part of the foreign transactions is dealt with US Dollars and Euros. The Group has a natural hedging by way of its operational transactions as the inflow of foreign currency through export sale off sets the import cost.

In addition, the Group manages its foreign currency exposure by using foreign currency forward contracts.

**Equity Price Risk**

The Group's quoted and unquoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted and unquoted equity securities at fair value was Rs. 197Mn and Rs. 12Mn respectively.

**Credit Risk**

Credit risk is the risk that counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks,foreign exchange transactions and other financial instruments.

**Trade Receivables**

Customer credit risk is managed by each company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

A large number of minor receivables are grouped into homogenous groups and assessed for Impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Group does not hold collateral as security.

**Financial Instruments and Cash Deposits**

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's Treasury Policy. Investments of surplus funds are made only with approved counter parties as per this Policy and within credit limits assigned to each counter party. Counter party credit limits are reviewed by the Board of Directors on an annual basis, and updated throughout the year. The limits are set to minimise the concentration of risks and

## NOTES TO THE FINANCIAL STATEMENTS

therefore mitigate financial loss through potential counter party's failure. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 17 except for financial guarantees.

**Liquidity Risk**
The Group monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

**Capital Management**
Capital includes ordinary shares and preference shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2013 and 31 March 2012.The company monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Group's policy is to keep the gearing ratio below 40%.

The table below summarizes the maturity profile of the Group's/Company's financial liabilities based on contractual undiscounted payments.

| Group | On Demand Rs.'000 | Less than 3 months Rs.'000 | 3 to 12 months Rs.'000 | 1 to 5 years Rs.'000 | > 5 years Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **As at 31st March 2013** | | | | | | |
| Interest Bearing Loans and Borrowings | 400,000 | - | 315,230 | 2,182,887 | - | 2,898,117 |
| Other non Current Financial Liabilities | - | - | - | 12,728 | 127,615 | 140,343 |
| Trade and Other Payables | - | 5,906,044 | - | - | - | 5,906,044 |
| Bank Overdraft | 2,028,444 | - | - | - | - | 2,028,444 |
| | 2,428,444 | 5,906,044 | 315,230 | 2,195,615 | 127,615 | 10,972,948 |
| **As at 31st March 2012** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 936,458 | 1,384,827 | - | 2,321,285 |
| Other non Current Financial Liabilities | - | - | - | 10,088 | 134,430 | 144,518 |
| Trade and Other Payables | | 5,189,966 | - | - | - | 5,189,966 |
| Bank Overdraft | 1,885,579 | - | - | - | - | 1,885,579 |
| | 1,885,579 | 5,189,966 | 936,458 | 1,394,915 | 134,430 | 9,541,348 |
| **As at 1st April 2011** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 991,266 | 1,700,040 | - | 2,691,306 |
| Other non Current Financial Liabilities | - | 8,038 | - | - | 141,485 | 149,523 |
| Trade and Other Payables | | 4,115,056 | - | - | - | 4,115,056 |
| Bank Overdraft | 1,388,997 | - | - | - | - | 1,388,997 |
| | 1,388,997 | 4,123,094 | 991,266 | 1,700,040 | 141,485 | 8,344,882 |

| Company | On Demand Rs.'000 | Less than 3 months Rs.'000 | 3 to 12 months Rs.'000 | 1 to 5 years Rs.'000 | > 5 years Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **As at 31st March 2013** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 1,055,324 | 1,288,566 | - | 2,343,890 |
| Other Non Current Financial Liabilities | - | - | - | 4,383 | - | 4,383 |
| Trade and Other Payable | - | 159,802 | - | - | - | 159,802 |
| Bank Overdraft | 41,283 | - | - | - | - | 41,283 |
| | 41,283 | 159,802 | 1,055,324 | 1,292,949 | - | 2,549,358 |
| **As at 31 March 2012** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 290,590 | 940,785 | - | 1,231,375 |
| Other Non Current Financial Liabilities | - | - | - | 10,599 | - | 10,599 |
| Trade and Other Payable | - | 222,226 | - | - | - | 222,226 |
| Bank Overdraft | - | - | - | - | - | - |
| | - | 222,226 | 290,590 | 951,384 | - | 1,464,200 |
| **As at 1 April 2011** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 321,640 | 633,523 | - | 955,163 |
| Trade and Other Payable | - | 209,883 | - | - | - | 209,883 |
| Bank Overdraft | 33,505 | - | - | - | - | 33,505 |
| | 33,505 | 209,883 | 321,640 | 633,523 | - | 1,198,551 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 33.1 Transactions with related entities

*Guarantees*
Guarantees given by the Company to banks on behalf of related parties are disclosed in note 30.2 in the financial statements.

*Terms and Conditions:*
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured and interest free.

Terms and conditions on loans obtained from related parties are disclosed in Note 22.2.1 to these financial statements.

| Nature of Transaction | Subsidiaries | | Others | | Total | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Services Rendered | **461,873** | 280,862 | - | - | **461,873** | 280,862 |
| Bank Guarantee Fees Receivable | **7,138** | 5,315 | - | - | **7,138** | 5,315 |
| IT Charges Receivable | **66,754** | 64,395 | - | 26 | **66,754** | 64,421 |
| Rent Receivable | **6,973** | 7,171 | - | - | **6,973** | 7,171 |
| Loan Interest Income Receivable | **84,475** | 47,005 | - | - | **84,475** | 47,005 |
| Dividend Income | **477,675** | 424,025 | 1,136 | - | **478,811** | 424,025 |
| Treasury Loans Granted | **(572,276)** | (966,787) | - | - | **(572,276)** | (966,787) |
| Loan Interest Expense Payable | **(201,750)** | (78,965) | - | - | **(201,750)** | (78,965) |
| Receipt of Services | **(32,208)** | (34,834) | - | - | **(32,208)** | (34,834) |
| Shared Service Fee Payable | **(6,928)** | (7,626) | - | - | **(6,928)** | (7,626) |
| Purchase of Air Tickets/ Foreign Currency | **(8,330)** | (7,648) | - | - | **(8,330)** | (7,648) |
| Treasury Loans Obtained | **1,800,623** | 1,490,503 | - | - | **1,800,623** | 1,490,503 |
| Repayment of Loans/Transfer | **(1,191,109)** | (1,214,291) | - | - | **(1,191,109)** | (1,214,291) |
| Other | **11,726** | 3,742 | - | - | **11,726** | 3,742 |

### 33.2 Transactions with Key Management Personnel

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

**a) Key Management Personnel Compensation**

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Short Term Benefits | **234,308** | 142,349 | **49,001** | 41,974 |

**b) Transactions, arrangements and agreements involving Key Management Personnel**

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

## 34 SEGMENTAL INFORMATION

### Information based on the primary segments (Business Segment)

| For the year ended 31 March | FMCG | | Healthcare | | Leisure | | Transportation | | Power | | Others | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Revenue** | | | | | | | | | | | | | | |
| Segmental Revenue - Gross | **7,691,263** | 6,716,124 | **9,046,584** | 7,548,710 | **1,643,375** | 1,185,462 | **1,100,731** | 721,987 | **5,509,449** | 4,471,370 | **1,925,582** | 1,489,177 | **26,916,984** | 22,132,830 |
| Intra Segmental Revenue | **-** | - | **(71,040)** | (68,317) | - | - | **-** | - | **-** | - | **(71,382)** | (40,084) | **(142,422)** | (108,401) |
| Segment Revenue | **7,691,263** | 6,716,124 | **8,975,544** | 7,480,393 | **1,643,375** | 1,185,462 | **1,100,731** | 721,987 | **5,509,449** | 4,471,370 | **1,854,200** | 1,449,093 | **26,774,562** | 22,024,429 |
| Inter Segmental revenue | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(676,200)** | (491,926) | **(676,200)** | (491,926) |
| **Total Revenue** | **7,691,263** | 6,716,124 | **8,975,544** | 7,480,393 | **1,643,375** | 1,185,462 | **1,100,731** | 721,987 | **5,509,449** | 4,471,370 | **1,178,000** | 957,167 | **26,098,362** | 21,532,503 |
| **Results** | | | | | | | | | | | | | | |
| Segmental Results | **684,198** | 551,053 | **805,045** | 575,460 | **514,159** | 230,191 | **378,890** | 250,460 | **313,783** | 327,403 | **(329,345)** | (194,669) | **2,366,730** | 1,739,898 |
| Finance Cost | **(8)** | (12,896) | **(143,652)** | (139,807) | **(161)** | (117,791) | **(15,116)** | (5,595) | **(153,803)** | (140,350) | **(57,363)** | (48,830) | **(370,103)** | (465,269) |
| Finance Income | **108,903** | 64,246 | **13,469** | 8,884 | **13,009** | 17,769 | **64,614** | 28,399 | **124,776** | 67,217 | **17,879** | 15,884 | **342,650** | 202,399 |
| Change in Fair Value of | | | | | | | | | | | | | | |
| Investment Properties | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **65,324** | 32,127 | **65,324** | 32,127 |
| Share of Results of Associate | **-** | - | **-** | - | **1,554** | 11,925 | **-** | - | **-** | - | **-** | - | **1,554** | 11,925 |
| Profit/(Loss) before Tax | **793,093** | 602,403 | **674,862** | 444,537 | **528,561** | 142,094 | **428,388** | 273,264 | **284,756** | 254,270 | **(303,505)** | (195,488) | **2,406,155** | 1,521,080 |
| Income Tax | **(47,826)** | (23,735) | **(181,784)** | (123,878) | **(64,069)** | (18,352) | **(100,690)** | (27,899) | **1,101** | (856) | **(79,154)** | (65,052) | **(472,422)** | (259,772) |
| **Profit/(Loss) for the Year** | **745,267** | 578,668 | **493,078** | 320,659 | **464,492** | 123,742 | **327,698** | 245,365 | **285,857** | 253,414 | **(382,659)** | (260,540) | **1,933,733** | 1,261,308 |
| **Attributable to:** | | | | | | | | | | | | | | |
| Equity Holders of the Parent | **745,267** | 578,668 | **520,151** | 346,041 | **232,889** | 59,249 | **321,714** | 245,365 | **220,070** | 195,738 | **(382,436)** | (260,536) | **1,657,655** | 1,164,525 |
| Non-Conroling Interests | **-** | - | **(27,073)** | (25,382) | **231,603** | 64,493 | **5,984** | - | **65,787** | 57,676 | **(223)** | (4) | **276,078** | 96,783 |
| | **745,267** | 578,668 | **493,078** | 320,659 | **464,492** | 123,742 | **327,698** | 245,365 | **285,857** | 253,414 | **(382,659)** | (260,540) | **1,933,733** | 1,261,308 |