Hemas Holdings PLC

Annual Report 2007 - 2008

Enriching Lives

Contents

Our Purpose

To Passionately deliver Outstanding Products and Services thus Enriching the Lives of our Customers and creating Superior Value to our Shareholders.

We will do this by;

- Being a National leader in Personal Care and Healthcare solutions
- Investing in Growth industries with Potential for Superior Value Creation
- Establishing a Regional footprint

Through a Team of Passionate, Capable and Empowered People.

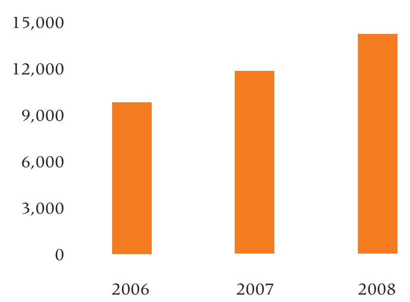
Our Core Values

- Passion for Customer
- Obsession for Performance
- Driven by Innovation
- Concern for People

Financial Highlights

Year Ended 31 March		2008	2007	% Change	2006 Restated
Operating Results					
Group Revenue	Rs'000s	**14,163,805**	11,778,136	20.3	9,779,338
Profit before Interest and Tax	Rs'000s	**1,606,019**	1,680,111	(4.4)	1,529,203
Profit before Tax	Rs'000s	**1,259,455**	1,407,185	(10.5)	1,247,374
Profit after Tax	Rs'000s	**1,150,830**	1,019,537	12.9	965,536
Profit attributable to the Group	Rs'000s	**1,135,419**	1,005,727	12.9	958,599
Dividend	Rs'000s	**126,635**	252,726	(49.9)	248,706
Cash from Operations	Rs'000s	**929,277**	176,992	425.0	1,035,785
Balance Sheet Highlights					
Total Assets	Rs'000s	**13,130,626**	11,395,856	15.2	10,024,762
Total Shareholders' Funds	Rs'000s	**6,433,698**	5,274,139	22.0	4,319,087
No. of Shares	'000s	**101,308**	101,308	0.0	99,801
Debt to Equity	%	**50.0**	54.7	(8.6)	62.9
Shareholder Information					
Return on Equity	%	**19.4**	21.1	(8.1)	24.4
Earnings Per Share	Rs.	**11.13**	9.90	12.4	9.52
Dividend Per Share	Rs.	**1.25**	2.50	(50.0)	2.50
Dividend Payout	%	**11.2**	25.4	(55.9)	26.3
Net Assets per Share	Rs.	**63.51**	52.06	21.4	43.28
Market Capitalisation	Rs'000s	**8,864,461**	10,831,779	(18.2)	11,052,988
Price Earnings Ratio	Times	**7.86**	10.81	(27.3)	11.63
Market Price as at 31st March	Rs.	**87.50**	107.00	(18.2)	110.75

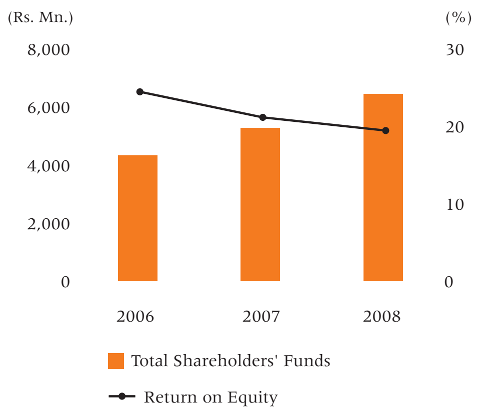
Group Revenue (Rs. Mn.)



Profit attributable to the Group (Rs. Mn.)

Cash from Operations (Rs. Mn.)

Shareholders Funds & ROE



Chairman's Review

At the end of the year despite the difficult external environment the business did well to generate an increase in revenue of 20.3%.

When I sat down to write this report last year, we had a dream of peace evoked by the statements made by the Government and His Excellency the President. All dreams evaporate at dawn. Ours too with the dawn of reality that war and peace will march in tandem together. Devolution and the elimination of the LTTE. This scenario and unfavourable trends in the world commodity markets released the economic demons that now haunt and torment business in Sri Lanka. Inflation and interest rates have been soaring like a kite in a high wind. Consumers buffeted by higher costs had to tighten their belts and consumer demand was not buoyant. Our important FMCG business did well in the context of the prevailing scene. Sales grew by 8.8% but higher costs put pressure on margins and hence operating profits decreased by 13.7%.We have however begun to see an improvement in margins.

We have an investment in the Leisure business. The resonance of the war drums and the bangs of periodic explosions reached the ears of both travel operators and Foreign Governments who cautioned their citizens with adverse travel advisories. Not all the charms of our country like no other could counter this and the tourist arrivals did not improve. The leisure sector produced very disappointing results.

The interest rates marched higher and higher and all businesses in the country are suffering from the increase in finance costs. At the end of the year despite the difficult external environment the business did well to generate an increase in revenue of 20.3%. The economic environment made it difficult to sustain margins and the profit from operating activities was Rs.1,606Mn, down 4.4%. Profit before tax was down 10.5% largely due to the burden of finance cost. However due to tax planning we have a profit after tax of Rs.1,151Mn up 12.9% from last year.

The chief executive in his review will deal with the performance in greater detail.

It is not my intention to make any prediction about the future, but I will attempt to address the reasonable expectation of shareholders to get some whiff of the Boards attitudes and strategy pertaining to the future. The character and quality of a Board which is the high table of decision making in a public company depends on who sits around this table. Hemas is an old successful family business that went public. The sublime quality of all successful family businesses is the entrepreneurial spirit and the willingness to do things they had not done before which is the quintessence of enterprise. We are fortunate to have members of the family who bring to the high table of decision making this great tradition and spirit of enterprise. They bond with the seasoned professionals from the ranks of the non executive directors, to form collectively a Board imbued with enterprise but tempered with all the good disciplines of prudent management. This approach has meant that we are not standing still and are not intimidated by the fangs of the economic demons surrounding us. We have completed building a new factory in Dankotuwa. We are extending our investments in power and have invested in a new mini hydro project that will come on stream towards the end of this year. We have acquired a hospital in Galle and are developing it to pursue our concept of provincial hospitals and have started work on a major 100

Chairman's Review

bed hospital in Wattala. Looking further ahead we sought the inputs of the world renowned firm of management consultants A T Kearney to devise strategies and options for the future and we are digesting their recommendations and weaving them into strategies to be pursued.

As a relatively new public company perhaps a few words on governance. We are now totally transformed from private to public. Good governance is well entrenched and all the Board Committees are functioning well. We were sad to lose one of our non executive directors Simon Scarff. An acquisition created a faint theoretical tinge of a conflict of interest and in the highest traditions of good governance sadly Simon left our Board. He made a most valuable contribution and guided this business to becoming a robust public company. We are indeed fortunate that Pradipta Mohapatra who has a wealth of relevant experience, has joined our Board.

I thank my colleagues on the Board for their support and contribution and all our employees who have contributed to achieving a good result in a difficult year.

Lalith De Mel

Chairman

23rd May, 2008

CEO's Review

In these challenging times, it is the faith in the ability of our people that enables us to dream and plan for a new era of growth......

I am happy to report another year of satisfactory performance as we go into our 60th year in business with plans to embark on a new and exciting growth strategy. Your Company did well to record an Earnings growth of 12.9% given the adverse external environment which affected most of our businesses, especially during the first half of the financial year. For the year ended 31st March 2008, your company recorded a Turnover of Rs.14.2Bn reflecting a growth of 20.3% over the previous year, and Earnings of Rs.1.1Bn. It is also noteworthy that the Net Operating Cash Flow has been restored to its usual high levels from a low point last year. This year we have attempted to provide a more detailed analysis of our Financial performance under the section on Management discussion and analysis.

The Sri Lankan economy grew by 6.8% during the year 2007, vis-à-vis a 7.7% growth in 2006. Whilst all three key economic sectors - agriculture, industry and services - underwent declines in growth rates compared to the previous year, the agricultural sector in particular has shown a significant drop in growth, from 6.3% in 2006 to 3.3% last year. Despite a healthy real rate of growth in economic output, escalating inflation and rising interest rates have been challenging hurdles to overcome for most of our businesses.

Notwithstanding a 12.4% growth in earnings per share to Rs.11.13. the Hemas share closed at Rs. 87.50 as at 31st March 2008. At this price, the stock was trading at a Price Earnings Ratio of 7.8 .The Company has paid out a Gross Interim Dividend of Rs. 126.6Mn to Shareholders as at date.

Hospital developments will expand our presence in the Healthcare Sector

Our endeavor to enter the Hospital industry was the biggest initiative that we undertook during last year, and ensuring proper project execution of this Rs.2Bn project was one of our key priorities. I am happy to report that our flagship 100-bed hospital in Wattala is on schedule to open towards the latter part of 2008 and we expect this 'patient-centric' facility to significantly raise the standards of healthcare in the area. The long-term success of a hospital would depend on many aspects with regard to its strategy and execution. To this end, we have made good progress towards securing a good mix of well known Consultants, having a dedicated team of well-trained nurses (through our nursing school) and rolling out an effective system of internal processes.

Much work has also been done to improve and expand Southern Hospital in Galle that we acquired in June 2007. This facility too is expected to be fully operational towards the end of the year.

The total project will be funded through a debt-equity mix of approximately 50:50 and more than 30% of the equity has been funded by private equity investors reiterating confidence in the project and your Company.

With regard to our existing operations in the Healthcare Sector, the Pharmaceutical Distribution business consolidated its market leadership closing out 2007 with a share of 15.2% (Source: IMS) in a market which had a modest growth of only 2.8% during the year. Our

CEO's Review

Revenues, however, grew by 9.8% to close at Rs.3.1Bn whilst Profits were up by 30.9% to Rs.184.5Mn. The business continues to focus on improving customer service levels whilst improving efficiency and productivity to stay competitive in an intensely competitive market.

We strengthened our Portfolio of Winning Brands

Our FMCG business had a challenging year during which its revenues grew by 8.8% to Rs. 4.2Bn. In the first half of the year margins were eroded as high input cost increases could not be passed on to the consumer. This was largely rectified in the second half of the year and exit margins (except for soaps where palm oil prices remain at record high levels) have been largely restored.Additionally investment relief on factory relocation resulted in a net profit growth of 28.5%.

We continued to consolidate our position in our core Personal Care business with most categories holding or gaining share. Our strategy of growing in allied categories is starting to kick in and we now have a small but sustainable brand presence, from where we can grow, in sizeable categories like Personal Wash, Household and Snack Foods. *Baby Cheramy* our flagship baby care brand won the prestigious Overall Brand of the Year award at the Sri Lanka Institute of Marketing Brand Excellence Awards. Several of our bigger brands like *Clogard, Kumarika* and *Diva* also increased market share over the year.

Built at a cost of Rs. 700Mn, a key initiative for the year was the commissioning of our new 150,000 sq ft manufacturing facility in Dankotuwa which will enable us to deliver manufacturing efficiencies whilst increasing capacity to support our growth plans. A key component of this facility is the 'Hemas Innovation Centre' which will significantly enhance our capability to design and develop innovative solutions in line with consumer needs. No less important is the excellent environment that has been provided for the workforce as well as the resultant benefits to the locality where we have developed a pre-school and helped out in other ways. The relocation cost will be offset, to an extent, by future tax benefits.

We recorded a Mixed Performance in our other Businesses

The Transportation sector grew its revenues by 12.5% for the year under review to close at Rs. 570.7Mn, whilst Profits grew by 18.4% to Rs. 121Mn. Within the sector, the Airline Representation business did well recording an impressive growth, mainly owing to higher passenger volumes and increased profitability in the cargo business.

Performance was helped by the increased frequency of Malaysia Airlines to Colombo from 3 flights per week to 4, and a strong increase in market share by Emirates mainly due to middle-east traffic. A noteworthy event during the year was the entry into the Maritime sector through obtaining the agency for FAR Shipping Singapore which operates a feeder service in the region. Results in our Freight Forwarding business were below expectations and the sector is exploring several avenues to arrest value erosion.

Leisure Sector profitability was impacted by poor results at Hotel Serendib which was closed for 6 months of the financial year. In general, the industry too had another poor year with lower tourist arrivals and pressure on yields. A bright star was the performance of Hotel Dolphin which delivered a Net Profit of Rs. 54Mn, making it one of the most successful resort properties in the island. Hemtours, the Destination Management arm of the sector entered into an understanding with Thai based Diethelm Travel Group to benefit from its global distribution reach in promoting tourism to Sri Lanka and the Maldives.

The Power sector recorded a Turnover growth of Rs. 1.62Bn which represents a 44.5% increase for the year under review. Despite the high turnover growth the profit growth was only 1.0% due to high finance cost which was a result of increase in working capital build up.The increase in working capital is attributed to the increase in oil prices, which although being a pass through cost, necessitates the injection of additional working capital to finance fuel stocks.

We continuously invest in building a High Performance Team

At Hemas we believe that the passion and quality of our senior leadership is directly correlated with the success we achieve in business. In this respect we have continued to invest in learning and exposure interventions to our senior management. Many of them have gone through Individual Development Centres (carried out by an International HR consulting group) designed to help them develop their leadership skills in alignment with 7 key competencies required of a Hemas leader.

A key concern has been the ever increasing number of people who are leaving our shores for greener pastures. Whilst there is little we can do to arrest this, we try to retain our best talent through constantly providing opportunities for career advancement. Also, we have placed more emphasis on succession planning and Management Trainee programs in order to ensure that necessary resources are available to lead our businesses and the various initiatives we are undertaking.

CEO's Review

Whilst we grow we strive to 'Give Back'

In building a sustainable business, we are ever mindful of the need to enrich the lives of the communities we operate in and to preserve our environment. Our Piyawara program now fosters 32 pre-schools across all parts of the island impacting the lives of over 3,000 children.The program received international recognition at the annual Asian CSR Awards 2007 held in Ho Chi Minh City, Vietnam amongst a distinguished gathering.

This year we extended the program with "Piyawara Lamapuraya" children's parks in Gampaha and Pottuvil which were received with great joy by the children. Also a pilot project was launched together with the collaboration of the Colombo North Police Division to train officers to curtail child abuse.

Over the years we have raised the level of environmental consciousness amongst those who work in the company and several initiatives were undertaken towards reducing our carbon footprint.

We have a new Strategic Roadmap for accelerated growth

It is important for a Group with diverse interests to have an objective and rigorous system by which it manages its portfolio. During the year we commissioned A.T.Kearney (a global management consultancy firm) to work with us on this and help formulate an accelerated growth strategy for the business.

As a result, we now have a clearer understanding on which businesses we need to focus on and have identified several new growth initiatives for the future. In order to make this happen, a new flatter Organizational structure aligned with strategy has been put into place. We intend that this would create an empowered environment which encourages calculated risk taking in order to build sustainable businesses that can thrive in a challenging environment. Along with this a series of initiatives to reshape our internal culture in alignment with our new stance have also been set in motion

We look to 2008 with Energy and Enthusiasm

The coming year promises to be an eventful year for your company. Born in the year of Sri Lanka's independence, Hemas will turn 60 along with our nation. The coming year will also see the commissioning of our new FMCG facility which will give us the capability to pursue growth initiatives both here and overseas. The opening of our hospitals will mark our entry into the Healthcare service industry and we are determined to bring new standards of medical care to the patients we will serve. Our first mini-hydro plant will also be commissioned towards the latter part of 2008, thus giving us a presence in the renewable energy sector which we believe has much potential.

But the coming year will not only see us break new ground in terms of our businesses. We are also setting out to break some of our internal practices and mindsets and reinvent our organization. A visible manifestation of this is our new Purpose statement (given in the front cover) and our new Logo which seeks to preserve the best of the past whilst representing movement and energy for the future.

I would like to thank our Chairman and the Board of Directors for their constant support and guidance. My sincere thanks to Mr Simon Scarff who served as a Non-Executive Director for four years. Mr Pradipta Mohapatra joined our Board in July 2007 and we have already seen the benefit of his wide and international exposure on our deliberations. Mr Debu Bhatnagar who functioned as Head of the FMCG sector since 2000 left us in March 2008 and I am happy that he has agreed to stay on as a Non-executive Director and have no doubt his understanding of the Company will serve the Board well.

In conclusion, I wish to thank all our stakeholders, especially our valued customers, for placing their trust and confidence in Hemas. As we look towards a new era of growth, we look forward to touching more people's lives in an even more meaningful way. It is this intent that is behind our new tagline - Enriching Lives.

Last but not least let me thank most sincerely all the 2000 plus men and women who make up the Hemas family. In these challenging times, it is the faith in the ability of our people that enables us to dream and plan for a new era of growth which will no doubt bring lasting rewards for all stakeholders.

Husein Esufally

Husein Esufally
Director and Chief Executive Officer

23rd May, 2008

Imtiaz Esufally   Maithri Wickremesinghe   Pradipta Mohapatra   Lalith De Mel

Board of Directors

Husein Esufally

Chief Executive Officer

Mr. H. N. Esufally holds a Bachelor of Science (Honours) degree in Electronics from the University of Sussex, U.K. He was appointed as the Chief Executive Officer in 2001 and has management experience of over 20 years. He was instrumental in building the FMCG business to its current status. He is also a Trustee at the National Council for Mental Health (Sahanaya).

Abbas Esufally

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

Imtiaz Esufally

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

Murtaza Esufally

Mr. M. A. H. Esufally holds a Bachelor of Law degree from the University of Essex, UK. He is a Barrister-at-Law (Lincoln's Inn) and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He is a Director of the Centre for Poverty Analysis. He has served as the Head of the Hemas Apparel business for 14 years. He is also the Chairman of Hemas Hospitals (Pvt) Ltd.

Debu Bhatnagar

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

Husein Esufally Debu Bhatnagar Abbas Esufally Murtaza Esufally

Non Executive Directors

Lalith De Mel

Chairman

Mr. L. De Mel has a Master of Arts Degree from Cambridge University, UK. He counts over 40 years Board experience having served as a Director of several companies in Sri Lanka and abroad. He has served most of his career at Reckitt Benckiser Plc, UK and was the Global Director - Pharmaceuticals before his retirement in 1999. He served as the Chairman of the Board of Investment and the Chairman of Sri Lanka Telecom Limited. He holds directorships in many other companies and is a Trustee of the Cambodia Trust, UK.

Maithri Wickremesinghe

Mr. M.E. Wickremesinghe is an Honours Graduate in Law of the University of Colombo, an Attorney-at-Law of the Supreme Court of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. He is a practicing Attorney-at-Law specializing in Commercial & Banking Law and serves on the Board of Directors of Nations Trust Bank PLC as an Independent Non- Executive Director. He has lectured at the Faculty of Law of the University of Colombo, at the University of Moratuwa and at the Kotalawela Defense Academy.

Pradipta Mohapatra

Mr. P.K. Mohapatra was appointed to the Board of Hemas Holdings PLC on 13th July 2007. He is a director on the main board of RPG Enterprises, a US$ 3 Bn Business House in India. He also sits on the Boards of a number of RPG Group companies in India, USA Europe and the Asia Pacific. Mr. Mohapatra is a Chemical Engineering graduate from NIT, Roukela,and studied Business at Mumbai and Harvard Business School Boston. He was also invited to be a Fellow of the Chartered Management Institute, UK. He is an accredited international CEO Coach from the Behavioral Coaching Institute, UK.

Senior Management

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

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

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

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

Board of Management

Malinga Arsakularatne
Chief Financial Officer

Kishan Nanayakkara
Managing Director
Hemas Power

Isuru Tillakawardana
Director - Group Human Resources

In addition to the above, all Executive members of the Board of Directors of Hemas Holdings PLC are members of the Board of Management.

Group Operating Committee

Neville Ruwanpathirana
Director- Food & Homecare
FMCG

Harith Perera
Managing Director
Hemtours

Srilal Miththapala
CEO
Serendib Leisure

Kasturi Chellaraja Wilson
Chief Process Officer

Sanjeewa Samaranayaka
Managing Director
Pharmaceuticals

Dr. Kithsiri Edirisinghe
CEO
Hemas Hospitals (Wattala)

Riad Ameen
Legal Consultant

Suren Raymond
Director - International Business
FMCG

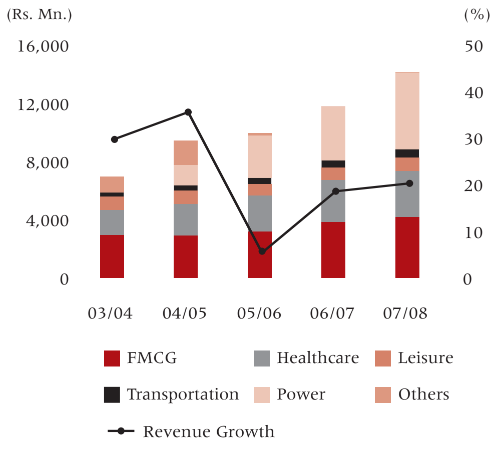
Roy Joseph
Commercial Director
FMCG

Dr. Irshad Mushin
Director - Maritime
Transportation

Deshini Abeyewardena
Director - Business Development

Management Discussion and Analysis

Group Financial Review



Revenue

Consolidated revenue for the year-ended 31 March 2008 was Rs. 14.16Bn, up 20.3% from previous year. Whilst revenue growth was similar to previous year's growth of 20.4%, unlike the past, top-line growth was almost entirely driven by the Power Sector, which grew by 44.5% on the back of increasing fuel prices that was passed through to revenue as per the power purchase agreement with CEB. As a result the Power Sector accounted for 68.0% of total revenue growth. In other words, 13.8% of the total 20.3% growth is due to the increase in Power Sector revenues.

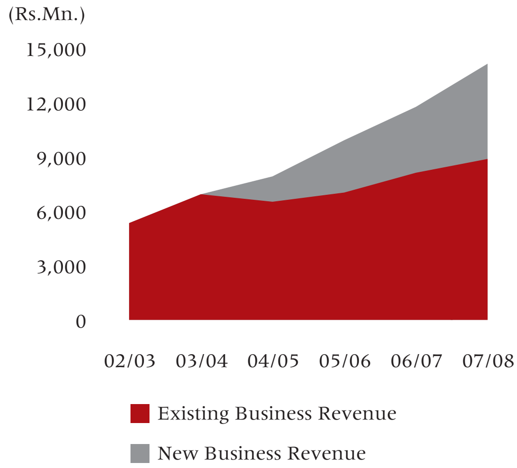
Our core business sectors, FMCG and Healthcare survived a challenging year, grappling with a sluggish consumer market hit by escalating inflation. Whilst both sectors improved their top-line growth during the second half of the year, they ended up recording modest growth rates for the full year. The Leisure Sector posted a growth of 9.5% for the year, helped by discounted hotel rates in a lackluster domestic tourism market. Transportation Sector growth of 12.5% is well below its average revenue growth

Revenue Analysis	Revenue Mix 06/07	Growth 07/08	Contribution to Growth Absolute	Contribution to Growth % of Total	Revenue Mix 07/08
FMCG	32.6%	8.8%	2.9%	14.1%	29.5%
Healthcare	24.2%	9.8%	2.4%	11.8%	22.1%
Leisure	7.3%	9.5%	0.7%	3.4%	6.7%
Transportation	4.3%	12.5%	0.5%	2.7%	4.0%
Power	30.9%	44.5%	13.8%	68.0%	37.2%
Other	0.5%	0.5%	0.0%	0.0%	0.5%
Group	100.0%	20.3%	20.3%	100.0%	100.0%

Management Discussion and Analysis

of 23.1% over the previous three years. Although sales throughput of the sector increased by as much as 26.0%, deteriorated yields especially in the passenger airline division, has resulted in a moderate revenue growth.

As a new business which entered the Hemas portfolio three years ago, the Power sector has grown by 25.9% and 44.5% over the last two years, whereas the existing businesses have grown by only 18.1% and 9.4% during the respective years. These disparate growth rates in Power revenues vis-à-vis existing business revenues over the last few years has resulted in a 37.2% revenue share for Power within a relatively short period of time, making it the biggest sector in the Group in terms of revenue, overtaking FMCG for the first time.



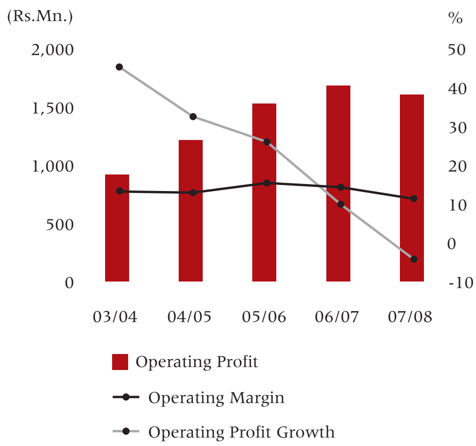
Profitability

Operating Profit

A drop in operating margins from 14.3% to 11.3%, despite a revenue growth of 20.3%, has caused a 4.4% decline in operating profits during the year under review. Over the previous three years, the average growth in operating profits has been 22.8%, and the average operating margin during the same period was 14.3%.

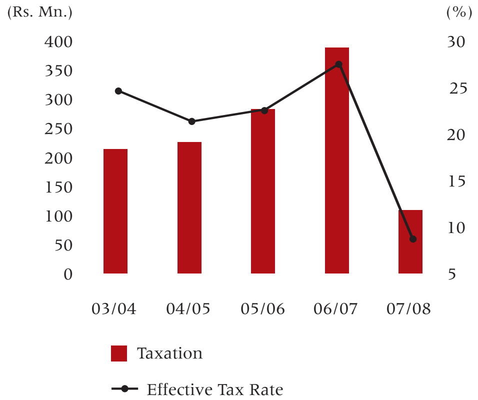
Whilst the drop in margins can be largely attributed to a considerable shift in the revenue mix towards the Power Sector which has relatively low margins, depressed operating margins in the FMCG Business on the back of increased raw material prices, and high administrative costs across the Group have also contributed to the drop in profitability to a great extent.

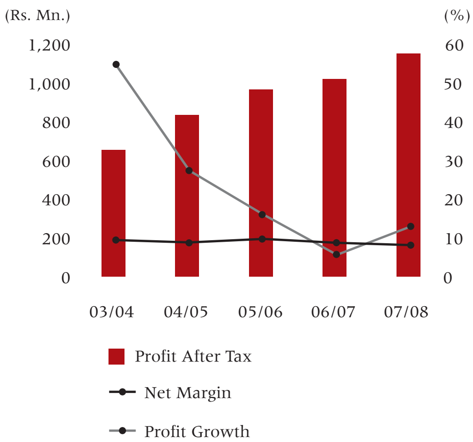
The operating margin analysis below shows that the overall profitability has declined largely due to depressed margins at business-level, particularly FMCG and Power. Whilst drop in revenue share of Healthcare has had a favorable impact on margins, profitability has suffered due to the increase in revenue share of Power.



Operating Margin	Revenue Mix		Operating Margins		Margin Impact		
Analysis	06/07	07/08	06/07	07/08	Mix	Profitability	Total
FMCG	32.6%	29.5%	16.18%	12.84%	0.04%	-1.09%	-1.05%
Healthcare	24.2%	22.1%	7.94%	8.42%	0.12%	0.12%	0.24%
Leisure	7.3%	6.7%	10.96%	7.88%	0.04%	-0.23%	-0.18%
Transportation	4.3%	4.0%	29.56%	27.54%	-0.04%	-0.09%	-0.12%
Power	30.9%	37.2%	14.34%	10.84%	-0.21%	-1.08%	-1.30%
Other	0.5%	0.5%	100.84%	0.43%	0.01%	-0.54%	-0.53%
Group	100.0%	100.0%	14.23%	11.32%	-0.03%	-2.91%	-2.94%

Management Discussion and Analysis





Finance Cost

Finance cost across the Group has increased by 27.0% during the year, from Rs. 273Mn to Rs. 347Mn and correspondingly interest cover has decreased from 6.1 to 4.6. An increase of 11.6% in borrowings from Rs. 2.88Bn to Rs. 3.22Bn coupled with rising interest rates has brought about this increase in finance costs.

Taxation

Our FMCG Business enjoys a 5-year tax holiday commencing 1 April 2008, as a result of the factory relocation project under the 'Nipayum Sri Lanka' programme. During the year under review there were considerable tax benefits arising out of this project in the form of investment relief on the costs incurred on the project. As a result there has been a significant drop in the tax charge for the year, down 72.0% to Rs. 109Mn from Rs. 388Mn. The effective tax rate for the year has declined to 8.6% from 27.5% in the previous year.

Net Profit

For the year under review, the Group recorded net profits of Rs. 1.14Bn, an increase of 12.9% from the previous year. As shown in the graph, momentum has been slowing down over the four years prior to the year under review. Despite the decline in operating profits and increased financed costs, this year we have been able to reverse the declining trend in profit growth, largely helped by significant tax benefits.

Net margin has declined from 8.7% to 8.1% owing to the same reasons mentioned earlier with regard to the decline in operating margins. However, significant savings in taxes have resulted in a lower drop in net margins vis-à-vis the drop in operating margins.

The biggest contributor to profit growth has been FMCG accounting for 86.7% of the total increase in profits. Evidently, the drag in FMCG operating profits has been translated into a resounding net profit growth as a result of tax efficiencies.

PAT Growth Analysis	PAT Mix 06/07	PAT Growth 07/08	Contribution to Growth Absolute	Contribution to Growth % of Total	PAT Mix 07/08
FMCG	39.2%	28.5%	11.2%	86.7%	44.6%
Healthcare	13.8%	30.9%	4.3%	33.2%	16.0%
Leisure	4.2%	-39.4%	-1.6%	-12.8%	2.2%
Transportation	10.0%	18.4%	1.8%	14.3%	10.5%
Power	29.8%	1.0%	0.3%	2.4%	26.7%
Other	2.9%	-103.9%	-3.1%	-23.8%	-0.1%
Group	100.0%	12.9%	12.9%	100.0%	100.0%

Management Discussion and Analysis

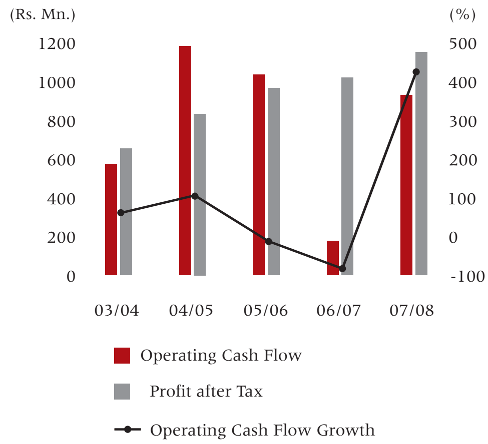
Healthcare and Transportation Sectors too have contributed well with growth rates of 30.9% and 18.4% respectively. In absolute terms FMCG has caused profits to grow by 11.2% while Healthcare has pushed profits up by 4.3% and Transportation by 1.8%, out of a total profit growth of 12.9%. In the case of the Power business where increased revenues largely due to high oil prices result in lower margins, its revenue growth of 44.5% has been translated into a profit growth of only 1.0%.

Net margin analysis given below illustrates how the change in revenue mix and the drop in sector profitability has impacted the overall Group margins. The large shift in the revenue mix favoring the Power Sector has caused net margins to decline by 0.18% and the margin deterioration in the Sector has caused net margins to decline by a further 0.78%. FMCG on the other hand had pushed margins up by 0.62% as a result of higher net profitability, mainly owing to tax benefits despite posting a drop in operating margins. However, the drop in FMCG revenue share has caused a 0.11% drop in Group net margins. The Healthcare Sector has contributed positively in terms of margin impact due to revenue mix as well as margin impact due to profitability - whilst Healthcare Sector net margins have improved by 0.95% during the year leading to a 0.23% improvement in Group margins, the drop in revenue share has caused Group margins to increase by a further 0.06% as Healthcare has been a relatively low margin business.

From a Group perspective, 0.22% can be attributed to the change in revenue mix and 0.31% can be attributed to drop in profitability when analyzing the overall drop of 0.53% in Group net margins during the year.

Cash Flow

In terms of cash flow generation, the Group bounced back from a modest performance of Rs. 177Mn during 2006/7 to a healthy level of Rs. 929Mn. In the previous year cash flow generation was hindered mainly due to working capital build up in the form of increased receivables and inventory. During the period under review our businesses were successful in streamlining the



Net Margin Analysis	Revenue Mix 06/07	Revenue Mix 07/08	PAT Margins 06/07	PAT Margins 07/08	Margin Impact Mix	Margin Impact Profitability	Total
FMCG	32.6%	29.5%	10.39%	12.27%	-0.11%	0.62%	0.50%
Healthcare	24.2%	22.1%	4.94%	5.88%	0.06%	0.23%	0.29%
Leisure	7.3%	6.7%	4.94%	2.74%	0.04%	-0.16%	-0.12%
Transportation	4.3%	4.0%	20.15%	21.21%	-0.03%	0.05%	0.01%
Power	30.9%	37.2%	8.35%	5.84%	-0.18%	-0.78%	-0.95%
Other	0.5%	0.5%	47.16%	-1.83%	0.01%	-0.27%	-0.26%
Group	100.0%	100.0%	8.66%	8.13%	-0.22%	-0.31%	-0.53%

Management Discussion and Analysis

management of working capital and improving cash cycles to very satisfactory levels.

These measures have resulted in a 425.0% increase in the net operating cash flow of the Group and we have been successful in moving back towards the historical track record of keeping up the cash flow generation in line with our profits.

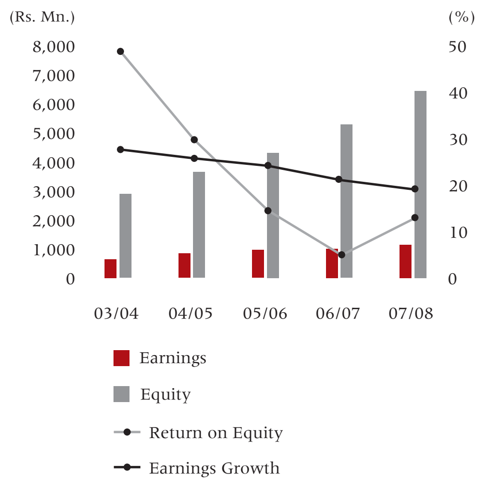
Due to relatively heavy investments in our three main projects - Hospitals, Mini Hydro, and FMCG factory relocation - the total capital expenditure and investment cost for the year increased to Rs.1,189Mn from Rs. 447Mn in the previous year. As a result the free cash flow generated within the Group for the year was a negative Rs. 260Mn.

Investment Returns

Generating high returns on investments is one of the key focus areas at Hemas. The ROCE (Return on Capital Employed) analysis given below indicates that depressed margins have outweighed the favorable impact due to improved asset turnover during the year causing the Group ROCE to decrease from 20.7% to 16.9%.

A 3.8% drop in ROCE is translated into a 1.7% drop in ROE (Return on Equity) as shown in the table below. A deteriorating interest cover from 6.1 to 4.2 coupled with a decreasingly leveraged equity base has had quite a significant adverse impact on the ROE. However, a much improved effective tax rate from 27.5% previous year to 8.6% this year has pulled back the slump in returns to a great extent. As a result ROE has dropped only by 1.7%, from 21.1% in the previous year to 19.4%. The average ROE of Hemas during the previous three years was 23.6%.

Over the years Hemas has been delivering high levels of ROE.



	03/04	04/05	05/06	06/07	07/08
Operating Margin	13.2%	12.9%	15.4%	14.3%	11.3%
Asset Turnover	1.14	1.07	1.01	1.10	1.15
Assets / Capital Employed	1.40	1.34	1.33	1.32	1.29
ROCE	21.0%	18.3%	20.7%	20.7%	16.9%

	03/04	04/05	05/06	06/07	07/08
Interest Cover	18.8	7.8	5.4	6.2	4.6
Effective Tax Rate	24.6%	21.3%	22.6%	27.5%	8.6%
Debt / Equity	88.9%	80.3%	62.9%	54.7%	50.0%
ROE	27.6%	25.7%	24.1%	21.0%	19.4%

Management Discussion and Analysis

Relatively slow earnings growth on an increasing equity base has been a challenge to maintain the high levels of ROE that Hemas has been delivering in the past.

An interim dividend of Rs. 114.0Mn has been paid out in respect of the financial year under review. Since going public, Hemas has maintained a payout ratio between 23% and 29% up to the financial year 2006/7. The Board of Directors of Hemas determines the dividend payment each year taking into consideration factors such as historical payout ratios, medium term investment requirements and market norms.

For the year ended 31 March 2008, Hemas share has generated a negative return of 16.6% vis-à-vis a negative return of 8.6% of the All Share Price Index. In terms of volatility, the standard deviation of the Hemas stock returns has been much higher than that of the All Share Price Index. On 31 March, Hemas closed trading at a share price of Rs. 87.50 which reflects a PER of 7.8, a significant discount to the market PER. The unjustifiably high level of volatility and the relatively low PER of the Hemas stock possibly reflects the low levels of trading activity in the secondary market.

Year ended 31 March 2008	Hemas	ASPI	Excess
Annual Return	-16.6%	-8.6%	-8.0%
Standard Deviation	27.1%	11.5%	15.6%

FMCG

Management Discussion and Analysis

FMCG

The Fast Moving Consumer Goods (FMCG) Sector manufactures and markets branded Personal Care, Homecare & Food Products. The FMCG sector accounted for 29.5% of Group Turnover and 44.6% of Group Profits for the year under review. The sector recorded a Turnover of Rs. 4.2 Bn reflecting a top-line growth of 8.8%. Sector Profit for the year was Rs. 513.2 Mn, an increase of 28.5% which was largely due to tax efficiencies.

Overall this has been a very challenging year for the business with double digit inflation impacting industry volumes, while high increases in input prices depressed margins. Market growth slowed down in most of the categories in which we compete. The Market slow down was attributed largely to the pressure on disposable income as a result of the increased outlay on essential items. Input prices too have escalated significantly, many of which are directly or indirectly connected to the price of Crude Oil. Whilst we held back price increases during the first half of the year, price corrections taken in the second half have improved margins.

Our core Personal Care business did well to grow slightly ahead of Market, whilst the Homecare and Foods businesses grew rapidly off a smaller base. One of the highlights of the year was the recognition given to *Baby Cheramy* which swept the stakes at the Sri Lanka Institute of Marketing Brand Excellence Awards winning the Local Brand of the year, Product Brand of the Year and the Overall Brand of the Year awards.

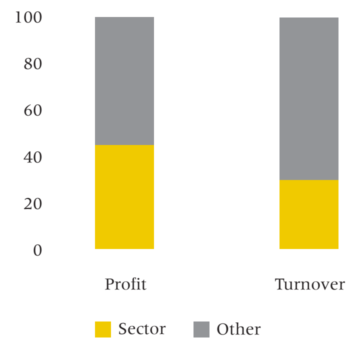
The relocation of the manufacturing facility to Dankotuwa costing Rs. 700 Mn was successfully implemented in April this year. Apart from the fiscal benefits, we now have capacity for growth in this new environmentally friendly facility, which has been designed to improve work flow and productivity whilst providing all amenities for the workforce. A special feature of the facility is the unique and independent *Hemas Innovation Centre* which will significantly improve our research and development capability. The Centre will be manned by full time scientists mandated to create differentiated products of international quality in line with consumer needs.

Our efforts at generating a regional footprint gathered momentum in identified regional markets. Much work on the entry strategy and product portfolio has been done and we now have distribution arrangements in place. Business volumes are as yet modest, but, we have laid a good foundation from where we hope to grow.

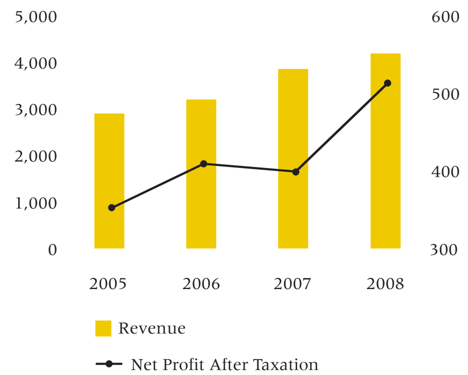
Baby Cheramy retained market leadership position throughout the year with consistent gains in market share. *Clogard*, continued to gain market share and the 'Jayagosa Nangwa' consumer activation initiated during the year contributed positively towards the brand's image and saliency. *Kumarika* Hair Oil maintained its market leadership position and continued to demonstrate strong growth. In the Fragrance category, *Goya* did well with its new launch of body sprays. *Diva* detergent powder performed exceptionally well gaining significant market share to become a leading brand surpassing many international brands. Our snack and confectionery brands expanded their portfolio with both savory and sweet product offerings.

We will continue to focus on delighting our customers through constantly improving our products in line with their needs. We will be looking to generate tangible returns from our investment in the *Hemas Innovation Centre* through differentiated brand propositions and superior quality products. Looking forward we are mindful that, in the short term, consumers may tighten purse strings as a result of rising inflation and price increases across all commodities. Increasing productivity and reducing costs will be a key priority as we strive to increase efficiency throughout the system.

Segment vs Group (%)



Revenue & Net Profit after Taxation (Rs. Mn.)



Healthcare

Management Discussion and Analysis

Healthcare

The Healthcare Sector comprises Pharmaceutical, Diagnostic and Surgical product distribution and the provision of Hospital Services. The sector posted a turnover of Rs. 3.1 Bn for the year an increase of 9.8% with a profit after tax of Rs. 184.5 Mn, an increase of 30.9% compared to the previous year. The major focus in the sector this year was the ongoing development of the 100 bed hospital in Wattala and the acquisition and development of a 50 bed hospital in Galle.

The pharmaceutical industry recorded a value growth of 2.8% in 2007 compared to a growth of 8.4% the previous year (IMS) which we attribute to a shift in consumer demand to generic products as result of high inflation. Our core pharmaceutical business did well to grow faster than the market closing the year with an exit market share of 15.2% up from 14.3% the previous year (Source : IMS). The increased focus on efficient working capital management resulted in a commendable improvement in cash generated from operations during the year.

A Business Process Re-engineering (BPR) initiative was undertaken during the year to re-orient the business to a process driven system rather than a functional one, with the customer as the focal point. This is expected to positively impact efficiencies and productivity and we expect to see the benefits of this in our operations in time to come.

Strong sales growth was witnessed in generic products manufactured by our principals Getz Pharma, Kalbe, Ranbaxy, Torrent & US Vitamins. The diverse product portfolio of our principals combined with well designed product launches and promotions contributed to the growth momentum seen this year. The business also attracted new Principals in the latter part of the year namely Reckitt Benckiser, Boehringer Ingelheim, and Bayer Schering.

The Wattala Hospital is scheduled to open in August 2008 as planned. Private equity was raised to finance the hospital with the Hemas group retaining majority shares in Hemas Hospitals (Pvt) Ltd which will own and operate the hospital. A number of independent Directors have been invited to the Board of this company to ensure good medical practice and governance.

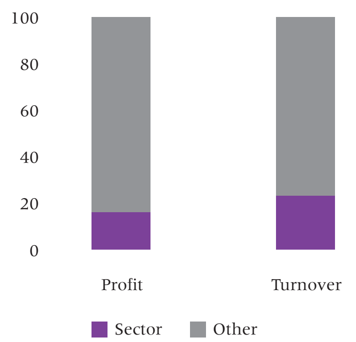
Southern Hospital, Galle, which was acquired in June 2007 has improved its infrastructure and medical care while expanding its customer base. Construction of the new wing is expected to be completed during the latter part of the year.

The Nursing school which was opened in January 2007, will be completing training of over 50 nurses in June 2008, and would play an integral role in our plan for the hospital services sector.

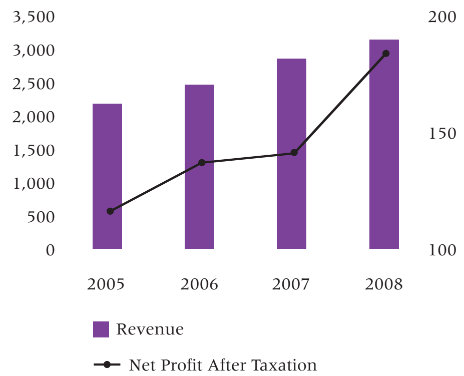
Completing and commissioning the two hospitals next year is the key focus area for the sector. Delivery of the service promise of quality, patient centric medical care at affordable prices is a considerable challenge, and resources and systems are being put in place to achieve this goal.

There have been a number of industry discussions on the direction of Government policy on Pharmaceuticals which could change the landscape of the Industry. We believe that this market should not be over-regulated and that the Government policy of the past has provided for freedom of choice. This has been judiciously used by the medical profession to cater to all segments of the market and encouraged healthy competition to the ultimate benefit of the consumer. We have actively participated in these discussions and look forward to a proactive policy regime. On our part, we are actively implementing the Code of Ethics for medical representatives (developed by the Chamber) in a concerted effort to set an example in ethical and responsible Pharmaceutical marketing and distribution practices.

Segment vs Group (%)



Revenue & Net Profit after Taxation (Rs. Mn.)



Transportation

Management Discussion and Analysis

Transportation

The Transportation Sector comprises Airline Representation, Travel Agency Operations, Freight Forwarding and Courier Services with the Shipping Agency business being a new addition as the group entered the Maritime Sector this year.

During the year under review, the sector recorded a turnover of Rs. 570.7Mn, an increase of 12.5% over the previous year, and net profit of Rs. 121Mn, which reflects a growth of 18.4%. Sales throughput for the year exceeded the Rs. 10 Bn milestone, up 26% from the previous year reflecting the growth in the respective markets.

The airline GSA segment posted a commendable 10.0% growth in turnover during the year while the outbound travel arm, Hemas travels introduced a number of value added services to its portfolio. Malaysia Airlines increased its frequency to Colombo from 3 to 4 flights a week during the year, whilst Emirates also witnessed a strong increase in market share mainly due to the growth in Middle East traffic. The Colombo Station had the distinction of winning two key awards at the recently concluded Emirates Global Sales Conference. Forbes Air Services (Pvt) Ltd which is the GSA for Emirates won the "Best GSA for 2007/2008" (Cargo) award, presented by Emirates Sky Cargo while the Colombo Station won "Best Performance" award for the region. The GSAs of LTU, Alitalia, Kenya Airways and BMI also posted a superior performance compared to the previous year.

Freight forwarding experienced yet another difficult year due to a scenario of intense competition heightened by a price war in the market. With increasing pressure on margins, the segment fell short of forecasted targets. The regional office in Pakistan was downgraded to a liaison office during the year as part of the business rationalization process.

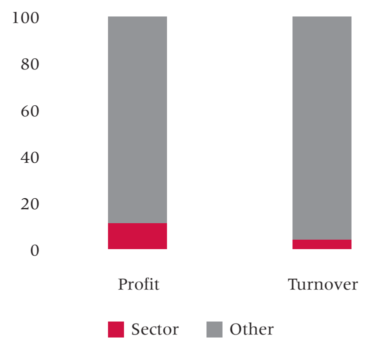
ACX courier performed well during the year with a growth of 40.4% in revenues. During the year ACX expanded its presence in the courier industry by entering into a Joint Venture with Skynet World Express, a global brand in the industry.

Entry into the maritime industry materialized in February this year when the sector was awarded the agency for a Singapore based shipping line FAR Shipping Singapore, which operates a feeder operation to the region.

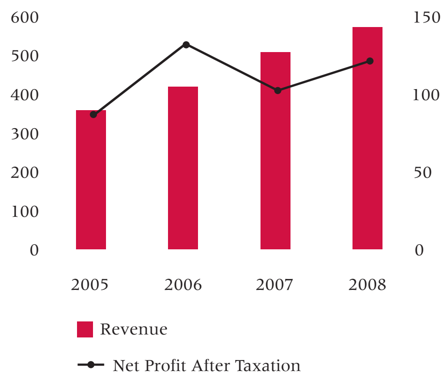
High economic growth rates in India have resulted in increased maritime activity in the region with the Colombo port increasing its viability as a trans shipment hub.

The 10% transshipment growth in the Colombo Port last year, together with the Port development projects undertaken by the Government with private sector participation augur well for the growth of this industry. We propose to develop our shipping agency portfolio and explore opportunities for investment in port related services next year. The ongoing development of the Bandaranaike International Airport has proved positive for the air transportation industry with increases in passenger and cargo movement seen over the last two years amidst many challenges. We will continue to work with our airline principals to increase scheduled air services to the country as we further enhance our service proposition.

Segment vs Group (%)



Revenue & Net Profit after Taxation (Rs. Mn.)



Leisure

Management Discussion and Analysis

Leisure

The Leisure Sector comprises Destination Management and Hotel operations represented by Hemtours Pvt Ltd and the Serendib Hotels Group which constitutes three hotel companies listed on the Colombo Stock Exchange.

The sector posted a turnover of Rs. 945.3Mn realizing a net profit of Rs. 25.9Mn, an increase in revenue by 9.5% and a decrease in sector profits by 39.4%. In underlying terms however, this translated to an increase in profits since the previous years sector profit included a write back of negative goodwill amounting to Rs. 33.5 Mn.

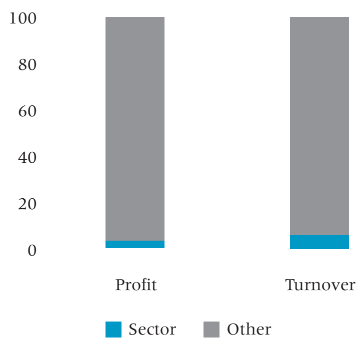
The Leisure industry continued to be hampered by the security situation during the year under review with tourist arrivals declining by 7% impacting earnings in both Hemtours and Serendib hotels group. The hotel sector attempted to mitigate the impact of this by special offers to local guests with the industry witnessing an increase in local guest nights by 115% this year (SLTDA).

The Serendib Group of Hotels comprises three properties; Hotel Serendib Bentota, Club Dolphin Negombo and Hotel Sigiriya in the cultural triangle. Club Dolphin performed exceptionally well, claiming the highest occupancy level for the western coastal region of 82%. It continued to be duly recognized by customers for its excellence in service delivery and won the First Choice Gold Award for the 3rd consecutive year, an achievement that highlights the consistency of service delivery. Hotel Sigiriya performed below expectation with the escalation of hostilities deterring tourists from visiting the cultural triangle and as a result annual occupancy was down to 39%. The agreement with Minor Group Thailand to upgrade and re-launch Serendib hotel Bentota as Anantara International was deferred once again this year due to the prevailing industry situation. Serendib Hotel Bentota which was closed for business in March 2007 pending the proposed refurbishment was reopened in October 2007 and reported a loss of Rs. 13.6 Mn for the year which was minimized due to a modest winter season with occupancy averaging 65% from December 2007 to March 2008.

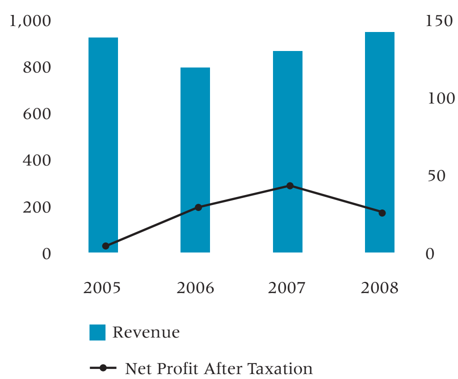
A number of initiatives were taken this year to improve the marketing reach of Hemtours. It entered into an agreement with Thailand based Diethelm Travel Group (DTG), a travel company with offices in nine countries in the region to promote inbound tourism to Sri Lanka and the Maldives which we expect will produce results next year. The launch of 'Holiday Asia', an online booking engine also served to improve the visibility of Hemtours among independent travelers.

Given the prevailing situation of the country we cannot be optimistic that the industry would pick up in the near future. However we believe that some of the focused marketing efforts undertaken by the newly established Tourism Development Authority would have a positive impact in the medium term. In this backdrop we will continue to develop and maintain our current properties with a focus on further improving cost efficiency and service delivery.

Segment vs Group (%)



Revenue & Net Profit after Taxation (Rs. Mn.)



Power

Management Discussion and Analysis

Power

The Power Sector currently reflects the performance of Heladhanavi Ltd which owns and operates a 100 MW thermal power plant in which the group has a 50% stake. This year marks the fourth year of the power plant's operations, supplying power to the National Grid through an on-going 10 year Power Purchase Agreement (PPA) with the Ceylon Electricity Board. The power plant performed commendably during the year meeting our expectations while operating in a tough macro environment. Heladhanavi has contributed an aggregate of 2.128Bn units to the National Grid from inception to 31st March 2008.

For the year under review, the Power sector recorded a turnover of Rs.5.3Bn realizing a net profit of Rs. 307.4Mn. This reflects a top-line growth of approximately 44.5% and a increase in net profits by 1.0%. The increase in turnover mainly resulted from a higher plant dispatch and increase in the pass through cost as a result of unprecedented fuel price increases. Net profit margin reduction was mainly attributed to higher finance costs and unrealised exchange losses.

During the year, several rounds of furnace oil price increases were witnessed. These increases which amounted to approximately 48% year-on-year compelled us to constantly expand our working capital facilities at high interest rates. This contributed to finance costs of Rs.264Mn, an increase of 21.1% over the previous year.

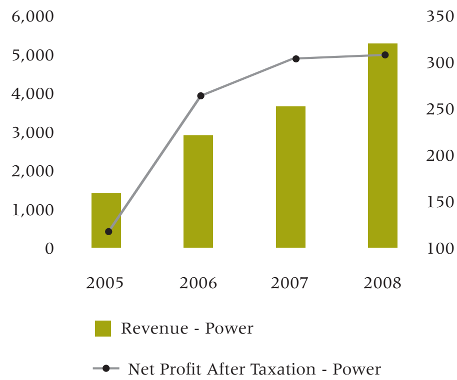
The development of our maiden 2.2 MW hydropower project in Giddawa, Kandy, marks our entry into renewable energy, and the project has progressed well amidst a few challenges. Being a very high rain-fall year, with unexpected rainfall recorded during most of the year's usually dry period, meeting construction deadlines have proved to be a challenge. However, as of now, we are optimistic that the plant will be commissioned as scheduled in July 2008. During the course of the year we added a new project into our hydropower portfolio by securing the rights to develop a 1.2MW project on Magalganga in the Kegalle District.

The establishment of the Sri Lanka Sustainable Energy Authority which is mandated to promote development of renewable energy projects encompassing hydro, wind and bio-mass power generation in 2007 provides a regulatory framework that encourages investment in this sector.

Going forward, the main focus of the sector will be on developing and expanding our portfolio of renewable energy projects. That said, the country will need to continuously augment power generation capacities using fossil fuels in order to keep pace with demand which is estimated to grow at 8% p.a. In this context, we remain ready to commit further investments in the thermal power sector, as and when attractive investment opportunities present themselves.

Segment vs Group (%)

Revenue & Net Profit after Taxation (Rs. Mn.)



Management Discussion and Analysis

Risk Management

The effective management of risk has been given increased priority in the Group which is a complex process given the diverse nature of its businesses. This process aims to identify threats that could impact the organization. This involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and taking appropriate actions to address the most likely threats.

Our risk management process is intertwined with the strategic and business planning framework. Each business unit sets its annual objectives and plans after identifying and evaluating the risks associated with its business. The appropriate risk management strategy for the business which may be to accept, or devise procedures to mitigate the risk. Our Shared Services operation which centrally manages group financial processes and accounting plays a key role in monitoring business performance against budget which is an integral part of our risk management process, together with the group internal audit.

The different types of risk are managed under the following framework:

Risk	Exposure	Mitigating Action
Environmental	The economic environment in which the business operates has an impact on demand in our key FMCG and Healthcare businesses.	De-risk country exposure through penetration into regional markets.
	Tourist arrivals for our Leisure business are largely dependent on a stable security environment.	Create revenue streams from operations in regional destinations, especially Maldives.
	Natural disasters could result in complete or partial closure of businesses units.	Detailed Business Continuity plan in place ensuring disaster preparedness and business continuity.
Business	Global mergers and acquisitions resulting in a loss of Principal/Business partners.	Closely monitor global trends and reduce reliance on any one principal/business partner.
	Loss of market share due to the entry of a new player and/or increased activity by an existing competitor.	Monitor market data and strengthen market position of our Brands/products .
	Changing consumer habits/trends resulting in a decline in demand	Regularly conduct market surveys and maintain close customer contact to spot trends and align product offerings accordingly.
Legal & Regulatory	Non performance of legal obligations and compliance with regulatory requirements	Group and business level legal, internal audit and monitoring function ensures strict compliance with all regulatory requirements and corporate governance framework to monitor adherence.

Management Discussion and Analysis

Risk Management

Risk	Exposure	Mitigating Action
Reputation	Negative impact on corporate image as a result of negligence, fraud, poor corporate governance and poor business practices.	Centralized corporate communication procedure to ensure accurate dissemination of information. 'Hemas way' sets out a Code of Ethics for all employees.
Investments	Investments not producing desired outcomes.	Framework for evaluation of new investment established and corporate governance framework to ensure independent monitoring of business performance. Effective project management framework to ensure successful execution to meet financial and time targets.
Operational Risk	Fraud, negligence and bottlenecks due to process inefficiencies.	Internal Audit Function monitored by the group audit committee.
Human Risk	High turnover of staff resulting in loss of tacit knowledge, loss of staff quality, increased recruitment and training cost, leakage of sensitive information and impact on staff morale.	Build a strong employer brand image. Device effective retention tools. Develop career development programs, mentoring programs and performance based rewards programs.
Foreign Exchange Risk	Loss in profitability due to adverse foreign exchange movements.	Managed at SBU-level taking into consideration expected foreign currency movements and relative pricing of spot market rates and forward market / hedging instruments.
Interest rate risk	Risk of adverse movements in interest rates on both local and foreign currency borrowings.	Centralized management of interest rate exposure based on projected cash inflows & outflows and short to medium term interest rate expectations.

Corporate Governance

The Board of Hemas Holdings PLC recognizes the importance of and takes responsibility for ensuring that proper standards of Governance are maintained. It understands, supports and has applied the core concepts that underlie corporate governance, complying with a majority of the detailed provisions contained in the Combined Code of 2006 and the Listing Rules of the Colombo Stock Exchange.

The following report explains how the Company is structured and controlled internally and how power is exercised by different groups to ensure that the objectives of the Company are achieved lawfully and ethically.

A. DIRECTORS

1. The Board

Code Provision:- "Every company should be headed by an effective Board, which is collectively responsible for the success of the company"

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

As part of their role in a unitary board, the non-executive directors help to develop proposals on strategy. They scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board has five to six scheduled meetings a year, and would meet further if necessary to consider specific matters which it has reserved to itself for decision.

There were six regular meetings and one special meeting held during the year under review.

The following table shows the number of board and committee meetings held during the year and the attendance of individual directors.

	Board	Board (Ad hoc)	Audit Committee	Remuneration Committee
No.of meetings in year	6	1	3	4
Lalith De Mel	6	1		4
Husein Esufally	6	1		
Abbas Esufally	5			
Imtiaz Esufally	6	1		
Murtaza Esufally	6	1		
Divyaroop Bhatnangar	4	1		
Simon Scarff *	1		1	1
Maithri Wickremesinghe	6	1	3	3
Pradipta Mohapatra **	5		2	

* *Resigned on 13th July 2007*

** *Appointed on 13th July 2007*

The schedule of matters specifically reserved for the Board include approval of the Group's long term objectives and strategy, approval of the operating and capital expenditure budgets, oversight of the group's operations, changes to the group structure and capital, financial reporting and control, internal controls, proposals for major capital projects and approval of policies.

The Company has arranged appropriate insurance cover in respect of legal proceedings and other claims against its directors.

The names of the Directors who served during the year under review are disclosed in the Annual Report of the Directors.

2. Chairman and Chief Executive

Code Provision:- "There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business"

The roles of the Chairman and Chief Executive have been divided between two members providing a better balance of power on the Board. The Chairman's role is pivotal in creating the conditions for the effectiveness of the Board as a whole and the individual directors. The Chief Executive holds responsibility for executive management.

3. Board balance and Independence

Code Provision "The board should include a balance of executive and non executive directors such that no individuals or small group of individuals can dominate the board's decision taking"

The Board comprised five executive directors and three non executive directors as at 31st March 2008. Your Board believes that it is, at present, of sufficient size to bring a

Corporate Governance

balance of skills and experience appropriate for the requirements of the business. The directors have a range of skills and experience and each brings an independent judgment and considerable knowledge to the board's discussions.

Messrs Lalith De Mel , Maithri Wickremesinghe and Pradipta Mohapatra non-executive directors on the board, are deemed independent, having met the criteria for independence as defined by the Colombo Stock Exchange. The Board has received from each of the non executive directors a written declaration of their independence. Their names and biographies are set out on page 08.

The Board is aware of other commitments of its non executive directors and is satisfied that these do not conflict with their duties as directors of the Company.

4. Appointments to the Board

Code provision;- "There should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board"

The Board has not established a Nominations Committee for making recommendations on board appointments. Instead, appointments to the Board are made collectively and with the consent of all Board members, based on merit and against objective criteria. The Board is satisfied that plans are in place for orderly succession for appointments to the Board and for senior management so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

5. Information and Professional Development

Code Provision:- "The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. "

The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Under the direction of the Chairman, the Company Secretary makes certain that good information flows within the board and its committees and between senior management and non-executive directors as well as facilitating induction. The Company Secretary is also responsible for advising the Board through the chairman on all governance matters.

All directors have access to the advise and services of the Company Secretary who is responsible to the board for ensuring that board procedures are complied with.

6. Re-election

Code provision:-" All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance."

The Articles of Association require that each director seeks re-election every three years, in line with the provisions of the Combined Code. A director who retires by rotation is eligible for re-election by the shareholders at the Annual General Meeting.

Non executive directors are appointed for a three-year term which is renewable at the discretion of the Board, subject to re election and to the provisions of the Companies' Act relating to removal of a director.

B. REMUNERATION

Procedure

Code provisions;- "There should be a transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages"

The Remuneration Committee has been delegated with responsibility for both developing remuneration policy and for setting the remuneration for all executive directors. They also recommend and monitor the level and structure of remuneration for senior management.

A committee comprising the executive directors including the Chief Executive Officer has been delegated with responsibility of negotiating the remuneration of the non-executive directors.

The members of the Board Remuneration Committee are

Mr. Lalith De Mel *(Chairman)*

Mr. Maithri Wickremesinghe

Both members are independent non executive directors. A description of the work of the remuneration committee and the remuneration policy are set out in the Committee's report to the shareholders.

Details of the cash and non cash benefits received by the executive and non-executive directors are disclosed on page 35.

C. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The responsibility of the directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility on page 52.

Corporate Governance

2. Going Concern

The directors, having made appropriate inquiries, are satisfied that the Company and the Group have adequate resources to continue in operational existence in the foreseeable future. For this reason it continues to adopt the going concern basis when preparing the financial statements.

3. Internal Control

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities and avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events. To achieve this, the Board has established a process for the identification, evaluation and management of the risks faced by the group. It should be recognized that such a process can only provide reasonable and not absolute assurance against material misstatement or loss.

The statement on Risk Management describes the group's risk management structure. The group's business is conducted within a developed control framework, which ensures that there are procedures to identify and manage risk including operational risk, liquidity risk, regulatory risk, market risk and the like. The board has established a management structure that clearly defines roles, responsibilities and reporting lines.

The performance of the group's business is reported regularly to senior line management and the board. Performance trends and forecasts as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies which are applied consistently. The effectiveness of the group's internal control system is reviewed regularly by the Board, the management and the group internal audit. The Group internal audit monitors compliance with policies and standards and the effectiveness of internal control. It reports regularly to the audit committee and the Chief Executive.

4. Audit Committee and Auditors

The audit committee consists of two independent Non-Executive Directors, Mr. Maithri Wickremesinghe (Chairman) and Mr. Pradipta Mohapatra. Their profiles appear on page 8 and 9 of this Report.

The Committee reviews and monitors the integrity of the Company's annual and interim financial statements, circulars to shareholders and any formal statements relating to the group's financial performance including significant financial judgments contained in them. Ultimate responsibility for the approval of the annual and interim financial statements, however, rests with the Board.

At least once each year, the committee meets with the external and internal auditors without the presence of the management, to discuss issues arising from their respective audits.

In relation to the group's internal audit function, the committee's responsibilities include monitoring and assessing the role and effectiveness of the group internal audit function and resolving issues raised in the internal audit reports.

The Committee's responsibilities in relation to the Group's external audit include:

- considering and making recommendations on the appointment, re-appointment and removal of the external auditors.
- approving the terms of engagement of auditors, nature and scope of the audit and their remuneration.
- reviewing the findings of the audit including any major issues that arose during the course of their audit.
- oversight of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with the Sri Lanka Accounting Standards.
- oversight of the compliance with financial reporting requirements of the Companies' Act and other relevant financial reporting regulations and requirements.
- reviewing the Group's internal controls and risk management systems.

5. Auditor Independence and Objectivity

The Company has adopted a policy on the use of non-audit services provided by the Company's external auditors Messrs. Ernst & Young, The Committee's prior approval is required before the Company uses non audit services. Such services will only be used where the Company benefits in a cost effective manner and the auditor maintains the necessary degree of independence and objectivity.

Details of the fees paid to the external auditors for audit and non-audit services are set out in page 34.

Corporate Governance

Following table sets out compliance with the rules on Corporate Governance of the Colombo Stock Exchange as at 31st March 2008.

Criteria	Extent of Compliance
Non-Executive directors - The Board of directors shall include at least two non-executive directors or such number of non-executive directors equivalent to one third of the total number of directors	The board of directors comprise eight directors three of whom are non-executive directors.
Independent directors- Two or one third of the non-executive directors appointed to the board, whichever is higher shall be independent.	The three non-executive directors are independent.
Each non-executive director shall be required to submit a signed and dated declaration of independence/non independence against specified criteria.	The three non-executive directors have submitted a declaration confirming their independence.
Disclosure relating to directors independence	The relevant disclosure has been made in the Annual Report of the Directors.
Criteria for defining independence	The non-executive directors have met the criteria for defining independence
Remuneration committee - Composition functions and relevant disclosure	The Annual Report sets out the composition and the policy

D. RELATIONS WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders and the Annual General Meeting is used as an opportunity to do so.

The Companies' Act requires that the Notice of the Annual General Meeting be posted to Shareholders fifteen (15) working days before the date of the Meeting. The Company aims to achieve this and will strive to give the appropriate notice.

E. GROUP CODE OF CONDUCT

The Board has established a Group code of conduct relating to the lawful and ethical conduct of business. These requirements are linked to the Group's core values. The Group code of conduct has been communicated to all employees and they are expected to observe high standards of integrity and fair dealing in relation to staff, clients and regulators.

F. MANAGEMENT STRUCTURE

The Board has delegated primary authority to design and implement policy and achieve strategic objectives to a Board of Management formed during the year to replace the Group Executive Committee. The composition of the Board of Management is stated in page 10.

The Group Operating Committee, formerly referred to as the Group Management Committee, comprising senior Business and Functional Heads meets each quarter, where the performances of the different businesses are reviewed. These meetings are chaired by the Chief Executive Officer. The Committee acts as a common platform for information sharing and best practices.

The group is effectively divided into operating units, each of which are provided oversight by a member of the Board of Management. The performance of these operational units is reviewed on a quarterly basis.

The new governance structure enables senior management to focus on key strategic priorities, and simplifies the decision making process whilst motivating and empowering business heads. It also serves to enforce good governance and accountability.

Report of the Directors

The Directors of Hemas Holdings PLC submit hereto their fifth Annual Report to the members which includes the audited Financial Statements of the Company and the Consolidated Financial Statements of the Group for the year ended 31st March 2008, prepared in accordance with Section 152 of the Companies' Act No. 7 of 2007.

This Report describes, so far as the Board believes is material, the state of the Company's affairs and of the Group in compliance with the requirements of the Companies' Act and the Listing Rules of the Colombo Stock Exchange

Review of activities and development of the Group's Business

Hemas Holdings PLC, is a holding company that holds direct and indirect investments in a number of companies that constitute the Hemas' group The Group is engaged in several diverse activities, which are categorized into 5 main sectors ie FMCG, Healthcare, Transportation, Leisure and Power. The Group's performance, with comments on the financial results and future developments is contained in the reports of the Chairman and the Chief Executive Officer, as well as in the Operational and Financial reviews.

The Directors believe that the Group's future development will continue to focus on operational excellence, along with medium and long term strategies that will ensure stability and sustainability of its performance. Special emphasis will be placed on inorganic growth and internationalization adding a new dimension to the corporate strategy.

Important Events during the year

- In keeping with the vision of becoming the leading provider of Healthcare services, the following events took place:-
    - Agreements were entered into with Principals, Reckitt Benckiser, Boehringer Ingelheim and Bayer Schering.
    - Hemas Hospitals (Pvt) Ltd, an Associate of Hemas Holdings PLC acquired Southern Hospitals, Galle in June 2007.
- The Transportation Sector, in its pursuit to explore new opportunities in the Maritime and Logistics business, and strengthen its infrastructure, entered into the following:-
    - an Agreement to collaborate as joint venture partner to operate the Skynet Worldwide Express network system/courier service in Sri Lanka.
    - an Agreement with Far Shipping Lines (Pte) Ltd Singapore to act as its exclusive Shipping Agent for all owned and chartered vessels of the Principal.
- The relocation of the factory to Dankotuwa by the FMCG Sector was successfully implemented and operations commenced in April this year.
- The Company's stake in e-Chanelling PLC was disposed of during the year.

Auditors

The Financial statements for the year have been audited by Messrs. Ernst & Young, Chartered Accountants, who offer themselves for re-appointment. The Directors, at a meeting held on 23rd May 2008, resolved to recommend their re-appointment as Auditors. for the ensuing year. A resolution to re-appoint them and to authorize the directors to fix their remuneration will be proposed at the Annual General Meeting.

Amounts paid and payable by the Company as Audit fees and expenses for the financial year ended 31 March 2008 are Rs. 735,000/-. Fees and expenses paid and payable by the Company for other services provided by the Auditors amounts to Rs. 364,780/-.

The directors confirm that to the best of their knowledge the Auditors have no other relationship or interest in the Company or any of its subsidiaries other than as Auditors.

The Auditors confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Auditors' Report

The Report of the Auditors on the group financial statements appear on page 53.

Accounting Policies

The policies adopted by the Company when preparing the statements of accounts are disclosed on page 59. There was no change in the accounting policies adopted during the year under review.

Directors

The names of the Directors who held office during the year under review are as given below:-

Non-Executive Directors

Mr. J.C.L. De Mel (Chairman, Main Board and Remuneration Committee)

Mr. M.E. Wickremesinghe (Chairman Audit Committee)

Report of the Directors

Mr. S.J. Scarff (resigned as at 13th July 2007)
Mr. P.K. Mohapatra (appointed on 13th July 2007)

Executive Directors

Mr. H.N. Esufally (Chief Executive Officer)
Mr. A.N. Esufally
Mr. I.A.H. Esufally
Mr. M.A.H. Esufally
Mr. D. Bhatnagar

Brief biographical details of each of the directors are given on page 08 of this Report.

Mr. D. Bhatnagar ceased to be Executive Director w.e.f 1st April 2008 but continues to serve as a Non-Executive Director.

Mr. S.J. Scarff relinquished his seat on the Board of the Company on 13th July 2007. He was replaced by Mr. P.K. Mohapatra from that date.

In accordance with the Articles of Association of the Company, Messrs. Divyaroop Bhatnagar and Imtiaz Esufally retire by rotation at this year's Annual General Meeting and each, being eligible, is recommended for re-election.

Mr. J.C.L. De Mel, who reached the age of 71 years on 6th May 2008, vacates office in terms of Section 210 (2) (a) of the Companies' Act-7 of 2007. The Directors intend proposing a resolution to re-appoint Mr. J.C.L. De Mel in accordance with Section 211 (1) of the Statutes.

Interest Register

In compliance with the requirements of the Companies' Act No 7 of 2007, an Interest Register was maintained by the Company during the accounting period ended 31st March 2008.

Relevant disclosures made by the Directors on contracts or proposed contracts with the Company appear on page 38 of this Report. These interests have been declared at meetings of the Board.

Direct shareholding of the Directors during the year were as follows:-

	As at 31.03.08	As at 31.03.07
Mr. J.C.L. De Mel	**17,500**	17,500
Mr. H.N. Esufally	**1,209,041**	1,206,125
Mr. A.N. Esufally	**398,417**	1,145,500
Mr. I.A.H. Esufally	**1,226,500**	1,226,500
Mr. D. Bhatnagar	**30**	15,550
Mr. M.A.H. Esufally	**1,131,000**	1,131,000
Mr. M.E. Wickremesinghe	**2,250**	2,250
Mr. P.K. Mohapatra	**Nil**	Nil

Indirect holding by directors

Mr. H.N. Esufally		
-Saraz Investments (Pvt) Ltd	**17,279,207**	17,279,207
Mr. A.N. Esufally		
-AZ Holdings (Pvt) Ltd	**18,152,575**	18,152,575
Mr. I.A.H Esufally		
-Blueberry Investments (Pvt) Ltd	**17,156,250**	17,156,250
Mr. M.A.H. Esufally		
-Amagroup (Pvt) Ltd	**17,156,133**	17,156,133

Remuneration of directors

The Report of the Remuneration Committee on page 41 provide details of the aggregate remuneration received by the Directors during the financial year under review.

Independence of directors

Mr. Lalith De Mel, Chairman, Mr. Maithri Wickremesinghe and Mr. Pradipta Mohapatra function as independent non-executive directors on the board of Hemas.

In accordance with Rule 6.4 of the rules and regulations of the Colombo Stock Exchange on corporate governance, each of the directors have declared their independence, having met the relevant criteria.

Directors' and Officers' Liability Insurance

Your Company has purchased insurance to cover Directors' and Officers' liability as permitted by Section 218 of the Companies' Act No. 7 of 2007.

Directors' Responsibilities

A Statement by the Board of Directors acknowledging their obligation to prepare group financial statements is disclosed on page 52.

Donations to Charity

Corporate donations during the year to Government approved charities amounted to Rs. 742,774/-.

Report of the Directors

Results and Dividends

The turnover of the group for the financial year ended 31st March 2008 amounted to Rs. 14.1Bn with pre tax profit totaling Rs. 1.2 Bn. The net profit attributable to the group after deducting income tax expenses of Rs. 108Mn and minority interest of Rs. 15 Mn was Rs. 1,135 Mn.

In February this year, the Directors' resolved to pay an interim dividend of Rs. 1.25 per ordinary share for the year ending 31st March 2008 (2007 - 12.5%).

After having satisfied the Company's status of solvency, in terms of Section 56 of the Companies Act no. 7 of 2007, the dividend was paid on 21st February 2008.

The Income Statement of the Company and the Group appear on Page 54.

Transfers to and from Reserves are disclosed on Page 56 of this Report.

Property, Plant and Equipment

During the financial under review, Property Plant and Equipment were acquired by the Company and the Group to the aggregate value of Rs. 6.9 Mn and Rs. 1.07 Bn respectively.

Details relating to their movement appear in note 11 to the Financial Statement.

Value of Assets

The Directors have assessed the fair value of the investment properties of the Company and the Group as at 31st March 2008 on an open market value for existing use basis. The additions during the year and changes in fair value of the properties have been disclosed in the notes to the financial statements.

Stated Capital and Reserves

The Stated Capital of the Company as at 31st March 2008 was Rs. 1,329,012,573/-. There was no change in the Stated Capital during the year.

The composition of the Stated Capital and movement in Reserves of the Group are indicated in the notes to the Financial Statements on Pages 82 and 83.

Total Reserves of the Group and the Company as at 31st March 2008 stood at Rs. 5.0 Bn and Rs. 3.0 Bn respectively.

Share Information

Information on earnings, dividends, net assets and share trading are disclosed on pages 42 and 99 of the Report.

Shareholdings

The twenty largest shareholders of the Company are disclosed on page 42 of this report.

The percentage of share held by the public as at 31st March 2008 was 27.22%

Corporate Governance

A report on Corporate Governance practices adopted by the Company is included on page 30.

Employees

Hemas believes in a culture of openness and integrity, which has been built over the years and is now a part of our core values. A Chief Executive Officers's communication process takes place each quarter, reaching out to all levels , so that all employees have a clear understanding of the business priorities and the Company's progress.

The group continues to implement appropriate human resource policies and practices to develop its employees and ensure their optimum contribution towards achievement of corporate goals.

Employee share option plans

The Company operated two share option schemes, one approved by the shareholders in August 2003 and the other in June 2006.

Under the first scheme, options were offered in three tranches between the period 1st April 2004 and 31st March 2008. Options for a total of 2,424,199 shares were exercised as at 31st March 2008. The scheme has since lapsed.

Under the 2nd scheme, a first award of 1,006,000 shares were listed with the Colombo Stock Exchange and issued to Messrs. Jacey Trust Services, Trustees to the Share Option Scheme in September 2006. The options granted under this scheme have to be exercised on or before 31st March 2009.

Report of the Directors

Details of the Share Option Schemes are tabulated below :-

	Date of Grant	Options granted	Share price Rs.	Expiry date	Shares * adjusted	Shares exercised	Shares lapsed	Shares outstanding
Scheme 1								
Grant 1	01.04.04	1,558,850	50/-*	31/3/06	68737	1,521,974	105,613	
Grant 2	10.09.04	732,500	90/-*	31.03.07	126,175	831,175	27,500	
Grant 3	29.09.05	781,150	116/-	31.03.08	195,287	71050	905,387	
		3,072,500			390,199	2,424,199	1.038,500	
Scheme 11								
Tranche 1								
	26.09.06	1,006,000	105/-	31.03.09		86,500		919,500

* Subsequent to a bonus issue in 2005, the exercise price of the first two grants under scheme 1 were adjusted to Rs. 40/- and Rs. 72/- respectively.

Events After Balance Sheet Date

No material events that require adjustments to the Financial Statements have taken place, subsequent to the date of the Balance Sheet.

Notice of Meeting

Notice of the Fifth Annual General Meeting of the Company appears on page 100.

HEMAS HOLDINGS PLC

Husein Esufally
Director
23rd May 2008

Lalith De Mel
Director

Directors interest in contracts with the Company

Related Party disclosures as required by the Sri Lanka Accounting Standards No. 30 on Related Party Disclosures is detailed in Note 37 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 2008 Rs.
Hemas International Freight (Private) Ltd	Mr. H. Esufally	Management Fees	781,250
	Mr. I. Esufally	Bank Guarantee Charges	22,500
		Consultancy Fees	863,590
		IT Charges	3,441,308
		Interest Income	1,836,738
		Dividend Income	1,122,194
Hemas Travels (Private) Ltd	Mr. H. Esufally	Air Line Ticket Sales	4,361,914
	Mr. I. Esufally	Bank Guarantee Charges	70,000
		Management Fees	888,452
		Consultancy Fees	12,017,609
		IT Charges	6,117,384
		Interest Income	114,761
		Dividend Income	7,851,179
Hemas Marketing (Private) Ltd	Mr. H. Esufally	Consultancy Fees	16,874,379
	Mr. D. Bhatnagar	IT Charges	4,247,684
		Interest Income	2,243,601
		Management Fees	2,866,199
		Dividend Income	70,644,010
Hemas Manufacturing (Private) Ltd	Mr. H. Esufally	Rental Income	4,723,557
	Mr. D. Bhatnagar	Consultancy Fees	27,586,664
		IT Charges	17,376,225
		Management Fees	2,866,199
		Interest Income	321,458
		Dividend Income	22,331,670
Hemas Air Services (Private) Ltd	Mr. H. Esufally	Management Fees	971,812
	Mr. I. Esufally	Consultancy Fees	13,596,670
		Interest Expense	(4,505,449)
		IT Charges	1,689,209
		Dividend Income	4,273,914
Hemas Pharmaceuticals (Private) Ltd	Mr. H. Esufally	Consultancy Fees	41,517,287
	Mr. M. Esufally	IT Charges	16,900,429
		Inter Company Interest Income	4,983,191
		Management Fees	1,734,544
		Bank Guarantee Charges	443,750
		Dividend Income	28,426,207

Directors interest in contracts with the Company

Company	Directors	Nature of Transaction	Value 2008 Rs.
Hemtours (Private) Ltd	Mr. H. Esufally	IT Charges	5,844,731
	Mr. A. Esufally	Interest Income	1,944,308
		Dividend Income	2,365,308
Forbes Air Services (Private) Ltd	Mr. H. Esufally	Management Fees	1,185,541
	Mr. A. Esufally	Consultancy Fees	22,768,943
	Mr. I. Esufally	Bank Guarantee charges	11,250
	Mr. M. Esufally	IT Charges	549,548
		Dividend Income	6,708,777
Hemas Developments (Private) Ltd	Mr. A. Esufally	Management Fees	1,206,003
		Consultancy Fees	1,483,425
		Interest Expense	(4,325,220)
		IT Charges	42,241
		Dividend Income	6,307,489
Vishwa BPO (Private) Ltd	Mr. H. Esufally	Shared Services Expenses	(3,228,444)
Hemas Power (Private) Ltd	Mr. H. Esufally	Bank Guarantee Charges	46,875
		IT Charges	184,688
		Interest Income	9,406,874
		Dividend Income	2,019,950
Peace Haven Resorts Ltd	Mr. H. Esufally	Interest Expense	(29,216,237)
	Mr. A. Esufally	Dividend Income	2,905,950
Hemas Corporate Services (Private) Ltd	Mr. H. Esufally	Centralised Coporate Services	(4,855,106)
		Bank Guarantee Charges	25,000
		IT Charges	1,834,761
		Interest Income	859,244
		Dividend Income	1,172,237
Hemas Hospitals (Private) Ltd	Mr. M. Esufally	Bank Guarantee Charges	156,250
		Consultancy Fees & IT Charges	1,250,000
		IT Charges	61,024
		Interest Income	442,508
		Interest Expense	(1,314,001)
Hemas Southern Hospitals (Private) Ltd	Mr. M. Esufally	Bank Guarantee Charges	137,500
		Interest Income	1,742,345
		Interest Expense	(732,693)
Giddawa Hydro Power (Private) Ltd	Mr. H. Esufally	Bank Guarantee Charges	660,000
ACX International (Private) Ltd	Mr. H. Esufally	IT Charges	178,720
	Mr. I. Esufally	Interest Income	97,623
Hellman Worldwide Logistics (Private) Ltd	Mr. I. Esufally	Interest Income	426,900

Board Committee Reports

Report of the Audit Committee

The Audit Committee is a Standing Committee of the Board of Directors and consists of two non-employee directors who qualify as Independent Non-Executive Directors under the standards prescribed by the Colombo Stock Exchange.

The Audit Committee has 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 Company in accordance with the Sri Lanka Accounting Standards; the Company's compliance with financial reporting and information requirements of the Companies Act and other relevant financial reporting related regulations; the 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. The Audit Committee is directly responsible as a committee of the Board in assessing the independence and performance of the external auditors of the Company and making recommendations to the Board pertaining to the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. The internal auditors report to the Audit Committee which meets with the internal auditors both with and without the management present.

The Audit Committee met three times during the year. The Chief Executive Officer and the Chief Financial Officer were present at the meetings on invitation. In carrying out its responsibilities the activities of the Audit Committee in the financial year ended 31 March 2008 included the following

- Procuring the formulation of an internal audit plan and reviewing the internal audit plan on a continuing basis and monitoring the performance of the internal auditors and adherence to the internal audit plan.
- Reviewing the internal audit reports and monitoring follow up action by the management.
- Discussing the business risks faced and the steps to be taken in mitigating such risks.
- Reviewing the adequacy of the periodic reports of compliance.
- Reviewing the un-audited quarterly financial statements and discussion with the management before submission to the Board and circulation to shareholders.
- Reviewing the audited financial statements for the year ended 31 March 2008 discussing those financial statements with the management and external auditors.
- Discussing with the management and 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.
- Discussing with the external auditors the management letter and monitoring follow up action by the management.
- Discussing with the external auditors 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.

Having reviewed the effectiveness of the external audit, the Audit Committee 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.

The Audit Committee wishes to place on record its deep appreciation of the services performed by Mr. Simon Scarff who served as Chairman of the Audit Committee from its inception until 13th July 2007.

Maithri Wickremesinghe
Chairman

Audit Committee

Board Committee Reports

Report of the Remuneration Committee

The Committee is made up exclusively of independent non-executive directors. The members of the Committee are Mr. Lalith De Mel, who also serves as the Chairman of the Board of the Company and Mr. Maithri Wckremesinghe, Chairman Audit Committee. (Appointed 13th July 2007)

Mr. Simon Scarff served as member of the Committee until 13th July 2007.

The Committee meets at least four times each year. Details of attendance at meetings by Committee members are shown on Page 40.

Role of the Committee

The Committee reviews and approves the overall remuneration strategy and policies including performance management systems, fixed and variable pay schemes and benefits. It agrees on the individual remuneration packages of the Chief Executive Officer and all other executive directors.

Remuneration Policy

The success of the group depends upon the performance and commitment of talented employees. The group's remuneration policy continues to be to support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible and the group as a whole.

The Committee continually reviews the remuneration policy against significant regulatory developments, market practices and employee expectations.

Remuneration to directors

The aggregate Remuneration received by the directors is as noted hereunder:-

Executive directors	Rs. 36,552,438/-
Non-executive directors	Rs. 3,805,000/-

Details of emoluments received by the Board of Directors are given in the note to the Financial Statements.

Share Option Schemes

The group seeks to engage employees in the performance of the group, align their interests more closely with those of the shareholders and offer them an opportunity for long term savings and a share in the group's financial success which they helped to create. The group has operated two share option schemes details of which are given on page 36.

During the year under review, the Committee has sought the advise of external consultants to design alternative schemes, purely for purposes of retaining those in responsible positions who by virtue of their positions, their past performance and ability can meaningfully contribute to the future success of the group and consequently benefit all employees and shareholders of Hemas.

Lalith De Mel
Chairman

Remuneration Committee

Shareholder Information

Shareholdings	RESIDENT Number of Shareholders	RESIDENT No of Shares	RESIDENT Percentage (%)	NON RESIDENT Number of Shareholders	NON RESIDENT No of Shares	NON RESIDENT Percentage (%)	TOTAL Number of Shareholders	TOTAL No of Shares	TOTAL Percentage (%)
1 to 1000 Shares	3293	645,560	0.64	22	6,220	0.01	3315	651,780	0.65
1001 to 5,000 Shares	320	674,160	0.67	12	29,550	0.03	332	703,710	0.70
5,001 to 10,000 Shares	46	327,997	0.32	4	29,625	0.03	50	357,622	0.35
10,001 to 50,000 Shares	59	1,355,032	1.34	4	140,550	0.14	63	1,495,582	1.48
50,001 to 100,000 Shares	17	1,171,512	1.16	-	-	-	17	1,171,512	1.16
100,001 to 500,000 Shares	14	3,312,347	3.27	1	141,400	0.14	15	3,453,747	3.41
500,001 to 1000,000 Shares	1	922,750	0.91	1	550,000	0.54	2	1,472,750	1.45
Over 1,000,000 Shares	11	81,016,681	79.96	3	10,984,740	10.84	14	92,001,421	90.80
	3761	89,426,039	88.27	47	11,882,085	11.73	3808	101,308,124	100.00

Computation of % of Public Shareholding

Shareholdings over 10%	31st March 2008 No. of Shares	31st March 2007 No. of Shares
A Z Holdings (Pvt) Ltd.	**18,152,575**	18,152,575
Saraz Investments (Pvt) Ltd.	**17,279,207**	17,279,207
Blueberry Investments (Pvt) Ltd.	**17,156,250**	17,156,250
Amagroup (Pvt) Ltd.	**17,156,133**	17,156,133
Directors shareholding		
Mr. A. N. Esufally	**398,417**	1,145,500
Mr. H. N. Esufally	**1,209,041**	1,206,125
Mr. I. A. H. Esufally	**1,226,500**	1,226,500
Mr. M. A. H. Esufally	**1,131,000**	1,131,000
Mr. L. De. Mel	**17,500**	17,500
Mr. D. Bhatnagar	**30**	15,550
Mr. M. E. Wickremesinghe	**2,250**	2,250
Mr. S. J. Scarff	-	-
Mr. P. K. Mohapatra	-	-
	73,728,903	74,488,590
Issued Share Capital as at 31st March 2008	**101,308,124**	101,308,124
Less: Over 10% & Directors' Shareholding	**73,728,903**	74,488,590
Public Holding	**27,579,221**	26,819,534
Public Holding as a % of Issued Share Capital	**27.22%**	26.47%

SHARE TRADING

	2007/08		2006/07	
Market Price				
Highest	**120.00**	**(16.04.07)**	127.50	(02.02.07)
Lowest	**87.00**	**(31.03.08)**	99.00	(17.08.06)
As at year ended	**87.50**	**(31.03.08)**	107.00	(31.03.07)
No. of Trades	**915**		2,148	
No. of Shares Traded	**1,594,400**		6,798,100	
Value of the Shares Traded - (Rs.)	**158,574,675**		733,147,925	
Market Capitalisation (Rs.)	**9 Billion**	**(31.03.08)**	11 Billion	(31.03.07)

Shareholder Information

List of 20 Major Shareholders

MAJOR SHAREHOLDING

The twenty major shareholders as at 31st March 2008 with comparative figures for 2007.

		2008 No of Shares	%	2007 No of Shares	%
1	A Z Holdings (Private) Limited	**18,152,575**	**17.92**	18,152,575	17.92
2	Saraz Investments (Private) Limited	**17,279,207**	**17.06**	17,279,207	17.06
3	Bluberry Investments (Private) Limited	**17,156,250**	**16.93**	17,156,250	16.93
4	Amagroup (Private) Limited	**17,156,133**	**16.93**	17,156,133	16.93
5	HSBC INTL NOM LTD - Arisaig India Fund Limited	**8,042,050**	**7.94**	8,042,050	7.94
6	Employees Provident Fund	**3,665,975**	**3.62**	3,518,375	3.47
7	Goldman Sachs International S/A Tree Line Asia Master Fund	**1,937,690**	**1.91**	1,961,190	1.94
8	Sri Lanka Insurance Corporation Ltd. - Life Fund	**1,749,100**	**1.73**	1,749,100	1.73
9	Mr. I.A.H. Esufally	**1,226,500**	**1.21**	1,226,500	1.21
10	Mr. H.N. Esufally	**1,209,041**	**1.19**	1,206,125	1.19
11	National Savings Bank	**1,200,000**	**1.18**	1,200,000	1.18
12	Mr. M.A.H. Esufally	**1,131,000**	**1.12**	1,131,000	1.12
13	Akbar Brothers Limited	**1,090,900**	**1.08**	1,090,900	1.08
14	HSBC Intl Nominees Ltd - HSBC Bank PLC - CMG First State Global Umbrella Fund PLC - CMG First State Indian	**1,005,000**	**0.99**	1,005,000	0.99
15	Jacey Trust Services (Private) Limited	**922,750**	**0.91**	922,750	0.91
16	Galleon Diversified Fund Limited	**550,000**	**0.54**		
17	Cocoshell Activated Carbon Company Limited	**407,275**	**0.40**	408,575	0.40
18	The Ceylon Guardian Investment Trust PLC	**399,400**	**0.39**	399,400	0.39
19	Mr. A.N. Esufally	**398,417**	**0.39**	1,145,500	1.13
20	M.J.F. Exports Limited	**341,000**	**0.34**	341,000	0.34
		95,020,263	**93.79**	95,426,030	94.19
	Shares held by the balance shareholders	**6,287,861**	**6.21**	5,882,094	5.81
	Total Issued Shares	**101,308,124**	**100.00**	101,308,124	100.00

	As at 31.03.08	As at 31.03.07
PUBLIC HOLDING	**27.22%**	26.47%

Sustainability Report

Sustainability Report

We believe that each one of us leaves a mark on this earth. At Hemas we are passionate about our belief that as we grow our businesses and create value for our shareholders and other stakeholders, we must also work towards creating long term sustainability both for our businesses and the community we operate in, as we strive to Enrich Lives.

This report sets out the manner in which we have dealt with the Community, our Business Partners and our Employees as well as measures we have taken to minimize our Environmental impact. Our programs and strategies in each area, as well as the manner in which we monitor and report on them are in a constant state of improvement as we increase our focus on this area.

Community

As a future oriented company, our community development projects have laid emphasis on enriching the lives of those who will form the future of our nation - the next generation. Over the years we have dedicated our efforts towards helping to improve the education of our nation's children, specifically through Early Childhood Care and Development (ECCD).

Piyawara - the foundation for future success

For over five years our pivotal Corporate Social Responsibility Project, the Piyawara Program has been promoting Early Childhood Care & Development (ECCD) through the establishment of child friendly pre-schools across Sri Lanka. The Piyawara model is now an integrated educational programme making a valuable contribution to the development of the overall government educational system. The program has developed into one that proposes a holistic approach to pre-school education.

The project brought into being a sustained and comprehensive curriculum together with complimenting infrastructure to facilitate the learning and developmental needs of children in specific, less well-endowed communities.

Piyawara pre school in Wennappuwa

At present, the programme fosters 32 pre-schools island wide with a reach that extends all the way up to Jaffna in the Northern Peninsula. It focuses on children under five years of age with emphasis on developing the full potential of the child through cognitive, physical, social and emotional development.

Sustainability Report

The Programme has been a catalyst in the integration of resources from the State as well as the private sector to work towards a common goal. External resources from the Ministry of Child Development and Women's Empowerment, local government authorities and Divisional Secretaries, faculty and staff of the University of Colombo, National Children's Foundation, faculty members of the University of Peradeniya, and the Sri Lanka Police - Bureau for the prevention of abuse for children and women have each played a role in making this programme a success.

The Piyawara Programme impacted the lives of approximately 3,160 children, 150 teachers and 6,320 parents during this year.

Infrastructure Development

Renovations and upgrades to existing preschools were conducted during the year that included the construction of pre-schools through donors, the provision of proper sanitation and drinking water, development of play areas and development of a safe environment conducive for infants and toddlers.

Piyawara Children's Park in Gampaha

The "Piyawara Lamapuraya" the first in a long line of planned children's parks was completed and handed over to the Gampaha Mayor in October 2007. Subsequently a second park was inaugurated in conflict affected Pottuvil bringing great joy to the children of the area.

During the year, another "Piyawara" model school was constructed in Dankotuwa and handed over to the Urban Council of Wennapuwa in August 2007.

Education

Teacher Training programmes and fostering under-developed schools in the country through "Piyawara" model centers were the primary activities falling under this sector.

A national campaign was launched through the popular broadcast media programme "Nugasevana" to create greater awareness of the criticality in providing adequate ECCD to infants and toddlers. In supplementing the television campaign, radio messages along the lines of "Thought of the Day" were aired on a variety of national radio stations.

A four day community development programme for community development officers together with a teacher training programme was conducted in August 2007 under the aegis of the Ministry of Child Development.

Psychosocial development programs

A number of parental awareness programmes and child protection programmes were held during the year.

A pilot project was launched together with the Colombo North Police Division to train officers in 3 Police Divisions to curtail child abuse. The launch was held in Kiribathgoda in the presence of Minister of Child Development, Sumedha Jayasena and DIG Sarath Jayasundara. A two-day residential training programme was conducted for a team of 40 police officers thereafter.

Parental awareness programmes were conducted at all the "Piyawara" preschools during the year.

EMPLOYEES

Increased focus has been given for attracting and retaining talent within the organization. A Group Human Resource function at the centre sets the policy and monitors HR practices group wide which have been streamlined and process-oriented.

HR Information Systems

We are currently in the process of implementing an HRIS system for the group enabling the provision of a central HR database which will provide real time data for performance monitoring and evaluation as well for administrative purposes. This is expected to reduce overall HR administrative costs while freeing resources for human resource development.

Living Hemas Values

The Hemas value system is based on the vision of our founders, and has played an important role in moulding the organization's continuity and success.

These values are;

- Passion for customers
- Driven by innovation
- Obsession for performance
- Concern for people

Sustainability Report

They are strongly embedded in our organizational culture and have been the corner stone of its success. The "Living Hemas Values Award" further ingrains these values by encouraging staff to nominate people who live up to these values on a regular basis for recognition. This is awarded on a quarterly basis. The Hemas Values have also been incorporated into our Performance Management System by linking it to the Rewards System.

In addition to this award, Hemas also recognizes managers for their outstanding contribution to the group at the annual "CEO's Award" ceremony.

Recruitment

We have enforced tighter controls in the recruitment process to rationalize the number of group wide new recruits and to ensure that we attract high quality employees compatible with our organizational culture. Keeping the growth of manpower costs under control while improving productivity receives emphasis in this process.

Training & Development

A competency development framework for staff has been established which is linked to employees annual performance review enabling the identification of areas for development. Employees at all levels benefit from comprehensive professional and personal development programmes.

Outbound Training

A Management Trainee Programme which is designed to develop a general management team with leadership skills and overall exposure to the sectors and key functions within the group was introduced during the year under review. Candidates were selected via a rigorous recruitment process and are then put through a carefully structured training programme offering fast tracked career progression.

The long-term personal development of senior management was carried out through Individual Development Centres (IDC). The IDCs tested these candidates against a set of seven key competencies that were identified as crucial to the organization. Recruitment and evaluation of top management is now based on these competencies.

Rewards & Compensation

The compensation structure has been rationalized to reflect performance based reward structure driving a culture of performance and accountability. A system wide goal setting process where goals are discussed and agreed upon and set as the benchmark for performance evaluation is in place and has been widely accepted by staff. There is a greater emphasis on variable compensation which will be based on achievement of business and individual goals.

Customers and Business Partners

Our FMCG business is committed to delivering superior and consistent quality to consumers. Our new state of art manufacturing facility in Dankotuwa is ISO 9001 certified and adheres to GMP - Good Manufacturing Practices relevant to the cosmetic manufacturing industry. We constantly endeavor to deliver greater value to the consumer and have dedicated R&D staff conducting micro biology research, trials and testing within our cutting edge laboratory.

Being in a business that is integral to a customer's daily routine and personal life, the success of Hemas' FMCG brands are dependent on how far the products engage the customer. Gauging customer satisfaction and consumer needs is therefore critical, and each brand regularly commissions quantitative and qualitative research that supports the measurement of such factors, while regular field visits are also undertaken by brand custodians.

The FMCG brands have a clearly defined method of handling customer complaints, which ensures that complaints at any level in the distribution chain reach the individual brand manager quickly. Investigations into complaints are conducted through a customer complaint format developed by the quality control division, and relevant action is triggered. The cycle completes with prompt feedback to the customer on the status of his complaint.

We are also mindful of the crucial role played by our business partners and have a number of initiatives in place to ensure a smooth business operation on both sides. Assistance has been given to micro entrepreneurs to purchase equipment in some instances while alignment of

Sustainability Report

quality standards with suppliers is achieved by sharing a quality manual. A detailed transparent evaluation scheme for suppliers ensures a proper selection procedure based on merit. Regular meetings are held with major suppliers to agree on timing and quantity and the presence of Hemas quality control staff at supplier manufacturing plants have let to a greater understanding of each others requirements resulting in quality standards being met.

Much time and resources are also spent on training and providing necessary facilities to our distributors. All distributors are now equipped with a hand held device to upload sales information enabling the provision of real time sales and stock movement data. Best producing distributors are recognized at an annual event.

A strict code of ethics governs the Pharmaceutical industry with emphasis laid on compliance with Cosmetic Drugs and Devices Authority (CDDA) requirements. Our pharmaceutical warehouse has implemented the Japanese 5S system which sets in place procedures and systems enabling tighter control on monitoring compliance with CDDA requirements. Periodic compliance audits are carried out together with representation from the Pharmaceutical Principal.

Feedback to Principals relating to packaging requirements, customer information and primary and secondary sales information create a working relationship based on mutual understanding. A Business Process Reengineering (BPR) process was undertaken recently to define each activity of the business in a process driven manner with the customer as the focus in order to streamline procedures and achieve cost efficiencies.

Ranbaxy received an award as the 'Best Supplier of Pharmaceuticals

Close relationships are maintained at all levels with Principals enabling the sharing of best practices as well as awareness of global trends.

Our Principal, Ranbaxy received an award as the 'Best Supplier of Pharmaceuticals' for the second consecutive year by the State Pharmaceuticals Corporation of Sri Lanka, at their supplier convention held at Kandalama Hotel, Dambulla, in June 2007. Ranbaxy is ranked as the fourth largest pharmaceutical company in Sri Lanka.

Hotel Dolphin's superior performance in customer satisfaction is evidenced by the recognition given by tour operator First Choice, who awarded them the Gold award for the 3rd consecutive year.

Environment

We are progressively working towards reducing the impact our businesses have on the environment and inculcating the habit of environment consciousness among our staff.

While a number of initiatives have been taken in this area group wide, the environmental conservation polices implemented at Hotel Sigiriya stand out as a benchmark for the hotel industry. The following measures have been implemented during the year

Organic garden produce at Hotel Sigiriya

- Energy conservation: Solar water heating panels, card key switching of room air-conditioning, scheduled light switching, change to CFL lighting, installation of bio-mass gasifier for steam production.
- Water Conservation: Self contained biological sewerage plant, discharged water used for garden irrigation, water-saving cisterns, optional re-use of room linen Approximately 30,000 litres of treated water output from Sewage Treatment Plant per day are used for irrigation.
- Solid Waste Management: Gradation of garbage and re-cycling, reusing, reducing, composting of garden refuse including vermi-composting; reduced use of plastic.

Sustainability Report

- Organic Vegetable Garden - crops grown include corn, cauliflower, radish, curry leaves, green chilies, beans etc
- Air Quality Management: Reduced usage of aerosols, no incineration.
- 85% wet garbage and 75% of dry garbage is re-cycled. Less than 5% of total garbage is disposed without some form of re-cycling
- No chemical fertilizers used in gardening; treated water used for garden irrigation; margoza oil used as insecticide; compost/sludge from sewerage plant used as manure

Compost pit

Total mitigation measures (reduction of co2 emissions) per guest night due to initiatives already taken by hotel Sigiriya

2007/08	Amount of CO2 emissions reduced per annum	Unit
By using solar panels	4.21	Mt
By using CFL bulbs	2.16	Mt
By card key controls for A/C s	6.08	Mt
By using bullock cart to reduce tractor & Lawn Mower usage	0.84	Mt
Absorbed by trees	8.30	Mt
Placement of Gasifier	51.8	Mt
Re-use of Linen	0.06	Mt
Water Re-cycling	3.05	Mt
Total reduction of CO2 emission	76.5	Mt

Total No. of Guest Nights (at 39% occupancy)	19,959	
Reduction of CO2 per guest night	0.00383	Mt
Average duration of stay of a guest	2.5	Nights
Reduction of CO2 per guest stay	0.0096	Mt
CO2 reduction per average guest stay	9.6	kg

Summary of results.

	2005/06	2006/07	2007/08	
Total carbon footprint	322.5	240.2	166.8	Mt
Co2 equivalent per average guest stay (2.5 days)	37.1	23.0	21.0	kg
Total CO2 reduction in CO2 equivalent		9.0	9.6	kg
Average financial saving		32,854	31,600	USD

The Chief Executive Officer of Serendib Hotels Mr Srilal Miththapala was invited to present a case study on this project at the recently concluded PATA Chief Executive Officer Challenge in 'Confronting Climate Change' in Bangkok.

Dr Sriyani Miththapala, renowned conservationist has commenced conducting an awareness program on the environmental impact of individual choices for our staff which is being rolled out group wide. This program which highlights the effect of simple day to day choices such as the use of polythene and plastic products, efficient use of CFL lighting, recycling paper, conserving water and many other actions, also quantifies the impact of each individual's change in behavior on the environment. This has proved insightful for many of us and many changes have been made in our office environment as a result, some as minute as eliminating polythene lunch sheets as straws in our canteen to staff switching off lights when they leave the office. This initial awareness program which is currently in progress will culminate in a Group policy on environmental conservation.

Our new Fast Moving Consumer Goods (FMCG) factory complex at Dankotuwa includes waste water and sewage water treatment plants enabling the recycling of water for maintaining the gardens, deep bore wells, gardens laid with indigenous trees and a number of features in line with minimizing the impact on the environment.

Sustainability Report

The Heladhanavi power plant in which is a contributor to high carbon emissions in particular has taken measures to curb waste emissions, by selling sludge to small entrepreneurs who further refine it for sale. Heladhanavi also has several key environment-friendly features such as a green belt of 3000 acacia trees which reduce noise pollution and harvesting rainwater at two lakes on its perimeter.

Our Piyawara programme too incorporates awareness programmes relating to environmental preservation in its pre school education curricula. A number of tree planting campaigns were carried out during the year where children are asked to nurture a new plant during their school year inculcating the importance of preservation at an early age.

We recognize that much more needs to be done to conserve the environment for future generations. And we are proactively seeking avenues through which we can make this happen.

Accolades & Recognition

The Piyawara programme won an Award of Excellence for 'Support and Improvement of Education in Asia region' as an outstanding, innovative and sustainable project in Asia, at the annual Asian CSR Awards 2007 held in Ho Chi Minh City, Vietnam. The Asian Institute of Management presented the award.

Principal Hosts of this event were United Nations, Actionaid and Asian Institute of Management. This year's awards saw 186 entries from 117 companies in 14 countries, including Sri Lanka vying for the prestigious awards. We are proud to note that all other winners were Fortune 500 companies, Multinationals and INGOs.

The Piyawara programme also won recognition at the Annual Corporate Citizens Awards 2007 held under the auspices of the Ceylon Chamber of Commerce. Winning under the Special Projects on CSR Disaster Relief Category, the award was in special recognition of the programme's preschool project.

The Ministry of Child Development and Women's Empowerment gave special recognition to Hemas when it appointed Hemas to the Government National Coordination Committee on ECCD which oversees the development and implementation of the National Policy on ECCD, a first for a member of the corporate sector.

Financial Statements

Statement of Directors' Responsibility for Financial Reporting

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

The financial Statements for the year ended 31st March 2008, presented in this Report., have been prepared in compliance with the requirements of the Sri Lanka Accounting Standards, the Companies' Act No. 7 of 2007, and the Listing Rules of the Colombo Stock Exchange. The Directors consider, that appropriate accounting policies and Standards have been applied and reasonable estimations made when preparing the statements appearing on pages 54 to 98. A material deviation, if any from these Standards has been disclosed where necessary.

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

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

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

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

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

COMPLIANCE REPORT.

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

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

36, Bristol Street,
Colombo 1.

23rd May 2008

Auditor's Report

ERNST & YOUNG

Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka
Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

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

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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young

Colombo
May 23, 2008

Partners: A D B Talwatte FCA FCMA T K Bandaranayake FCA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA
W K B S P Fernando FCA ACMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)
A S M Ismail FCA FCMA H M A Jayesinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Income Statement

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

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

Colombo
23 May 2008

Balance Sheet

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

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

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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
....
Husein Esufally
Chief Executive Officer

....
Lalith De Mel
Chairman

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

Colombo
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Statement of Changes in Equity

Group	Stated Capital Rs.	Preference Share Capital Rs.	Capital Redemption Reserve Rs.	Exchange Reserve Rs.	Revaluation and Other Capital Reserve Rs.	Retained Earnings Rs.	Total Rs.	Minority Interests Rs.	Total Equity Rs.
	Attributable to Equity Shareholders of the Parent								
Balance as at 31 March 2006	1,185,528,893	91,666,665	8,333,335	14,427,822	567,822,473	2,451,308,150	4,319,087,338	496,967,120	4,816,054,458
Profit for the Year	-	-	-	-	-	1,005,727,066	1,005,727,066	13,810,108	1,019,537,174
Share Options (ESOP) exercised during the Year	143,483,680	-	-	-	-	-	143,483,680	-	143,483,680
Redemption of Preference Shares	-	(16,666,665)	16,666,665	-		(16,666,665)	(16,666,665)	-	(16,666,665)
Dividends Paid - Ordinary Shares (2007)	-	-	-	-	-	(249,975,090)	(249,975,090)	-	(249,975,090)
- Preference Shares	-	-	-	-	-	(10,002,740)	(10,002,740)	-	(10,002,740)
Revaluation Reserve during the Year	-	-	-	-	118,090,002	-	118,090,002	-	118,090,002
Transfer to/from during the Year									
- Overhaul Reserve, Heat Rate and Lube Oil	-	-	-	-	70,696,939	(70,696,939)	-	-	-
- Revaluation Reserve	-	-	-	-	(8,198,250)	8,198,250	-	-	-
Effect of adopting SLAS 40 - Investment Property									
- Changes in Fair Value	-	-	-	-	22,042,283	80,689,600	102,731,883	-	102,731,883
- Transfer to/(from) Revaluation Reserve	-	-	-	-	(41,193,306)	41,193,306	-	-	-
- Deferred Income Tax	-	-	-	-	-	(21,805,500)	(21,805,500)	-	(21,805,500)
Adjustment in respect of changes in Group Holding	-	-	-	-	(2,451,588)	16,712,643	14,261,055	(34,259,766)	(19,998,711)
Minority Share of Net Assets of Subsidiaries Acquired	-	-	-	-	-	-	-	111,252,958	111,252,958
Net Gain/(Loss) Recognised Directly in Equity									
- Deferred Income Tax	-	-	-	-	(19,697,680)	-	(19,697,680)	756,956	(18,940,724)
- Write off of Project Development Cost	-	-	-	-	(18,924,865)	-	(18,924,865)	-	(18,924,865)
- Exchange Reserve	-	-	-	(92,169,579)	-	-	(92,169,579)	-	(92,169,579)
Balance as at 31 March 2007	1,329,012,573	75,000,000	25,000,000	(77,741,757)	688,186,008	3,234,682,081	5,274,138,905	588,527,376	5,862,666,281
Profit for the Year	-	-	-	-	-	1,135,418,670	1,135,418,670	15,411,253	1,150,829,924
Redemption of Preference Shares	-	(16,666,667)	(25,000,000)	-		25,000,000	(16,666,667)	-	(16,666,667)
Dividends Paid - Ordinary Shares (2008)	-	-	-	-	-	(113,980,315)	(113,980,315)	-	(113,980,315)
- Preference Shares	-	-	-	-	-	(8,037,900)	(8,037,900)	-	(8,037,900)
Transfer to/from during the Year							-		
- Overhaul Reserve, Heat Rate and Lube Oil	-	-	-	-	85,323,530	(85,323,530)	-	-	-
- Revaluation Reserve	-	-	-	-	(8,252,985)	8,252,985	-	-	-
- Other Reserves	-	-	-	-	7,500,000	(7,500,000)	-		
Effect of adopting SLAS 40 - Investment Property							-		
- Transfer to/(from) Revaluation Reserve	-	-	-	-	70,700,000	-	70,700,000	-	70,700,000
- Deferred Income Tax	-	-	-	-	-	11,030,572	11,030,572	-	11,030,572
Adjustment in respect of changes in Group Holding	-	-	-	-	(18,094,054)	63,396,111	45,302,057	1,028,108	46,330,165
Net Gain/(Loss) Recognised Directly in Equity							-		
- Deferred Income Tax	-	-	-	-	224,431	-	224,431	-	224,431
- Exchange Reserve	-	-	-	35,568,054	-	-	35,568,054	-	35,568,054
Balance as at 31 March 2008	1,329,012,573	58,333,333	-	(42,173,703)	825,586,930	4,262,938,674	6,433,697,807	604,966,737	7,038,664,544

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

Colombo
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Statement of Changes in Equity

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

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

Colombo
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Cash Flow Statement

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

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

Colombo
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Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorisation for Issue

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

2.1 Basis of Preparation

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

2.1.1 Statement of Compliance

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

2.1.2 Going Concern

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

2.1.3 Consolidation Policy - Principles of Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Associate Companies

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

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

(c) Joint Ventures

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

Notes to the Financial Statements

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

(d) Business Combination and Goodwill

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

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

Negative Goodwill

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

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

(e) Changes in Group Companies

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

(g) Country of Incorporation

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

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

2.1.4 Comparative Information

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

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

2.1.5 Discontinuing Operations

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

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Judgements

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

Deferred Tax Assets:

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

Impairment of Goodwill:

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

Fair Value of Unquoted Equity Investments:

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

Notes to the Financial Statements

Estimates and Assumptions

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translations and Hedging

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

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

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

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

2.3.2 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

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

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

b) Deferred Taxation

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

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

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

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

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

Notes to the Financial Statements

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

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

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

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

2.3.3 Borrowing Costs

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

2.3.4 Intangible Assets (Other than Goodwill)

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

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

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

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

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

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

Research and Development Costs

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

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

2.3.5 Inventories

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

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

Notes to the Financial Statements

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

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

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

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

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

2.3.6 Trade and Other Receivables

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

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

2.3.7 Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.8 Property, Plant and Equipment

a) Cost and Valuation

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

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

b) Restoration Costs

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

c) Depreciation

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

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

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

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

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

Notes to the Financial Statements

d) Derecognition

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

2.3.9 Capital Work-in-Progress

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

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

2.3.10 Leased Property

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

2.3.11 Leases

a) Finance Leases

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

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

b) Operating Leases

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

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

2.3.12 Investments

Initial Recognition:

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

Measurement:

a) Current Investments

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

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

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

b) Long Term Investments

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

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

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

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

c) Investment Property

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

Notes to the Financial Statements

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

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

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

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

d) Other Investments

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

2.3.13 Provisions

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

2.3.14 Retirement Benefit Liability

a) Defined Benefit Plan - Gratuity

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

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

The gratuity liability is not externally funded nor actuarially valued.

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

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

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

2.3.15 Impairment of Assets

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

Notes to the Financial Statements

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

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

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

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

Goodwill

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

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

Intangible Assets

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

Associates

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

2.3.16 Income Statement

Revenue Recognition

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

a) Sale of Goods

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

b) Rendering of Services

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

c) Energy Supplied

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

d) Apartment and Food and Beverages Sales

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

e) Turnover Based Taxes

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

Notes to the Financial Statements

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

f) Interest

Interest Income is recognised on an accrual basis.

g) Dividends

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

h) Rental Income

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

i) Others

Other income is recognised on an accrual basis.

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

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

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

The first grant which took place on 01 April 2004, entitled Senior Management and Employees to subscribe for their entitlements of Ordinary Shares at a price of Rs. 50/- per share. The second grant took place on 10 September 2004, to Senior Management at a price of Rs. 90/- per share. Subsequent to the bonus issue of 1 for 4, the exercise price of the two grants were adjusted to Rs. 40/- and Rs. 72/- respectively. The first and the second grants were finalised as at 31 March 2006 and 31 March 2007 respectively. The third grant took place on 29 September 2005, to Senior Management at a price of Rs. 116/- per share. The Share option plan lapsed on 31 March 2008.

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

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

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

2.5 BUSINESS SEGMENT REPORTING

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

Inter Segment transfers are based on fair market prices.

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

Notes to the Financial Statements

		Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
3.	**REVENUE**				
	Summary				
	Sales of Goods	7,258,864,579	6,700,092,278	-	-
	Rendering of Services	6,904,940,345	5,078,043,917	224,683,897	126,704,982
		14,163,804,924	11,778,136,195	224,683,897	126,704,982

Segment information is given in Note 38 to these financial statements.

		Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
4.	**DIVIDEND INCOME**				
	Income from Investments - Related Parties	-	-	157,137,674	59,670,000
	- Others	738,337	1,225,585	-	504,089
		738,337	1,225,585	157,137,674	60,174,089
5.	**OTHER INCOME AND GAINS**				
	Profit on Disposal of Investments	60,490,599	2,300,639	-	2,417,200
	Gain/Surplus on Disposal and Acquisition	7,344,168	33,738,643	-	-
	Rental Income	2,730,000	5,459,888	-	-
	Commission Income	12,285,856	6,717,839	-	-
	Exchange Gain	24,564,624	44,418,868	-	-
	Sundry Income	21,498,359	32,560,199	61,535	2,304,391
	Travel Counter Income	3,155,689	21,604,316	-	-
	Profit on Disposal of Trade Marks	-	15,000,000	-	-
		132,069,295	161,800,392	61,535	4,721,591
6.	**FINANCE COST AND INCOME**				
6.1	**Finance Cost**				
	Interest Expense on Overdrafts	146,366,561	68,803,653	308,798	132,700
	Interest Expense on Loans and Borrowings - Rupee	62,316,832	65,429,269	42,176,110	42,467,030
	- USD	131,506,742	131,578,363	-	-
	Debenture Interest	4,619,774	5,739,909	-	-
	Bank Guarantee Charges	833,677	631,514	-	-
	Finance Charges on Lease Liabilities	920,959	743,757	-	-
		346,564,545	272,926,465	42,484,908	42,599,730

Notes to the Financial Statements

6.2 Finance Income

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

7. PROFIT FROM CONTINUING OPERATIONS

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Stated after Charging/(Crediting)				
Auditors Fees and Expenses	5,626,908	4,081,025	975,000	694,125
Depreciation - Cost	405,657,234	378,236,631	27,417,748	22,296,816
- Valuation	24,137,263	24,035,746	-	-
- Leases	2,878,230	5,627,004	-	-
Donations	742,774	26,135,797	115,000	5,279,900
Profit on Disposal of Property, Plant and Equipment	(6,896,558)	(12,128,936)	(604,969)	(1,555,905)
Bad Debts Written off	29,766,210	9,534,586	-	-
Provision for Doubtful Debts	7,486,645	22,982,586	-	-
Provision for Obsolete Stocks	13,128,859	7,011,247	-	-
Goodwill Written off	-	3,916,956	-	-
Employee Benefits includes:				
Retirement Benefit Liability - Gratuity	42,106,221	34,382,389	6,491,426	2,299,215
Defined Contribution Plan Cost - MSPS/EPF/ETF	71,539,729	62,369,985	7,342,144	5,562,184
Legal Fees	1,633,561	1,274,163	20,000	-

Notes to the Financial Statements

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

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

	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Accounting Profit Before Tax	**1,259,454,768**	1,407,184,717	**156,132,521**	92,650,963
Intra Group Adjustment/Share of Profits of Subsidiaries	**408,478,386**	66,335,535	**-**	-
	1,667,933,154	1,473,520,252	**156,132,521**	92,650,963
Aggregate Disallowed Items	**426,316,131**	447,166,939	**49,341,037**	67,526,565
Aggregate Allowable Expenses	**(739,976,982)**	(220,028,346)	**(25,031,886)**	(25,072,514)
Aggregate Allowable Income	**(148,922,033)**	(519,466,390)	**(157,144,088)**	(114,875,065)
Incentives not recognised in the Income Statements	**(613,812,422)**	(298,589)	**61,535**	-
Taxable Profit	**591,537,848**	1,180,893,866	**23,359,119**	20,229,949
Tax Losses Brought Forward and Utilized	**(20,075,644)**	(33,660,716)	**(3,604,154)**	(7,080,482)
	571,462,204	1,147,233,150	**19,754,965**	13,149,467
Current Income Tax Expense	**127,911,495**	376,080,171	**3,982,928**	4,710,603

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

8.2 Deferred Tax Expense/(Income)

	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Deferred Tax Expense/(Income) arising due to				
- Origination and Reversal of Timing Differences	(28,591,772)	3,681,016	(14,834,663)	20,305,437
	(28,591,772)	3,681,016	(14,834,663)	20,305,437

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

Notes to the Financial Statements

8.4 Applicable Tax Rates

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

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

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

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

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

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

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

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

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

9. EARNINGS PER SHARE

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

Notes to the Financial Statements

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

	Group 2008 Rs.	Group 2007 Rs.
Amount Used as the Numerator:		
Profit for the Year	1,135,418,670	1,005,727,066
Less: Preference Dividends	(8,037,900)	(10,002,740)
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	1,127,380,770	995,724,326

	2008 Number	2007 Number
Number of Ordinary Shares Used as Denominator:		
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings Per Share	101,308,124	100,530,310

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

10. DIVIDEND PER SHARE - Group / Company

		2008 Rs.	2007 Rs.
10.1 Dividends Paid			
Interim Paid - 1st Interim	- Exempt Profit	-	126,214,173
	- Liable Profit	126,635,155	-
	- Tax on Dividends	(12,654,840)	-
		113,980,315	126,214,173
- 2nd Interim	- Exempt Profit	-	99,000,000
	- Liable Profit	-	27,512,130
	- Tax on Dividends	-	(2,751,213)
		-	123,760,917
Total Dividends	- Gross	126,635,155	252,726,303
	- Tax on Dividends	(12,654,840)	(2,751,213)
	- Net	113,980,315	249,975,090
10.2 Dividend Per Share			
	- 1 st Interim	1.25	1.25
	- 2 nd Interim	-	1.25

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

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

Gross Carrying Amount	Balance As at 01.04.2007 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
At Cost/ Cost incurred since Last Revaluation				
Freehold Land	33,160,641	5,099,000	-	38,259,641
Freehold Buildings	24,726,964	12,769,128	(3,356,582)	34,139,510
Plant and Machinery	3,364,420,933	86,084,139	(12,318,467)	3,438,186,605
Furniture and Fittings	249,648,475	53,291,281	(9,561,562)	293,378,194
Office and Factory Equipment	139,198,283	12,115,273	(5,717,015)	145,596,541
Computer Hardware and Software	316,124,183	37,375,679	(12,492,171)	341,007,691
Motor Vehicles	262,236,408	51,432,210	(19,715,266)	293,953,352
Revertment	19,108,922	-	-	19,108,922
	4,408,624,809	258,166,710	(63,161,063)	4,603,630,456
At Valuation				
Freehold Land	434,266,370	-	-	434,266,370
Freehold Buildings	636,513,539	4,898,611	-	641,412,150
Buildings on Leasehold Land	308,076,427	24,500,499	(436,171)	332,140,755
	1,378,856,336	29,399,110	(436,171)	1,407,819,275
Assets on Finance Lease				
Motor Vehicles	13,939,889	-	-	13,939,889
	13,939,889	-	-	13,939,889
Total Value of Assets	5,801,421,033	287,565,820	(63,597,234)	6,025,389,620

Depreciation	Balance As at 01.04.2007 Rs.	Charge for the year Rs.	Disposals / Transfers Rs.	Balance As at 31.03.2008 Rs.
At Cost				
Freehold Buildings	4,044,699	2,756,308	-	6,801,007
Plant and Machinery	711,251,852	233,403,245	(9,099,217)	935,555,880
Furniture and Fittings	123,171,518	29,216,031	(4,869,925)	147,517,624
Office and Factory Equipment	64,971,376	12,991,610	(3,921,150)	74,041,836
Computer Hardware and Software	171,247,013	80,774,564	(11,357,117)	240,664,460
Motor Vehicles	143,821,912	45,668,366	(23,352,781)	166,137,497
Revertment	849,007	847,110	-	1,696,117
	1,219,357,377	405,657,234	(52,600,190)	1,572,414,421
At Valuation				
Freehold Buildings	30,636,756	15,470,211	-	46,106,967
Buildings on Leasehold Land	17,910,605	8,667,052	-	26,577,657
	48,547,361	24,137,263	-	72,684,624
Assets on Finance Lease				
Motor Vehicles	5,471,379	2,878,230	-	8,349,609
	5,471,379	2,878,230	-	8,349,609
Total Depreciation	1,273,376,117	432,672,727	(52,600,190)	1,653,448,654
Capital Work-In-Progress	176,876,986	851,951,719	(171,702,665)	857,126,040
	176,876,986	851,951,719	(171,702,665)	857,126,040

Net Book Values	2007 Rs.	2008 Rs.
At Cost	3,366,144,418	3,888,342,075
At Valuation	1,330,308,975	1,335,134,651
Assets on Finance Lease	8,468,510	5,590,280
Total Carrying Amount	4,704,921,903	5,229,067,006

Notes to the Financial Statements

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

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

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

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

11.1.4 Hemas Manufacturing (Private) Ltd.

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

11.2 Company

At Cost	Balance As At 01.04.2007 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposal/ Transfers Rs.	Balance As at 31.03.2008 Rs.
Roadways	6,975,688	-	-	**6,975,688**
Furniture and Fittings	8,565,442	3,840,530	(1,127,460)	**11,278,512**
Office Equipment	9,997,544	1,619,159	(189,150)	**11,427,553**
Computer Hardware and Software	67,699,267	1,465,750	(581,565)	**68,583,452**
Motor Vehicles	13,123,015	-	-	**13,123,015**
Total Value of Assets	106,360,956	6,925,439	(1,898,175)	**111,388,220**

Depreciation At Cost	Balance As at 01.04.2007 Rs.	Charge For the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
Furniture and Fittings	2,161,099	1,137,895	(496,664)	**2,802,330**
Office Equipment	5,823,346	1,101,500	(27,631)	**6,897,215**
Computer Hardware and Software	28,477,102	21,897,598	(481,560)	**49,893,140**
Motor Vehicles	2,045,101	3,280,754	-	**5,325,855**
Total Depreciation	38,506,648	27,417,747	(1,005,855)	**64,918,540**

Net Book Values	2008 Rs.	2007 Rs.
At Cost	**46,469,680**	67,854,308

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

Notes to the Financial Statements

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

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

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

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

Goodwill - The business acquisition to which the goodwill is attributable is valued based on the earnings growth method. Assumptions applied in such computations are reviewed each year.

Brands - Brands are valued based on the earnings growth method, and assumptions applied are reviewed each year.

Project Development Expenses - These include all expenditure attributable to the intangible asset during its development stage. The technical feasibility of completing the project and the business case for future economic benefits are reassessed each year. During the year the asset is impaired and written off to Income Statement.

Notes to the Financial Statements

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

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

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

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES

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

16. INVESTMENTS IN ASSOCIATES

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

17. INVESTMENT IN JOINT VENTURE

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

Notes to the Financial Statements

18. OTHER INVESTMENTS

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

18.1 Investments in Equity Securities - Non Current

Group	No. of Shares 2008	No. of Shares 2007	Carrying Value 2008 Rs.	Market Value 2008 Rs.	Carrying Value 2007 Rs.	Market Value 2007 Rs.
a) Quoted						
Overseas Realty (Ceylon) PLC	1,000	1,000	10,000	12,000	10,000	13,000
Eden Hotels Lanka PLC	127	127	861	1,778	861	1,461
Galadari Hotels PLC	2,000	2,000	18,750	22,500	18,750	21,500
Blue Diamond Jewellers PLC	1,300	1,300	3,900	3,510	3,900	3,640
Royal Palm Beach Hotels PLC	85	85	676	3,400	676	3,358
Kotmale Holdings PLC	40,000	40,000	400,000	410,000	400,000	470,000
Total Investment in Quoted Equity Securities			434,187	453,188	434,187	512,958

	Carrying Value 2008 Rs.	Carrying Value 2007 Rs.
b) Non-Quoted		
Felix Hotels Ltd.	25,930	25,930
Rainforest Ecology (Private) Ltd.	10,000,000	10,000,000
SLFFA Cargo Services Ltd.	357,511	357,511
CT Capital (Private) Ltd.	16,000,000	13,000,000
	26,383,441	23,383,441
Less: Provision for fall in Value	(729,614)	-
Total Investment in Non-Quoted Equity Securities	25,653,826	23,383,441
Total Equity Investments (Group - Non Current)	26,088,014	23,817,628

Notes to the Financial Statements

18.1.2 Investments in Equity Securities - Current

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

Notes to the Financial Statements

18.2 Investment in Equity Securities - Non Current

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

18.2.1 Investment in Equity Securities - Current

Company	No. of Shares 2008	No. of Shares 2007	Carrying Value 2008 Rs.	Market Value 2008 Rs.	Carrying Value 2007 Rs.	Market Value 2007 Rs.
a. Quoted						
John Keells Holdings PLC	726	726	48,642	86,939	48,642	112,530
Total Carrying Value of Equity Investment (Company - Current)			48,642	86,939	48,642	112,530

19. INVENTORIES

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

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

20. TRADE AND OTHER RECEIVABLES

20.1 Summary

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

Notes to the Financial Statements

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

Notes to the Financial Statements

21. LOANS DUE FROM RELATED PARTIES

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

22. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Hemtours (Private) Ltd.	Subsidiary	-	-	14,925,000	877,978
Hemas Marketing (Private) Ltd.	Subsidiary	-	-	-	2,550,000
Hemas International Freight (Private) Ltd.	Subsidiary	-	-	19,904,137	9,527,601
Hemas Pharmaceuticals (Private) Ltd.	Subsidiary	-	-	59,780,869	33,601,084
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	36,131	2,575,770
Hemas Developments (Private) Ltd.	Subsidiary	-	-	-	252,091
Hemas Surgicals and Diagnostics (Private) Ltd.	Subsidiary	-	-	-	102,373
Hemas Air Services (Private) Ltd.	Subsidiary	-	-	3,372,425	2,520,827
Hemas Travels (Private) Ltd.	Subsidiary	-	-	1,000,000	1,386,381
Hemas Power (Private) Ltd.	Subsidiary	-	-	4,010,547	-
Forbes Air Services (Private) Ltd.	Subsidiary	-	-	3,678,375	86,128
Vishwa BPO (Private) Ltd.	Subsidiary	-	-	13,237,821	4,267,196
Hellmann Worldwide Logistics (Private) Ltd.	Joint Venture	-	-	25,154	643,766
ACX International (Private) Ltd.	Subsidiary	-	-	107,287	9,664
FAR Shipping (Private) Ltd.	Subsidiary	-	-	9,822	-
Clinical Solutions (Private) Ltd.	Subsidiary	-	-	32,123	-
Hemas Hospitals (Private) Ltd.	Associate	13,286,243	-	40,000,000	-
Hemas Manufacturing (Private) Ltd.	Subsidiary	-	-	60,046,575	-
		13,286,243	-	220,166,267	58,400,859

23. STATED CAPITAL - Group/Company

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

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

Notes to the Financial Statements

23.1.1 Fully Paid Ordinary Shares

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

23.2 Rights, Preferences and Restrictions of Classes of Capital

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

23.3 PREFERENCE SHARE CAPITAL

23.3.1 Terms of Redemption of 12% Cumulative Redeemable Preference Shares

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

The preference shares do not carry the right to vote.

24. RESERVES

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

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

Notes to the Financial Statements

25. NON INTEREST BEARING LOANS AND BORROWINGS

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2008 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2007 Total Rs.
25.1 Group						
Rent Deposits/Advances Payable	-	20,214,441	20,214,441	-	21,034,768	21,034,768
Other Payable	1,207,000	5,731,123	6,938,123	1,207,000	-	1,207,000
	1,207,000	25,945,564	27,152,564	1,207,000	21,034,768	22,241,768
25.2 Company						
Loans from Related Parties (25.2.1) *	-	-	-	-	421,281,342	421,281,342
	-	-	-	-	421,281,342	421,281,342

25.2.1 Loans from Related Parties

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

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

26. INTEREST BEARING LOANS AND BORROWINGS

26.1 Group

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

Notes to the Financial Statements

26.1.1 Rupee Loans

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

26.1.2 US$ Syndicate Loan

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

Rate of Interest

(a) In 2004 Heladanavi Ltd. (Joint Venture) entered into an Interest Rate SWAP Agreement with Hatton National Bank PLC, fixed interest rate 5.15% plus 3% per annum for US$ 36.5 Mn. (Group Share - US$ 18.25 Mn.)

(b) Floating Interest Rate: Three months London Inter Bank Offer Rate (LIBOR) plus 3% per annum applicable for balance US$ 2.5 Mn. (Group Share - US$ 1.25 Mn.)

- Interest payable quarterly during the grace period and thereafter monthly.

Security

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

Facility

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

Terms of Repayment

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

Terms & Conditions of US$ Syndicate Loan

Undertaking not to declare dividends

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

Heladanavi has agreed and undertaken to maintain

1. Long term debt equity ratio below 2 : 1 from the second year of operation onwards

2. Debt Service Coverage Ratio be at least greater than one from the second year of operation

3. Liquidity at 2 : 1 from the second year of operation onwards.

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

Notes to the Financial Statements

26.1.3 Debentures

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

Security

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

Terms of Redemption

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

The Reason for the issue

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

26.2 Company

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

26.2.1 Loans from Related Parties

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

Terms and Conditions

(1) Treasury Loans (Current)

Security - Un Secured

Repayments - Within 3 Months

Interest - Based on Market Rates

(2) Other Loans (Non current)

Security - Un Secured

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

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

Notes to the Financial Statements

27. DEFERRED INCOME TAX

27.1 DEFERRED TAX ASSETS

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

27.2 DEFERRED TAX LIABILITIES

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

28. RETIREMENT BENEFIT LIABILITY

Retirement Benefit Obligation - Gratuity

	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Balance as at Beginning of the Year	120,831,293	103,702,432	11,381,592	11,221,428
Charge for the Year	42,106,220	34,382,389	6,491,426	2,299,215
Payments during the Year	(17,402,196)	(17,253,528)	(4,596,473)	(2,139,051)
Balance as at the End of the Year	145,535,317	120,831,293	13,276,545	11,381,592

29. PROVISIONS

	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Provision for Delay Interest under EPC/O&M Contracts	4,703,892	-	-	-
Provision for Delay Interest on Purchase of Fuel	11,350,000	7,000,000	-	-
Provision for Excess Energy and Others	5,446,399	-	-	-
	21,500,291	7,000,000	-	-

30. TRADE AND OTHER PAYABLES

	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Trade Payables				
Related Parties (30.1)	-	-	1,472,042	1,291,360
Others	1,933,966,526	1,881,816,088	149,379	5,537,146
Other Payables				
Related Parties (30.2)	-	-	27,587,872	-
Others	199,011,774	-	24,961,529	-
Sundry Creditors including Accrued Expenses	386,031,251	286,748,031	16,101,490	10,386,656
	2,519,009,551	2,168,564,119	70,272,312	17,215,162

30.1 Trade Dues to Related Parties

	Relationship	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	77,856	244,264
Hemas Travels (Private) Ltd.	Subsidiary	-	-	76,082	463,701
Hemas Development (Private) Ltd.	Subsidiary	-	-	42,500	42,500
Hemas Marketing (Private) Ltd.	Subsidiary	-	-	444,304	444,304
Hemas Air Services (Private) Ltd.	Subsidiary	-	-	-	18,000
Hemas Manufacturing (Private) Ltd.	Subsidiary	-	-	16,800	69,010
Hemtours (Private) Ltd.	Subsidiary	-	-	364,500	9,581
Vishwa BPO (Private) Ltd.	Subsidiary	-	-	450,000	-
		-	-	1,472,042	1,291,360

Notes to the Financial Statements

30.2 Non Trade Dues to Related Parties

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

31. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Hemas Corporate Services (Private) Ltd.	Subsidiary	-	-	-	1,872,442
Peace Haven Resorts Ltd.	Subsidiary	-	-	1,702,082	-
Hemas Power (Private) Ltd.	Subsidiary	-	-	1,865,000	2,499,061
Spectrum Marketing (Private) Ltd.	Subsidiary	-	-	6,008	6,008
Hemas Hospitals (Private) Ltd.	Associate	-	-	793,557	-
				4,366,647	4,377,511

32. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

	Group 2008 Rs.	Group 2007 Rs.	Company 2008 Rs.	Company 2007 Rs.
Components of Cash and Cash Equivalents				
32.1 Favourable Cash & Cash Equivalents Balances				
Cash & Bank Balances	567,512,348	459,764,484	16,446,618	75,726,517
Fixed Deposits,Treasury Bills and Repo Investments	631,461,389	631,039,743	1,308,473	3,586,272
32.2 Unfavourable Cash & Cash Equivalent Balances	1,198,973,737	1,090,804,227	17,755,091	79,312,789
Bank Overdraft (Note: 26.1/26.2)	(1,333,842,407)	(993,141,652)	(928,819)	(3,579,566)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(134,868,670)	97,662,575	16,826,272	75,733,223

Notes to the Financial Statements

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

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

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

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

34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Notes to the Financial Statements

35. COMMITMENTS AND CONTINGENCIES

35.1 Capital Expenditure Commitments

(a) Hemas Hospitals (Private) Ltd.

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

(b) Giddawa Hydro Power (Private) Ltd.

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

35.2 Contingencies

(a) Hemas Holdings PLC

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

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

(b) Hemas Manufacturing (Private) Ltd.

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

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

(c) Hemas Travels (Private) Ltd.

(1) The Company has obtained Guarantees from Standard Chartered Bank favouring Airline Operators amounting to Rs. 159,300,000/-.

(2) The Company has obtained Guarantees from Standard Chartered Bank favouring "Gullivers Travels" and Saltours International, Mumbai amounting to GBP 10,000/- and EURO 10,000 respectively.

(3) The Company has obtained Guarantees from Standard Chartered Bank favouring Central Bank of Sri Lanka amounting to Rs. 2,500,000/-

(d) Hemas Air Services (Private) Ltd.

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

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

(e) Forbes Air Services (Private) Ltd.

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

Notes to the Financial Statements

35. COMMITMENTS AND CONTINGENCIES (Contd...)

(f) Hemas International Freight (Private) Ltd.

(1) The Company has obtained Guarantee from Standard Chartered Bank favouring Sri Lankan Airlines amounting to Rs. 5 Mn.

(2) The Company has obtained Guarantee from Standard Chartered Bank favouring Green Lanka Shipping Ltd. amounting to Rs. 4 Mn.

(3) The Company has obtained Guarantee from Standard Chartered Bank favouring James Finlay & Company (Colombo) Ltd. amounting to Rs. 2.5 Mn.

(g) Exchange & Finance Investments Ltd.

(1) The Company has obtained Guarantees from Nations Trust Bank PLC favouring Kenya Airways and Alitalia Airlines amounting to Rs. 4 Mn and Rs.7 Mn. respectively.

(2) Mr. K.T.D Samarasinghe has filed a case against the Company claiming damages for Rs.5Mn. and the trial is still being continued. However no provision has been made in the accounts in this regard.

(h) Hemtours (Private) Ltd.

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

35.3 Lease Commitments

(a) Hemas Hospitals (Private) Ltd.

Operating Lease Commitments - Company as Lessee

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

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

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

35.4 Commitments and Contingencies of the Jointly Controlled Entity

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

Operations and Maintenance Agreement with Lakdhanavi Ltd.

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

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

Fuel Transport Agreement with LTL Projects (Pvt) Ltd.

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

Fuel Supply Agreement with Ceylon Petroleum Corporation

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

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

Notes to the Financial Statements

Power Purchase Agreement with Ceylon Electricity Board

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

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

36. ASSETS PLEDGED

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

Name of The Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged 2008 Rs.	2007 Rs.	Included Under
Hemas Manufacturing (Private) Ltd.	Inventories and Trade Receivables	Concurrent Mortgage to the extent of bank facility obtained from HNB & HSBC	**777,500,000**	288,100,000	Trade Receivables and Inventories
Hemtours (Private) Ltd	Motor Vehicles	Primary Mortgage up to the value of Rs. 18 Mn. to NDB bank	-	9,078,913	Property, Plant and Equipment
Heladhanavi Ltd (The Group has 50% share of the Assets Pledged)	Immovable Assets.	US$ 4,000,000 (Syndicated Loan Facility)	**10,884,270**	10,884,270	Property ,Plant and Equipment
	Mortgage of all movable assets and assignment of book debts of the company.	US$ 35,000,000 (Syndicated Loan Facility)	**8,090,961,137**	6,336,435,807	Property, Plant and Equipment
	Share certificates of the Company.		**1,200,000,070**	1,200,000,070	Stated Capital.
	Assignment of project documents.				
	Immovable Assets.	Rs. 30,769,230 (Rupee Loan Facility)	**10,884,270**	10,884,270	Property ,Plant and Equipment.
	Mortgage of all movable assets and assignment of book debts of the company.	Rs. 269,230,769 (Rupee Loan Facility)	**8,090,961,137**	6,336,435,807	Property ,Plant and Equipment.
	Share certificates of the company.	Rs. 400,000,000 (Working Capital Loan)	**1,200,000,070**	1,200,000,070	Stated Capital
	Assignment of project documents.				

Notes to the Financial Statements

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

Notes to the Financial Statements

37. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

37.1 Transaction with related entities

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

Off Balance Sheet items

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

Terms and Conditions:

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

37.2 Transactions with Key Management Personnel

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

a) Key Management Personnel Compensation

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

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

	2008	2007
Purchase of Air Tickets	9,626,254	7,363,220
	9,626,254	7,363,220

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

Notes to the Financial Statements

38. SEGMENTAL INFORMATION

Information based on the primary segments (Business Segment)

For the year ended 31st March	FMCG 2008 Rs.	FMCG 2007 Rs.	Healthcare 2008 Rs.	Healthcare 2007 Rs.	Leisure 2008 Rs.	Leisure 2007 Rs.	Transportation 2008 Rs.	Transportation 2007 Rs.	Power 2008 Rs.	Power 2007 Rs.	Others 2008 Rs.	Others 2007 Rs.	Group 2008 Rs.	Group 2007 Rs.
Revenue														
Segmental revenue - gross	4,871,773,189	5,552,771,741	3,234,294,651	2,854,606,642	945,342,677	863,642,303	570,668,027	507,250,402	5,266,013,484	3,643,389,658	385,173,642	261,129,248	15,273,265,670	13,682,789,994
Intra Segmental Revenue	(689,347,728)	(1,707,286,105)	(77,352,698)	-	-	-	-	-	-	-	(18,603,261)	(13,924,157)	(785,303,687)	(1,721,210,262)
	4,182,425,461	3,845,485,636	3,156,941,953	2,854,606,642	945,342,677	863,642,303	570,668,027	507,250,402	5,266,013,484	3,643,389,658	366,570,381	247,205,091	14,487,961,983	11,961,579,732
Inter Segmental revenue	-	-	(21,670,408)	-	-	-	-	-	-	-	(302,486,651)	(183,443,537)	(324,157,059)	(183,443,537)
Total Revenue	4,182,425,461	3,845,485,636	3,135,271,545	2,854,606,642	945,342,677	863,642,303	570,668,027	507,250,402	5,266,013,484	3,643,389,658	64,083,730	63,761,554	14,163,804,924	11,778,136,195
Results														
Segmental Results	537,191,094	622,148,619	265,931,550	226,526,195	74,480,793	94,662,159	157,145,856	149,938,522	570,995,043	522,541,592	(144,025,023)	(102,804,594)	1,461,719,314	1,513,012,494
Finance Cost	(141,846)	(279,540)	(39,857,590)	(11,356,808)	(34,568,388)	(29,804,289)	(8,071,283)	(13,082,773)	(263,592,840)	(218,253,394)	(332,599)	(149,661)	(346,564,546)	(272,926,465)
Change in Fair Value of Investment Properties	-	-	-	-	-	-	-	-	-	-	144,300,000	163,385,091	144,300,000	163,385,091
Share of Associate Company Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	3,713,596	-	3,713,596
Profit Before Tax	537,049,248	621,869,079	226,073,961	215,169,387	39,912,405	64,857,871	149,074,573	136,855,749	307,402,202	304,288,198	(57,622)	64,144,432	1,259,454,768	1,407,184,717
Income Tax	(23,814,024)	(222,486,918)	(41,620,535)	(74,269,676)	(14,038,652)	(22,194,086)	(28,041,010)	(34,622,083)			(1,110,623)	(34,074,780)	(108,624,845)	(387,647,543)
Profit for the Year	513,235,225	399,382,161	184,453,425	140,899,711	25,873,753	42,663,784	121,033,563	102,233,666	307,402,202	304,288,198	(1,168,246)	30,069,652	1,150,829,923	1,019,537,174
Attributable to														
Equity holder of the Parent	513,235,225	399,382,161	184,453,425	140,899,711	10,462,500	28,853,676	121,033,563	102,233,666	307,402,202	304,288,198	(1,168,245)	30,069,653	1,135,418,670	1,005,727,066
Minority Interests	-	-	-	-	15,411,253	13,810,108	-	-	-	-	-	-	15,411,253	13,810,108
	513,235,225	399,382,161	184,453,425	140,899,711	25,873,753	42,663,784	121,033,563	102,233,666	307,402,202	304,288,198	(1,168,245)	30,069,653	1,150,829,923	1,019,537,174

As at 31st March	FMCG 2008 Rs.	FMCG 2007 Rs.	Health Care 2008 Rs.	Health Care 2007 Rs.	Leisure 2008 Rs.	Leisure 2007 Rs.	Transportation 2008 Rs.	Transportation 2007 Rs.	Power 2008 Rs.	Power 2007 Rs.	Others 2008 Rs.	Others 2007 Rs.	Group 2008 Rs.	Group 2007 Rs.
Assets and Liabilities														
Non Current Assets														
Property, Plant & Equipment	1,173,640,364	504,974,719	81,373,197	204,954,974	1,385,597,301	1,358,923,338	46,135,061	53,797,456	2,466,840,462	2,494,017,256	75,480,619	88,254,160	5,229,067,006	4,704,921,903
Investment Property	-	-	-	-	-	-	-	-	-	-	1,178,709,950	963,709,950	1,178,709,950	963,709,950
Other Non Current Assets	744,807,454	839,091,355	346,016,260	173,040,000	141,502,635	149,935,603	168,401,209	106,560,985	773,146,200	743,462,810	5,617,571,130	5,333,612,346	6,612,734,938	6,381,993,149
Segmental Non Current Assets	1,918,447,818	1,344,066,074	427,389,457	377,994,974	1,527,099,937	1,508,858,941	214,536,270	160,358,441	3,248,925,897	3,237,480,066	5,693,051,749	5,421,866,506	13,020,511,894	12,050,625,002
Deferred Tax Assets													18,482,425	-
Eliminations/Adjustments													(6,139,255,709)	(6,088,637,244)
Total Non Current Assets													6,899,738,610	5,961,987,758
Current Assets														
Segmental Current Assets	2,057,459,646	1,604,274,368	1,587,074,439	1,305,205,230	904,819,732	753,046,880	1,628,968,099	1,466,516,638	1,858,779,412	1,367,272,083	680,156,066	574,192,550	8,717,257,394	7,070,507,758
Tax Refunds													91,994,344	47,509,765
Eliminations/Adjustments													(2,578,364,640)	(1,684,149,754)
Total Current Assets													6,230,887,098	5,433,867,759
Total Assets													13,130,625,708	11,395,855,517

Notes to the Financial Statements

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

Notes to the Financial Statements

39. PROPORTIONATE INTEREST IN JOINT VENTURES

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

The aggregate amounts so included are as follows;

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

40. GROUP COMPANIES

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

Notes to the Financial Statements

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

Five year Summary

Year Ended 31st March Rs' 000	2008	2007	2006 Restated	2005 Restated	2004 Restated
Operating Results					
Group Revenue	**14,163,805**	11,778,136	9,779,338	9,275,784	6,947,710
Profit Before Tax	**1,259,455**	1,407,185	1,247,374	1,057,678	867,183
Taxation	**108,625**	387,648	281,838	225,143	180,067
Profit After Tax	**1,150,830**	1,019,537	965,536	832,535	687,116
Profit Attributable to Hemas Group	**1,135,419**	1,005,727	958,599	836,973	645,514
Equity & Liabilities					
Stated and Preference Share Capital	**1,387,346**	1,404,018	1,277,195	1,235,186	1,177,388
Reserves	**783,413**	635,444	590,584	661,391	50,598
Retained Earnings	**4,262,940**	3,234,682	2,451,308	1,745,396	1,655,430
Minority Interest	**604,966**	588,527	496,967	681,897	546,380
Non-Current Liabilities	**1,155,771**	1,597,455	1,922,112	2,182,320	1,959,218
Current Liabilities	**4,936,190**	3,935,734	3,286,596	3,145,779	2,639,974
	13,130,626	11,395,855	10,024,762	9,651,969	8,028,988
			-		
Assets					
Property, Plant and Equipment	**5,229,067**	4,704,921	4,664,939	5,333,306	4,446,460
Investment Property	**1,178,710**	963,710	570,152	-	-
Leasehold Property	**67,976**	71,042	75,346	-	-
Intangible Assets	**173,622**	155,563	107,268	40,336	8,013
Investments (Associate & Others)	**250,364**	66,751	138,082	233,259	195,745
Other Receivables	**-**	-	-	-	1,672
Current Assets	**6,230,887**	5,433,868	4,468,975	4,045,068	3,377,097
	13,130,626	11,395,855	10,024,762	9,651,969	8,028,988
Key Indicators					
Earnings Per Share (Rs.)	**11.13**	9.90	9.52	8.43	6.98
Dividends Per Share (Rs.)	**1.25**	2.50	2.50	3.00	2.50
Dividend Cover (No. of Times)	**8.9**	4.0	4.0	3.5	4.4
Interest Cover (No. of Times)	**4.6**	6.1	5.4	7.8	18.5
Net Asset Per Share (Rs.)	**63.51**	52.32	42.46	46.00	37.00
Cash from Operations (Rs.' 000)	**929,277**	176,992	1,035,785	1,182,366	574,317
Current Ratio (No. of Times)	**1.3**	1.4	1.4	1.3	1.3
Debt / Equity (%)	**50.0**	54.7	62.9	80.3	88.9
Return On Equity (%)	**19.4**	21.1	24.4	26.3	28.2

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of Hemas Holdings PLC will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2 on Friday the 27th day of June 2008 at 3.30 p.m for the following purpose:-

AGENDA

1. To receive and consider the Statements of Accounts of the Company for the year ended 31st March 2008 , together with the Reports of the Directors and Auditors thereon.

2. To re-elect as Director, Mr. Divyaroop Bhatnagar, retiring in terms of the Articles of Association of the Company.

3. To re-elect as Director, Mr. Imtiaz Esufally retiring in terms of the Articles of Association of the Company.

4. To pass the ordinary resolution set out below to re-elect as a director Mr. J.C.L De Mel who has reached the age of 71 years on 6th May 2008 and vacates office as a director of the Company in terms of Section 210 (2) (a) of the Companies Act-7 of 2007.

    "RESOLVED that Mr. J.C.L. De Mel who has reached the age of 71 years on 6th May 2008 be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in Section 211 (1) of the Companies Act No. 07 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. J.C.L. De Mel."

5. To declare a final dividend of Rs. 1.25/- per share as recommended by the Board.

6. To appoint Auditors for the ensuing year and to authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine and make donations to Charity.

8. To consider any other business of which due notice has been given.

By Order of the Board of
HEMAS HOLDINGS PLC

HEMAS CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries

2nd June 2008

Note:

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote in his/her place.

A Proxy need not be a Member of the Company.

A Form of Proxy accompanies this Notice.

Glossary

CAPITAL EMPLOYED

Total shareholders' funds plus debt and minority interest.

CAPITAL RESERVES

Reserves identified for specific purposes and considered not available for distribution.

CURRENT RATIO

Current assets divided by current liabilities.

CONTINGENT LIABILITIES

Conditions or situations at the Balance Sheet date, the financial effect of which are to be determined by future events which may or may not occur.

DEBT

Interest bearing long term loans plus short term loans and overdrafts.

DEBT EQUITY RATIO

Total interest bearing borrowings divided by the total of shareholders' funds.

DEFERRED INCOME TAX

The net tax effect on items which have been included in the income statement, which would only qualify for inclusion on a tax return at a future date.

DIVIDEND COVER

Net profit attributable to the ordinary shareholders divided by the total dividend paid and proposed.

ESOP (Employee Share Option Plan)

The right but not the obligation to purchase an accrued number of shares at a fixed price within a pre-determined time period.

EQUITY

Total shareholders' funds.

EARNINGS PER SHARE

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

EBIT

Earnings before interest and tax.

EFFECTIVE RATE OF TAXATION

Income tax, including deferred income tax over profit before tax.

INTEREST COVER

Operating profit before interest and tax divided by the total finance cost.

MARKET CAPITALISATION

The number of ordinary shares in issue multiplied by the market price per share as at the reported date.

MINORITY INTEREST

Part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent.

NET ASSETS PER SHARE

Shareholders funds divided by the number of ordinary shares in issue as at the end of the year.

PRICE EARNINGS RATIO

Market price per share divided by the earnings per share.

RETURN ON EQUITY

Profit after tax, minority interest and extra ordinary items divided by average shareholders' funds at the beginning and end of the year.

REVENUE RESERVES

Reserves set aside for future distributions and Investments.

SEGMENT

Constituent business units grouped in terms of similarity of operations and strategy.

SHAREHOLDERS' FUNDS

Total of share capital, capital reserves and revenue reserves less preliminary and deferred Expenses.

Notes

Form of Proxy

I/We ....

of...

being a Member/s of Hemas Holdings PLC do hereby appoint one of the following Directors of the Company,

Mr. Lalith De Mel	or failing him
Mr. Husein Esufally	or failing him
Mr. Abbas Esufally	or failing him
Mr. Imtiaz Esufally	or failing him
Mr. Divyaroop Bhatnagar	or failing him
Mr. Murtaza Esufally	or failing him
Mr. Maithri Wickremesinghe	or failing him
Mr. Pradipta Mohapatra	or failing him

Mr./ Mrs. ....

of...

as my/our Proxy to speak and/to vote for *me/us on *my/our behalf at the Fifth Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Friday the 27th day of June 2008 at the Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 2 and at any adjournment thereof.

	For	Against
1. To receive and consider the Statements of Accounts of the Company together with the Reports of the Directors and Auditors thereon.	☐	☐
2. To re-elect as Director, Mr.Divyaroop Bhatnagar retiring by rotation in terms of the Articles of Association of the Company.	☐	☐
3. To re-elect as Director, Mr. Imtiaz Esufally retiring by rotation in terms of the Articles of Association of the Company.	☐	☐
4. To re-appoint Mr. J.C.L. De Mel as a Director of the Company in terms of Section 211 (1) of the Companies Act No 7 of 2007.	☐	☐
5. To declare a final dividend of Rs. 1.25/- per share as recommended by the Board	☐	☐
6. To re-appoint M/s Ernst & Young, Chartered Accountants, as auditors of the Company and to authorize the directors to determine their remuneration.	☐	☐
7. To authorize the Directors to determine and make donations to Charity.	☐	☐

*The Proxy may vote as he/she thinks fit on any other resolution brought before this meeting

....

Signature/s   Date:

Note:

1. Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided. Please fill in the date of signature.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association /Statutes.

4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.

5. the completed Form of Proxy should be deposited at No. 36, Bristol Street, Colombo 1 not less than Twenty Four (24) hours before the time appointed for the meeting.

Corporate Information

Name of the Company	:	Hemas Holdings PLC
Legal Form	:	Quoted Public Company with limited liability
Date of Incorporation	:	10th December 1948
Company Registration No.	:	PQ 6
Accounting year end	:	31st March
Registered Office	:	Hemas Building - No. 36, Bristol Street, Colombo 1
Website	:	www.hemas.com
Auditors to the Company	:	Ernst and Young Charted Accountants No. 201, De Saram Place, P.O. Box 101 Colombo 10
Directors	:	Lalith De Mel – Chairman Husein Esufally - Chief Executive Officer Abbas Esufally Imtiaz Esufally Divyaroop Bhatnagar Murtaza Esufally Pradipta Mohapatra
Secretaries	:	Hemas Corporate Services (Pvt) Ltd. No. 36, Bristol Street, Colombo 1 Telephone : 4 731731 (hunting) Facsimile : 4 731777
Registrars	:	SSP Corporate Services (Pvt) Ltd. No. 101, Inner Flower Road, Colombo 3 Telephone : 4 542264 - 5 Facsimile : 2 573609
Lawyers to the Company	:	D L & F de Saram, No. 47, Alexandra Place Colombo 7.
Bankers to the Company	:	Commercial Bank of Ceylon PLC Deutsche Bank AG Hongkong and Shanghai Banking Corp. Ltd. Hatton National Bank PLC Standard Chartered Bank

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