

AUDIT COMMITTEE REPORT

The Members of the Audit Committee of the Company are appointed by the Board. The Audit Committee comprises Mr. Maithri Wickremesinghe and Mr. Dinesh Weerakkody, two directors who qualify as Independent Non-Executive Directors under the standards prescribed by the Colombo Stock Exchange; and Mr. Imtiaz Esufally, a Non-Executive Director.

The main role and responsibilities of the Audit Committee include,

- (a) exercising oversight responsibilities relating to the quality and integrity of the Company's financial statements and financial reporting process including the preparation, presentation and adequacy of disclosures in the financial statements of the Company in accordance with the Sri Lanka Accounting Standards;
- (b) exercising oversight responsibilities relating to the Company's compliance with financial reporting and information requirements of the Companies Act, No. 07 of 2007 and other relevant financial reporting-related regulations;
- (c) exercising responsibilities over processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; and compliance by the Company with legal and statutory requirements;
- (d) assessing the independence and performance of the Company's External Auditors;
- (e) making recommendations to the Board pertaining to appointment, re-appointment and, in appropriate circumstances, removal of the External Auditors;
- (f) considering (if appropriate) the degree of any work undertaken by the External Auditor for the Group other than the statutory audit; and
- (g) approving the remuneration and terms of engagement of the External Auditors.

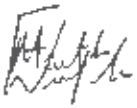
The internal auditors report to the Audit Committee.

The Audit Committee met four times during the financial year ended 31st March 2015. The Audit Committee invited Mr. Steven Enderby, Chief Executive Officer, Mr. Malinga Arasakularatne, Chief Financial Officer, and Mr. Prasenna Balachandran, Head of Risk & Control, to attend its meetings. The Audit Committee inter alia engaged in the following activities during the financial year under review.

- Review of the un-audited quarterly financial statements and discussion of these financial statements with management prior to recommendation of their adoption to the Board.
- Review of the audited financial statements for the year and discussion of those financial statements with the management and external auditors prior to recommendation of their adoption to the Board.
- Discussion with the Company's External Auditors the results of the External Auditors examinations and the judgment of the External Auditors concerning the quality as well as the acceptability of the Company's accounting principles.
- Discussion of the management letter issued by the External Auditors and monitoring follow up action by the management.
- Discussion with the External Auditors of their independence from the Company and the Company's management including a consideration of the compatibility of non-audit services provided by the External Auditors with their independence.
- Review of the Risk Report of the Group, monitoring of the risks and action taken for the mitigation of risks.
- Review of the Internal Audit Plan for the Company and of the unlisted subsidiaries which do not have their own dedicated audit committees and monitoring the performance of the internal auditors and their adherence to the Internal Audit Plan.
- Review of the internal audit reports and monitoring follow up action by the Management of the Company and its unlisted subsidiaries which do not have their own dedicated audit committees.

- Commissioning follow up reviews and reviewing the reports.
- Review of the minutes of the reports of the Audit Committees of the subsidiaries of the Company which have their own dedicated audit committees.
- Review of the Compliance Report.
- Discussing the distribution of dividend and the quantum of proposed dividend prior to recommending to the Board the payment of the dividend to shareholders.

The Committee reviewed the effectiveness of the external audit and recommended to the Board the re-appointment of Messrs Ernst & Young Chartered Accountants as the external auditors of the Company for the ensuing financial year, subject to the approval of the shareholders at the Annual General Meeting.



Maithri Wickremesinghe

Chairman - Independent director



Imtiaz Esufally

Member - Non-Executive director



Dinesh Weerakkody

Member - Independent director

29 May 2015

REPORT OF THE NOMINATIONS AND GOVERNANCE COMMITTEE (NAGC)

Composition of the Committee

The Committee consists of a majority of Independent Non-Executive Directors and is also chaired by an Independent Non-Executive Director who possesses a wide range of knowledge and experience in all matters relating to business.

The Members

Mr. Ramabadrán Gopalakrishnan - *Chairman and Independent Director*

Mr. Maithri Wickremesinghe - *Independent Director*

Mr. Abbas Esufally - *Non-Executive Director*

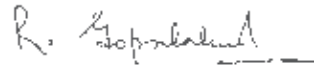
The Chairman of the Main Board attends meetings as a standing invitee. The expertise and proficiency of the Membership can be found elaborated in the Directors profiles set out in page 34 and 37 of the Annual Report.

Number of Committee Meetings

The Committee formally met twice during the year under review where all Members were present.

Terms of Reference of the Committee

- Establish and review the process for creating of succession of the Chief Executive Officer and Chief Finance Officer.
- Establish the process for conducting the review of the CEO's performance annually.
- Ratification of Subsidiary Board appointments carried out by the Chief Executive Officer, in consultation with the relevant Subsidiary Board Chairman.
- Propose suitable guidelines for the appointment and re-appointment of Executive or Non-Executive Directors to the Main Board.
- Annually evaluate the performance and effectiveness of the Board and provide feedback to the Chairman on board effectiveness and the conduct of meetings, to facilitate the Directors fulfilling their responsibilities in a manner that serves the interests of stakeholders and shareholders.
- The Committee shall monitor compliance with the Corporate Governance Guidelines.
- The Committee shall carry out an annual evaluation of the effectiveness of the Committee's performance and make applicable recommendations



Ramabadrán Gopalakrishnan
Chairman

29 May 2015

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY AND THE GROUP

General

The Directors have pleasure in presenting their report and the audited financial statements of the Company and the Group for the year ended 31 March 2015 and the auditors' report on the Consolidated Financial Statements.

Hemas Holdings PLC is a public limited liability company incorporated in Sri Lanka on 10th December 1948 under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007.

The ordinary shares of the Company are quoted on the Main Board of the Colombo Stock Exchange since October 2003.

The Registered Office of the Company is situated at "Hemas House", No. 75, Braybrooke Place, Colombo 2.

This Report provides the information as required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and recommended best practices on Corporate Governance.

This Report was approved by the Board of Directors on 29th May 2015.

1. Principal Activities and Business Review

Hemas Holdings PLC is the holding company that owns, directly and indirectly, investments in a number of companies constituting the Hemas Group.

The Chairman and Chief Executive Officer's Review, Financial Review and Sector Reviews sections are incorporated into this Directors' Report by reference. They contain details of the development and performance of the Group's businesses during the year, an indication of the key performance indicators and information regarding principal risks and uncertainties, together with information equivalent to that required for a business review.

The measures taken by the Company to manage its risks are detailed in the report titled Risk Management on pages 54 to 57 of this Report

2. Future Developments

The Group intends to continue to pursue a strategy of focusing on enhancing the performance of its core businesses of Wellness, Leisure and Mobility.

Further information on future developments is provided in the Chief Executive Officer's Review and Sector Reviews of this Report.

3. Financial Statements of the Company and the Group

The Financial Statements of both the Company and the Group, duly certified by the Chief Financial Officer and approved by two Directors in compliance with sections 152, 153 and 168 of the Companies' Act are given from pages 77 to 163 of the Annual Report.

4. Auditors' Report

The Group's external auditors, Messrs. Ernst & Young, performed the audit on the Financial Statements for the year ended 31st March 2015. The Auditors' Report on the Financial Statements is included on page 79 of the Annual Report as required by Section 168 (1) (c) of the Companies Act.

5. Accounting Policies

A summary of the significant accounting policies adopted in the preparation of the Financial Statements is given from pages 86 to 103 of the Annual Report.

The policies adopted are consistent with those adopted in the previous financial year other than the effects of the new Accounting Standards that became effective from the current financial year which is described in Note 2.4 from pages 101 to 102 of the Financial Statements.

6. Results and Dividends

6.1 Gross Revenue

The total revenue of the Group for the year ended 31 March 2015 was Rs. 32.5Bn (31 March 2014 - Rs. 27.3Bn). An analysis of the income is given in Note 3 to the Financial Statements on page 104 of the Annual Report.

6.2 Profit and Appropriations

The profit before income tax of the Group for the year ended 31 March 2015 was Rs. 3.1Bn (2014 Rs. 3.2Bn) and the profit after tax was Rs. 2.4Bn (2014 Rs. 2.7Bn) from continuing operations. The profit for the period after discontinued operations for the year ended 31 March 2015 was Rs. 2.1Bn (2014 Rs. 2.6Bn).

The details of profit relating to the Group are given on pages 104 and 105 of the Annual Report.

ANNUAL REPORT OF THE DIRECTORS

6.3 Dividend on Ordinary Shares

6.3.1 Interim dividends

An interim dividend of Rs 0.40 per Ordinary share was declared and paid on 02 December 2014 for the financial year ended 31 March 2015 (Rs. 0.30 per share in 2013/2014)

6.3.2 Final Dividend

The Directors recommended a final dividend for the year, of Rs 0.70 per ordinary share to be payable on 14th July 2015 to shareholders registered as at 6 July 2015. The total dividend for the year under review will then amount to Rs 1.10 per ordinary share (2013/14: Rs.1.00).

Prior to recommending the final dividend and in accordance with Section 56 (2) and (3) of the Companies Act, the Board of Directors signed a Certificate stating that, in their opinion, based on available information, the Company will satisfy the solvency test immediately after the distribution is made, and have obtained a certificate from the Auditors in terms of Section 57 of the Companies Act. Shareholder approval will be sought on the day of the Annual General Meeting, to declare and pay the final dividend.

7. Provision for Taxation

Income tax on taxable income arising from the operations of the Group has been calculated in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and deferred tax on all known temporary differences using the liability method have been calculated and disclosed in accordance with the Sri Lanka Accounting Standard LKAS 12-Income Taxes.

Disclosures on Income Tax Expenses and Deferred Taxes are given in Note 7 to the Financial Statements on pages 106 and 107, of the Annual Report.

8. Reserves

The Group's total reserves as at 31 March 2015 amounted to Rs. 14.1Bn (2014 - Rs.12.7Bn). The movement of the reserves are given on page 83 under "Statement of Changes in Equity" and in the Notes to the Financial Statements of the Annual Report.

9. Property, Plant & Equipment, Investment Properties, Leasehold Properties and Intangible Assets

Expenditure on capital nature assets for the year is as follows:

	2015 Rs. 000	2014 Rs. 000
Property, Plant and Equipment	1,187,533	2,648,407
Investment Property	-	5,563
Intangible Assets	53,521	811,195
Leasehold Rights	-	62,602

Details are given in Notes to the Financial Statements from pages 110 to 119.

10. Market Value of the Properties

Land and Buildings of the Group are revalued by professionally qualified independent valuers and carried at revalued amounts as at 31 March 2015. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. Details of freehold properties owned by the Group are given in Notes 11 and 12 in Notes to the Financial Statements from pages 111 to 117.

11. Investments and Acquisitions

During the Financial year ended 31 March 2015, the Group made the below investments and acquisitions which are detailed in Notes 29 and 38 on pages 138 and 160.

- Invested Rs. 11.5 Mn in Hemas Logistics (Private) Limited on 2 April 2014 thereby increasing Hemas' stake to 58%.
- Invested Rs. 3Mn in Far Shipping Agency Lanka (Private) Limited on 27 May 2014 thereby obtaining a 60% stake in the joint-venture investment.
- Invested Rs. 165Mn in Serendib Hotels PLC on 6 June 2014 thereby increasing Hemas' stake to 55%.
- The Group acquired full voting rights of Padiyapalalla (Private) Limited, a sub subsidiary of Hemas Power PLC for a consideration of Rs. 537 Mn on 28 August 2014.

12. Divestments and Disposals

The Group divested its stake in Heladhanavi Limited on 24 October 2014 and Hemas Power PLC (Presently known as Resus Energy PLC) on 05 December 2014 for a consideration of Rs. 532Mn and Rs. 1.7Bn respectively.

13. Creditor Payment

For all trade creditors/suppliers it is the Group policy to:

- Agree and confirm the terms of payment at the commencement of business with such supplier;
- Pay in accordance with any contract agreed with the supplier or as required by law; and
- Continually review payment procedures and liaise with the suppliers as a means of eliminating difficulties and maintaining good working relationships.

14. Directors

14.1 List of Directors

The Board of the Company as at the date of this Report comprises eleven Directors with extensive financial and commercial knowledge and experience. The profiles of the Directors are set out in the 'Board of Directors' section from pages 34 to 37 of the Annual Report.

Names of the persons who held office as Directors of the Company as at 31st March 2015, as required by Section 168 (1) (h) of the Companies Act are given below:

Mr. Husein Esufally	Chairman
Mr. Steven Enderby	Chief Executive Officer
Mr. Abbas Esufally	Non-Executive Director
Mr. Imtiaz Esufally	Non-Executive Director
Mr. Maithri Wickremesinghe	Independent Director
Mr. Pradipta Mohapatra	Independent Director
Mr. Ramabadran Gopalakrishnan	Independent Director
Mr. Dinesh Weerakkody	Independent Director
Dr. Anura Ekanayake	Independent Director
Mr. Murtaza Esufally	Executive Director
Mr. Malinga Arsakularatne	Chief Financial Officer

14.2 Independence of the Directors

The Board has made a determination as to the independence of each Non-Executive Director and confirms that four of the Non-Executive Directors meet the criteria for independence in terms of Rule 7.0.4 of Listing Rules.

The Board, taking account of all the circumstances, is of the opinion that Mr. Maithri Wickremesinghe be deemed independent, notwithstanding the fact that he has served on the Board since 2003.

Each of the independent directors has submitted a signed and dated declaration of his independence against the specified criteria.

14.3 Re-election of Directors

In accordance with the Articles of Association of the Company and the Corporate Governance Code, one third of the Directors will retire at the Annual General Meeting on 03rd July 2015 and being eligible, will offer themselves for re-election.

14.3.1 Recommendation for re-election / re-appointment

In terms of Article 84 of the Articles of Association, Messrs. Husein Esufally, Imtiaz Esufally and Ramabadran Gopalakrishnan retire by rotation and being eligible, offer themselves for re-election, with the unanimous consent of the Directors.

14.3.2 Board Subcommittees and Management Committees

Information on Board Subcommittees is given under "Corporate Governance" on pages 46 to 53 of this Report.

In addition to the mandatory Board Subcommittees in operation, the Board of Management has been devolved with the responsibility of reviewing group performance and providing oversight of group affairs.

The profiles of the members of the Board of Management are set out on pages 38 and 39 of the Annual Report.

14.3.4 Disclosures of Directors Dealing in Shares

Directors' Interest in Ordinary Shares of the Company - Direct

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	31.03.15	31.03.14
Mr. A.N. Esufally	2,283,585	2,283,585
Mr. H.N. Esufally	5,836,705	5,836,705
Mr. I.A.H. Esufally	4,424,000	4,424,000
Mr. M.A.H. Esufally	5,946,500	5,946,500
Mr. M.E. Wickremesinghe	11,250	11,250
Mr P.K. Mohapatra	-	-
Mr. R. Gopalakrishnan	-	-
Mr. D.S. Weerakkody	-	-
Dr. S.A.B. Ekanayake	-	-
Mr. S.M. Enderby	-	-
Mr. W. M. De F. Arsakularatne	-	-

Directors' Interest in Ordinary Shares of the Company - Indirect

	31.03.2015	%	31.03.2014
A Z Holdings (Pvt) Ltd	90,762,875	17.61	90,762,875
Saraz Investment (Pvt) Ltd	86,396,035	16.77	86,396,035
Blueberry Investment (Pvt) Ltd	85,781,250	16.65	85,781,250
Amagroup (Pvt) Ltd	85,780,665	16.65	85,780,665
Ms. Sabrina Esufally	250,000		250,000
Mr. Adam Esufally	250,000		250,000
Ms. Sakina Esufally	2,000,000		2,000,000

14.5 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits for the financial year ended 31 March 2015 is given in Note 36 to the Financial Statements on page 157 of the Annual Report as required by Section 168 (1) (f) of the Companies Act.

14.6 Directors' Interests in Contracts or Proposed Contracts

Directors have no direct or indirect interest in any contract or proposed contracts with the Company for the year ended 31 March 2015, other than those disclosed on pages 71 to 75 of the Annual Report.

The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested. They have also disclosed their interest in other companies so as to ensure that they refrain from voting on a matter in which they have an interest.

14.7 Interests Register

The Interests Register is maintained by the Company, as per the Companies Act. All Directors have made declarations as provided for in Section 192 (1) & (2) of the Companies Act. The related entries were made in the Interest Register during the year under review. The share ownership of Directors is indicated on page 167 of the Annual Report. Entries were made in the Interests Register on share transactions, Directors' Interests in Contracts, and remuneration paid to the Directors etc. The Interest Register is available for inspection as required by the Section 119 (1) (d) of the Companies Act.

15. Related Party Transactions

In terms of the Code of Best Practice on Related Party Disclosures, there were no non-recurrent related party transactions entered into during the course of the financial year which exceeded the lower of the aggregate value 10% of the Equity or 5% of the Assets.

No recurrent related party transactions, the aggregate value of which exceeds 10% of the Consolidated Revenue/Income, have been carried out during the financial year ended 31 March 2015.

Details of all related party transactions carried out during the year are disclosed below on page 156 of the Annual Report.

The Directors declare that they have complied with the provisions of the Code relating to full disclosure of related party transactions entered into during the financial year ended 31 March 2015.

16. Registrars

SSP Corporate Services (Pvt) Ltd of No. 101, Inner Flower Road, Colombo 3 functioned as the Registrars for the Company during the financial year ended 31 March 2015.

17. Insurance and Third Party Indemnification

During the year under review and up to the date of approval of this Annual Report of the Company, the Company maintained liability insurance and third party indemnification provisions for its Directors.

18. Articles of Association

The Articles of Association of the Company may be amended by the passing of a Special Resolution.

19. Stated Capital

The Stated Capital of the Company as at 31 March 2015 was Rs. 1.6Bn comprising 515,290,620 ordinary shares. (2014 - 515,290,620 Ordinary Shares - Rs. 1.6Bn). Details of the Stated Capital are given in Note 21 to the Financial Statements on page 129 of the Annual Report.

The rights and obligations attached to the ordinary shares are set out in the Articles of Association of the Company, a copy of which can be obtained from the Secretaries upon request.

20. Share Information

Details of share-related information are given on pages 166 and 168 of the Annual Report and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on page 4 of the Annual Report.

20.1 Issue of Shares

The Company did not make any share issues during the year under review.

However, the company announced a Rights Issue of 57,254,513 shares to the value of Rs. 4,122,324,936/- (at the proportion of One Ordinary Share for every Nine Ordinary Shares at a consideration of Rs. 72 per share) after obtaining in-principal approval from the Colombo Stock Exchange and approval from its shareholders at the Extraordinary General Meeting held on 10 April 2015. The Company successfully completed the rights issue on 26 May 2015.

20.2 Issue of Listed Debentures

The Company issued Ten Million, rated ((A+Ika), by Fitch Rating Lanka Limited) unsecured redeemable debentures carrying a coupon rate of 11% p.a. payable semi-annually, at the face value of Rs. 100/- each, on 29 April 2014 to raise Rupees One Billion to be matured on 29 April 2019.

21. Public Holding of Shares in the Company

The number of ordinary shares held by the public as at 31 March 2015 was 145,567,755. (2014 145,567,755) which amounted to 28.25% (2014 – 28.25%) of the Stated Capital of the Company.

22. Restrictions on transfers of shares and/or voting rights

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights and apart from those matters described below, there are no restrictions on the transfer of ordinary shares in the capital of the Company and/or voting rights.

- Certain restrictions on transfers of shares may from time to time be imposed by, for example, insider dealing regulations. In accordance with the Listing Rules of the Colombo Stock Exchange, Directors and officers are required to seek the advice of the Company Secretaries before dealing in the Company's shares.
- Some of Hemas' share-based employee incentive plans include restrictions on transfer of shares while the shares are subject to the plan.
- Where, under a share-based employee incentive plan operated by Hemas, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participants.
- No member shall, unless the directors otherwise determine, be entitled to vote in respect of any share held by him/her either personally or by proxy at a shareholders' meeting or exercise any other right conferred by membership in relation to shareholders' meetings, if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid.

23. Employee Share Schemes

The Company's employee share schemes contain provisions whereby, upon a change of control of the Company, outstanding options and awards would vest and become exercisable either in part or in full, at the discretion of the Grantee.

23.1 Share-based Plans

The Remuneration Committee is responsible for reviewing recommendations with respect to issues or grants under the Company's share-based plans. Directors approve issues or grants under the plans only after being satisfied that it is in accordance with the terms of shareholder approval.

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23.2 Employee Share Option Plan

Details pertaining to the shares schemes established between the years 2003 to 2013, options exercised, shares cancelled and outstanding as at the date of this report are tabulated below:-

	Date of Grant	Share Options Granted	Share Price Rs.	Expiry Date	Shares Adjusted	Shares Exercised	Shares Lapsed	Shares Outstanding
Scheme 1 Share Option Scheme - 2003.								
Tranche 1	01.04.2004	1,558,850	50/00	31.03.2006	68737*	1,521,974	105,613	
Tranche 2	01.07.2004	732,500		31.03.2007	126,175	831,175	27,500	
Tranche 3	01.07.2005	781,150		31.03.2008	195,287	71,050	905,387	
		3,072,500			390,199	2,424,199	1,038,500	
Scheme 11 Share Option Scheme - 2006								
Tranche 1	01.10.2006	1,006,000	105/00	31.03.2009		86,500	919,500	
Scheme 111 Share Ownership Scheme - 2008								
Tranche 1	06.02.2009	650,000	62/00	05.08.2012	2,600,000**	3,000,000	250,000	
Tranche11	27.12.2010	2,250,000	44/09	26.12.2013		2,250,000		
Tranche 111	26.09.2011	3,250,000	40/67	25.09.2014		3,250,000		

*Increase in shares as a consequence of a Bonus issue declared

**Increase in shares consequent to a sub division.

The two employee share option schemes set up in the years 2003 and 2006 failed to achieve the desired results due to the depressed stock market conditions prevailing at that time.

A share ownership scheme was thereafter established in 2008, with a view to facilitating the retention of key personnel and increasing shareholder value. The scheme shares were issued in the years, 2009, 2010 and 2011 in three tranches, the first of which was completed in August 2012 and the second tranche in December 2013 and the third tranche in September 2014.

The Employee Share Purchase scheme for which Shareholder approval was obtained during the 2013/2014 financial year was not implemented and was treated as cancelled.

Subsequent to the financial year under review, approval was obtained to establish an Employee Share Option Scheme (ESOS) to offer 13,900,000 ordinary shares being 2.4% (2.7% before the Rights issue) of the total number of shares in issue to Executive Directors and Senior Executives of the Company and its subsidiaries whom the Board deems to be eligible to be awarded the shares.

24. Employment Policies

Group employment policies are based on recruiting the best people, providing them training to enhance their skills, recognition of innate skills and competencies of each individual while offering equal career opportunities regardless of gender, race or religion and retaining them with the Group as long as possible. Health and safety of the employees have always received priority in the HR agenda.

The number of persons employed by the Company and its subsidiaries at the year end was 4375.

25. Employee Involvement

Hemas is committed to employee involvement throughout the business and is intent on motivating and keeping staff informed on matters that concern them in the context of their employment and involving them through local consultative procedures.

Employees are kept well informed on matters of interest and the financial and economic factors affecting the Group's performance through management channels, meetings, publications and intranet sites. More details on employee engagement, together with information on diversity,

succession planning and talent development, can be found in the Sustainability Report section of this Report.

Hemas continues to support employee share ownership through the provision of employee share plan arrangements which are intended to align the interests of employees with those of shareholders.

26. Substantial Shareholding

Substantial shareholders are required to notify their interests in accordance with Section 200 of the Companies Act which obliges shareholders to comply with the notification obligations of the Company contained in the Listing Rules of the Colombo Stock Exchange.

The Twenty Largest Shareholders of the Company as at 31 March 2015 are indicated on page 168 of the Annual Report.

27. Equitable Treatment to all Stakeholders

While valuing the patronage of all our stakeholders, the Company has made all endeavours to ensure equitable treatment to all our stakeholders.

28. Financial Risk Management, Objectives and Policies

Descriptions of the use of financial instruments and Hemas' treasury and risk management objectives and policies are set out in the financial review section and also in note 34 in Notes to the Financial Statements.

29. Corporate Donations

During the year, the Group made donations to charity amounting to Rs 5Mn (2014 - Rs. 7Mn).

The information given above on donations forms an integral part of the Report of the Board of Directors as required by the Section 168 (1) (g) of the Companies Act.

30. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government and in relation to employees have been made up to date.

31. Environmental Protection

31.1 The Environment

The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activities which have caused adverse

effects on the environment and that it has complied with the relevant environmental regulations.

31.2 Sustainability Reporting

Sustainability practices have been built into every aspect of the Company's businesses and we consider sustainability goals along with our operational and financial goals.

Detailed information on our sustainability initiatives can be found on pages 40 to 45 of the Annual Report.

32. Events after the Balance Sheet Date

There have been no material events occurring after the Balance Sheet date that would require adjustments to or disclosure in the Financial Statements other than as disclosed in Note 31 in Notes to the Financial Statements on page 145 of the Annual Report.

33. Going Concern

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.

Details of the adoption by the Group and the Company of the Going Concern basis in preparing the financial statements are set out in the financial review within the business review section and are incorporated into this report by reference.

34. Risk Management and System of Internal Controls

34.1 Risk Management

Specific steps that have been taken by the Company are detailed on pages 54 to 57 of this Annual Report.

34.2 System of Internal Controls

The Board of Directors has established an effective and comprehensive system of internal controls to ensure that proper controls are in place to safeguard the assets of the Company, to detect and prevent fraud and irregularities, to ensure that proper records are maintained and financial statements presented are reliable. Monthly Management

ANNUAL REPORT OF THE DIRECTORS

Accounts are prepared, giving management relevant, reliable and up-to-date Financial Statements and key performance indicators.

The Audit Committee reviews on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place. More details in this regard can be seen on pages 60 and 61 of the Annual Report.

The Board has conducted a review of the internal controls covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith for the period up to the date of signing the Financial Statements.

34.3 Audit Committee

The composition of the Audit Committee and their Report is given on pages 60 and 61 of the Annual Report.

35. Corporate Governance

The Company is committed to high standards of Corporate Governance. The main Corporate Governance practices of the Company are set out in pages 46 to 53 of the Annual Report.

The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal control.

36. Compliance with Applicable Laws and Regulations

To the best of their knowledge, the Board believes that the Company has not engaged in any activity which contravenes laws and regulations. There have been no irregularities involving management or employees that could have material financial effect or otherwise.

37. Outstanding Litigation

In the opinion of the Directors, and as confirmed by the Company Lawyers, there is no litigation currently pending against the Company, which will have a material impact on the reported financial results or future operations of the Company.

38. Appointment of External Auditors

The Financial Statements for the year under review have been audited by Messrs. Ernst & Young, Chartered Accountants, who offer themselves for re-appointment. A resolution to re-appoint them as Auditors and authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

39. Auditors' Remuneration and Interest in Contracts with the Company

The Company's External Auditors, Messrs. Ernst & Young were paid Rs 9.0 Mn (Rs. 9.2 Mn in 2014) as audit fees by the Company. The Company has also engaged the External Auditors to advise on taxation and accounting matters for the year under consideration. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

40. Relevant Audit Information

As at 29 May 2015, so far as each Director is aware, there is no relevant audit information needed by the auditors in connection with preparing their report, which the auditors are unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

41. Annual General meeting

The 2015 Annual General Meeting of the Company will be held at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 on Friday the 03rd day of July 2015 at 3.30 p.m. Shareholders who are unable to attend in person may submit questions beforehand via email to info@hemas.com.

42. Notice of Meeting

Details of the Annual General Meeting are given in the Notice of Meeting on page 170 of the Annual Report.

43. Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act the Board of Directors hereby acknowledge the contents of this Report.

For and behalf of the Board,



Chairman



Chief Executive Officer



Secretaries

29 May 2015

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Related Party disclosures as required by the Sri Lanka Accounting Standards LKAS 24 on Related Party Disclosures is detailed in Note 35 to the Financial Statement. In addition, the Company carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities.

Company	Directors	Nature of Transaction	Value 2015 Rs.000	Value 2014 Rs.000
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Dividend Income	645,653	218,000
	Mr. Steven Enderby	Services Rendered	107,914	105,652
	Mr. Malinga Arsakularatne	IT Charges	35,658	31,633
		Interest Expense	(2,443)	(44,942)
		Centralised Services	1,669	1,165
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	256,486	251,861
	Mr. Steven Enderby	IT Charges	21,081	20,340
	Mr. Malinga Arsakularatne	Interest Income	19,178	1,573
		Interest Expense	-	(274)
		Dividend Income	58,050	151,401
		Centralised Services	1,904	1,775
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally	Corporate Guarantee	510	2,381
	Mr. Steven Enderby	Charges	269	269
	Mr. Malinga Arsakularatne	Services Rendered	8,256	7,144
		IT Charges	7,193	9,854
		Interest Income	17	40
		Centralised Services	(540)	(540)
		Rental expenses		
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	Corporate Guarantee	67	415
	Mr. Steven Enderby	Charges	1,854	1,679
		IT Charges	173	-
		Interest Income	-	81
		Centralised Services		
Hemas Capital Hospital (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	1,914	3,189
	Mr. Steven Enderby	Corporate Guarantee	62	-
		Charges	5,851	4,996
Hemtours (Pvt) Ltd.	Mr. A. Esufally	Interest Income	-	7,351
	Mr. Steven Enderby	Dividend Income	171,683	19,370
	Mr. Malinga Arsakularatne	Interest Expense	(3,943)	(420)
Diethem Travel Lanka (Pvt) Ltd.	Mr. A. Esufally	IT Charges	10,862	10,105
	Mr. Malinga Arsakularatne	Services Rendered	269	269
		Interest Expense	(420)	(4,918)
		Transport and Accommodation Charges	(2,246)	(2,301)
		Centralised Services	538	305

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2015 Rs.000	Value 2014 Rs.000
Diethem Travel The Maldives (Pvt) Ltd.	Mr. A. Esufally	Centralised Services	77	-
Serendib Hotels PLC	Mr. A. Esufally	Interest Expense	(833)	(1,683)
	Mr. Steven Enderby	Corporate Guarantee Charges	2,262	2,137
	Mr. Malinga Arsakularatne	Centralised Services	-	18
Serendib Leisure Management Ltd	Mr. A. Esufally	IT Charges	2,882	1,676
		Interest Expense	(3,417)	(21,999)
		Centralised Services	2,001	66
Dolphin Hotels PLC	Mr. A. Esufally	Dividend Income	52	-
	Mr. Malinga Arsakularatne	Interest Expense	(9,872)	(17,792)
		IT Charges	1,569	464
Hotel Sigiriya PLC	Mr. A. Esufally	Interest Expense	(610)	(2,568)
	Mr. Malinga Arsakularatne	IT Charges	673	186
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	60,158	92,493
	Mr. A. Esufally	IT Charges	1,413	1,327
	Mr. I. Esufally	Dividend Income	8,550	7,768
	Mr. M. Esufally	Interest Expense	-	(4,856)
	Mr. Steven Enderby	Interest Income	7,845	-
		Corporate Guarantee Charges	-	383
		Centralised Services	3,482	4,657
Hemas Air Services (Pvt) Ltd.	Mr. I. Esufally	Services Rendered	35,973	44,390
	Mr. Malinga Arsakularatne	Interest Expense	(2,957)	(12,723)
	Mr. Steven Enderby	IT Charges	2,186	1,858
		Dividend Income	2,700	1,800
		Centralised Services	1,268	83
Hemas Travels (Pvt) Ltd.	Mr. I. Esufally	Air Line Ticket Sales	(28,271)	(23,542)
	Mr. Steven Enderby	Services Rendered	1,978	1,831
	Mr. Malinga Arsakularatne	Interest Expense	(2,274)	(872)
		IT Charges	6,409	4,840
		Dividend Income	90,000	37,530
		Centralised Services	97	38

Company	Directors	Nature of Transaction	Value 2015 Rs.000	Value 2014 Rs.000
Far shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	IT Charges	-	1,213
		Interest Income	215	54,000
		Dividend Income	90,000	(4,846)
		Interest Expense	10	44
		Centralised Services	-	
Far Shipping Agency Lanka (Pvt) Ltd	Mr. I. Esufally	IT Charges	1,825	-
		Centralised Services	153	-
		Interest Income	369	-
Exchange & Finance Investments Ltd.	Mr. Malinga Arakularatne	Dividend Income	7,768	-
		Interest Expense	(157)	(350)
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	769	651
	Mr. Malinga Arakularatne	Centralised Services	6.00	
Hemas Transportation (Pvt) Ltd	Mr. I. Esufally	Dividend Income	1,260	-
	Mr. Malinga Arakularatne	Centralised Services	10	-
	Mr. Steven Enderby	Interest Expense	(143)	-
Skynet worldwide express (Pvt) Ltd	Mr. I. Esufally	IT Charges	-	471
		Centralised Services	-	5
Hemas Logistics (Pvt) Ltd	Mr. I. Esufally	Rental Income	18,937	12,049
		Centralised Services	102	-
		IT Charges	2,468	1,727
		Interest Income	1,494	(1,626)
		Interest Expense	-	
Peace Haven Resorts Ltd.	Mr. A. Esufally	Interest Income	28,636	30,905
		Centralised Services	22	135
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	269	269
	Mr. Malinga Arakularatne	Interest Expense	(7,845)	(12,524)
		IT Charges	49	62
		Dividend Income	19,464	3,653
		Centralised Services	135	288
		Rental Expense and Service Charges	(31,321)	(37,188)
		Car parking expenses	(1,667)	(1,776)

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2015 Rs.000	Value 2014 Rs.000
Vishwa BPO (Pvt) Ltd.	Mr. Steven Enderby	Services Rendered	404	404
		Mr. Malinga Arsakularatne	Shared Services	(12,666)
		Expenses	3,641	3,175
		IT Charges	(945)	(4,437)
		Interest Expense	7,927	2,875
		Dividend Income	54	20
Hemas Corporate Services (Pvt) Ltd.	Mr. Steven Enderby	Centralised Corporate Services	(15,601)	(13,569)
		Mr. Malinga Arsakularatne	Interest Income	1,307
N-able (Pvt) Ltd.	Mr. Malinga Arsakularatne	Services Rendered	135	135
		IT Charges	656	631
		Interest Income	9,342	12,229
		Corporate Guarantee Charges	1,365	1,998
		Centralised Services	(30,238)	(16,279)
		IT equipment and services		
J L Morison Son & Jones (Ceylon) PLC	Mr. H. Esufally	Corporate Guarantee Charges	339	213
		Mr. Steven Enderby	IT Charges	3456
		Interest Expense	(4,319)	-
		Centralised Services	54	244
Hemas Surgicals & Diagnostics (Pvt) Ltd	Mr. Malinga Arsakularatne	Services Rendered	35,281	31,756
		Dividend Income	134	3,600
Hemas Marketing (Pvt) Ltd.	Mr. Malinga Arsakularatne	Interest Expense	(1,423)	(2,575)
		Dividend Income	-	4,185
Hemas Trading (Pvt) Ltd.	Mr. Malinga Arsakularatne	Interest Expense	(1,012)	(1,837)
		Dividend Income	-	486
Mowbray Hotels (Pvt) Ltd.	Mr. A. Esufally	Interest Income	295	215
Leisure Asia Investments Ltd.	Mr. H. Esufally	Interest Income	35	19
	Mr. A. Esufally			
	Mr. I. Esufally			
P H Resorts (Pvt) Ltd.	Mr. A. Esufally	Interest Income	2,055	1,082
	Mr. Steven Enderby	Interest Expense	(10)	(4,218)
Hemas Maritime (Pvt) Ltd.	Mr. I. Esufally	IT Charges	420	323

Company	Directors	Nature of Transaction	Value 2015 Rs.000	Value 2014 Rs.000
Subsidiaries Disposed by during the Year				
Hemas Power PLC	Mr. H. Esufally	Corporate Guarantee	26	51
	Mr. I. Esufally	Charges	90	337
	Mr. Malinga Arsakularatne	Services Rendered	945	1,279
		IT Charges	-	1,798
		Interest Income	(554)	(846)
		Interest Expense	-	70,425
		Dividend Income	18	-
Centralised Services				
Heladhanavi Ltd.	Mr. H. Esufally	Corporate Guarantee	383	638
	Mr. A. Esufally	Charges		
Giddawa Hydro Power (Pvt) Ltd.	Mr. H. Esufally	IT Charges	13	19
	Mr. Malinga Arsakularatne	Dividend Income	-	4,950

We will build even stronger relationships with our clients and customers. Deep, long-term client relationships have always been the foundation of our business, but we have to get even better: more relevant, more committed and more responsive.

We will accelerate the next generation of leaders. Taking a long-term perspective means building a strong succession pipeline of diverse leaders. Finally, we will deliver superior financial performance. By focusing on the fundamentals, sticking to our strategy, focusing on quality and value and keeping a tight grip on risks and costs, we can continue to deliver a distinctive combination of growth and returns for our investors.