ENRICHING LIVES

How Outstanding Products and Services Create Superior Shareholder Value

HEMAS

HEMAS HOLDINGS PLC ANNUAL REPORT 2008/09

HEMAS

CONTENTS

Adding value to and enriching Hemas' business enterprise lie at the very core of our being. It forms the reason and basis for our unswerving pursuit of new segments of activity that promise more robust growth, at a faster pace in the years ahead.

At the same time, ours is an enriching enterprise, where every product, service and process has been imbued with innovation and a defining quality that takes it from the 'run of the mill' category to the 'one of a kind'.

In the process, our portfolio uplifts lives across the Nation and lives up to the Company's new purpose... offering outstanding products and services that enrich the lives of our customers, whilst creating superior value for our shareholders.

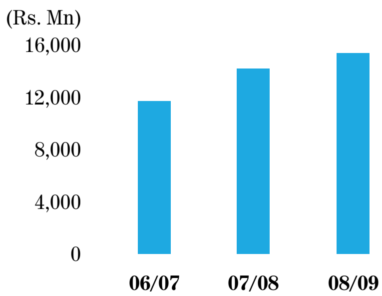
WE ARE HEMAS

Hemas is one of Sri Lanka's top diversified conglomerates organised into five key sectors - FMCG, Healthcare, Transportation, Leisure and Power. The Group, which commenced operations in 1948, is listed on the Colombo Stock Exchange. We are guided by our core values - a passion for our customers, an obsession for performance, our drive for innovation and our concern for people. These values are our moral compass as we progress on new and exciting business ventures and ideas.

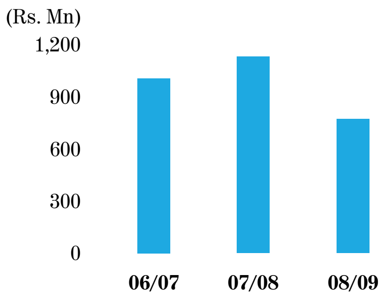
FINANCIAL HIGHLIGHTS

Year ended 31 March	**2009**	2008	% Change	2007
OPERATING RESULTS				
Group Revenue (Rs. '000s)	**15,342,278**	14,163,805	8.3	11,778,136
Profit before Interest and Tax (Rs. '000s)	**1,328,870**	1,606,019	(17.3)	1,680,111
Profit before Tax (Rs. '000s)	**856,932**	1,259,455	(32.0)	1,407,185
Profit after Taxation (Rs. '000s)	**719,078**	1,150,830	(37.5)	1,019,537
Profit Attributable to the Group (Rs. '000s)	**775,128**	1,135,419	(31.7)	1,005,727
Dividend - Gross (Rs. '000s)	**126,635**	126,635	0.0	252,726
Cash from Operations (Rs. '000s)	**1,458,434**	929,277	56.9	176,992
BALANCE SHEET HIGHLIGHTS				
Total Assets (Rs. '000s)	**14,835,812**	13,130,625	13.0	11,395,855
Total Shareholders' Funds (Rs. '000s)	**7,028,290**	6,433,698	9.2	5,274,139
No. of Shares ('000s)	**101,958**	101,308	0.6	101,308
Gearing (%)	**32.9**	31.4	4.8	33.0
SHAREHOLDER INFORMATION				
Return on Equity (%)	**11.5**	19.4	(40.6)	21.1
Earnings per Share (Rs.)	**7.57**	11.13	(32.0)	9.9
Dividend per Share (Rs.)	**1.25**	1.25	0.0	2.5
Dividend Payout (%)	**16.5**	11.2	47.1	25.4
Net Asset per Share (Rs.)	**68.90**	63.50	8.5	52.30
Market Capitalisation (Rs. '000s)	**6,142,977**	8,864,461	(30.7)	10,831,779
Price Earnings Ratio (Times)	**7.96**	7.86	1.3	10.81
Market Price as at 31 March (Rs.)	**60.25**	87.50	(31.1)	107.00

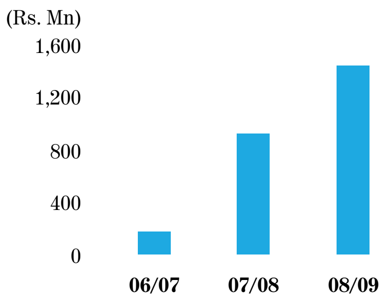
GROUP REVENUE



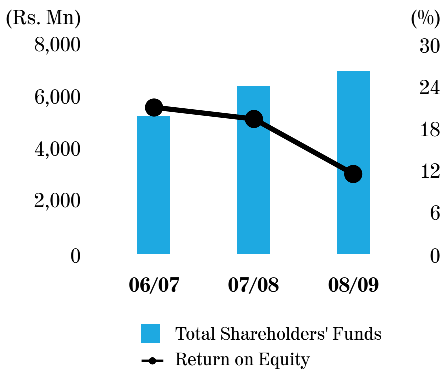
PROFIT ATTRIBUTABLE TO THE GROUP (Rs. Mn)



CASH FROM OPERATIONS



SHAREHOLDERS FUNDS & ROE



CHAIRMAN'S REVIEW

"The Board after careful consideration decided to pursue a robust approach and to continue to build for the future"

When we presented our strategy in the year under review, the predominant hue was the dark grey of gloom. A global financial crisis in the West, the uncertainty of its impact on Sri Lanka, our dwindling foreign reserves and its implications, and of course our own Sri Lankan shenanigans that mimicked the big US ponzi schemes. The glimmer of brightness was the end of the long war with the LTTE.

Your Board had to develop its strategy in the context of this scenario. We looked long and hard at our business and saw that it had a very sturdy core in its FMCG business and its Pharmaceutical business. FMCG sales increased by 11%, EBITDA perhaps the best measurement of the intrinsic strength of a business delivered a growth of 20%. The pharmaceutical business grew its top line by 19% and its EBITDA by 39%. Power was the third leg of the tripod. It has sustained its important contribution to profits. The Transportation sector continues to be a strong growth sector for the group.

An option was to batten down the hatches and nurture the core business that was sailing serenely through the economic turmoil and to wait for clearer skies about the longer-term economic scenario. The response of a business depends on its culture. One of the great strengths of a public Company that is based on a successful family business is the spirit of enterprise that came with the business and this remains ingrained in the DNA of this Company.

The challenge is to balance enterprise and caution. Whilst remaining within this equation, the Board after careful consideration decided to pursue a robust approach and to continue to build for the future by developing the planned new segments of activity. This will enable it to grow at a faster rate than the solid rates of growth it expects from its current core business. This was not a case of playing roulette with shareholders' funds including the significant stake of the Executive Directors in the equity of the business. The decision to pursue with the Wattala Hospital, the Galle Hospital and to add to the power assets with a hydro power project were all structured within strict debt equity ratios. They were also underpinned by a strong cash flow from the core business and the business has the comfort of having a real estate portfolio that is not needed for current activities. We look forward with confidence to the contribution these new business areas will make to our revenue, profits and cash in the future.

Organic growth is a bit like the traditional rural habit of drinking strong plain tea with jaggery. You have to endure the bitter tannin of the tea before it is overwhelmed by the sweetness of the jaggery. Our business in the year under review is reflecting this phenomena. The cash goes out upfront creating the incremental financing costs and the operating costs follow well ahead of the revenue streams that always start as a trickle. This then affects adversely the profits of the year and this is what happened in 2008. The new initiatives reduced profits by Rs. 135 Mn.

Sales increased by 8%. EBITDA fell by 3%. Interest costs increased by 36%. Profit before tax and earnings both declined by 32%. The CEO will deal in greater detail with the performance during the year. I would just like to add that when the new activities get into gear we will see the incremental benefits and 2009 will reflect the start of this phase.

Looking back now, we are delighted that we pursued this strategy. The glimmer of hope we saw at the time has now blossomed into the big brightness of peace. We applaud His Excellency the President's vision of a society free of discrimination and with this we perceive a much brighter future for business.

Therefore, as we feel optimistic about the near future we decided that it was appropriate to declare a dividend of Rs. 1.80 a share.

The transition from private company to public company is now well behind us. All the basic principles of good governance are well established in the Company. The Audit Committee and the Remuneration Committee met at regular intervals and they both performed their roles well. Considerable attention was paid to risk management and sound processes have been initiated.

We are mindful of the key role of our top core management team. I am pleased that with your approval we have put in place an ESOS that reflects our recognition of this core team and provides them with an incentive and opportunity to share with you the longer-term benefits of our strategies for the future.

I wish to take this opportunity to thank all our employees for their valuable contribution and to acknowledge their very positive response to the challenges we face in this environment. We will continue to endeavour to provide them with a fruitful and stimulating working environment.

I have had great support from my colleagues on the Board and I greatly appreciate their strong inputs to the process of developing the way forward. I thank them for both their support and input.

Every successful business must have a strong bridge that links the Board to the management. We are fortunate that we have an excellent bridge and must congratulate the CEO for nurturing this relationship and for his outstanding leadership during this difficult period of great uncertainty in the external environment.

Deshamanya Lalith De Mel
Chairman

26 May 2009

MANAGEMENT REPORT

CHIEF EXECUTIVE OFFICER'S REVIEW

"Today we have the opportunity to dream of a Sri Lanka without conflict"

As a new dawn for Sri Lanka awaits us, it gives me great pleasure to present the financial results of your Company for the year ended 31 March 2009.

2008 WAS A YEAR OF INVESTING FOR THE FUTURE...

Over the course of last year, we completed investment projects accounting for over Rs. 3 Bn in value. The first phase of our Hospital strategy got under way with our hospitals in Wattala and Galle becoming fully operational. The Hemas Innovation Centre and FMCG production facility in Dankotuwa also commenced operations. Furthermore, we marked our presence in the renewable energy space by commissioning our first Mini-Hydro power plant in Kandy. In hindsight, our policy of maintaining conservative levels of gearing served us well as the cost of borrowing increased dramatically and sources of debt dried up. Even after these investments, the Group maintains a healthy gearing ratio of 33%. These investments were made in relatively less volatile industries and after rigorous evaluation assuming a difficult economic environment globally and in Sri Lanka. The turnaround in the North-East conflict and recovery in the global economy, will have a positive impact on returns.

CHIEF EXECUTIVE OFFICER'S REVIEW

OUR CORE BUSINESSES PERFORMED WELL DESPITE TOUGH CONDITIONS...

Over the year, we had to face a challenging economic environment where inflation, interest rates and Rupee depreciation were adversely impacting most of our key businesses. Despite this, the Group demonstrated a high level of resilience with our core businesses performing well. Overall Group revenue increased 8% to close at Rs. 15.3 Bn for the year ended 31 March 2009, whilst Group earnings fell 32% to Rs. 775 Mn. The drop in Earnings is largely attributable to planned startup losses and finance costs associated with our new initiatives and the absence of any appreciation in the fair value of investment properties. When these factors are isolated, the underlying businesses have recorded a revenue growth of 8% while maintaining last year's profit levels. Our focus on cash paid dividends with Net Cash from Operations registering Rs. 1,458 Mn as compared to Rs. 929 Mn the previous year. On account of the significantly higher capital employed in the business, Return on Capital Employed has now declined to 12%.

INITIAL BUILD-UP OF HOSPITAL BUSINESS IS ENCOURAGING...

Hemas Hospitals in Wattala and Galle, built at a total cost of Rs. 2 Bn, are now fully operational with 150 beds. Our philosophy is to deliver quality affordable healthcare services through our unique model of a community-based hospital. The flagship Hospital in Wattala was completed in December 2008, and the take-up of our value proposition is clearly evident with many patients who were travelling to Colombo, now frequenting the Wattala Hospital. All key specialities are covered and the hospital offers complete diagnostic and imaging services, including the first-ever open magnet MRI in Sri Lanka. Both in-patient and out-patient numbers have shown steady growth and we are confident that as the reputation of the hospital grows, we will reach target capacity utilisation levels within the course of the next financial year. With the completion of the Galle Project in March 2009, we are now well geared to enhance our value capture by offering a wide range of diagnostic and in-patient services to the already established channelling patient base.

FOCUS ON PRODUCT INNOVATION DRIVES OUR BRAND BUILDING INVESTMENTS...

Consumers today are more discerning than ever and building strong brands needs unique insights in order to design and communicate the offering. During the year, the business has done some ground-breaking work with regard to observing product use occasions both in and out of home (Including bathing spots). These insights are then used to inspire the innovations team and to drive marketing communications. The success of *Diva* for example, which is now the largest washing powder brand in Sri Lanka, can be attributed to these consumer insights. Whilst the benefit of our investments in new innovations would accrue over the coming years, the FMCG business delivered a good performance over the year, growing revenues and operating profits by 11% and 16% respectively. Industry growth for Personal Care products was flat although overall realisation increased due to price increases. Our brand propositions in the Personal Care business continued to hold market share whilst the business grew its franchise in the Personal Wash and Household markets.

CHIEF EXECUTIVE OFFICER'S REVIEW

RESPONDING TO THE GLOBAL CRISIS WAS A HIGH PRIORITY...

With the grim news emerging out of the western markets in late 2008, the Company conducted a strategic review and formed a hypothesis based on the assumption that Sri Lanka would not be totally immune to such a crisis, although our sectors are expected to be less vulnerable in such an environment. Our plan was therefore to be conservative in projecting demand and to adjust our cost base accordingly. Within this scenario, the Company adopted a series of productivity and cost improvement initiatives with a view to ensuring that operating margins would not be eroded. All aspects of working capital were reviewed and non-essential capital expenditures were deferred wherever possible. In tandem with this, the Company adopted measures to secure and improve customer relationships and get better supplier terms wherever possible. This has resulted in a leaner and more efficient organisation.

OUR ORGANISATIONAL CULTURE IS A KEY STRENGTH...

The past year has been one in which all team players stretched to achieve our business objectives whilst ensuring execution on our numerous growth initiatives. Moreover, as the global crisis began to unfold, as is our culture, we shared in a transparent manner, the way this might impact the world, Sri Lanka and our businesses. Almost without exception, the team came forward voluntarily to deliver the productivity improvements that we felt were necessary. This is a source of tremendous strength and together with the entrepreneurial spirit that resides within; we are well positioned to reap the benefits of our growth initiatives and the economic resurgence of Sri Lanka which is sure to come.

WE ARE OPTIMISTIC ABOUT THE FUTURE...

Today, we have the opportunity to dream of a Sri Lanka without conflict. For this, we must whole-heartedly praise the leadership of His Excellency the President and the entire military and political leadership for accomplishing this feat which very few thought possible just one year ago. Of course, our most sincere thanks and gratitude are reserved for the men and women of the armed forces who have sacrificed so much in defence of our motherland. This war has consumed so much of our resources for over a quarter century and all that remains now is to 'win the peace'. No doubt, this would put Sri Lanka firmly back on the road to sustainable growth and development bringing opportunities, not only in the North & East, but, all over the Island. Over the last quarter century your Company has grown in an environment that was difficult for business. After so long, we can now plan for a better tomorrow and I have every confidence that Hemas will realise its fullest potential along with that of Sri Lanka.

In conclusion, I would like to thank the Chairman and the Board of Directors for their continued guidance and support. This has been a challenging year and very special thanks as always to the entire Hemas team who have always given of their best. On behalf of the Board, I would also like to thank our customers and our business partners who have supported us over the years. Finally, I thank you, our shareholders, for your continued trust and confidence in the Company.

Husein Esufally
Chief Executive Officer

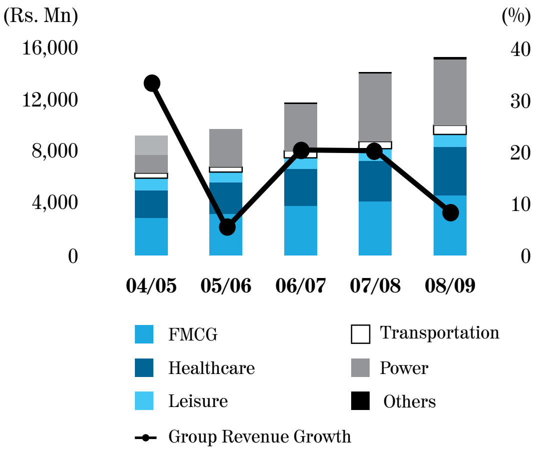
26 May 2009

REVENUE

Consolidated revenue for the year ended 31 March 2009 was Rs. 15.3 Bn, an 8.3% growth from the previous year. Over the past five years, consolidated revenues have grown at a compounded annual rate of 17.2%. Lower revenues from Thermal Power, due to the pass-through effect of lower furnace oil prices vis-à-vis the previous year, have kept the growth in overall revenues at a relatively modest level during 2008/09. Whilst Healthcare and Transportation sectors have recorded the highest growth at sector level, FMCG and Healthcare have accounted for 95.8%of overall growth as set out in Table 1.

Despite the slowdown in top-line growth, it is encouraging to note that our core business sectors, FMCG and Healthcare have grown faster during 2008/09 when compared with the previous year. Whilst Transportation Sector had a good year, with a 19.0% top-line growth, our Leisure Sector marginally declined as it was impacted by the deteriorating external demand and the escalation of hostilities in the North-East during the year.

GROUP REVENUE BREAK-UP

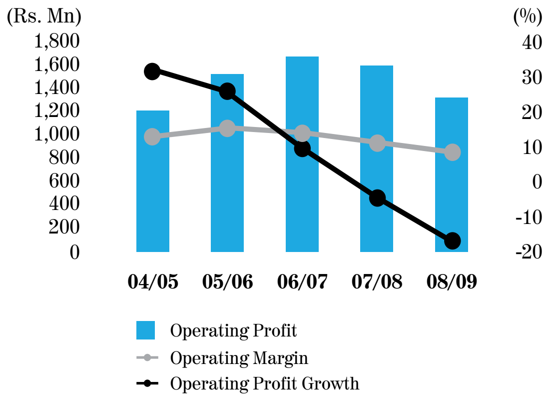


PROFITABILITY

OPERATING PROFIT

The Group recorded a 17.3% drop in operating profits during the year, from Rs. 1,606 Mn to Rs. 1,329 Mn. Operating margins have deteriorated from 11.3% in 2007/08 to 8.7% in 2008/09. Drop in margins are largely attributable to planned operating losses in our Hospitals and other start-up businesses, decline in Power profits due to planned overhaul costs, and the absence of any fair value appreciation in investment properties.

OPERATING PROFIT



As shown in Table 2, FMCG and Transportation sectors have contributed positively towards operating margins. As far as the Healthcare Sector is concerned, our Pharmaceuticals business has performed exceptionally well in terms of both revenues and profits. However, the overall sector performance reports a decline in operating profits and margins due to start-up losses of Hospitals.

REVENUE ANALYSIS

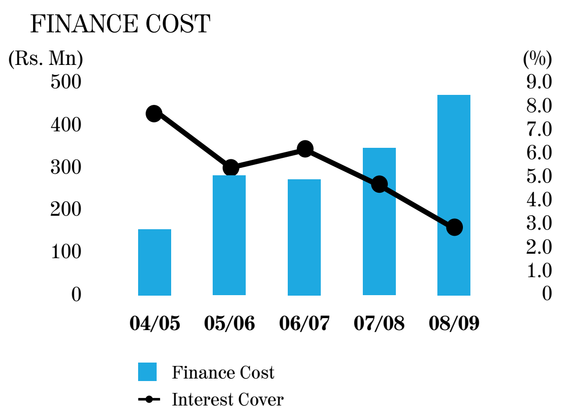
	Revenue Mix 2007/08 %	**Growth 2008/09 %**	Contribution to Growth Absolute %	Contribution to Growth % of Total %	**Revenue Mix 2008/09 %**
FMCG	29.5	**10.6**	3.1	37.7	**30.2**
Healthcare	22.1	**21.8**	4.8	58.1	**24.9**
Leisure	6.7	**(1.3)**	(0.1)	(1.0)	**6.1**
Transportation	4.0	**19.0**	0.8	9.2	**4.4**
Power	37.2	**(1.8)**	(0.7)	(8.0)	**33.7**
Other	0.5	**72.4**	0.3	4.0	**0.7**
Group	100.0	**8.3**	8.3	100.0	**100.0**

Table 1

At a consolidated level, gross margins have remained relatively stable, however a 24.1% increase in administrative expenses, mainly owing to increased manpower costs in our core businesses and additions coming to our cost base from our new businesses, and the absence of fair value appreciation, have dented the margins by 2.8%.

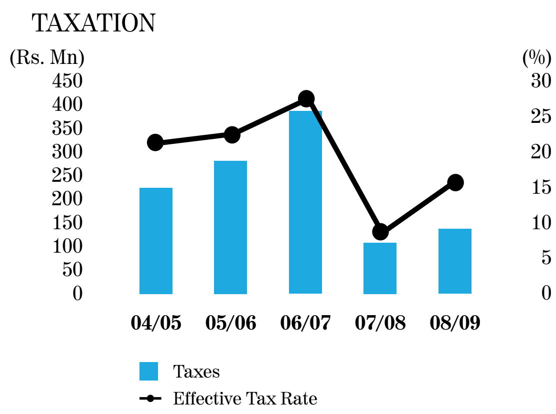
FINANCE COST

Finance cost across the Group has increased by 36.2% during the year, from Rs. 347 Mn to Rs. 472 Mn and the interest cover has decreased at a faster pace from 4.6 to 2.8, as profits declined. During the year, there has been a 20% net increase in consolidated borrowings, from Rs. 3,219 Mn to Rs. 3,862 Mn, owing to investments in Hospitals, Renewable Energy and FMCG production and R&D facilities. Total gearing has increased from 31.4% to 32.9% over the year. The Group has been successful in securing a significant portion of its long-term debt at preferential rates, and as a result the overall cost of debt of the Group is well below market rates.



TAXATION

As our high tax paying businesses have performed particularly well during the year, the tax expense has increased 26.9%, from Rs. 109 Mn in 2007/08 to Rs. 138 Mn in 2008/09. However, as the decline in Group Profits due to losses in Hospitals, drop in Power earnings and absence of fair value appreciation in investment property has no bearing on taxes, effective tax rate has risen from 8.6% to 16.1% year-on-year.



NET PROFIT

For the year under review, the Group recorded net profits after tax of Rs. 719 Mn, a decline of 37.5% from the previous year. Group Earnings on the other hand has declined only by 31.7%, from Rs. 1,135 Mn to Rs. 775 Mn, as a result of a negative minority interest. Whilst this has been the first time that the Group recorded a decline in profits since going public in 2003, profits from underlying operations, i.e. after excluding start up losses, related finance costs and fair value appreciation, have remained flat during the year. Given the challenging business environment

OPERATING MARGIN ANALYSIS

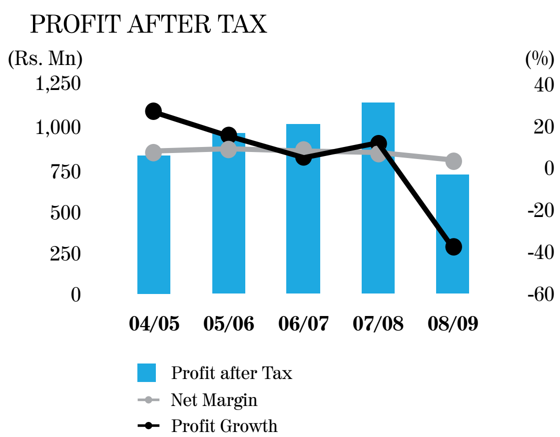
	Revenue Mix		Operating Margins		Margin Impact		
	2007/08 %	**2008/09 %**	2007/08 %	**2008/09 %**	Mix %	Profitability %	Total %
FMCG	29.5	**30.2**	12.8	**13.5**	0.0	0.2	0.2
Healthcare	22.1	**24.9**	8.5	**3.9**	(0.2)	(1.0)	(1.2)
Leisure	6.7	**6.1**	4.5	**6.0**	0.0	0.1	0.1
Transportation	4.0	**4.4**	27.5	**31.3**	0.1	0.1	0.2
Power	37.2	**33.7**	10.8	**9.7**	0.1	(0.4)	(0.4)
Other	0.5	**0.7**	49.5	**(192.5)**	(0.5)	(1.1)	(1.7)
Group	100.0	**100.0**	11.3	**8.7**	(0.5)	(2.1)	(2.8)

Table 2

that persisted throughout the year, we consider this year's performance satisfactory, and from a futuristic perspective it is encouraging to have achieved such levels of profits after absorbing planned losses resulting from our new investments that are essential for our long-term growth.

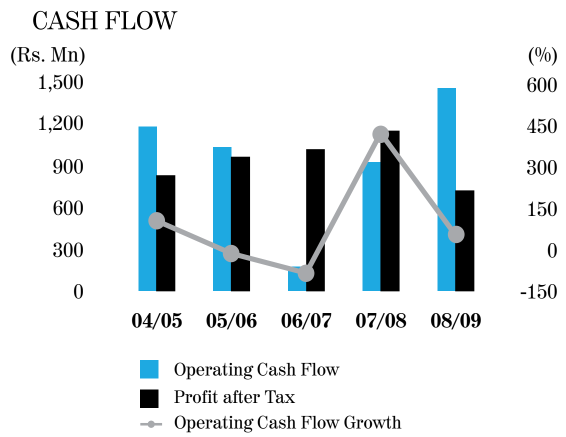
In addition to the factors that have dragged the operating margins, increased finance costs and a higher effective tax rate have caused the net margin to decline from 8.1% to 4.7%.

Net margin analysis given in Table 3 illustrates how the change in revenue mix and the drop in sector profitability has impacted the overall Group margins. At a Group level, 2.8% of the total margin drop can be attributed to drop in profitability in each Sector and the balance 0.7% can be attributed to changes in revenue mix when analysing the overall drop of 3.5% in Group net margins during the year.



CASH FLOW

Despite pressure on Group earnings due to start-up losses and increased finance costs, cash generated from operating activities has increased 57% during the year, from Rs. 929 Mn to Rs. 1,458 Mn. Improved working capital management, in all our core businesses, FMCG, Pharmaceuticals, Transportation and Power, has facilitated an exceptionally high level of internal cash generation during the year.



Despite heavy investments that continued into 2008/09 from the previous year, on account of our Hospital and Mini Hydro projects, the Group generated free cash flows of Rs. 355 Mn (before debt repayments and finance costs) during the year.

NET MARGIN ANALYSIS

	Revenue Mix		PAT Margins		Margin Impact		
	2007/08 %	**2008/09 %**	2007/08 %	**2008/09 %**	Mix %	Profitability %	Total %
FMCG	29.5	**30.2**	12.3	**11.5**	0.0	(0.2)	(0.2)
Healthcare	22.1	**24.9**	5.9	**0.4**	(0.2)	(1.2)	(1.4)
Leisure	6.7	**6.1**	0.9	**0.1**	0.0	0.0	0.0
Transportation	4.0	**4.4**	21.2	**24.1**	0.1	0.1	0.2
Power	37.2	**33.7**	5.8	**4.7**	0.1	(0.4)	(0.3)
Other	0.5	**0.7**	25.7	**(215.7)**	(0.6)	(1.1)	(1.7)
Group	100.0	**100.0**	8.1	**4.7**	(0.6)	(2.8)	(3.4)

Table 3

RETURN ON CAPITAL

Generating high returns on investments is one of the key focus areas at Hemas. Table 4 indicates that depressed margins have caused a significant drop in the return on capital employed (ROCE) of the Group. However, we are confident of reversing the declining trend in returns as profits from new investments begin to take effect in the coming years.

A deteriorating interest cover coupled with an increased effective tax rate has caused the 4.8% drop in the return on capital employed to be translated into a 7.9% drop in the return on equity as seen in Table 4. Our medium-term objective is to bring the return on equity (ROE) back to the 20% levels that we have been enjoying in the past, by further improving the profitability of our existing businesses and placing our new businesses on the road to profitability.

ANALYSIS OF RETURN ON CAPITAL

	2003/04 %	2004/05 %	2005/06 %	2006/07 %	2007/08 %	**2008/09** **%**
Operating Margin	13.2	13.1	15.6	14.3	11.3	**8.7**
Asset Turnover	1.14	1.05	0.99	1.10	1.15	**1.10**
Assets/Capital Employed	1.40	1.34	1.33	1.32	1.29	**1.27**
ROCE	**21.0**	**18.3**	**20.7**	**20.7**	**16.9**	**12.1**
Interest Cover	18.8	7.8	5.4	6.2	4.6	**2.8**
Effective Tax Rate	24.6	21.3	22.6	27.5	8.6	**16.1**
Gearing	42.8	40.3	36.1	33.0	31.4	**32.9**
ROE	**27.6**	**25.7**	**24.1**	**21.0**	**19.4**	**11.5**

Table 4

"As a young girl, I remember how my Mum used to slave at the household washing... hours spent slaving away at the tap… a bar of soap that hardly lathered... dirt and grime that refused to budge... hands red and worn at the end of the day.

I helped her... so I knew!

Then one day, Mum came home with the shopping and proudly displayed a little packet of Diva Detergent Powder.

That was our first experience with washing powder... I had always thought that it was only the rich who could afford this luxury. Mum said this was on trial and wasn't expensive.

The rest is history!

Our family is a Diva convert now!

As for me, I'm married... and run my own home... and I brought the Diva habit with me too!

Nirmalee

Nirmalie Perera

SECTOR REVIEW

FMCG

The Fast Moving Consumer Goods (FMCG) sector manufactures and markets consumer goods in the personal care, homecare and foods categories. Sector turnover for the year was Rs. 4.6 Bn reflecting a growth of 11% over the previous year, whilst Profit after tax closed at Rs. 534.1 Mn, an increase of 4%.

- **Diva wins gold as Local Brand of the Year**
- **Hemas second strongest distribution reach in the country**
- **Hemas Innovation Centre expands R&D activities**

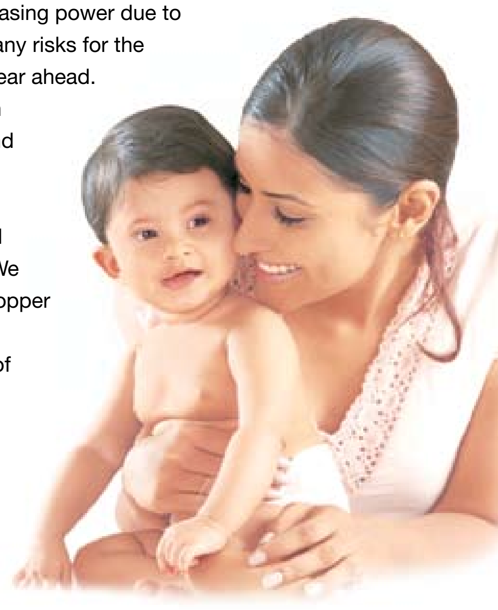
This year posed a number of challenges to the business with consumer demand being depressed early in the year due to double digit inflation and subsequently due to the slow down in the economy on the back of the global financial meltdown. As a result the personal care industry remained flat. The business continued to invest behind its key brands and focused on enhancing relationships with channel partners in order to remain competitive. It is notable that A.C. Nielsen ranked Hemas as having the second strongest distribution reach in the country (Source: ACN), up from seventh place a year ago. The reduction in commodity prices in the latter part of the year and greater efficiencies throughout the supply chain had a positive impact on profits for the year.

Our Personal care brands continued to hold its share amidst intense competition. *Baby Cheramy*, our flagship brand performed well during the year and remains the market leader in the category. 'Daru Patiyage Lokaya', a programme to educate parents on the importance of early childhood development supported by '*Baby Cheramy*' was launched by the Ministry of Child Development during the year, further strengthening our bond with mothers all over the country. A direct marketing campaign to strengthen *Clogard* toothpaste franchise in high fluoride areas was also successfully carried out. *Kumarika* maintained its leadership position in the hair oil category whilst *Velvet* soap increased its share in the toilet soap space.

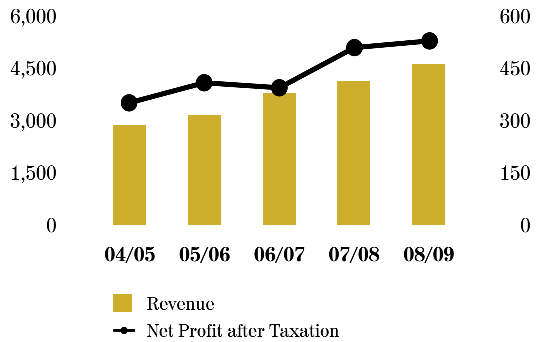
The star of our Homecare portfolio was *Diva* which recorded an impressive value growth over the previous year. *Diva* strengthened its market leadership position in the highly competitive washing powder category by increasing its volume share to 28% (Source: March 2009-LMRB household panel). The brand walked away with several accolades at the Sri Lanka Institute of Marketing (SLIM) Brand Excellence Awards 2008, winning the Gold award for Local Brand of the year and the Silver award for Product Brand of the year.

The transition to our new manufacturing plant at Dankotuwa was completed during the year and a number of initiatives launched to improve productivity and achieve cost efficiencies were successfully carried out. The on-going 5 S programme ensures a clean, clutter-free environment aimed at promoting productivity and reducing waste. The Hemas Innovation Centre at the facility which is mandated to provide "consumer centric product innovation" is now fully staffed by a qualified team of scientists. Internship opportunities to local and international graduates have been provided at the laboratory for fulfilment of research curricula bringing consumer insights and innovative product ideas into the development process.

The recent depreciation of the Rupee coupled with the potential reduction of purchasing power due to the financial crisis poses many risks for the consumer business in the year ahead. The upside of course, lies in enhanced consumer demand from the North and the East of the country as a result of better market access and greater purchasing power. We will continue to enhance shopper understanding and intimacy in order to meet the needs of our customers as we gear ourselves to better fulfill the aspirations of consumers.



REVENUE & NET PROFIT AFTER TAXATION (Rs. Mn)



I live in Wattala. When I fell ill, I dreaded the prospect of frequent travel to Colombo to visit one of the private hospitals for treatment.

I learned that Hemas had opened up a new hospital here and I made inquiries about the care and expertise of the personnel and the facilities the hospital could provide.

I was very pleasantly surprised to note that a number of reputed consultants conducted their clinics there.

I decided to get myself treated at Hemas' Hospital. Treatment for my illness necessitated that I undergo a hysterectomy, but first I needed to have an MRI scan. I was dreading this because I am claustrophobic.

I got my second pleasant surprise when I discovered that the Hemas Hospital offered open magnet MRI scanning... I didn't need to worry!

This Hospital is a great healthcare facility and the service was truly professional and warm... its location in Wattala is a great boon for people of the area. No longer do we need to spend time and money travelling to Colombo anymore.

S. P. Kariyawasam

Suranganee Kariyawasam

SECTOR REVIEW

HEALTHCARE

The Healthcare sector of the Group took on a new dimension during the year with the opening of Hemas Hospitals in Wattala and Galle, in addition to the Pharmaceutical distribution business which has hitherto been the mainstay of the sector.

- **Wattala and Southern hospitals commissioned**
- **Pharmaceutical distribution business increases market share to 16.2%**

The sector reported a turnover of Rs. 3.8 Bn for the year under review, which is a 22% increase over the previous year. Earnings for the sector was Rs. 73.8 Mn compared to Rs. 184.5 Mn, the previous year. The decrease in earnings was on account of start up losses of the Hospital project which amounted to Rs. 98 Mn.

The Pharmaceutical distribution business achieved a turnover of Rs. 3.7 Bn for the year recording a growth of 19% over the previous year. This was well above the industry which registered a growth of 12.7% (Source: IMS) during the same period. The business further consolidated its leadership position in the Pharmaceutical distribution industry, achieving a 16.2% share, up from 15.2%, the previous year.

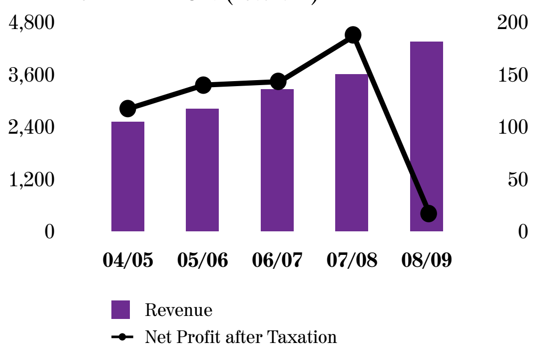
During the year, the Company extended its product range through new product launches from existing and new principals. A sales force automation initiative undertaken during the latter part of the financial year will enable real-time tracking of detailed primary and secondary sales information from anywhere in the world. We expect that this will enhance selling and distribution efficiencies whilst adding significant value to our Principals.

The first Hemas Hospital, a 100-bed facility in Wattala was officially opened in December 2008. The hospital is well frequented by leading Consultants covering all specialities. This has resulted in a substantial volume of out-patients who are now using our laboratory, imaging and other services in increasing numbers. Magnetic Resonance Imaging (MRI) is done using Sri Lanka's first patient friendly state-of-the-art open magnet MRI scanner giving a totally new experience to the patient. As the hospital builds its reputation, the number of in-patients has been steadily increasing. Already, the hospital has gained popularity for its high quality laproscopic surgery, cataract surgery and baby deliveries. 'Suwa Sathkam' a fixed price surgical package is proving popular with the community because of the predictability of costs and affordability to surgical patients. The guided air-flow operating theatres offer patients a totally infection-free environment for surgeries. 24-hour emergency and ambulance services have gained the confidence of the community in a very short span of time.

Since re-opening in March 2009, Hemas Southern Hospital Galle, which is a 50-bed secondary care facility caters to its loyal patient base with a full range of services. The Hospital is now equipped with two operating theatres and an Intensive Care Unit. The quality of care in both hospitals is a primary focus with training programmes for all staff conducted on a regular basis.

The ensuing year is expected to see higher growth in the sector on account of higher capacity utilisation of the two hospitals whilst the pharmaceuticals business attempts to increase its presence in Over-the-Counter (OTC) products.

REVENUE & NET PROFIT AFTER TAXATION (Rs. Mn)



The shipping business is ever changing and we have to be constantly on our toes in order to survive. Needless to say, we have to select business partners who are reliable and whom we can depend on in any emergency. I consider ourselves lucky to have found a business partner such as Far Shipping Lanka, a member of the Hemas group.

Our company, Mediterranean Shipping Company has been working with Far Shipping for less than a year as one of our key feeder agents. We have built up an excellent relationship during this short period and are impressed with their professional service, attention to detail and timely feedback and also for accommodating all of our requests, sometimes at short notice.

Shamal Perera

TRANSPORTATION

The Transportation Sector of the Group includes a portfolio of services in Aviation, Maritime, and Freight Management.

- **Market leadership in aviation strengthened**
- **Maritime segment performs well amidst global downturn**

The sector recorded revenue of Rs. 679.3 Mn and a profit of Rs. 163.4 Mn, an increase of 19% and 35% respectively.

The global economic crisis had a significant impact on global transportation with international passenger travel growth estimated to have decreased by 11% and freight growth by 20% for the year. (Source: IATA monthly MIS traffic statistics) presenting a challenging environment for the sector which has, however, posted admirable results.

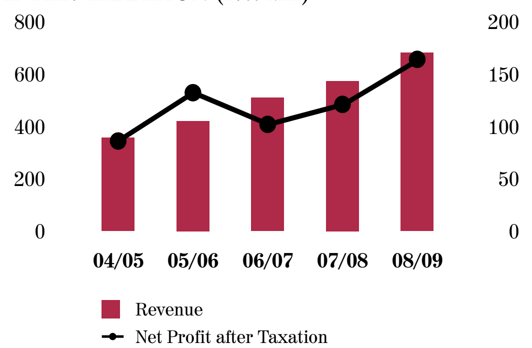
Our airline representation business consisting of two major airlines Emirates and Malaysia Airlines (MAS), was strengthened with the addition of Maldivian Airlines and Rossiya Airlines which commenced operations to Colombo in November 2008. During the latter part of the year, MAS added a dedicated cargo freighter to their operations further strengthening the MAS service offering. Hemas Travels, our outbound travel business performed well under challenging circumstances to post a significant growth in turnover and profits through its focus on broad-based Corporate and Leisure products.

Although global shipping volumes declined significantly, feeder services to the subcontinent supporting the hub status of the Colombo port continued to grow. Far Shipping Ltd., our feeder agency business thus performed above expectation to record growth in revenues and profits. The acquisition of a stake in Mercantile Shipping Company PLC, (MSL) which owns and operates a number of multi-purpose vessels, was made this year as an initial foray into the vessel ownership business. MSL proposes to launch two new vessels presently under construction during the next year, a first for a Sri Lankan ship-owning company.

With the global downturn, the overall focus of our Freight Management business was to rationalise resources with our international partners to improve cost efficiencies and customer focus. Thus our freight forwarding units were brought under Hellman Worldwide Logistics, an associate company which acquired a controlling stake in Hemas Freight. Our courier segment had a difficult year with heavy pressure on margins.

Going forward, the sector proposes to consolidate its business portfolio into a structure that enables it to maximise synergies and expand locally and regionally. We intend to pursue business partnerships in the maritime sector including port related services and we look forward to extending our reach to the newly liberated North and East of our country which we expect to have latent demand for transportation services.

REVENUE & NET PROFIT AFTER TAXATION (Rs. Mn)



‘We couldn’t have been happier with the organisation for this wonderful experience. The drummers, dancers and the whole ceremony was fantastic. Thank you for making our wedding day in Sri Lanka so special.’

‘Please convey our gratitude to all your staff at the Club Dolphin Hotel. Our fantastic holiday and wedding was made all the better by the wonderful staff at this resort (even down to the gardeners and maintenance men). We have never been to such a friendly country and look forward to returning in the near future.’

Lee and Debbie Milles

Lee and Debbie Milles

SECTOR REVIEW

LEISURE

The Leisure sector of the Group includes our destination management company Diethelm Travel Sri Lanka (DTSL), formerly the business of Hemtours, and the Serendib Hotels group which constitutes three hotel companies listed on the Colombo Stock Exchange.

- **Diethelm Travel Sri Lanka (DTSL) takes over the business of Hemtours**
- **Club Hotel Dolphin achieves a record 87% occupancy**

The sector posted revenues of Rs. 938 Mn, a 1% decline compared to last year. The sector recorded a net loss after minority interests of Rs. 0.3 Mn during the year vis-à-vis a loss of Rs. 6.4 Mn in the previous year. Overall performance of the sector was below expectation as tourist numbers dwindled.

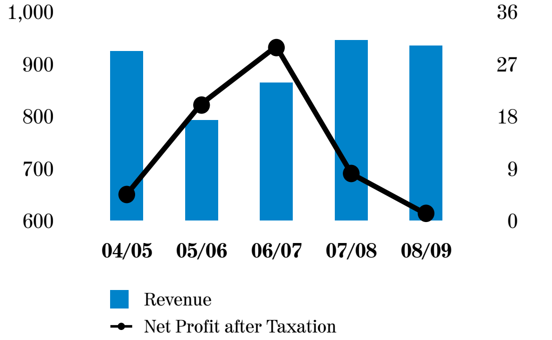
The leisure sector in Sri Lanka experienced a decline of 17% in arrivals during the period under review due to the conflict in the North of the country as well as the downturn in global tourism as a result of the recession in advanced economies.

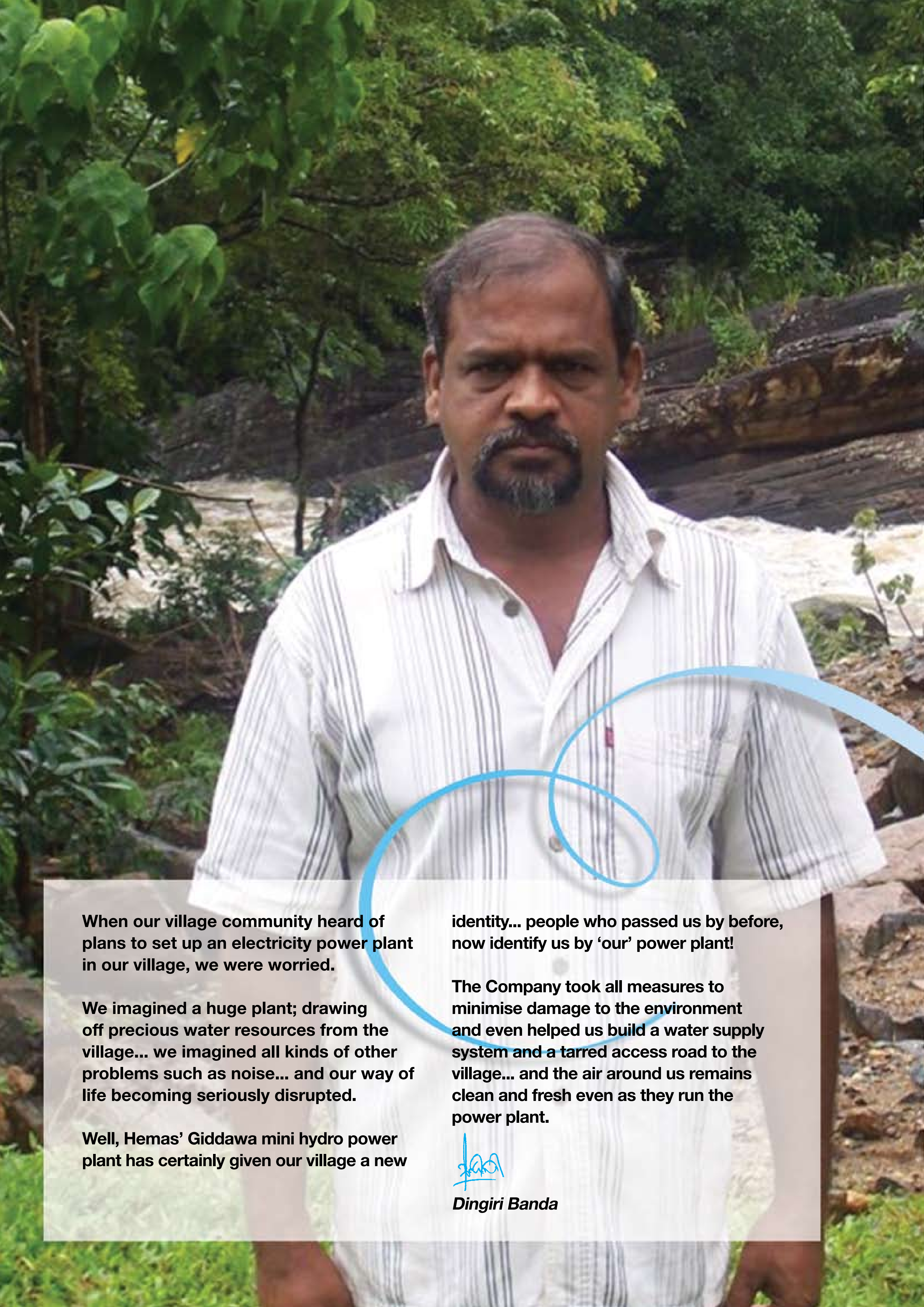
The destination management business entered into a strategic partnership with the Diethelm Group consequent to which the business was transferred to DTSL where Hemas has a 80% stake. The Company now comes under the umbrella of the Diethelm network spanning 11 countries in Asia facilitating better promotion of the destination.

The overall drop in tourist arrivals impacted two of the hotels in the Group while Club Hotel Dolphin continued to post good results recording an 87% occupancy during the year. Profits however declined due to exchange losses as a result of the appreciation of the Rupee against the Sterling Pound in which currency contracts had taken place. The hotel won the Gold Award for customer satisfaction awarded by tour operator, First Choice of the UK for the 4th consecutive year. Hotel Sigiriya achieving 46% occupancy, although up from last year, recorded a loss for the year. Hotel Sigiriya was recognised at international forums for its initiatives to reduce its carbon footprint including winning a Silver Apple awarded by the Green Organisation - UK. Hotel Serendib, Bentota achieved 55% occupancy for the year which however once again translated to a loss.

We look forward with optimism to a new era in the leisure business in Sri Lanka as peace dawns on the country. A number of productivity enhancing measures undertaken in the last few years enable the companies to quickly re-position themselves for growth in the sector. Our strategic affiliation with the Diethelm Group and Minor International in Thailand remains sound and provides us with a platform for growth in the context of a resurgent tourism scenario.

REVENUE & NET PROFIT AFTER TAXATION (Rs. Mn)





When our village community heard of plans to set up an electricity power plant in our village, we were worried.

We imagined a huge plant; drawing off precious water resources from the village... we imagined all kinds of other problems such as noise... and our way of life becoming seriously disrupted.

Well, Hemas' Giddawa mini hydro power plant has certainly given our village a new identity... people who passed us by before, now identify us by 'our' power plant!

The Company took all measures to minimise damage to the environment and even helped us build a water supply system and a tarred access road to the village... and the air around us remains clean and fresh even as they run the power plant.

Dingiri Banda

SECTOR REVIEW

POWER

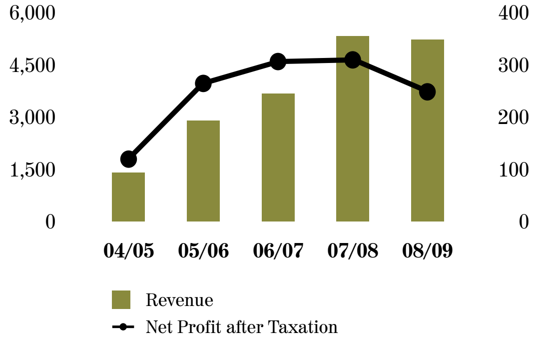
The power sector now constitutes a 2 MW mini hydro project in Giddawa-Kandy, in addition to a 50% stake in Heladhanvi Ltd., which owns and operates a 100 MW thermal power plant.

- **Heladhanavi exceeds annual MGEA**
- **2MW mini hydro commissioned in Giddawa, Kandy**
- **Magalganga project new addition to renewable energy porttfolio**

The sector recorded a turnover of Rs. 5.1 Bn for the year realising a net profit of Rs. 245.2 Mn. This reflects a revenue decline of 2% and a reduction in net profits by 20%, compared to the previous year. The decline in turnover resulted from the considerable reduction in oil prices, which is a pass-through cost, although the plant performed commendably and despatched more than the Minimum Guaranteed Energy Amount (MGEA). Net profit reduction was chiefly attributed to higher charge outs on Operational and Maintenance (O&M) cost.

Heladhanavi power plant is now into its fifth year of operations, supplying power to the National Grid through a 10-year Power Purchase Agreement (PPA) with the Ceylon Electricity Board. Whilst the Furnace Oil price reductions during the latter part of the year should have helped to stabilise Heladhanvi's working capital financing pressure, the unprecedented delays by CEB to settle dues negated this benefit, thus keeping all its working capital facilities at full-level.

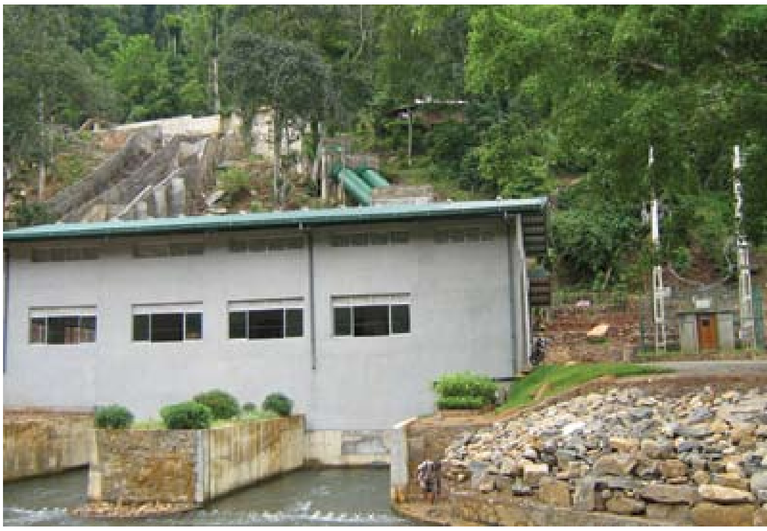
REVENUE & NET PROFIT AFTER TAXATION (Rs. Mn)



The year under review witnessed the completion of our first mini hydro-power plant thus inducting the first operational renewable energy project into the sector portfolio. The 2 MW mini hydro-power plant in Giddawa, Kandy was successfully commissioned in October 2008. Since then, except for a few teething problems this plant has been operating successfully and the plant is expected to operate at its expected capacity in the forthcoming financial year. Preparatory work connected with the development of our second 1.6 MW mini hydro-power project in Magalganga commenced during the year.

The Sri Lanka Sustainable Energy Authority (SLSEA) which is mandated to promote development of Renewable Energy projects is said to have received a high number of applications to set up renewable energy projects reflecting the positive sector environment. The introduction of the Sri Lanka Electricity Act, No. 20 of 2009 in effect leads to establishment of a stronger regulatory environment with the Public Utilities Commission of Sri Lanka acquiring more muscle to regulate the sector.

The thermal power plant is scheduled to go through an overhaul in the coming financial year upon completion of 36,000 hours of operations with a resultant high operations and maintenance charge. Notwithstanding the fact that we remain committed to participate in the thermal sector to fill any supply gaps in the country, the main focus of the sector will be on developing and expanding our portfolio of Renewable Energy projects.



Mini hydro-power plant at Giddawa.

RISK MANAGEMENT

As a diversified business entity with considerable investments in a wide range of sectors, the Group is exposed to a multitude of risks. Effective management of these risks is essential to the sustainability and growth of the business and in safeguarding the Shareholders' funds. The Group has acknowledged the necessity of risk recognition and proactive risk management given the competitive business climate it operates in, amidst the prevailing turbulent economic environment.

The Risk Management process is integrated with the strategic and business planning framework of the Group. Each business unit in the Group sets their goals and objectives annually after identifying and evaluating the risks associated with the business. This comprehensive risk assessment defines key risks and weights probability and its impact on business drivers. Once the risks have been identified, assessed and prioritised, risk actions are taken based on the appropriate risk management strategy to avoid, mitigate, retain or transfer the risk.

The Group Risk Management Division is currently engaged in rolling out an Enterprise-wide Risk Management (ERM) system to further enhance and streamline the existing Risk Management process.

Risk	Exposure
1. Slowdown in Consumer Demand	Potential impact on business revenues as a result of diminishing consumer purchasing power.
	Mitigating Actions • Aligning value propositions with consumer purchasing power. • Restructure business model to minimise operating leverage. • Create revenue streams from regional destinations to reduce dependency on local markets.
2. Business Partners	Loss of principals and business partners due to global mergers and acquisitions, intense competition, unsatisfactory service.
	Mitigating Actions • Assess existing relationship and business processes with business partners and develop strategies to maximise value proposition. • Seek new market opportunities and develop new alliances to minimise exposure to a single business partner.
3. Market Risk	Loss of market share or market leadership in relevant segments due to competition from existing and potential competitors.
	Mitigating Actions • Monitor market and consumer trends and strengthen market positions of brands/ products. • Enhance productivity/efficiency to improve price competitiveness.
4. Cost Inflation	Potential impact on profitability as a result of increasing input costs and overheads.
	Mitigating Actions • Focus on increasing productivity to reduce cost base. • Establish relationships with multiple suppliers and service providers to reduce over-dependency on single supplier/service provider. • Review prices periodically to ensure that margins are preserved.

Risk	Exposure
5. Operational Risk	Losses due to fraud, human errors, inefficient processes, natural perils, loss of data and disclosure of sensitive information.
	Mitigating Actions • Maintain objectivity and independence of the internal audit and internal control function. • Seek continuous improvement of processes through process documentation, root cause analysis, vendor performance evaluation, customer satisfaction measurement etc. • Develop and maintain a Business Continuity Plan to ensure disaster preparedness and business continuity.
6. Regulatory and Compliance Risk	Introduction of new regulations or amendments to existing regulations by the Government which may be adverse to business and complexity in complying with all regulatory requirements.
	Mitigating Actions • Participate in industry forums to lobby against regulations that could have an adverse impact. • Conduct compliance review at sector and business levels quarterly to ensure that all business units adhere to legal and statutory requirements.
7. Attraction and Retention of Talent	Potential impact on business competitiveness due to the inability to retain/recruit required talent.
	Mitigating Actions • Build a strong employer brand image. • Develop a highly loyal workforce and attain long-term commitment through training and development, career planning, talent management and performance-based rewards system. • Ensure compensation is aligned with market.
8. Credit Risk	Loss of revenue due to payment delays and non-payments from debtors.
	Mitigating Actions • Effective business specific Credit Polices. • Regular monitoring and debt collection procedures.
9. Foreign Currency Risk	Losses due to unfavourable movements in exchange rates.
	Mitigating Actions • Ensure effective management of exchange risk through centralised treasury functions.
10. Growth Risk	Risk of core businesses of the portfolio being in the maturity/declining phase.
	Mitigating Actions • Identify strategies to win market share from competitors. • Redefine businesses through new products and/or new market opportunities with potential for growth. • Identify new business opportunities that leverage on core competencies.

SUSTAINABILITY REPORT

DELIVERING SUSTAINABLE VALUE

TO ALL STAKEHOLDERS

In this section, we report on how Hemas has created a larger social wealth and delivered value to its multiple stakeholders. We look at how the Company has empowered communities; created inspiring and safe workplaces; promoted customer convenience; and enhanced the quality of products and services.

This Sustainability Report is prepared with the objective of providing information on all aspects of our operations; the tangible and the intangible. Through this process we hope to enhance the transparency of our activities and communicate with all our stakeholders in a candid manner.

The Report is divided into five sections. The first part examines our general approach to sustainable wealth and value creation; the second looks at how the Company is empowering communities across the country; in the third we examine how we are building safe and inspiring worksplaces; the fourth looks at our approach to nourishing the physical environment; and in the fifth we look at how we responded to customer expectations and enriched the marketplace.

BALANCING SOCIAL AND ECONOMIC WEALTH CREATION

As one of the leading corporates in the country, we are conscious of our larger social obligations and make every effort to balance the generation of financial wealth with the generation of an equal share of social wealth. In the process, our goal is to deliver outstanding products and services to all our customers and deliver sustainable value to all our stakeholders.

In this process of sustainable wealth creation, Hemas has been inspired by some key values:

1. Never compromise on quality. Ensure that customers always have access to the highest quality products and constantly innovate to ensure higher quality and better products.

2. Encourage innovation and creativity at the workplace. Ensure that employees are rewarded for initiative, build a committed and dedicated team and make work satisfying and harmonious.

3. Ensure that performance and productivity match creativity and innovation. Integrate our systems and procedures to ensure optimum level performance.

4. Do not compromise on integrity and honesty. Practice the highest levels of transparency and compliance and ensure that law and regulations are followed in letter and spirit.

5. Integrate the interests of all stakeholders into all our activities. Ensure that the Company's entrepreneurial activities have positive multiple impacts on all groups we are engaged with.

PUSHING THE RESPONSIBILITY BAR

Ensuring sustainable value for all stakeholders has meant that the Company continually modifies and adapts its systems and processes. It means re-envisioning of strategy, rethinking of implementation methods and a change in corporate mindset at all levels. This is an ongoing process and every year Hemas raises the responsibility bar higher.

Part of the objective of this part of the Annual Report then is to receive critical and constructive feedback from our stakeholders so that we can continue to hone and polish our systems and processes.

THE COMMUNITY

EMPOWERING THE NEXT GENERATION

Building a safe and happy environment for children has been at the core of our community work and the Company has focused on creating spaces for children to grow in secure and satisfying ways.

'Piyawara'

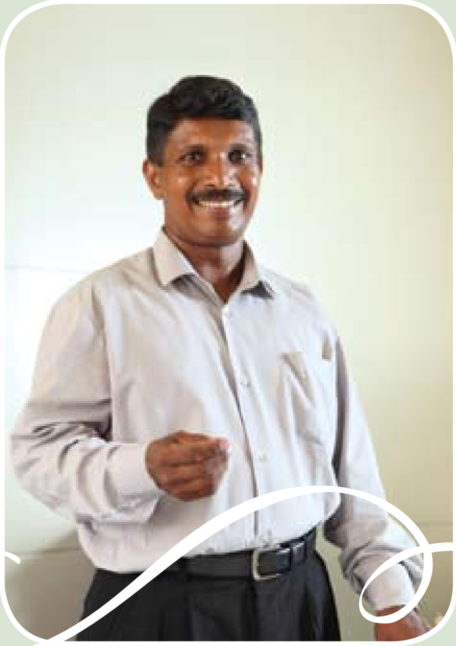
Nurturing the Very Young

One of our main programmes in this area is the 'Piyawara Project' which is supported by the Hemas Outreach Foundation, a registered charity. The mission of the Piyawara Project is to nurture young children with good care in order to provide a solid foundation for a life-long journey.

At a preschool at Gantalawa, Kantale.

The Piyawara programme is undertaken in partnership with the Ministry of Child Development & Women's Empowerment, and focuses on five main areas:

- Enhance and improve the psychosocial and cognitive development of young children through addition of new preschools to the existing national network and upgrading established preschools to reach minimum standards.
- Fulfil the training requirements of preschool teachers.
- Empower community-led social development through island-wide parental awareness programmes.



My service as a soldier in the North of Sri Lanka showed me how difficult life could become for people... particularly little children.

Now retired, I am fulfilled and happy to be working within the Hemas Outreach initiative, assisting so many children all over Sri Lanka.

The preschool and play areas which the Hemas Foundation has set up at the Menik Farm in Chettikulam has surrounded the internally displaced children with a child-friendly environment that generates much happiness for them.

Most of the children are traumatised by conflict and placing them within a caring atmosphere is a vital first step on the road to rehabilitation, reconciliation between communities and lives lived in harmony.

Dissanayake

- Improve children's recreational facilities in disadvantaged communities.
- Improve child protection legislation and create awareness of children's issues.

So far, 32 preschools in areas around the country have benefited from this programme. The schools have been provided with safe and pleasant play areas, clean toilets and drinking water facilities, basic play equipment, new desks, chairs and cupboards. The project also supports the training of teachers in early childhood development. Parent-Teacher Associations have been set up in all these schools and the community has also been integrated into the process to build in a sense of ownership and to ensure sustainability of the programme.

To highlight the importance of early childhood development, several educational programmes were conducted for parents at these schools. The Company has also used the electronic media to promote early childhood education on popular television channels. Among the key activities for last year were:

1. The opening a preschool in a village called Gantalawa in Kantale. This is a state-of-the-art preschool, built at a cost of Rs. 6 Mn, and provides facilities for 110 children.

2. The opening of a state-of-the-art preschool in Kalutara, built at a cost of Rs. 6.5 Mn. The preschool provides education for approximately 75 children.

3. The opening of a preschool and play area for the internally displaced in Vavuniya in the Chettikulam Menik Farm village. About 290 children use this facility on a regular basis.

4. The training of 600 preschool teachers in rural areas on early childhood care and development. Three-day training programmes were held in several rural areas.

5. The opening of a much needed children's park in Maligawatta at a cost of Rs. 1 Mn. Approximately 400 children from the area use this park regularly.

6. 'Baby Cheramy' developed a docudrama to educate young parents on the importance of early childhood care at a cost of Rs. 8 Mn. The docudrama is currently being used by the Ministry of Child Development and Women's Empowerment to educate parents throughout the country. It is also being used in maternal clinics to educate young mothers.

'Piyawara' was first launched in 2002 when Hemas joined forces with the then Ministry of Child Development and Women's Empowerment to provide quality preschool education to children across Sri Lanka.

Handing over docudrama to Hon. Minister of Child Development and Women's Empowerment.

In the first phase of the project, 12 preschools from Jaffna in the North to Hambantota in the South were established. In the wake of the devastating tsunami of 2004, Hemas provided temporary preschools in make-shift camps, and subsequently constructed 20 preschools in tsunami-affected areas at a cost of Rs. 120 Mn.

Due to its contribution to early childhood care and development, Hemas was appointed by the Government to the National Coordination Committee on Early Childhood Care and Development (ECCD), which is responsible for designing and implementing the national policy on ECCD.

Bringing normalcy to the lives of displaced children

Children suffer immeasurably from the consequences of war. The country is witness to several stories of child trauma: landmine injuries; children who have lost both parents; and others who have not had an opportunity to seek a decent education. The 30-year old conflict has led to thousands being displaced, sometimes several times over, many of whom are children.

The Hemas Outreach Foundation in partnership with the Ministry of Child Development and Women's Empowerment has initiated a project to help displaced and traumatised children overcome the emotional scars that ravaged their early lives and to provide them with hope for the future.

As part of this programme the first preschool was opened in Menik Farm 1 in Chettikulam in April 2009 and about 290 children make use of this preschool. Chettikulam is located in the Vavuniya District over a 1,500-acre area and is temporary home to approximately 200,000 + displaced people.

Children at play at our first preschool set up in Chettikulam for children affected by war.

Rs. 400,000/- was invested by the Foundation to construct the preschool and play area for the children of this facility and the Ministry facilitated the training of the teachers. The children are taught pre-writing and reading skills, and are exposed to creative learning. The teachers are provided training in both early childhood education and trauma counselling. There are approximately 6,000 children in Zone 1 alone, of which almost 600 are of preschool age.

The Hemas Outreach Foundation is now looking replicating this model in the other three zones developing three more preschools. The Foundation's focus on preschools is driven by research that indicates that early childhood education in the first six years of life influences a child's lifetime education and social achievement.

My home is in Dankotuwa. Life was really difficult for my family… my parents were both ailing… no one was earning a fixed income… often there was no food on the table and we went without many a meal.

I was desperately searching for employment when I heard of an opportunity to work for Hemas at their Dankotuwa factory. I needed the job… but I was also worried about working in a huge factory where I didn't know anyone.

This was one and a half years ago, when I walked into Hemas as a Support Force worker.

Very soon I came to realise that my fears were groundless. We were all treated as a member of the Hemas family and taught necessary skills to do our jobs well. I also learned about the effort taken to ensure there was no pollution to the environment although I had heard otherwise.

I am really happy that today, I can ensure that my family enjoys 3 meals a day, which I can provide through my income.

Furthermore, I have enrolled myself for an external Degree programme in the Arts stream at the Kelaniya University.

I am really happy that my future has begun to look so much brighter.

Nirosha.

Nirosha Lakmali

I was barely beyond my student days when I joined Hemas in 1997 as an Accounts Clerk. In fact I was still studying whilst looking around for a good job with a good company... that's when I chose Hemas.

Many years later, I realised that Hemas also chose me at that time... to develop and nurture my talents and skills and develop me as a person in addition to being a proficient employee.

So, while I worked I studied... while I studied I also imbibed the Hemas culture and discipline... and progressed up the ladder... from Accounting and Finance to Supply Chain Management... until in 2007, I landed the job I'm in now... Head of Supply Chain of Hemas Pharmaceuticals.

What can I say... except that it was the culture at Hemas that placed so much trust and confidence in me, which lent me the wings to achieve what I have.

Shantha Bandara

Through initiatives of this nature Hemas hopes to bring a sense of normalcy to the lives of these children by creating environments that are physically attractive and mentally stimulating. In addition by helping these children overcome the trauma of war, the preschools aim to develop the language, cognitive and social skills that would prepare these children for primary school. The long-term goal is to invest in our future and create citizens equipped and motivated to contribute to building our nation. The new preschools will be established with funds from the Hemas Outreach Foundation and other donor contributions.

THE WORKPLACE

STIMULATING CREATIVITY, BUILDING BONDS AND REWARDING PERFORMANCE

At the workplace we have focused on five things:

- **Building a team that is bonded by a common commitment and values**
- **Encouraging innovation**
- **Encouraging productivity and performance**
- **Rewarding performance**
- **Workplace safety**
- **Helping employees to build their career**

Training

The Company has adopted a competency development framework for all staff which is linked to the employees' annual performance review. The performance review identifies those skills and competencies that need strengthening and the training programmes that are tailored to meet these needs provided. Every employee participates in a performance and career development review twice a year.

During the year the 'Hemas Higher Learning Academy' was established as a seat of learning for the group.

A 'Management Development Programme' was conducted for the junior managers during the year under review. This six month programme was conducted by the 'Hemas Academy.' Twenty nine participants from six sectors passed out as the first batch of this programme. The purpose of this programme is to groom the junior leadership to take up senior positions in the Company.

Graduates of the Hemas Management Development Programme.

Recruitment and Rewards

The Company seeks to recruit and retain the best available talent. The human resource policy of the Company is designed to achieve these objectives.

We enforced tighter controls in the recruitment process to rationalise the number of group wide new recruits and to ensure that we attract high quality employees compatible with our organisational culture. While strategically managing the growth in the number of employees we have endeavoured to improve productivity and performance levels across the group. The policy of the Company is to identify potential leaders within the Group and to provide them with necessary support and incentives for them to assume positions of leadership within the Company.

The HR Information System

The Company recently invested in a fully integrated Human Resource Management System (HRMS). The HRMS has taken over the transactional processes in the management of the employee life cycle, and changed the role of the HR team where focus would be on HR transformational processes such as talent management, succession planning and employee development for which the HRMS will be used as a strategic tool.

Workplace Safety

The Company has implemented the advanced '5S' concept which aims to enhance safety and production levels and promote greater awareness of environmental issues. We continue to adapt our practices in order to improve safety levels at the workplace. Building safe and harmonious workplaces is a key corporate goal.

The 'Living Hemas Values' Award

The Company is driven by core values based on the vision of its founders and these values have played an important role in the organisation's success. These core values are:

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

Every year employees get an opportunity to nominate one of their peers for the 'Hemas Values' award. The Company selects a winner every quarter and then a Grand Winner for the year. The award recognises the role that the employee has made in promoting the Hemas values through his/her action. Nominators are also recognised for successful nominations.

THE ENVIRONMENT

KEEPING OUR ENVIRONMENT CLEAN AND GREEN

Environmental preservation and replenishment are an integral part of our business strategy. The Company's approach to sustainable business is shaped very closely by its commitment to preserving nature's riches for the next generation and beyond. All of our systems and processes have been aligned to ensure that this business goal is not compromised and every year we seek to push this bar higher.

Waste Management at Dankotuwa

The Company's manufacturing facility in Dankotuwa has now installed a state-of-the-art waste water management system. Every day the factory discharges approximately 60,000 litres of waste water as a result of the factory production processes and from employee usage.

The Company's factory uses two types of water treatment plants for the two different types of waste water. Industrial waste water is treated using chemicals while human waste water is treated through a microbial digesting process. Treated water from both these sources is then used to irrigate the factory's gardens and thus reduce the use of pipe borne water for this purpose.

When I think of the Sigiriya Rock, one of the world's greatest marvels, I think of a majestic rock fortress, rising from the jungle in an environment that has not seen too much of the hand of man!

When you associate the word 'hotel' with 'Sigiriya' you think of disruption and pollution of the environment... buildings and people and commercialisation spoiling the tranquillity.

But my visit to Hotel Sigiriya, under Hemas management was a revelation. I saw that they had done an excellent job in protecting the environment, whilst building a first class hotel.

The training programme the hotel staff conducted at our school taught us how we could also protect the environment in our own little way. This was one of the most interesting classes I have attended in school.

Deepthika.

Deepthika Kumari Dissanayake

Energy Generation with minimum Impact

Heladhanavi

The Company's makes every endeavour to ensure that its power generation activities are conducted in accordance with the applicable environmental regulations and cause minimum damage to the environment.

The Company's Heladhanavi power plant located in the Puttalam District was only established consequent to an environmental impact assessment (EIA). The plant is operated in accordance with the stipulations contained in the environmental protection licence granted by the Environmental Authority of the North-Western Provincial Council. Noise levels at the Heladhanavi plant are monitored by our own in-house technicians twice a month. A third party assessment of noise levels takes place twice a year and provides an independent verification of our processes.

Every year the Environmental Authority of the North-Western Provincial Council carries out its own independent assessment and renewal of the licence is done only after such a verification process takes place.

Waste water generated by the power plant is treated and the heavy oil contained in such water is separated before the water is released to the open environment.

Special mini lakes have been built by the Company for rain water harvesting, especially since the Puttalam District receives less than average rainfall. The rain water so harvested is used for multiple purposes during the dry season.

The Company has also taken special measures to plant over 500 trees in the compound and will continue with additional tree planting activities in the years to come. This is in addition to a 25-foot thick green belt that surrounds the periphery of the power facility. The dry leaves from the trees are used as compost which in turn is used as manure for the trees and plants within the facility.

Giddawa

The Giddawa power plant in the Kandy district, commenced operations in 2008 providing clean energy to the national grid. The project commenced only after a proper environmental study as stipulated by the CEA was carried out. The plant is operated in accordance with the stipulations contained in the environmental protection licence granted by the Central Environmental Authority.

Special precautions are taken to ensure that there is a minimum residual water flow into the adjoining river. The Company has also invested in the development of roads in the area and enabled many from the local community to gain employment within the plant.

Energy supplied to the National Grid in 2008-09

Heladhanavi thermal power plant 695,750,000 kWh
Giddawa hydro power plant 2,208,963 kWh

SUSTAINABLE LEISURE

Hemas is strongly committed to developing and promoting a sustainable leisure industry in Sri Lanka. We have over the years sought to balance the interests of the leisure seeker, the local community, the hotel employee, the leisure industry in general and the natural environment. Our business strategy in this area has been to create win-win solutions for all these different interests, but ensuring ultimately, that the joys of nature are preserved for the next generation. As a key player in Sri Lanka's leisure industry we understand that we must discharge our responsibility and promote inter-generational tourism.

'Greening' Hotel Sigiriya

Hotel Sigiriya, is a three-star resort hotel of the Group located in an eight-acre garden in the Central Province of Sri Lanka. The hotel is a stone's throw from the majestic Sigiriya Rock, the 5th Century citadel of King, Kashyapa.

In 2005, the hotel launched a 'greening project' to ensure that its activities cause minimum harm and helps preserve and replenish the natural environment. The goal of the greening project was to promote environmentally sustainable tourism by integrating the concept into the Company's daily practices. The project aimed specifically to:

- Conserve energy and water.
- Minimise solid waste pollution, air pollution and chemical pollution.
- Integrate practices of reducing, recycling and reusing.
- Maximise the use of environment-friendly materials
- Maximise indigenous flora in landscaping and eradicate invasive alien species.
- Conserve biodiversity and support local livelihoods.

Organic garden at Sigiriya.

Through continuing training programmes the staff in the hotel has been inspired to integrate environmentally-friendly practices into all aspects of the hotel's operations.

The following are some of the best practices we have adopted:

- A self contained biological sewerage plant. No chemicals are used and the plant is totally self-contained. Treated water is used for garden irrigation and the dried sludge is used as manure.
- Approximately 30,000 litres of treated water per day is used for irrigation.
- Solar water panels for heating.
- A card key for room air-conditioning.
- Scheduled switching of lights.
- Water saving cisterns.
- Optional reuse of room linen.
- Change from incandescent to CFL lighting.
- An organic vegetable garden which does not use chemical fertilizers. Margoza oil is as an insecticide and sludge - compost from our treatment plant - is used as manure.

- Reduced usage of aerosols.
- Reduced use of plastic.
- Composting, both conventional compost pits and vermi-compost pits.
- Gradation and recycling of garbage. 85% of the wet garbage and 75% of dry garbage is recycled. Only about 5% of total garbage is disposed without some form of recycling.
- A bio mass fuelled ‘gasifier’ to replace the diesel boiler.
- Tree conservation. 194 mature large trees and 359 medium and semi-mature trees have been protected within the premises.
- A new open plan restaurant was built in 2006. No trees were cut during construction and no air conditioning or fans are used.

THE MARKETPLACE

SHAPING AND BEING SHAPED BY MARKETS

Hemas is a customer-driven Company and our goal is to deliver outstanding products and services to our customers with passion and verve. At the same time we seek to drive and inspire the market with our innovation and product and service quality.

Customer Feedback

Customer feedback is one of the main methods the Company uses to improve the levels of its products and services and respond to customer demands and expectations.

Hemas Hospitals

Hemas Hospitals uses customer feedback forms to measure and monitor customer satisfaction levels of in-patients and out-patients. This is done every day. Out-patients are encouraged to fill in a form before they leave and all in-patients are provided with feedback forms.

Diethelm Travels

Diethelm Travels uses similar feedback forms to obtain an assessment of client satisfaction levels. Every tour and excursion booked through the agency clients to respond and these responses are then evaluated by our staff.

Serendib Leisure

Serendib Leisure uses a variety of methods to obtain customer feedback. All clients are encouraged to fill direct questionnaires and this provides a first hand account of satisfaction levels. Regular meetings are also held between hotel management staff and the tour operators and guides and this provides another form of feedback. The Company also constantly reviews comments posted on travel blogs and these comments also provide us with useful feedback on our levels of service.

Last year Club Hotel Dolphin was awarded the Gold Award from the United Kingdom’s largest tour operator, ‘First Choice’. The award is based solely on customer feedback and this is the fourth consecutive year that the hotel has received this award.

STEWARDSHIP

ENTERPRISE GOVERNANCE

The Board of Hemas Holdings PLC (Company) is committed to maintaining the highest standards of corporate governance, in line with the Code of Best Practice on Corporate Governance formulated through the joint initiatives of the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, which are applicable to listed companies via the Listing rules of the Colombo Stock Exchange.

Set out below is a summary of the Company's corporate governance principles which were in place throughout the reporting period. The Company complies with the Key principles of the updated Code, except where disclosed below:

1. LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

1.1 BOARD ROLES AND RESPONSIBILITIES

The Board has formalised its roles and responsibilities into a Board Charter which in summary, include the:

- review and approval of Company strategy;
- performance management with specific responsibility for the monitoring of Company performance and overall conduct;
- evaluation of the principal risks of the Company and continued monitoring of appropriate risk management and reporting systems;
- establishment and monitoring of policies to ensure compliance with the legal and regulatory regimes to which the Company is subject and to ensure the highest standards of corporate conduct; and
- promotion of open and proper communication between the Company and its stakeholders.

1.2 DELEGATION TO SENIOR EXECUTIVES

The Board has delegated certain responsibilities to senior executives including the day-to-day operation and administration of the Company. The Board Charter clearly specifies those matters that are reserved for the Board.

1.3 APPOINTMENT, INDUCTION AND PERFORMANCE EVALUATION FOR SENIOR EXECUTIVES

Upon appointment, senior executives are provided with formal letters of appointment setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

An induction programme is in place for all new senior executives to provide them with knowledge of the Company's financial position, strategies, operations, policies and risk management procedures.

The Board, based on recommendations from the Remuneration Committee determines the CEO's Key Performance Indicators (KPIs) annually and reviews performance against these on an ongoing basis. The CEO, under the delegated authority of the Board, determines the KPIs of senior executive team members and reviews their performance on an ongoing basis.

1.4 ROTATION OF DIRECTORS

At each Annual General Meeting one-third of the Directors retire by rotation. A Director appointed to fill a casual vacancy holds office only until the Annual General Meeting which follows and shall then be eligible for re-election. Non-Executive Directors are appointed for a three-year term. Their reappointment is at the discretion of the Board.

2. STRUCTURE THE BOARD TO ADD VALUE

2.1 BOARD COMPOSITION

As at 31 March 2009, the Board comprised the Independent Non-Executive Chairman, two Independent Non-Executive Directors, one Non-Executive Director and four Executive Directors. Details of Directors including their qualifications and experience and information on other Directorships held by each member of the Board, can be found in the Board of Directors' section and in the Notes to the Accounts.

The Board comprises members with a broad range of skills and experience. The Board considers it important for the following skills and experience to be represented on the Board:

- experience as a Chief Executive;
- international business experience;
- financial experience;
- marketing experience;
- legal and regulatory experience and;
- corporate governance and risk management experience.

The Board annually reviews the skills and experience of its members and decides on whether any action needs to be taken to augment or complement those skills.

With a view to ensure a balance of authority and influence, the roles of Chairman and Chief Executive Officer have been divided between two Board Directors.

2.2 ACCESS TO INFORMATION

Directors receive management presentations during the year which allows them the opportunity to pose questions about the Company and factors impacting or likely to impact the business. Directors are also entitled to request additional information where they consider such information necessary to make informed decisions.

2.3 COMPANY SECRETARY

The Company Secretary plays a pivotal role in ensuring compliance with procedures and applicable statutes and regulations. The activities in which the Company Secretary engages includes, inter alia:

- induction of new Directors;
- assisting the Chairman and Chief Executive Officer in determining the annual board plan;
- assisting with other strategic issues of an administrative nature;
- facilitating full and timely access by Directors to all information such as corporate announcements, investor communications and other developments which may affect the Group;
- guiding the Board and individual Directors in the proper discharge of their responsibilities; and
- acting as a central source of guidance on matters of ethics and governance.

All Directors of Hemas Holdings PLC may liaise with the Company Secretary on agenda items for Board meetings. Where appropriate, the Directors may also consult with independent professionals and advisers.

The Company Secretary is furthermore responsible for ensuring that all meetings of shareholders, Directors and Board Subcommittees are properly recorded as per the requirements of the Statutes.

2.4 BOARD MEETINGS

The Board meets regularly and during the financial year ended 31 March 2009, the Board met a total of 7 times, which included meetings focused on strategy and budget. The number of meetings attended by each Director is tabulated below:

Directors	No. of Meetings Attended
Deshamanya L. De Mel*	7
Mr. H.N. Esufally	7
Mr. A. Esufally	6
Mr. I. Esufally	7
Mr. M.E. Wickremesinghe*	7
Mr. M. Esufally	7
Mr. P. Mohapatra*	6
Mr. D. Bhatnagar**	5

* *Independent Non-Executive Directors*
** *Non-Executive Director*

2.5 DIRECTOR INDEPENDENCE

All Directors, whether independent or not, bring an impartial judgment to bear on Board decisions and are subject to the Board's policy regarding management of conflict of interests.

The Board annually assesses each of the Non-Executive Directors against specific criteria to decide whether they are independent. In making such an assessment, consideration is given to whether the Director:

- is a significant shareholder of the Company or an officer of a significant shareholder of the Company;
- has been employed in the Company or its Subsidiary in an executive capacity in the last two years immediately preceding appointment as a Director;

- is a material supplier or customer of the Company or any subsidiary of the Company;
- has any material contractual relationship with the Company (other than as a Director); whether directly or indirectly; and
- is free from any interest, business or personal, which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

Having considered these, the Board was of the view that there were no factors affecting the independent status of any Non-Executive Director at 31 March 2009 or throughout the year.

2.6 CHAIR OF THE BOARD

The Chairman is responsible for the leadership of the Board, ensuring effectiveness in all aspects of its role including:

- setting Board meeting agendas;
- conducting and leading Board meetings;
- conducting and leading shareholder meetings; and
- being the main point of contact between the Board and the CEO.

2.7 BOARD COMMITTEES

The Board is assisted in fulfilling its responsibilities by two Board subcommittees, governed by Charters, which have been approved by the Board. They are the Audit Committee and Remuneration Committee.

Members are appointed for a three year term (or shorter time as they remain in the office of Director) and subject to continuing to be a Director, are eligible for reappointment at the end of their term.

An overview of the composition and responsibilities of each of the Board Committees is provided below:

2.7.1 Audit Committee

As at 31 March 2009, the Committee comprised two members, both of whom are Independent Non-Executive Directors. The Committee is chaired by an independent chair who is not the Chair of the Board. The current Committee Members are Mr. Maithri Wickremesinghe (Chairman) and Mr. Pradipta Mohapatra. The Members of the Committee are financially literate and the Committee possesses sufficient financial expertise and knowledge of the industry in which the Company operates.

The Committee met five times during the year. The CEO and the CFO participated at these meetings by invitation, with the Company Secretary in attendance. Prior to the scheduled Committee Meetings, separate meetings also took place between the Chairman of the Committee and both the Company's External and Internal Auditors. Attendance by its members at meetings is given below:

Member	No. of Meetings Attended
Mr. M.E. Wickremesinghe	5
Mr. P.K. Mohapatra	5
Mr. H.N Esufally (CEO)*	5
Mr. M. Arsakularatne (CFO)*	5

** Attends by invitation and is not a Member of the Committee.*

The Committee's responsibilities include:

- evaluating and monitoring the Company's internal control environment and risk management function;
- overseeing and reviewing the scope, quality and cost of the internal and external audits;
- reviewing the reports presented to the Committee by both the Auditors and Management;
- recommending to the Board the appointment of Internal and External Auditors;
- reviewing the Company's management and statutory reporting (including the quarterly and full year accounts);
- reviewing and approving of finance and accounting policies and the ongoing monitoring of their implementation and effectiveness;
- ongoing financial monitoring of the Company's various disclosure obligations; and
- the review and pre-approval of any non-audit services provided by the Internal or External Auditors to ensure their independence is maintained at all times.

2.7.2 Remuneration Committee

As at 31 March 2009, the Committee comprised two Independent Non-Executive Directors. The current Committee Members are Deshamanya Lalith De Mel, Chairman of the Committee and also Chairman of the Company and Mr. Maithri Wickremesinghe. The Committee met five times and attendance at meetings by its members is contained in the table below:

Member	No. of Meetings Attended
Deshamanya L. De Mel	5
Mr. M.E. Wickremesinghe	5
Mr. H.N. Esufally (CEO)*	5

** Attends by invitation and is not a member of the committee.*

The Committee's responsibilities include making recommendations to the Board on:

- CEO and Senior Management remuneration framework and levels;
- Senior Management performance and equity-based remuneration plans including performance incentives and hurdles and;
- Executive Director remuneration.

2.7.3 Executive Committees

The CEO, who has been devolved with the primary responsibility of providing oversight of the Company and Group affairs, functions through a Board of Management (BOM) which includes the Executive Directors of the Company and a few selected Business/ Functional Heads. The Role of the BOM is to -

- Develop overall strategy and annual business plans
- Review business plans against budgets
- Design and review group policies and controls
- Provide a platform to the CEO to raise ideas and issues and obtain input

The Group Operating Committee (GOC) comprising the CEO, and selected Senior Business/Functional Heads, acts as a common platform for sharing information between the business/Functional Heads.

The GOC is responsible for-

- updating members on Group performance, new initiatives and corrective actions
- implementing decisions by the Board
- generating ideas/proposals to the Board
- providing a forum for learning

2.8 NOMINATIONS TO THE BOARD

In the absence of a Nominations Committee, new appointments are considered by the Board as a whole. Formal letters of appointment are issued to those joining the Board. All new Directors undergo an induction programme which includes being provided with a Director's Handbook, latest Annual Report and meetings with Senior Management including the CEO and his direct reports.

2.9 PERFORMANCE EVALUATION OF THE BOARD

The Board performance evaluation process involves the Non-Executive Directors collectively undertaking a review at least once every year of the performance of the Board and its Committees.

Board performance as a whole is reviewed by reference to the core competency criteria set out in the evaluation process, while Committee performance is reviewed in the context of the objectives and responsibilities set out in the relevant charter of each Committee.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 CODE OF CONDUCT

The Board has adopted a Code of Business Conduct and Ethics which applies to Directors. The Board and Senior Management of the Company are committed to the Code and the principles contained within it

The Code provides an ethical and behavioural framework for the way business is conducted and contains a set of general business ethics including (but not limited to) acting honestly and fairly in all dealings and to:

- conduct business with strict professional courtesy and integrity;
- abide and comply with all applicable laws and regulations;
- report suspected corrupt or unethical conduct;

- ensure that Company resources and property are used properly and efficiently; and
- not disclose information or documents relating to the Company or its businesses other than as required by law and not to make any public comment on Company matters unless authorised to do so.

A set of Guidelines for ethical business behaviour has also been adopted for all employees. The Code is regularly communicated and distributed to employees. New employees are issued with an employee handbook which contains amongst other things, the Code and they are required to certify (prior to commencing their employment) that they have read and understood the requirements contained in it.

The Code is aimed at ensuring that the Company maintains the highest standards of honesty, integrity and fair trading with shareholders, customers, suppliers, employees, regulators and the community.

The Company has procedures in place to monitor overall compliance with the Code. It is made clear in the Code that any breaches are treated seriously and could lead to disciplinary action including termination of employment.

3.2 SECURITIES TRADING POLICY

The Company's policy prohibits any Director or employee dealing in the securities of the Company if they are in possession of any price-sensitive information. Subject to this, Directors and Senior Executives shall refrain from trading even if the information has been released to the Stock Exchange for a period of at least 2 market days;

- after the announcement of the quarterly and full year results;
- before the issue of any prospectus by the Company.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 SELECTION OF AUDITOR

The Audit Committee is responsible for overseeing the external auditor selection process. This process includes assessing each of the submissions received and making a formal recommendation to the Board on the appointment of the External Auditor.

As part of that selection process, the Audit Committee assesses each of the submissions received on the following criteria:

- independence;
- overall audit approach and methodology;
- relevant industry experience;
- experience and qualifications of key audit staff and cost.

Every year, the Audit Committee assesses the External Auditor's performance and recommends to the Board the appointment of the Company's External Auditors for the ensuing year.

During the year under review, Messrs Ernst & Young held office as the Company's External Auditor, whilst Someswaran, Jayawickreme, Manoharan & Sangakkara Associates (SJMS) served as the Company's Internal Auditor.

4.2 AUDITOR INDEPENDENCE

The Company has adopted a policy on audit independence. Any non-audit services which are to be provided by the Internal or External Auditors need to be pre-approved by the Chair of the Audit Committee.

The following services are not provided by the External Auditor:

- preparation of source documents, book keeping or other services related to preparing accounting records or financial statements;
- financial information systems design and implementation services;
- appraisal or valuation services for financial purposes;
- fairness opinions;
- contribution in kind reports;
- actuarial services;
- internal audit outsourcing;
- management functions (including any decision-making, supervisory or ongoing monitoring function and authorising, executing or consummating transactions, or exercise authority, on behalf of management);
- human resources and recruitment functions;

- design and implementation of financial information technology systems that are used to generate financial information;
- broker or dealer, investment adviser, or investment banking services;
- legal services and other expert advocacy services;
- any service that involves a contingent fee; and
- any service that involves taking custody of the Company's assets.

5. MAKE TIMELY AND BALANCED DISCLOSURE

The Company has in place the following procedures in order to comply with its continuous disclosure responsibilities:

- to immediately advise the Colombo Stock Exchange (CSE) of any information which a reasonable person would expect to have a material effect on the price of the Company's securities;
- subject to the exceptions set out in the Listing Rules, the CEO and CFO of the Company confer regularly to determine if any announcement should be made under the CSE Listing Rules;
- the Chair, CEO, the Company Secretary and the Manager Corporate Relations/CSR are the only persons authorised to talk to the media, analysts or shareholders;
- any employee who comes into possession of information which is likely to affect the price of the Company's securities must immediately inform the Company;
- the Company Secretary, in consultation with the CEO and CFO, will determine whether an announcement is required;
- where appropriate, to consider whether matters under discussion would trigger continuous disclosure obligations at meetings of the Board, Audit Committee and the Board of Management; and
- an established protocol and approval procedure for all intended announcements.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

One of the most significant responsibilities of the Board is to have regard to the long-term sustainability of returns to shareholders taking into account the interests of other stakeholders.

The Company promotes effective communication with shareholders and encourages effective participation at general meetings to ensure a high level of accountability and discussion of the Company's strategy, goals and performance. The Company maintains a website (www.hemas.com) which is regularly updated with all recent annual reports and media releases.

The Company's most recent interim results statements are archived and can be accessed through the investor-relations link on the Company's website.

In all communications with stakeholders, the Board aims to present relevant and timely information that provides a balanced and understandable assessment of the position of Hemas Holdings PLC and its group companies. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

Communication with institutional share owners and investment analysts is maintained through periodic presentations of financial results and press announcements of interim and final results, as well as the proactive dissemination of any messages considered relevant to investors.

7. RECOGNISE AND MANAGE RISK

The Board recognises the importance of a sound framework of risk oversight, risk management and internal control to good corporate governance and has put in place a formal ongoing process for identifying, assessing, monitoring and managing the material business risks faced, or potentially exposed to by the Company in pursuing its objectives. The adequacy and effectiveness of this process has been continually reviewed by the Board and is in accordance with the Standard Risk Framework set in place.

Elements of the Company's risk management system include:

- a formal risk management policy which has well-defined roles and accountabilities of the Board, Audit Committee and internal audit function
- the training of key executives and managers in the area of risk and the requirements of the Company's risk management policy
- formal risk identification workshops and meetings across the business to identify and rate material business risks. These risks include but are not limited to operational, compliance, strategic, reputation or brand, technological, product or service quality, human resources, financial reporting and market-related risks
- the rating of risks for the likelihood of occurrence, possible consequence and the level of current controls and strategies which exist to manage the risk
- formal risk management updates on the Company's management of its material business risks including changes to the Company's risk profile, provided to the Board on a regular basis
- a Risk Management & Audit Team which is responsible for assisting management in implementing the Board's Risk Management Policies
- the establishment of an internal audit function which is independent of the External Auditor and has direct access to the Audit Committee
- the internal audit function which provides assurance to the Board by carrying out analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system
- the development of a risk based internal audit plan
- an organisation structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority and approval limits
- detailed financial policies and procedures in the areas of expenditure authorisations, credit, treasury and required internal controls
- annual budgeting and monthly reporting systems for all operating units
- a comprehensive insurance programme.

8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1 REMUNERATION COMMITTEE

The roles and responsibilities of the Committee are provided in the Committee's Report on page 42.

8.2 REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

Details of the amounts of remuneration of Non-Executive Directors and Executive Directors are set out in the Remuneration Report on page 42, which also includes disclosures on equity-based remuneration provided by the Company.

REPORT OF THE REMUNERATION COMMITTEE

In preparing this Report, the Remuneration Committee (the Committee) has given due consideration to the rules relating to remuneration committees set out in the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants and the Securities and Exchange Commission of Sri Lanka.

The Committee is dedicated to the principles of accountability and transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance. Operating under delegated authority from the board, its activities are governed by terms of reference which comply with the Code on Corporate Governance, and are summarised below:

- Review and approve overall remuneration philosophy, strategy, policies, and practices (including performance-based pay plans).
- Set and review, in accordance with remuneration policies and practices, all components of the remuneration of the Chief Executive Officer, Executive Directors and such other Senior Executives as the board may from time to time determine.
- Review and approve, as appropriate, the performance evaluation/appraisal system, methodology and process for the personnel referred to above.
- Review and approve, as appropriate, the terms of employment contracts for the personnel referred to above.
- Review and approve the terms of the Company's short-term and long-term incentive plans including any share or option schemes for employees and/or directors.
- Review and approve the terms of the Company's superannuation and/or pension schemes.
- Consider such other matters relating to remuneration issues as may be referred to it by the Board.

In performing this role, the Committee is to provide oversight of the Group's remuneration philosophy and broad policies on behalf of the Board to ensure that:

- Shareholder and employee interests are aligned
- The Group is able to attract and retain superior management talent
- The integrity of the Group's reward programme is maintained.

The Committee is made up of the independent non-executive Directors identified on pages 46 and 47. The Committee is chaired by Deshamanya Lalith De Mel, Chairman of the Board. The CEO attends meetings by invitation.

Details of attendance at meetings are set out in the Corporate Governance Report.

The Company Secretary acts as Secretary to the Remuneration Committee.

REMUNERATION TO DIRECTORS

Details of emoluments received by the Board of Directors are given in Note 37.2 to the financial statements.

SHARE OWNERSHIP SCHEME

During the year under review, the Committee considered the issue of a suitable long-term incentive being in place for senior staff including Executive Directors. Accordingly, an annual plan was put in place which pays out over three years. Details of the Scheme are given in Note 2.6 to the financial statements.

Lalith De Mel
Chairman

Maithri Wickremesinghe

Remuneration Committee
26 May 2009

AUDIT COMMITTEE REPORT

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

The Audit Committee

a. 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 the Company in accordance with the Sri Lanka Accounting Standards;

b. has oversight responsibilities relating to the Company's compliance with financial reporting and information requirements of the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations;

c. has oversight responsibilities over processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; and compliance by the Company with legal and statutory requirements;

d. assesses the independence and performance of the Company's external auditors;

e. makes recommendations to the Board pertaining to appointment, re-appointment and in appropriate circumstances removal of the external auditors; and

f. approves 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 five times during the financial year 2008/09. 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 2009 included the following:

- Reviewing the internal audit plan 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;
- Commissioning the preparation of a standard risk framework.
- Considering the business continuity plan prepared by external consultants and recommending implementation.
- Reviewing the results of the SAP Audit and monitoring follow-up action by the management.
- 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 and 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 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.

Maithri Wickremesinghe
Chairman

Pradipta Mohapatra

Audit Committee
26 May 2009

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 statements. 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 2009 Rs.	Value 2008 Rs.
Hemas International Freight (Pvt) Ltd.	Mr. H. Esufally	Management Fees	–	781,250
	Mr. I. Esufally	Bank Guarantee Charges	–	22,500
		Consultancy Fees	**12,428,571**	863,590
		IT Charges	**2,389,603**	3,441,308
		Interest Income	**3,743,722**	1,836,738
		Dividend Income	**1,082,503**	1,122,194
Hemas Travels (Pvt) Ltd.	Mr. H. Esufally	Airline Ticket Sales	**6,135,069**	4,361,914
	Mr. I. Esufally	Bank Guarantee Charges	**70,000**	70,000
		Management Fees	–	888,452
		Consultancy Fees	**10,700,000**	12,017,609
		IT Charges	**4,987,973**	6,117,384
		Interest Income	**23,973**	114,761
		Dividend Income	**5,753,640**	7,851,179
Hemas Marketing (Pvt) Ltd.	Mr. H. Esufally	Consultancy Fees	–	16,874,379
		IT Charges	–	4,247,684
		Interest Income	–	2,243,601
		Management Fees	–	2,866,199
		Dividend Income	**39,727,870**	70,644,010
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Rental Income	**883,514**	4,723,557
		Consultancy Fees	**55,000,000**	27,586,664
		IT Charges	**25,897,860**	17,376,225
		Management Fees	–	2,866,199
		Interest Income	–	321,458
		Interest Expense	**(64,520,189)**	–
		Dividend Income	**21,541,815**	22,331,670
Hemas Air Services (Pvt) Ltd.	Mr. H. Esufally	Management Fees	–	971,812
	Mr. I. Esufally	Consultancy Fees	**12,400,000**	13,596,670
		Interest Expense	**7,353,191**	(4,505,449)
		IT Charges	**1,690,881**	1,689,209
		Dividend Income	**3,139,260**	4,273,914
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. H. Esufally	Consultancy Fees	**75,250,000**	41,517,287
	Mr. M. Esufally	IT Charges	**17,494,625**	16,900,429
		Interest Income	**3,223,455**	4,983,191
		Interest Expense	**75,394**	–
		Management Fees	–	1,734,544
		Bank Guarantee Charges	**443,750**	443,750
		Dividend Income	**25,980,079**	28,426,207
Hemtours (Pvt) Ltd.	Mr. H. Esufally	IT Charges	**2,088,229**	5,844,731
	Mr. A. Esufally	Interest Income	**4,778,041**	1,944,308
		Dividend Income	**3,313,637**	2,365,308
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally	Management Fees	–	1,185,541
	Mr. A. Esufally	Consultancy Fees	**64,808,000**	22,768,943
	Mr. I. Esufally	Bank Guarantee Charges	–	11,250
	Mr. M. Esufally	IT Charges	**248,646**	549,548
		Dividend Income	**5,087,765**	6,708,777
		Interest Expense	**7,738,971**	–

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2009 Rs.	Value 2008 Rs.
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Management Fees	**–**	1,206,003
		Consultancy Fees	**3,000,000**	1,483,425
		Interest Expense	**(10,700,895)**	(4,325,220)
		IT Charges	**52,363**	42,241
		Dividend Income	**8,836,363**	6,307,489
Vishwa BPO (Pvt) Ltd.	Mr. H. Esufally	Shared Services Expenses	**(6,401,867)**	(3,228,444)
		Interest Expense	**(1,168,124)**	–
Hemas Power (Pvt) Ltd.	Mr. H. Esufally	Bank Guarantee Charges	**3,125**	46,875
		IT Charges	**257,250**	184,688
		Interest Income	**7,730,361**	9,406,874
		Dividend Income	**1,948,508**	2,019,950
Peace Haven Resorts Ltd.	Mr. H. Esufally	Interest Expense	**(34,471,122)**	(29,216,237)
	Mr. A. Esufally	Dividend Income	**6,306,109**	2,905,950
		Consultancy Fees	**5,000,000**	–
Hemas Corporate Services (Pvt) Ltd.	Mr. H. Esufally	Centralised Corporate Services	**(5,730,459)**	(4,855,106)
		Bank Guarantee Charges	**25,000**	25,000
		IT Charges	**2,483,187**	1,834,761
		Interest Income	**5,867,655**	859,244
		Dividend Income	–	1,172,237
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally	Bank Guarantee Charges	**–**	156,250
		Consultancy Fees	**–**	1,250,000
		IT Charges	**1,834,063**	61,024
		Interest Income	**797,801**	442,508
		Interest Expense	**(905,337)**	(1,314,001)
		Rental Income	**478,393**	–
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	Bank Guarantee Charges	**550,000**	137,500
		IT Charges	**531,639**	–
		Interest Income	**–**	1,742,345
		Interest Expense	–	(732,693)
Giddawa Hydro Power (Pvt) Ltd.	Mr. H. Esufally	Bank Guarantee Charges	**330,000**	660,000
		Interest Income	**1,731,400**	–
ACX International (Pvt) Ltd.	Mr. H. Esufally	IT Charges	**1,390,992**	178,720
	Mr. I. Esufally	Interest Income	**209,593**	97,623
		Dividend Income	**706,737**	–
Hellman Worldwide Logistics (Pvt) Ltd.	Mr. I. Esufally	Interest Income	**485,290**	426,900
Diethelm Travels Lanka (Pvt) Ltd.	Mr. A. Esufally	IT Charges	**2,456,290**	–
		Interest Income	**115,069**	–
N-Able (Pvt) Ltd.	Mr. I. Esufally	Interest Income	**721,792**	–
Clinical Research Services (Pvt) Ltd.	Mr. H. Esufally	Interest Income	**398,381**	–
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	**787,025**	–
Far Shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	Consultancy Fees	**21,431,088**	–
		IT Charges	**249,340**	–

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

1. 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 28 years. He is a Trustee at the National Council for Mental Health (Sahanaya). He is also the founder member of the Association for Rehabilitation of Spinal Cord Injuries (ARSCI).

2. 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 the Peace. He serves as Chairman of Serendib Hotels PLC and Stafford 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.

3. Imtiaz Esufally

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

4. 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 has an Executive MBA from the Melbourne Business School. He has over 17 years of senior management experience. He is also the Chairman of Hemas Hospitals (Pvt) Ltd.

Imtiaz Esufally | Maithri Wickremesinghe | Pradipta Mohapatra | Husein Esufally

NON-EXECUTIVE DIRECTORS

5. Deshamanya Lalith De Mel - *Chairman*

Deshamanya J.C.L De Mel has a Master of Arts Degree from Cambridge University, UK, and the AMP Harvard Business School, USA. He counts over 40 years' Board experience having served as a Director of several companies in Sri Lanka and abroad. He has served most of his career at Reckitt Benckiser PLC, UK and was a main Board Director. He was the Global Director - Pharmaceuticals when he retired in 1999. He has served as the Chairman of the Board of Investment, Sri Lanka and as the Chairman of Sri Lanka Telecom Limited, and was a Senior Advisor, Ministry of Finance. He holds Directorships in many other companies and is a Trustee of the Cambodia Trust, UK.

6. Maithri Wickremesinghe

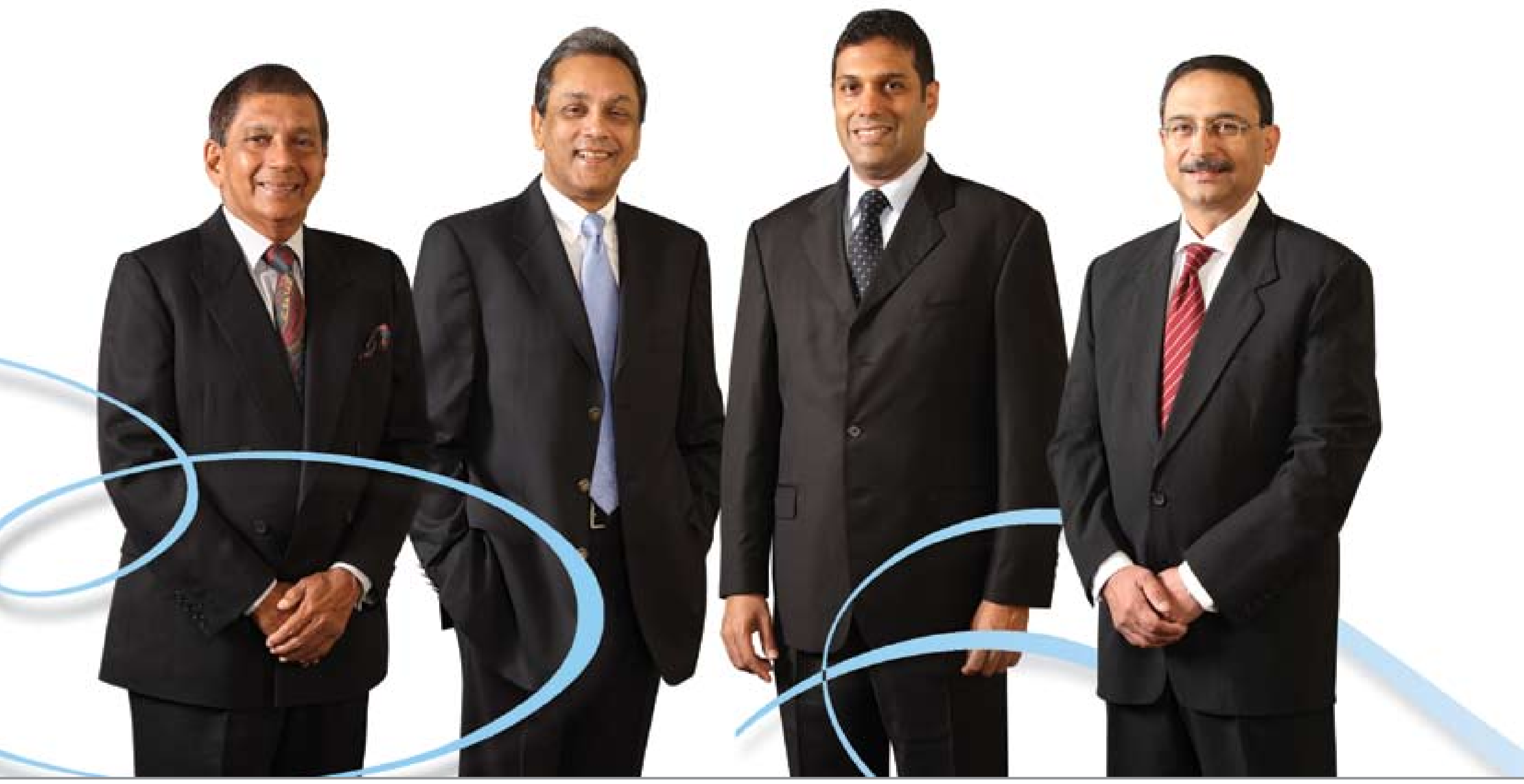
Mr. M.E. Wickremesinghe is an Honours Graduate in Law of the University of Colombo, an Attorney-at-Law of the Supreme Court of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. He is a practising Attorney-at-Law specialising in Commercial & Banking Law.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

7. Pradipta Mohapatra

Mr. P.K. Mohapatra is a director on the main board of RPG Enterprises, a USD 2.5 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. During his career at RPG, his key assignments included Business Incubation, Business Turnaround, Mergers and Acquisitions and CEO Mentoring. Mr. Mohapatra is a Chemical Engineering Graduate from NIT, Roukela, 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.

8. Divyaroop Bhatnagar

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



Lalith De Mel | Abbas Esufally | Murtaza Esufally | Divyaroop Bhatnagar

SENIOR MANAGEMENT

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

The **Board of Directors** of Hemas Holdings PLC provides leadership for the affairs of the Company within 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

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1. **Malinga Arsakularatne** - Chief Financial Officer
2. **Kishan Nanayakkara** - Managing Director, Hemas Power
3. **Isuru Tillakawardane** - Director, Group Human Resources

All Executive Directors are also members of the Board of Management.

GROUP OPERATING COMMITTEE

1. **Srilal Miththapala** - CEO, Serendib Leisure
2. **Harith Perera** - Managing Director, Diethelm Travels
3. **Sanjeewa Samaranayake** - Managing Director, Pharmaceuticals
4. **Roy Joseph** - Commercial Director, FMCG
5. **Kasturi Chellaraja Wilson** - Chief Process Officer
6. **Imal Fonseka** - Managing Director, FMCG
7. **Riad Ameen** - Legal Consultant
8. **Dr. Irshad Musheen** - Director, Maritime
9. **Deshini Abeyewardena** - Director, Business Development
10. **Suren Raymond** - Director, International Business FMCG


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ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors have pleasure in presenting to the members their Sixth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31 March 2009.

These Statements of Accounts were approved by the Board of Directors on 26 May 2009.

GOING CONCERN

The Directors have adopted the going concern basis in preparing these financial statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors' Responsibility in relation to the financial statements is detailed on page 58.

REGISTRATION DETAILS

Hemas Holdings PLC was incorporated on 10 December 1948 in terms of the Companies Ordinance No. 51 of 1938 and listed on the Colombo Stock Exchange on 15 October 2003.

The Company was re-registered as per the Companies Act No. 07 of 2007 on 30 May 2007.

NATURE OF BUSINESS

The Company is an investment holding and management company.

PRINCIPAL ACTIVITIES

The principal activities of the Group include manufacturing and marketing of fast moving consumer goods, the provision of hospital services, the pharmaceutical diagnostic and surgical distribution business, tours and travel-related services, freight forwarding, courier and maritime, generation and supply of thermal and hydro power, leisure and hospitality and property development.

There have been no significant changes in the nature of the activities of the Group or of the Company during the financial year.

REVIEW OF THE YEAR

The Management Report sets out an expanded explanation of the various businesses; the state of affairs and performance of the Company and the Group during the year and incorporates events subsequent to the date of the Balance Sheet.

ACQUISITIONS AND DIVESTMENTS

Your Company acquired a 17% stake in Mercantile Shipping PLC in November 2008 with a view to invest further in the maritime sector.

Hemas divested 51% of its investment in Hemas International Freight (Pvt) Ltd. and entered into a joint venture with Hellmann Worldwide Logistics (Pvt) Ltd.

NEW INITIATIVES

- ***Healthcare***

  Hemas Hospitals (Pvt) Ltd. and Hemas Southern Hospitals (Pvt), the first two hospitals set up under a model developed to deliver affordable community healthcare, were commissioned in December 2008 and March 2009, respectively.

- ***Power***

  The first 2 MW mini hydro project in Giddawa, Kandy, was commissioned in October 2008. The Group also commenced preparatory work on a second mini hydro in the Kegalle District during the year.

- ***Leisure***

  Hemtours (Pvt) Ltd., entered into a strategic equity partnership with Diethelm Travel (Thailand) Ltd. A new entity by the name of Diethelm Travel Sri Lanka (DTSL) was thereafter established to handle tour operations in Sri Lanka and the Maldives.

- ***Transportation***

  Island Aviation of Maldives, resumed flights to Colombo under the brand name "Maldivian Airlines" in November 2008, with Hemas Aviation (Pvt) Ltd. as its General Sales Agent.

  Hemas Aviation (Pvt) Ltd. also entered into a Ground Handling Agreement with Rossiya Airlines, for the duration of the winter from November 2008 to March 2009.

IT SERVICES

An IT enablement project was established to provide services in the areas of designing, implementing and supporting next generation networks.

FUTURE DEVELOPMENTS

It remains your Board's intention to develop the Group through organic growth and by selective acquisitions.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and minority interests of the Group for the last five financial years as extracted from the audited financial statements and reclassified as appropriate is set out below:

DIVIDENDS

For the year ended 31 March 2009, the Directors have recommended the payment of a first & final dividend of Rs. 1.80 per share amounting to Rs. 183,524,623/- on Ordinary Shares.

As required by Sections 56 (2) and 56 (3) of the Companies Act No. 07 of 2007, the Board of Directors signed a certificate stating that in their opinion the Company, based on the information available as at present, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained a certificate from the Auditors, prior to recommending the final dividend for approval of the shareholders at the Annual General Meeting to be held on 26 June 2009.

RESULTS

Year ended 31 March	**2009**	2008	2007	2006 (Restated)	2005 (Restated)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group Revenue	**15,342,278**	14,163,805	11,778,136	9,779,338	9,275,784
Net Profit from Ordinary Activities Attributable to Hemas Group	**775,128**	1,135,419	1,005,727	958,599	836,973

ASSETS, LIABILITIES AND MINORITY INTERESTS

31 March	**2009**	2008	2007	2006 (Restated)	2005 (Restated)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total Assets	**14,835,812**	13,130,626	11,395,855	10,024,762	9,651,969
Total Liabilities	**(6,970,460)**	(6,091,961)	(5,533,189)	(5,208,708)	(5,328,099)
Minority Interests	**(837,062)**	(604,966)	(588,527)	(496,967)	(681,897)
Shareholders Funds	**7,028,290**	6,433,699	5,274,144	4,319,087	3,641,973

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies adopted in the financial statements is given on pages 65 to 74 of the Annual Report.

DIRECTORS

The Directors in office at the date of this report, their biographical details and the committees on which they sit are detailed in the Board of Directors section of this Report.

Mr. Abbas Esufally ceased to be an Executive Director with effect from 31 March 2009, but continues to serve on the Board as a Non-Executive Director.

RETIREMENT BY ROTATION AND RE-ELECTION

Pursuant to Articles 84 and 85 of the Articles of Association of the Company, and subject to shareholder approval, Mr. P.K. Mohapatra and Mr. H.N. Esufally retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment, with the unanimous support of the Board.

Special Notice has been received by the Company from Messrs Saraz Investments (Pvt) Ltd.; a shareholder of the Company, informing of their intention to move a Resolution stating that Section 210 of the Companies Act No. 07 of 2007 shall not apply to Deshamanya J.C.L. De Mel.

Deshamanya J.C.L.De Mel is eligible therefore for re-election with the unanimous consent of the Board from the conclusion of the forthcoming Annual General Meeting to the next Annual General Meeting.

INDEPENDENCE OF DIRECTORS

Deshamanya 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 7.10.2 b 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' REMUNERATION

The aggregate remuneration paid to the Directors for the financial year ended 31 March 2009 which includes disclosures on non-cash benefits and equity-based remuneration provided by the Company are given in Note 37.2 of the financial statements.

A certificate was signed by the Board in accordance with Section 216 (4) of the Companies Act stating that in their opinion the making of the payment is fair to the Company and the reasons for reaching that opinion.

ENTERPRISE GOVERNANCE

The Board endorses the Code of Best Practice and Conduct as set out jointly by the Institute of Chartered Accountants and the Securities and Exchange Commission of Sri Lanka and has satisfied itself that Hemas has complied with the Code and the Rules on Corporate Governance issued by the Colombo Stock Exchange in all material aspects throughout the period.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 37 to the accounts.

INTERESTS REGISTER

The Interests Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the said Act. The related entries were made in the Interests Register during the year under review. The share ownership of the Directors, their interest in contracts and remuneration paid to Directors, have been included in the Interests Register, in accordance with the Companies' Act. The details are given on pages 109, 44 and 104 respectively.

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

DIRECTORS' SHAREHOLDING

The direct and indirect shareholdings of the Directors as at the financial year end are tabulated on page 109.

DIRECTORS' AND OFFICERS' INSURANCE

The Company maintains insurance cover for all Directors and Officers of Group companies against liabilities which may be incurred by them while acting as Directors and Officers.

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, against all costs, charges, losses and liabilities that they may incur in the execution of their duties, powers, authorities and discretions as Directors of the Company, or any other company of which, at the request of the Company, they are Directors or Officers. Copies of these indemnities are kept at the Company's registered office and are open for inspection by any member of the Company. However, these indemnities do not cover the Directors or Officers for fraudulent activity.

COMPANY SECRETARIES

The Company Secretaries are Hemas Corporate Services (Pvt) Ltd. Their registered office is situated at No. 36, Bristol Street, Colombo 01.

REGISTRARS

Messrs SSP Corporate Services (Pvt) Ltd., ceased to be the Registrars to the Company with effect from 15 April 2009. Hemas Corporate Services (Pvt) Ltd. were appointed Registrars to the Company from that date.

CHANGE IN ACCOUNTING POLICIES

The accounting policies are consistent with those applied in the annual financial statements in the previous year, except for the change disclosed in Note 2.2 to the financial statements.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has made all endeavours to ensure equitable treatment to all shareholders.

RISK MANAGEMENT

Specific actions taken by the Group in this regard are given under the Risk Management section of this Report on page 24.

SYSTEMS AND INTERNAL CONTROLS

The Company has an effective and comprehensive system of internal controls covering Financial, Operational and Compliance Controls.

INCOME TAX EXPENSES

Income Tax expenses have been computed at the rates given in Note 8 to the financial statements.

CAPITAL EXPENDITURE

Details of Property, Plant & Equipment and their movements during the year are given in Note 11 to the financial statements.

BORROWING CAPACITY

The Company's borrowings are not restricted in terms of the Articles of Association of the Company.

MARKET VALUE OF FREEHOLD PROPERTIES

Details of revaluations are listed in Note 11 to the financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group during the year are set out in Notes 11 and 12 to the financial statements, respectively.

RESERVES

There were on other material transfers to or from reserves during the financial year other than as disclosed in Note 24 to the accounts.

STATED CAPITAL

During the year under review, the issued and subscribed share capital of the Company was increased by the allotment of 650,000 ordinary shares by way of an Employee Share Ownership Scheme (ESOS). Consequently, the Stated Capital of the Company stands increased to Rs. 1,369,222,534/- comprising 101,958,124 issued ordinary shares.

EMPLOYEE SHARE OPTION PLAN

Your Company had with the approval of its shareholders, implemented two employee share option schemes in 2003 and 2006 in terms of which a total of 4,468,699 ordinary shares were to be made available to employees, of which 2,510,699 shares were allotted. However, in view of the depressed stock market conditions, these schemes failed to deliver the desired objectives.

EMPLOYEE SHARE OPTION SCHEME

Your Board, having regard to the fact that maintaining a propriety interest and a long-term commitment amongst the senior executives of the Company and the Group on a continuing basis would facilitate the retention of key personnel and increase shareholder value, decided to recommend the issue of a further 3,000,000 shares by way of an Employee Share Ownership Scheme. The new scheme was approved by the members and came into effect on 9 December 2008.

The 1st Tranche of 650,000 shares was allocated to Jacey Trust Services (Pvt) Ltd., Trustees on 6 February 2009, to be held in trust for the eligible employees until such time as the shares are transferred to them in terms of the ESOS Trust - 2008.

CORPORATE DONATIONS

During the year, the Group made donations to charity of approximately Rs. 409,909/- (2007/08 - Rs 742,774/-).

SHARE INFORMATION

Information relating to earnings, dividends, net assets per share, market value of a share and information on share trading is stated under Shareholder and Investor Information.

SUBSTANTIAL SHAREHOLDERS

The Company has been notified interest by shareholders in shares representing 10% or more of the Company's issued shares, details of which are given on page 110.

The percentage of shares held by the public as at 31 March 2009 was 27.69%.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity against the prevailing laws and regulations. Compliances with provisions in laws and regulations are confirmed to the Board at Board Meetings.

STATUTORY PAYMENTS

The Directors are satisfied that all Statutory Payments to the Government and other Statutory Institutions including employee-related payments have been made in time to the best of their knowledge and belief.

HUMAN RESOURCE

The Company's Human Resource Management Policies and Practices are designed to develop its employees and to ensure their optimum contribution towards the achievement of Company goals. Information relating to Human Resource and Employment Policies is given under Sustainability Report on page 26.

EMPLOYEE INVOLVEMENT

The Company is committed to ensuring that employees share in the success of the Company. Employees are encouraged to participate in share option and share purchase plans.

The Group continued its policy of informing and involving employees in matters which concern them through the use of regular meetings between management and employees, the intranet and briefings.

EQUAL OPPORTUNITIES

The Group is committed to providing equal opportunities to all employees irrespective of their gender, sexual orientation, marital status, age, religion, race or disability. It is the Group's policy to give full and fair consideration to persons with respect to applications for employment, continued employment, training, career development and promotion, having regard to each individual's particular aptitudes and abilities.

CORPORATE SOCIAL RESPONSIBILITY

All activities embarked upon by the Company in this regard are given in the Sustainability Report on pages 26 to 34.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity which is harmful to the environment. Measures taken to protect the environment are given under the Sustainability Report on page 31.

MANAGEMENT PHILOSOPHY

Hemas adopts a hands-on approach to managing its businesses. Each sector is self-contained with its own financial and administration infrastructure. The Group's Chief Executive Officer, is, however, actively involved in each of the sectors and monitors performance closely. Cash flow is of paramount importance and the focus is always on maximum cash generation. The Board aims to add value by providing expertise and guidance to subsidiary management teams where feasible, and by pooling best practices within the Group to the benefit of all subsidiaries

EVENTS AFTER BALANCE SHEET DATE

No material events have taken place after the Balance Sheet date which require an adjustment to or a disclosure in the financial statements, other than as disclosed in Note 34 to the Accounts.

OTHER STATUTORY INFORMATION

Before the profit and loss accounts and Balance Sheets of the Group and of the Company were made out, the Directors took reasonable steps:

1. to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts; and

2. to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records, were written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

1. which would render that amount written off for bad debts or the amount of the provision for doubtful debts in the accounts of the Group and of the Company inadequate to any substantial extent;

2. which would render the values attributed to the current assets in the accounts of the Group and the Company misleading;

3. which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the accounts of the Group and of the Company misleading or inappropriate; and

4. not otherwise dealt within this report or in the accounts of the Group and of the Company that would render any amount stated in the respective accounts misleading.

At the date of this report, there does not exist:

1. any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

2. any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

In the opinion of the Directors:

1. the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

2. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

INDEPENDENT AUDITORS

The Company's Auditors during the period under review were Messrs Ernst & Young, Chartered Accountants. A sum of Rs. 820,000/- (2008 - Rs. 735,000/-) was paid to them as audit fees during the year under review and a sum of Rs. 218,000/- (2008 - Rs. 364,780/-) was paid by the Company for tax related services.

Based on the declaration from Messrs Ernst & Young, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries other than those disclosed in the above paragraph.

INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report on the financial statements is given on page 59 of the Annual Report.

APPOINTMENT OF AUDITORS

After due and careful consideration, the Directors have recommended the reappointment of Messrs Ernst & Young as the Company's Auditors.

Messrs Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office and therefore a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

AUDITORS' RIGHT TO INFORMATION

Each person who is a Director of the Company at the date of approval of this report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

ANNUAL GENERAL MEETING

The 6th Annual General Meeting of the Company will be held on 26 June 2009 at the Auditorium of the Chamber of Commerce, No. 50, Navam Mawatha, Colombo 2.

The Notice convening the Meeting and the Agenda are given on page 113.

Hemas Holdings PLC

Lalith De Mel

Husein Esufally

26 May 2009

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditors' Report, is made with a view to distinguishing for stakeholders the respective responsibilities of the Directors and of the Auditors in relation to the combined consolidated financial statements.

The Directors are responsible for the preparation, integrity and objectivity of the consolidated financial statements that fairly present the state of affairs of the Company and the Group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report.

To enable the Directors to meet these responsibilities,

- The Board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedure and adequate segregation of duties;

- The Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Group Audit Committee, appraises and when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognizance of the relative degrees of risk of each function or aspect of the business; and

- The Group Audit Committee, together with the Internal Audit Department, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the system of internal controls and procedures has occurred during the year under review.

The Group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgments and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in the Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

The financial statements of the Company and the Group have been prepared in accordance with the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

The Directors are of the opinion, based on their knowledge of the Company, key processes in operation and specific enquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis.

It is the responsibility of the Independent Auditors to report on the combined consolidated financial statements. Their report to the members of the Company and the Group is set out in the Auditors' Report. As far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware. All steps which ought to have been taken as Directors have been completed in order to be aware of the relevant audit information and to establish that the Company's Auditors are aware of that information

APPROVAL OF FINANCIAL STATEMENTS

The Directors' report and the financial statements of the Company and the Group were approved by the Board of Directors on 26 May 2009.

By Order of the Board

Hemas Corporate Services (Pvt) Ltd.
Secretaries

AUDITORS' 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, 2009, 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, 2009 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2009 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, 2009 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.

Colombo
May 26, 2009

Partners: A D B Talwatte FCA FCMA 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

Year ended 31 March	Note	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Revenue	3	**15,342,278,078**	14,163,804,924	**334,288,740**	224,683,897
Cost of Sales		**(10,918,156,464)**	(10,138,724,592)	**–**	–
Gross Profit		**4,424,121,614**	4,025,080,332	**334,288,740**	224,683,897
Dividend Income	4	**1,417**	738,337	**141,156,406**	157,137,674
Change in Fair Value of Investment Properties		**–**	144,300,000	**–**	13,000,000
Other Income and Gains	5	**98,051,012**	132,069,295	**(6,710,056)**	61,535
Selling and Distribution Costs		**(1,058,105,058)**	(997,373,635)	**–**	–
Administrative Expenses		**(2,247,713,675)**	(1,810,790,050)	**(215,727,088)**	(221,977,034)
Finance Cost	6.1	**(471,937,401)**	(346,564,545)	**(127,285,161)**	(42,484,908)
Finance Income	6.2	**116,757,925**	111,995,034	**33,096,012**	25,711,356
Share of Associate Company Loss		**(4,244,310)**	–	–	–
Profit Before Tax	7	**856,931,524**	1,259,454,768	**158,818,853**	156,132,521
Income Tax Expenses	8	**(137,853,732)**	(108,624,845)	**(13,642,050)**	10,851,735
Profit for the Year		**719,077,792**	1,150,829,923	**145,176,803**	166,984,256
Attributable to:					
Equity Holders of the Parent		**775,127,792**	1,135,418,670	**145,176,803**	166,984,256
Minority Interests		**(56,050,000)**	15,411,253	**–**	–
		719,077,792	1,150,829,923	**145,176,803**	166,984,256
Earnings per Share - Basic	9	**7.57**	11.13	**–**	–
Dividends per Share - Interim Paid	10	**–**	1.25	**–**	1.25
- Final Paid		**1.25**	–	**1.25**	–

The Accounting Policies and Notes on pages 65 through 108 form an integral part of the financial statements.

BALANCE SHEET

		Group		Company	
As at 31 March	Note	**2009 Rs.**	2008 Rs.	**2009 Rs.**	2008 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	**7,180,680,242**	5,182,388,866	**66,830,110**	46,469,680
Investment Property	12	**1,178,709,950**	1,178,709,950	**271,709,950**	271,709,950
Intangible Assets	13	**191,214,493**	173,621,726	**–**	–
Leasehold Property	14	**64,910,569**	67,976,287	**–**	–
Deferred Tax Assets	27.1	**21,832,128**	18,482,425	**–**	–
Loans Due from Related Parties	21	**–**	–	**163,123,048**	–
Investments in Subsidiaries	15	**–**	–	**4,842,485,806**	4,353,762,768
Investments in Associates	16	**–**	205,793,202	**–**	–
Investments in Joint Ventures	17	**–**	–	**38,519,264**	8,474,920
Other Long-Term Receivables		**43,678,140**	46,678,140	**–**	–
Other Investments	18	**80,498,596**	26,088,014	**105,248,398**	16,405,100
		8,761,524,118	6,899,738,610	**5,487,916,576**	4,696,822,418
Current Assets					
Inventories	19	**1,308,795,107**	1,263,114,406	**–**	–
Trade and Other Receivables	20	**3,577,696,414**	3,643,450,674	**157,043,999**	166,327,762
Loans Due from Related Parties	21	**–**	20,000,000	**159,366,260**	193,317,563
Investments	18	**67,694**	67,694	**48,642**	48,642
Tax Recoverable		**100,105,359**	91,994,344	**897,624**	6,532,260
Amounts Due from Related Parties	22	**–**	13,286,243	**232,782,704**	220,166,267
Short-Term Cash Investments	32	**602,497,060**	631,461,389	**12,520,944**	1,308,473
Cash and Cash Equivalents	32	**485,126,578**	567,512,348	**10,186,344**	16,446,618
		6,074,288,212	6,230,887,098	**572,846,517**	604,147,585
Total Assets		**14,835,812,330**	13,130,625,708	**6,060,763,093**	5,300,970,003
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	23	**1,369,222,534**	1,329,012,573	**1,369,222,534**	1,329,012,573
Preference Share Capital	23.3	**41,666,666**	58,333,333	**–**	–
Reserves	24	**764,634,844**	783,413,227	**368,073,839**	372,663,859
Retained Earnings		**4,852,766,322**	4,262,938,674	**2,695,408,071**	2,665,572,306
Shareholders' Funds		**7,028,290,366**	6,433,697,807	**4,432,704,444**	4,367,248,738
Minority Interest		**837,062,062**	604,966,737	**–**	–
Total Shareholders' Funds and Minority Interest		**7,865,352,428**	7,038,664,544	**4,432,704,444**	4,367,248,738
Non-Current Liabilities					
Non-Interest Bearing Loans and Borrowings	25	**13,781,847**	25,945,564	**–**	–
Interest Bearing Loans and Borrowings	26	**1,710,142,082**	823,226,701	**1,171,320,577**	425,844,463
Deferred Tax Liabilities	27.2	**136,307,726**	139,563,588	**38,979,758**	37,047,574
Retirement Benefit Liability	28	**140,756,884**	145,535,317	**19,108,128**	13,276,545
Provisions	29	**12,332,509**	21,500,291	**–**	–
		2,013,321,048	1,155,771,461	**1,229,408,463**	476,168,582
Current Liabilities					
Trade and Other Payables	30	**2,753,977,068**	2,519,009,551	**44,921,262**	70,272,312
Dividends Payable		**3,135,204**	2,481,830	**490,028**	137,367
Income Tax Liabilities		**46,854,466**	17,907,223	**–**	–
Amounts Due to Related Parties	31	**–**	–	**61,473,505**	4,366,647
Non-Interest Bearing Loans and Borrowings	25	**1,207,000**	1,207,000	**–**	–
Interest Bearing Loans and Borrowings	26	**2,151,965,116**	2,395,584,099	**291,765,391**	382,776,357
		4,957,138,854	4,936,189,703	**398,650,186**	457,552,683
Total Shareholders' Funds, Minority Interest and Liabilities		**14,835,812,330**	13,130,625,708	**6,060,763,093**	5,300,970,003

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Malinga Arsakularatne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board by,

Husein Esufally
Chief Executive Officer

Lalith De Mel
Chairman

The Accounting Policies and Notes on pages 65 through 108 form an integral part of the financial statements.

Colombo
26 May 2009

STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Shareholders of the Parent								
	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.
Group									
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	1,150,829,923
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
Profit for the Year	–	–	–	–	–	775,127,792	775,127,792	(56,050,000)	719,077,792
Issue of Ordinary Shares under ESOS	40,209,961	–	–	–	–	–	40,209,961	–	40,209,961
Redemption of Preference Shares	–	(16,666,667)	–	–	–	–	(16,666,667)	–	(16,666,667)
Dividends Paid									
- Ordinary Shares (2008)	–	–	–	–	–	(115,341,038)	(115,341,038)	–	(115,341,038)
- Preference Shares	–	–	–	–	–	(7,678,265)	(7,678,265)	–	(7,678,265)
Transfer to/(from) during the Year									
- Overhaul Reserve, Heat Rate and Lube Oil	–	–	–	–	120,414,524	(120,414,524)	–	–	–
- Revaluation Reserve	–	–	–	–	(4,667,453)	4,667,453	–	–	–
- Other Reserves	–	–	–	–	(100,000,000)	100,000,000	–	–	–
Adjustment in Respect of Changes in Group Holding	–	–	–	–	–	(46,533,770)	(46,533,770)	286,764,225	240,230,455
Net Gain/(Loss) Recognised Directly in Equity									
- Deferred Income Tax	–	–	–	–	224,431	–	224,431	1,381,100	1,605,531
- Exchange Reserve	–	–	–	(34,749,885)	–	–	(34,749,885)	–	(34,749,885)
Balance as at 31 March 2009	**1,369,222,534**	**41,666,666**	**–**	**(76,923,588)**	**841,558,432**	**4,852,766,322**	**7,028,290,366**	**837,062,062**	**7,865,352,428**

The Accounting Policies and Notes on pages 65 through 108 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Capital & Revenue Reserve Rs.	Retained Earnings Rs.	Total Rs.
Company				
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
Profit for the Year	–	–	145,176,803	145,176,803
Dividends Paid - 2008	–	–	(115,341,038)	(115,341,038)
Issue of Ordinary Shares under ESOS	40,209,961	–	–	40,209,961
Adjustment of Capital Reserve of Subsidiary	–	(4,590,020)	–	(4,590,020)
Balance as at 31 March 2009	**1,369,222,534**	**368,073,839**	**2,695,408,071**	**4,432,704,444**

The Accounting Policies and Notes on pages 65 through 108 form an integral part of the financial statements.

CASH FLOW STATEMENT

	Group		Company	
Year ended 31 March	**2009 Rs.**	2008 Rs.	**2009 Rs.**	2008 Rs.
Operating Activities				
Profit Before Taxation	**856,931,524**	1,259,454,768	**158,818,853**	156,132,521
Non-Cash Adjustments				
Depreciation	**500,480,653**	432,672,721	**22,685,551**	27,417,748
Impairment	**7,358,810**	–	**–**	–
Profit on Disposal of Property, Plant and Equipment	**(545,796)**	(6,896,558)	**(1,272,274)**	(604,969)
Retirement Benefit Plan	**22,299,035**	42,106,221	**(347,375)**	6,491,426
Finance Cost	**471,937,401**	346,564,545	**127,285,161**	42,484,908
Investment Income	**(1,417)**	(738,337)	**(141,156,406)**	(157,137,674)
Change in Fair Value of Investment Property	**–**	(144,300,000)	**–**	(13,000,000)
(Profit)/Loss on Disposal of Associate	**–**	(50,518,087)	**–**	–
Profit on Sale of Investments	**(46,533,770)**	(394,538)	**9,655,923**	–
Amortisation of Intangibles	**3,065,718**	8,963,784	**–**	–
Amortisation of Other Long-Term Receivables	**3,000,000**	–	**–**	–
Changes in Working Capital				
(Increase)/Decrease in Trade and Other Receivables	**65,754,260**	(339,283,517)	**9,283,762**	(91,179,521)
(Increase)/Decrease in Inventories	**73,198,324**	(272,084,172)	**–**	–
(Increase)/Decrease in Amounts Due from Related Parties	**14,587,988**	(13,286,243)	**(6,300,442)**	(161,805,476)
Increase/(Decrease) in Amounts Due to Related Companies	**(2,538,787)**	–	**57,106,858**	29,205
Increase/(Decrease) in Trade and Other Payables	**120,255,609**	350,445,432	**(25,351,051)**	53,057,150
Increase/(Decrease) in Provisions	**(9,167,782)**	14,500,291	**–**	–
Finance Cost Paid	**(471,937,401)**	(346,564,545)	**(127,285,161)**	(42,484,908)
Income Tax Paid	**(122,017,414)**	(333,962,793)	**(6,075,219)**	(8,853,340)
Gratuity Paid	**(27,693,314)**	(17,402,197)	**(137,037)**	(4,596,474)
Net Cash from/(Used in) Operating Activities	**1,458,433,641**	929,276,775	**76,911,132**	(194,049,404)
Investing Activities				
Purchase of Property, Plant and Equipment	**(1,666,759,197)**	(1,068,607,918)	**(43,563,431)**	(6,925,439)
Acquisitions and Disposals of Subsidiaries/Associates (Note 33)	**24,631,786**	(114,504,689)	**(550,038,025)**	(17,904,100)
Investment in Other Assets	**41,887,089**	(3,521,739)	**–**	–
Other Investments	**(53,660,682)**	(2,270,385)	**(88,843,298)**	(3,000,000)
Proceeds from Disposal of Property, Plant and Equipment	**78,050,589**	17,893,601	**1,789,726**	1,497,289
Proceeds from Disposal of Investments	**17,024,700**	902,644	**17,024,700**	–
Redemption of Preference Shares	**(16,666,667)**	(16,666,667)	**–**	–
Investment Income	**1,417**	738,337	**141,156,406**	157,137,674
Net Cash from/(Used in) Investing Activities	**(1,575,490,965)**	(1,186,036,816)	**(522,473,922)**	130,805,424
Financing Activities				
Interest Bearing Loans and Borrowings (Net) - Rupee Loan	**843,428,764**	393,835,379	**525,325,331**	118,347,547
- US$ Loan	**(641,986,367)**	(380,524,143)	**–**	–
Proceeds from Issue of Ordinary Shares under ESOS	**40,209,961**	–	**40,209,961**	–
Proceeds from Minority Shareholders	**85,195,565**	137,368,972	**–**	–
Dividends Paid - Ordinary Shares	**(121,740,004)**	(120,522,066)	**(114,988,377)**	(114,010,516)
- Preference Shares	**(7,678,265)**	(8,037,899)	**–**	–
Rental Deposits Received	**–**	4,910,796	**–**	–
Finance Lease Paid	**–**	(2,802,243)	**–**	–
Net Cash from/(Used in) Financing Activities	**197,428,130**	24,228,796	**450,546,915**	4,337,031
Net Increase/(Decrease) in Cash and Cash Equivalents	**80,372,331**	(232,531,245)	**4,984,125**	(58,906,951)
Cash and Cash Equivalents at the beginning of the Year (Note 32)	**(134,868,670)**	97,662,575	**16,826,272**	75,733,223
Cash and Cash Equivalents at the end of the Year (Note 32)	**(54,496,339)**	(134,868,670)	**(21,810,397)**	16,826,272

The Accounting Policies and Notes on pages 65 through 108 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Hemas Holdings PLC is a public limited liability Company listed in the Colombo Stock Exchange 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 Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended 31 March 2009 comprise the Company (the 'Company') and its subsidiaries (the 'Group') and the Group's interest in its Associates.

1.3 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.

1.4 Date of Authorisation for Issue

The consolidated financial statements of Hemas Holdings PLC for the year ended 31 March 2009 were authorised for issue, in accordance with a resolution of the Board of Directors on 26 May 2009.

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 Lanka 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 the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS).

2.1.2 Going Concern

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

2.1.3 Consolidation Policy - Principles of Consolidation

a. Subsidiaries

The financial statements of the Group represent the consolidation of the financial statements of Hemas Holdings PLC and all its Subsidiaries as at 31 March 2009. 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, income and expenses, unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition being the date of which the Group obtains control and continue to be consolidated untill the date that such control ceases.

Minority Interests represent the portion of profit or loss and net assets that is not held by the Group and presented separately in the Income Statement and within equity in the consolidated Balance Sheet, separately from Parent 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 Associate Companies are accounted for using the equity method of accounting. An Associate is an entity in which the Company has significant influence.

Under the equity method, the investment 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, where 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 (Pvt) Ltd., where the financial statements are prepared for 31 December 2008. All the material transactions are adjusted for the 3-month period ended 31 March 2009. Accounting policies of the Joint Ventures are consistent with the Parent Company.

d. Business Combination and Goodwill

Business Combinations are accounted for using the purchase 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 is credited to the Income Statement.

e. Changes in Group Companies

The Group has formed N-able (Pvt) Ltd., a fully owned subsidiary and Deithlem (Pvt) Ltd. as a 80% owned subsidiary. The Group has acquired its stake in Hemas Hospitals (Pvt) Ltd. from 49.7% to 65%, which is currently accounted as a subsidiary. Further the Group has disposed 51% stake of Hemas International Freight (Pvt) Ltd. and this is currently recognised as a Jointly Controlled entity and the Group has entered into a joint venture agreement with Skynet Worldwide Express (Pvt) Ltd.

Name of Hemas Shipping (Pvt) Ltd. has been changed to Hemas Transportation (Pvt) Ltd. and Clinical Solutions (Pvt) Ltd. has been changed to Hemas Clinical Research Services (Pvt) Ltd.

f. 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 (Pvt) 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 year's figures and phrases have been rearranged 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 Changes in Accounting Policies

The accounting policies adopted are consistent with those used in the previous year except as follows:

The Group and its Subsidiaries have adopted SLAS 16 on Employees' Benefits (Revised 2006). This adoption did not have a significant impact on the financial statements [refer Accounting Policy 2.4.14 (a)]

2.3 Significant Accounting Estimates and Assumptions

Judgments

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

Deferred Tax Assets

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

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.

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 a material adjustment 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.

Defined Benefit Plans

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

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translations and Hedging

The financial statements are presented in Sri Lanka 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 portion 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 recognised in the Income Statement.

2.4.2 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.

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

Tax on dividend income from Subsidiaries and Associates is recognised as an expense in the Consolidated Income Statement.

2.4.3 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 capitalised as part of that asset.

2.4.4 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 are 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 has 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 derecognised.

Research and Development Costs

Research costs are expensed as incurred. Intangible assets arising from development expenditure on an individual project are 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 in which the asset is not yet in use, it is tested for impairment annually.

2.4.5 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 is accounted for using the following cost formulae:

Raw Materials	-	At actual cost on first-in first-out/ weighted average basis.
Foods and Beverages Stocks	-	At actual cost on weighted average basis.
Finished Goods and Work-in-Progress	-	At cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
Consumables and Spares	-	At actual cost on first-in first-out basis.
Goods-in-Transit and Other Stocks	-	At actual cost.
Medical Supplies	-	At actual cost on first-in first-out basis.

2.4.6 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.

2.4.7 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 consist 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.

2.4.8 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 all Property, Plant and Equipment other than freehold land.

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

Freehold Buildings	1.5% - 10%
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	25% - 33.33 %
Motor Vehicles	16.66% - 25%
Crockery and Cutlery	50% - 100%
Revertment	5% - 10%

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

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.

2.4.9 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 and major plant and machinery awaiting capitalisation.

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

2.4.10 Leased Property

Leasehold property comprising land use rights obtained on a long-term basis, is stated at the recorded carrying values as at the effective date of the 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 amortised over the remaining lease term or useful life of the leased property whichever is shorter.

2.4.11 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. Capitalised 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 the 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.

2.4.12 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 investments 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.

Unrealised 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 Companies' financial statements, investments in Subsidiaries were accounted for in the equity method until 31 March 2006. With effect from 1 April 2006 in accordance with the revised SLAS 26 - the Investment in Subsidiaries are accounted for at the carrying value as that date and any investment made after 1 April 2006 is carried at cost, net of any provision for other than temporary diminution in value.

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 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 of 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.

2.4.13 Provisions

Provisions are recognised 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.

2.4.14 Retirement Benefit Liability

a. Defined Benefit Plan - Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every 3 years using the Projected Unit Credit Method. Actuarial gains and losses are recognised as income or expenses over the expected average remaining working lives of the participants of the plan.

Accordingly, the employee benefit liability is based on the actuarial valuation carried out by Messrs Actuarial and Management Consultants (Pvt) Ltd., Actuaries.

The key assumptions used by the Actuary include the following:

Rate of interest	12%
Rate of salary increase	10%
Retirement age	50-60 years

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.

2.4.15 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 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.

2.4.16 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) is received at the metering point.)

d. Apartment and Food and Beverages Sales

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

e. Turnover-Based Taxes

Turnover-based taxes include Value Added Tax, Economic Service Charge, National Building Tax and Turnover Tax, which are payable to Provincial Council in respect of trading activities and Tourism Development Levy, which is payable to the Ceylon Tourist Board by all companies licenced 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.

2.5 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.

2.6 Employee Share Ownership Scheme (ESOS)

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

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

The 1st tranche of 650,000 shares were issued to the Trustees on 6 February 2009 at Rs. 62/- per share, on behalf of the Senior Management. These shares will be held in trust for the eligible employees until such time as the shares are transferred to them in terms of the ESOS Trust - 2008.

Year ended 31 March	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
3. REVENUE				
Summary				
Sales of Goods	**8,296,823,958**	7,258,864,579	**–**	–
Rendering of Services	**7,045,454,120**	6,904,940,345	**334,288,740**	224,683,897
	15,342,278,078	14,163,804,924	**334,288,740**	224,683,897

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

Year ended 31 March	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
4. DIVIDEND INCOME				
Income from Investments - Related Parties	**–**	–	**141,156,406**	**157,137,674**
- Others	**1,417**	738,337	**–**	–
	1,417	738,337	**141,156,406**	157,137,674
5. OTHER INCOME AND GAINS				
Profit on Disposal of Investments	**16,677**	60,490,599	**(9,655,923)**	–
Gain/Surplus on Disposal and Acquisition	**36,830,451**	7,344,168	**–**	–
Rental Income	**7,868,566**	2,730,000	**988,393**	–
Commission Income	**8,902,297**	12,285,856	**–**	–
Exchange Gain	**20,911,678**	24,564,624	**–**	–
Sundry Income	**23,521,343**	24,654,048	**1,957,474**	61,535
	98,051,012	132,069,295	**(6,710,056)**	61,535
6. FINANCE COST AND INCOME				
6.1 Finance Cost				
Interest Expense on Overdrafts	**147,632,938**	146,366,561	**214,692**	308,798
Interest Expense on Loans and Borrowings - Rupee	**161,745,392**	62,316,832	**127,070,469**	42,176,110
- USD	**160,507,877**	131,506,742	**–**	–
Debenture Interest	**111,890**	4,619,774	**–**	–
Bank Guarantee Charges	**1,767,548**	833,677	**–**	–
Finance Charges on Lease Liabilities	**171,756**	920,959	**–**	–
	471,937,401	346,564,545	**127,285,161**	42,484,908
6.2 Finance Income				
Interest Income - Related Parties	**–**	–	**30,264,289**	24,569,767
- Others	**116,757,925**	111,995,034	**2,831,723**	1,141,589
	116,757,925	111,995,034	**33,096,012**	25,711,356

	Group		Company	
	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.

7. PROFIT BEFORE TAX

Stated after Charging/(Crediting)

	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.
Auditors' Fees	**6,801,925**	5,626,908	**820,000**	735,000
Depreciation - Cost	**452,814,945**	405,657,234	**22,685,551**	27,417,748
- Valuation	**45,400,303**	24,137,263	**–**	–
- Leases	**2,265,405**	2,878,230	**–**	–
Donations	**409,909**	742,774	**–**	115,000
Profit on Disposal of Property, Plant and Equipment	**(545,796)**	(6,896,558)	**(1,272,274)**	(604,969)
Bad Debts Written-off	**2,369,117**	29,766,210	**–**	–
Provision for Doubtful Debts	**5,281,645**	7,486,645	**–**	–
Provision for Obsolete Stocks	**21,519,278**	13,128,859	**–**	–
Staff Costs includes:				
Defined Benefit Plan Cost - Gratuity	**22,914,881**	42,106,221	**(347,375)**	6,491,426
Defined Contribution Plan Cost - MSPS/EPF/ETF	**90,788,544**	71,539,729	**8,730,431**	7,342,144
Legal Fees	**1,055,845**	1,633,561	**135,000**	20,000

8. INCOME TAX EXPENSE

	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (8.1)	**128,369,384**	127,911,495	**11,709,866**	3,982,928
Under/(Over) Provision of Current Taxes in respect of prior years	**8,165,893**	1,791,612	**–**	–
Tax on Dividends	**3,813,961**	7,513,509	**–**	–
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (8.2)	**(2,495,506)**	(28,591,772)	**1,932,184**	(14,834,663)
	137,853,732	108,624,845	**13,642,050**	(10,851,735)

8.1 Reconciliation between Current Tax Expense and the Accounting Profit

	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.
Accounting Profit Before Tax	**856,931,524**	1,259,454,768	**158,818,853**	156,132,521
Intra Group Adjustment/Share of Profits of Subsidiaries	**299,016,100**	408,478,386	**–**	–
	1,,155,947,624	1,667,933,154	**158,818,853**	156,132,521
Aggregate Disallowed Items	**388,877,154**	426,316,131	**50,272,263**	49,341,037
Aggregate Allowable Expenses	**(278,742,329)**	(739,976,982)	**(16,973,918)**	(25,031,886)
Aggregate Allowable Income	**(158,812,010)**	(148,922,033)	**(141,156,406)**	(157,144,088)
Incentives not recognised in the Income Statements	**–**	(613,812,422)	**–**	61,535
Taxable Profit	**1,107,270,439**	591,537,848	**50,960,792**	23,359,119
Tax Losses Brought Forward and Utilised	**(89,069,992)**	(20,075,644)	**(17,836,812)**	(3,604,154)
	1,018,200,447	571,462,204	**33,123,981**	19,754,965
Current Income Tax Expense	**128,369,384**	127,911,495	**11,709,866**	3,982,928

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

	Group		Company	
	2009	2008	**2009**	2008
	Rs.	Rs.	**Rs.**	Rs.
8.2 Deferred Tax Expense/(Income)				
Deferred Tax Expense/(Income) arising due to				
- Origination and Reversal of Timing Differences	**(2,495,506)**	(28,591,772)	**1,932,184**	(14,834,663)
	(2,495,506)	(28,591,772)	**1,932,184**	(14,834,663)

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

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% (2008 - 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 (Pvt) Ltd. and Hemtours (Pvt) Ltd. is taxed at 15%, while other income of these Companies are taxed at 35% (2008 - 35%).

Hemas Developments (Pvt) Ltd., has obtained BOI approval under Section 17 and it enjoys a 7 year tax holiday commencing from year of assessment 1998/99 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.

Pursuant to the agreement dated 28 August 2003, entered into with the Board of Investment under Section 17 of the Board of Investment Law, Heladhanavi Ltd. is exempt from Income 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.

Pursuant to agreement entered into with the Board of Investment under Section 17 of the Board of Investment Law No. 4 of 1978 Vishwa BPO (Pvt) Ltd., Hemas Hospitals (Pvt) Ltd. and Hemas Southern Hospitals (Pvt) 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 the rate of 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.

Pursuant to an agreement dated 9th July 2007 entered into with the Board of Investment under Section 17 of the Board of Investment Law, for the business of Hemas Manufacturing (Pvt) Ltd. for the manufacture and/or marketing of soap, personal care items and other Fast Moving Consumer Goods at its relocated factory in Dankotuwa under the 300 Enterprises programme, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of 5 years from the year in which the Enterprise commences commercial operations at the relocated factory, which will expire in the year 2012/13. After the expiry of the aforesaid tax exemption period, the profits of the Company shall be charged at a concessionary tax rate of 10% for a period of 2 years and 20% thereafter.

Pursuant to an agreement entered into with BOI, profit of the Giddawa Hydro Power (Pvt) Ltd. is exempted from Income Tax for a period of five (5) years reckoned from the year of assessment as may be determined by the Board, in which the Company commences to make profits or any year of assessment not later than two (2) years from the date of commencement of commercial operations of the Company, which ever is earlier. As such the exemption period would expire in 2012/2013. After the expiration of the aforesaid tax exemption period, the profit of the Company shall be charged at the rate of 10% for a period of two (2) years immediately succeeding the last date of the tax exemption period. After the expiration of the aforesaid concessionary tax rate of 10%, the profits of the Company shall for any year of assessment be charged at the rate of 20%.

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.

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

	Group	
	2009 Rs.	2008 Rs.
Amount used as the Numerator:		
Profit for the Year	**775,127,792**	1,135,418,670
Less: Preference Dividends	**(7,678,265)**	(8,037,900)
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	**767,449,527**	1,127,380,770
	2009 Number	2008 Number
Number of Ordinary Shares used as Denominator:		
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings Per Share	**101,416,457**	101,308,124

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

		2009 Rs.	2008 Rs.

10. DIVIDEND PER SHARE - GROUP/COMPANY

10.1 Dividends Paid

		2009 Rs.	2008 Rs.
Interim out of 2007/08 Profits	- Gross	–	126,635,155
	- Tax on Dividends	–	(12,654,840)
	- Net	–	113,980,315
Final out of 2007/08 Profits	Net dividend paid to ordinary shareholders	**113,971,640**	–
	Withholding tax deducted at source from Dividend out of Profits	**1,369,398**	–
	Gross ordinary dividend Paid	**115,341,038**	–
	Gross ordinary dividend Paid	**115,341,038**	–
	Withholding tax deducted at source from Dividend out of Dividend received	**11,294,117**	–
	Gross Dividend	**126,635,155**	–

10.2 Dividend Per Share

	2009 Rs.	2008 Rs.
- Interim out of 2007/08 Profits	–	1.25
- Final out of 2007/08 Profits	**1.25**	–

10.3 The Final dividend was on 4 July 2008 (Interim on 21 February 2008).

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	Balance As at 01.04.2008 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	**Balance As at 31.03.2009 Rs.**
Gross Carrying Amount				
At Cost/Cost incurred since last Revaluation				
Freehold Land	38,259,641	147,177,033	–	**185,436,074**
Freehold Buildings	34,139,510	1,966,170,263	(26,522,543)	**1,973,787,230**
Plant and Machinery	3,438,186,605	330,422,399	(37,544,300)	**3,731,064,704**
Furniture and Fittings	293,378,194	86,375,936	(12,008,952)	**367,745,178**
Office and Factory Equipment	145,596,541	499,375,436	(6,218,512)	**638,753,465**
Computer Hardware and Software	341,007,691	63,570,381	(35,749,100)	**368,828,972**
Motor Vehicles	293,953,352	181,516,210	(64,686,656)	**410,782,906**
Revertment	19,108,922	–	–	**19,108,922**
	4,603,630,456	3,274,007,658	(182,730,063)	**7,695,508,051**
At Valuation				
Freehold Land	434,266,370	–	–	**434,266,370**
Freehold Buildings	641,412,150	–	–	**641,412,150**
Buildings on Leasehold Land	332,140,755	3,882,991	–	**336,023,746**
	1,407,819,275	3,882,991	–	**1,411,702,266**
Assets on Finance Lease				
Motor Vehicles	13,939,889	–	(1,438,596)	**12,501,293**
	13,939,889	–	(1,438,596)	**12,501,293**
Total Value of Assets	6,025,389,620	3,278,490,649	(184,168,659)	**9,119,711,610**

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

11.1 Group (Contd...)

	Balance As at 01.04.2008 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	**Balance As at 31.03.2009 Rs.**
Depreciation				
At Cost				
Freehold Buildings	6,801,007	8,052,933	(705,638)	**14,148,302**
Plant and Machinery	935,555,880	254,227,369	(11,597,605)	**1,178,185,644**
Furniture and Fittings	147,517,624	33,030,690	(9,506,696)	**171,041,618**
Office and Factory Equipment	74,041,836	24,303,507	(2,851,476)	**95,493,867**
Computer Hardware and Software	240,664,460	69,962,864	(28,476,339)	**282,150,985**
Motor Vehicles	166,137,497	61,793,465	(51,318,429)	**176,612,533**
Revertment	1,696,117	1,444,117	–	**3,140,234**
	1,572,414,421	452,814,945	(104,456,183)	**1,920,773,183**
At Valuation				
Freehold Buildings	46,106,967	36,733,251	(769,088)	**82,071,130**
Buildings on Leasehold Land	26,577,657	8,667,052	–	**35,244,709**
	72,684,624	45,400,303	(769,088)	**117,315,839**
Assets on Finance Lease				
Motor Vehicles	8,349,609	2,265,405	(644,096)	**9,970,918**
	8,349,609	2,265,405	(644,096)	**9,970,918**
Total Depreciation	1,653,448,654	500,480,653	(105,869,367)	**2,048,059,940**
Capital Work-In-Progress				
At Cost	792,947,900	1,702,967,429	(2,404,386,756)	**91,528,572**
At Valuation	17,500,000	–	–	**17,500,000**
	810,447,900	1,702,967,429	(2,404,386,756)	**109,028,572**

	2009 Rs.	2008 Rs.
Net Book Values		
At Cost	**5,883,763,440**	3,841,663,935
At Valuation	**1,294,386,427**	1,335,134,651
Assets on Finance Lease	**2,530,375**	5,590,280
Total Carrying Amount	**7,180,680,242**	5,182,388,866

11.1.1 The Land and Buildings of Hemas Manufacturing (Pvt) Ltd., Stafford Hotels PLC & Miami Beach Hotels Ltd. were last revalued during the financial year 2004/05 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 2006/07 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 1st 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. 3,278,490,649/- (2008 - Rs. 1,068,607,918/-). Cash payments amounting to Rs. 1,666,759,197/- (2008 - Rs. 1,068,607,918/-) was paid during the year of purchases of Property, Plant and Equipment.

	Balance As At 01.04.2008 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposal/ Transfers Rs.	**Balance As at 31.03.2009 Rs.**
11.2 Company				
At Cost				
Roadways	6,975,688	–	–	**6,975,688**
Furniture and Fittings	11,278,512	95,291	–	**11,373,803**
Office Equipment	11,427,553	151,230	(133,622)	**11,445,161**
Computer Hardware and Software	68,583,452	8,889,519	(643,500)	**76,829,471**
Motor Vehicles	13,123,015	34,427,391	(1,910,125)	**45,640,281**
Total Value of Assets	111,388,220	43,563,431	(2,687,247)	**152,264,404**

	Balance As at 01.04.2008 Rs.	Charge For the Year Rs.	Disposals/ Transfers Rs.	**Balance As at 31.03.2009 Rs.**
Depreciation				
At Cost				
Furniture and Fittings	2,802,330	1,407,858	–	**4,210,189**
Office Equipment	6,897,215	1,231,162	(83,939)	**8,044,437**
Computer Hardware and Software	49,893,140	14,627,059	(175,732)	**64,344,467**
Motor Vehicles	5,325,855	5,419,472	(1,910,125)	**8,835,202**
Total Depreciation	64,918,540	22,685,551	(2,169,796)	**85,434,295**

	2009 Rs.	2008 Rs.
Net Book Values		
At Cost	**66,830,110**	46,469,680

11.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 43,563,431/- (2008 - Rs. 6,925,439/-) by means of cash.

	Group		**Company**	
	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.
12. INVESTMENT PROPERTY				
Investment Properties at Fair Value at the beginning of the Year	**1,178,709,950**	963,709,950	**271,709,950**	258,709,950
Change in Fair Value of Investment Properties during the Year	**–**	215,000,000	**–**	13,000,000
Investment Properties at Fair Value at the end of the Year	**1,178,709,950**	1,178,709,950	**271,709,950**	271,709,950

13. INTAINGIBLE ASSETS

13.1 Non-Current

	Group 2009 Rs.	Group 2008 Rs.
Goodwill	**50,174,273**	41,099,987
Brands	**132,521,739**	132,521,739
Project Development Expenses	**8,518,482**	–
	191,214,494	173,621,726

13.1.1 Goodwill

	2009 Rs.	2008 Rs.
Balance at the beginning of the Year	**41,099,987**	20,664,878
Acquired during the Year	**9,074,286**	20,435,109
Impairment/Amortisation during the Year	**–**	–
Balance at the end of the Year	**50,174,273**	41,099,987

13.1.2 Brands

	2009 Rs.	2008 Rs.
Balance at the beginning of the Year	**132,521,739**	129,000,000
Acquired during the Year	**–**	3,521,739
Balance at the end of the Year	**132,521,739**	132,521,739

13.1.3 Development Expenses

	2009 Rs.	2008 Rs.
Balance at the beginning of the Year	**–**	5,898,074
Acquired during the year	**9,892,271**	–
Impairment/Written Off during the Year	**(1,373,789)**	(5,898,074)
Balance at the end of the Year	**8,518,482**	–

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.

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

14. LEASEHOLD PROPERTY

	Group 2009 Rs.	Group 2008 Rs.
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	**8,862,083**	5,796,365
Amortised during the Year	**3,065,718**	3,065,718
Balance at the end of the Year	**11,927,801**	8,862,083
Carrying Value at the end of the Year	**64,910,569**	67,976,287

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. 42,542,432/- and Rs. 3,148,141/- 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.

15. INVESTMENT IN SUBSIDIARIES

	Group Holding		Company Holding		Company	
	2009 %	2008 %	**2009 %**	2008 %	**2009 Rs.**	2008 Rs.
15.1 Non-Quoted Investments						
Hemas Corporate Services (Pvt) Ltd.	**100**	100	**100**	100	**39,890,699**	16,890,699
Hemas Developments (Pvt) Ltd.	**100**	100	**73**	73	**632,316,443**	632,316,443
Hemas Power (Pvt) Ltd.	**100**	100	**3**	2.2	**384,693,081**	374,693,081
Hemas Manufacturing (Pvt) Ltd.	**100**	100	**100**	100	**890,662,863**	890,662,863
Hemas Marketing (Pvt) Ltd.	**100**	100	**100**	100	**650,031,275**	650,031,275
Hemas Foods (Pvt) Ltd.	**100**	100	**100**	100	**24,845,575**	24,845,575
Hemas Pharmaceuticals (Pvt) Ltd.	**100**	100	**100**	100	**380,947,388**	380,947,388
Hemas Surgicals and Diagnostics (Pvt) Ltd.	**100**	100	**100**	100	**23,956,545**	23,956,545
Hemas Travels (Pvt) Ltd.	**100**	100	**100**	100	**123,876,586**	123,876,586
Hemas International Freight (Pvt) Ltd.	**–**	100	**–**	100	**–**	61,314,987
Hemas Air Services (Pvt) Ltd.	**100**	100	**100**	100	**64,687,574**	64,687,574
Forbes Air Services (Pvt) Ltd.	**100**	100	**100**	100	**97,581,714**	97,581,714
Discover the World Marketing (Pvt) Ltd.	**100**	100	**100**	100	**4,665,732**	4,665,732
Hemas Aviation (Pvt) 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 (Pvt) 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 Transportation (Pvt) Ltd. (Formerly known as Hemas Shipping (Pvt) Ltd.)	**100**	100	**100**	100	**300,000**	300,000
ACX International (Pvt) Ltd.	**100**	100	**100**	100	**21,788,300**	21,788,300
Mowbray Hotels Ltd.	**89**	89	**89**	89	**46,201,442**	46,201,442
Far Shipping Lanka (Pvt) Ltd.	**100**	100	**100**	100	**3,000,000**	3,000,000
Hemas Hospitals (Pvt) Ltd.	**65**	–	**56**	–	**507,038,025**	–
Vishwa BPO (Pvt) Ltd.	**100**	100	**100**	–	**10,000,000**	–
					4,721,730,507	4,233,007,469
15.2 Quoted Investments						
Serendib Hotels PLC	**51**	51	**22.4**	22.4	**120,755,299**	120,755,299
Total					**4,842,485,806**	4,353,762,768

	Holding % 2009 %	2008 %	Carrying Value 2008 Rs.	Disposal/ Transfer of Investment Rs.	Carrying Value 2009 Rs.
16. INVESTMENTS IN ASSOCIATES					
Group					
Hemas Hospitals (Pvt) Ltd.	–	49.7	205,793,202	(205,793,202)	–
			205,793,202	(205,793,202)	–

	Group Holding 2009 %	2008 %	Company Holding 2009 %	2008 %	Company 2009 Rs.	2008 Rs.
17. INVESTMENT IN JOINT VENTURE						
Hellmann Worldwide Logistics (Pvt) Ltd.	49	49	49	49	8,474,920	8,474,920
Hemas International Freight (Pvt) Ltd.	49	–	49	–	30,044,344	–
Heladhanavi Ltd.	50	50	–	–	–	–
					38,519,264	8,474,920

	Group 2009 Rs.	2008 Rs.	Company 2009 Rs.	2008 Rs.
18. OTHER INVESTMENTS				
Summary				
Non-Current				
Investments in Equity Securities (Note 18.1/18.2)	80,498,596	26,088,014	105,248,398	16,405,100
	80,498,596	26,088,014	105,248,398	16,405,100
Current				
Investment in Equity Securities (Note 18.1.2/18.2.1)	67,694	67,694	48,642	48,642
	67,694	67,694	48,642	48,642
Total Carrying Value of Other Investments	80,566,290	26,155,708	105,297,040	16,453,742

	No. of Shares 2009	2008	Carrying Value 2009 Rs.	Market Value 2009 Rs.	Carrying Value 2008 Rs.	Market Value 2008 Rs.
18.1 Investments in Equity Securities - Non-Current						
Group						
a. Quoted						
Overseas Realty (Ceylon) PLC	1,000	1,000	10,000	7,750	10,000	12,000
Eden Hotels Lanka PLC	127	127	861	1,238	861	1,778
Galadari Hotels PLC	2,000	2,000	18,750	15,500	18,750	22,500
Blue Diamond Jewellers PLC	1,300	1,300	3,900	1,950	3,900	3,510
Royal Palm Beach Hotels PLC	85	85	676	2,699	676	3,400
Kotmale Holdings PLC	40,000	40,000	400,000	380,000	400,000	410,000
Mercantile Shipping PLC	426,223	–	53,843,298	42,302,633	–	–
Total Investment in Quoted Equity Securities			54,277,485	42,711,770	434,187	453,188

18. OTHER INVESTMENTS (Contd...)

18.1 Investments in Equity Securities (Contd...)

b. Non-Quoted

	Carrying Value 2009 Rs.	Carrying Value 2008 Rs.
Felix Hotels Ltd.	**–**	25,930
Rainforest Ecology (Pvt) Ltd.	**10,020,000**	10,000,000
SLFFA Cargo Services Ltd.	**201,111**	357,511
CT Capital (Pvt) Ltd.	**16,000,000**	16,000,000
Giddawa Hydro Power (Pvt) Ltd.	**100**	–
	26,221,210	26,383,441
Less: Provision for fall in Value	**–**	(729,614)
Total Investment in Non-Quoted Equity Securities	**26,221,211**	25,653,827
Total Equity Investments	**80,498,696**	26,088,014

	No. of Shares 2009	No. of Shares 2008	**Carrying Value 2009 Rs.**	**Market Value 2009 Rs.**	Carrying Value 2008 Rs.	Market Value 2008 Rs.
18.1.2 Investments in Equity Securities - Current						
Group						
a. Quoted						
John Keells Holdings PLC	**726**	726	**48,642**	**45,557**	48,642	86,939
Ceylon Theatres PLC	**143**	143	**24,000**	**3,857**	24,000	–
Lankem Ceylon PLC	**1,500**	1,500	**14,500**	**43,125**	14,500	69,750
			87,142	**92,359**	87,142	156,689
Less: Provision for fall in Value			**(30,823)**	**–**	(30,823)	–
Total Investments in Quoted Equity Securities		**56,319**	**92,359**	56,319	156,689	
b. Non-Quoted						
Coca Cola Beverages Sri Lanka Ltd.	**100**	100	**5,275**		5,275	
Carsons Marketing Ltd.	**100**	100	**1,600**		1,600	
Glaxo Ceylon Ltd.	**150**	150	**4,500**		4,500	
Total Investments in Non-Quoted Equity Securities			**11,375**		11,375	
Total Equity Investments			**67,694**	**92,359**	67,694	156,689
18.2 Investment in Equity Securities - Non-Current						
Company						
a. Quoted						
Overseas Realty (Ceylon) PLC	**500**	500	**5,000**	**3,875**	5,000	6,000
Kotmale Holdings PLC	**40,000**	40,000	**400,000**	**380,000**	400,000	410,000
Mercantile Shipping PLC	**426,223**	–	**53,843,298**	**42,302,633**	–	–
			54,248,298	**42,686,508**	405,000	416,000

18. OTHER INVESTMENTS (Contd...)

	No. of Shares 2009	No. of Shares 2008	Carrying Value 2009 Rs.	Market Value 2009 Rs.	Carrying Value 2008 Rs.	Market Value 2008 Rs.
18.2 Investment in Equity Securities - Non Current (Contd...)						
b. Non-Quoted						
CT Capital (Pvt) Ltd.	**1,600,000**	1,600,000	**16,000,000**		**16,000,000**	
Giddawa Hydro Power (Pvt) Ltd.	**350,001**	1	**35,000,100**		**100**	
			51,000,100		**16,000,100**	
Total Carrying Value of Equity Investment			**105,248,398**		**16,405,100**	
18.2.1 Investment in Equity Securities - Current						
a. Quoted						
John Keells Holdings PLC	**726**	726	**48,642**	**45,557**	48,642	86,939
Total Carrying Value of Equity Investment			**48,642**	**45,557**	48,642	86,939

The market value of Company's investment portfolio has been obtained from official valuation list as at 31 March published by the Colombo Stock Exchange. Provision has not been made for temporary fluctuations in market prices of long-term investments.

19. INVENTORIES

	Group 2009 Rs.	Group 2008 Rs.
Raw Materials	**261,091,046**	248,782,334
Work-in-Progress	**18,489,753**	32,531,227
Finished Goods and Other Stocks	**968,517,597**	942,996,370
Goods in Transit	**82,215,988**	52,278,702
	1,330,314,385	1,276,588,633
Less: Provision for Obsolete Stocks	**(21,519,278)**	(13,474,227)
	1,308,795,107	1,263,114,406

20. TRADE AND OTHER RECEIVABLES

	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
20.1 Summary				
Trade Debtors				
Related Parties (20.2)	**–**	–	**97,314,722**	116,049,842
Others	**1,832,645,857**	1,862,889,861	**2,717,562**	3,052,504
Ceylon Electricity Board	**1,022,061,415**	1,071,780,425	**–**	–
Less: Provision for Doubtful Debts	**(8,350,363)**	(9,562,663)	**–**	–
	2,846,356,909	2,925,107,623	**100,032,284**	119,102,346
Other Debtors				
Related Parties (20.3)	**–**	–	**8,536,247**	9,711,402
Others	**512,123,648**	571,425,387	**31,422,348**	20,904,756
Advances and Prepayments	**190,389,329**	140,775,506	**6,574,579**	6,041,250
Less: Provision for Doubtful Debts	**(37,796,416)**	(46,683,401)	**–**	–
	3,511,073,470	3,590,625,115	**146,565,458**	155,759,754
Loans to Company Officers (20.4)	**66,622,944**	52,825,559	**10,478,541**	10,568,008
	3,577,696,414	3,643,450,674	**157,043,999**	166,327,762

	Relationship	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
20.2 Trade Dues from Related Parties					
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	**–**	–	**45,100,803**	41,076,128
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	**–**	–	**343,091**	790,524
Hemas International Freight (Pvt) Ltd.	Joint Venture	**–**	–	**1,845**	1,450,340
Hemas Travels (Pvt) Ltd.	Subsidiary	**–**	–	**3,401,858**	10,844,446
Hemas Power (Pvt) Ltd.	Subsidiary	**–**	–	**250,420**	100,575
Hemas Marketing (Pvt) Ltd.	Subsidiary	**–**	–	**17,100**	16,857,536
Hemas Air Services (Pvt) Ltd.	Subsidiary	**–**	–	**3,412,127**	10,588,473
Hemtours (Pvt) Ltd.	Subsidiary	**–**	–	**101,738**	1,088,363
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	**–**	–	**–**	12,795
Exchange & Finance Investment Ltd.	Subsidiary	**–**	–	**7,129**	7,188
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	**–**	–	**544,271**	158,125
Hemas Hospitals (Pvt) Ltd.	Subsidiary	**–**	–	**5,041,503**	171,518
Hemas Aviation (Pvt) Ltd.	Subsidiary	**–**	–	**5,476**	74,602
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	**–**	–	**565,529**	11,332,235
Forbes Air Services (Pvt) Ltd.	Subsidiary	**–**	–	**29,157,918**	21,275,000
ACX International (Pvt) Ltd.	Subsidiary	**–**	–	**1,195,199**	221,994
Hemas Development (Pvt) Ltd.	Subsidiary	**–**	–	**1,136,273**	–
Diethelm Travels (Pvt) Ltd.	Subsidiary	**–**	–	**465,212**	–
Heladhanavi Ltd.	Joint Venture	**–**	–	**820,139**	–
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	**–**	–	**2,430**	–
Serendib Leisure Management (Pvt) Ltd.	Subsidiary	**–**	–	**74,007**	–
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	**–**	–	**76,534**	–
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	**–**	–	**4,727,369**	–
N-Able (Pvt) Ltd.	Subsidiary	**–**	–	**866,751**	–
		–	–	**97,314,722**	116,049,842

	Relationship	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
20.3 Other Dues from Related Parties					
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	**–**	–	**982,040**	4,641,718
Hemtours (Pvt) Ltd.	Subsidiary	**–**	–	**992**	1,560,554
Hemas International Freight (Pvt) Ltd.	Joint Venture	**–**	–	**17,773**	296,573
Hemas Development (Pvt) Ltd.	Subsidiary	**–**	–	**165,587**	154,437
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	**–**	–	**1,723**	287,500
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	**–**	–	**4,131,875**	1,860,423
Forbes Air Services (Pvt) Ltd.	Subsidiary	**–**	–	**86,128**	362,690
Hemas Travels (Pvt) Ltd.	Subsidiary	**–**	–	**–**	547,507
Diethelm Travels (Pvt) Ltd.	Subsidiary	**–**	–	**432,904**	–
Vishwa BPO (Pvt) Ltd.	Subsidiary	**–**	–	**220,749**	–
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	**–**	–	**8,317**	–
Hemas Hospitals (Pvt) Ltd.	Subsidiary	**–**	–	**1,311,921**	–
Hemas Power (Pvt) Ltd.	Subsidiary	**–**	–	**76,708**	–
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	**–**	–	**16,055**	–
N-Able (Pvt) Ltd.	Subsidiary	**–**	–	**1,051,875**	–
Okanda Power (Pvt) Ltd.	Subsidiary	**–**	–	**31,600**	–
		–	–	**8,536,247**	9,711,402

20.4 Loans to Company Officers:

Summary

	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Balance at the beginning of the Year	**52,825,559**	43,742,550	**10,568,008**	11,366,756
Loans Granted During the Year	**49,576,911**	28,458,228	**5,497,490**	3,821,822
Less: Repayments	**(35,779,526)**	(19,375,219)	**(5,586,957)**	(4,620,570)
Balance at the end of the Year	**66,622,944**	52,825,559	**10,478,541**	10,568,008

21. LOANS DUE FROM RELATED PARTIES

	Relationship	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Non-Current					
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	**–**	–	**13,123,048**	–
Hemas Hospitals (Pvt) Ltd.	Subsidiary	**–**	–	**150,000,000**	–
		–	–	**163,123,048**	–
Current					
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	**–**	–	**35,000,000**	20,000,000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	**–**	–	**–**	5,539,999
Hemas Power (Pvt) Ltd.	Subsidiary	**–**	–	**31,250,000**	96,407,564
Hemas Marketing (Pvt) Ltd.	Subsidiary	**–**	–	**–**	3,100,000
Hemas International Freight (Pvt) Ltd.	Joint Venture	**–**	–	**12,000,000**	18,000,000
Hemas Travels (Pvt) Ltd.	Subsidiary	**–**	–	**–**	15,000,000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	**–**	–	**–**	8,000,000
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	**–**	–	**–**	1,000,000
ACX International (Pvt) Ltd.	Subsidiary	**–**	–	**600,000**	600,000
Hemas Hospitals (Pvt) Ltd.	Subsidiary	**–**	20,000,000	**8,316,260**	20,000,000
Hemas Clinical Research Services (Pvt) Ltd.	Subsidiary	**–**	–	**1,150,000**	2,150,000
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	**–**	–	**2,000,000**	3,520,000
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	**–**	–	**21,450,000**	–
Hemtours (Pvt) Ltd.	Subsidiary	**–**	–	**33,000,000**	–
N-Able (Pvt) Ltd.	Subsidiary	**–**	–	**12,500,000**	–
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	**–**	–	**1,000,000**	–
Mowbray Hotels (Pvt) Ltd.	Subsidiary	**–**	–	**1,100,000**	–
		–	20,000,000	**159,366,260**	193,317,563

22. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Hemtours (Pvt) Ltd.	Subsidiary	–	–	23,245,813	14,925,000
Hemas Marketing (Pvt) Ltd.	Subsidiary	–	–	4,604,631	–
Hemas International Freight (Pvt) Ltd.	Joint Venture	–	–	–	19,904,137
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	70,053,013	59,780,869
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	–	–	849,654	36,131
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	–	–	39,734	–
Hemas Air Services (Pvt) Ltd.	Subsidiary	–	–	12,148,300	3,372,425
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	2,000,000	1,000,000
Hemas Power (Pvt) Ltd.	Subsidiary	–	–	4,016,749	4,010,547
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	44,175,565	3,678,375
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	3,963,695	13,237,822
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	–	–	54,562	25,154
ACX International (Pvt) Ltd.	Subsidiary	–	–	81,740	107,287
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	–	–	–	9,822
Hemas Clinical Research Services (Pvt) Ltd.	Subsidiary	–	–	1,248,602	32,123
Hemas Hospitals (Pvt) Ltd.	Subsidiary	–	13,286,243	40,385,055	40,000,000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	25,000,000	60,046,575
Hemas Aviation (Pvt) Ltd.	Subsidiary	–	–	2,415	–
N-Able (Pvt) Ltd.	Subsidiary	–	–	400,370	–
Exchange & Finance Investment Ltd.	Subsidiary	–	–	3,594	–
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	–	–	382,574	–
Mowbray Hotels (Pvt) Ltd.	Subsidiary	–	–	126,638	–
		–	13,286,243	232,782,704	220,166,267

23. STATED CAPITAL - GROUP/COMPANY

	2009 No.	2009 Rs.	2008 No.	2008 Rs.
23.1 Fully Paid Ordinary Shares (23.1.1)	**101,958,124**	**1,369,222,534**	101,308,124	1,329,012,573

23.1.1 Fully Paid Ordinary Shares

	2009 No.	2009 Rs.	2008 No.	2008 Rs.
Balance at the beginning of the Year	**101,308,124**	**1,329,012,573**	101,308,124	1,329,012,573
Issue of Shares under Employee Shares Ownership Plan	**650,000**	**40,209,961**	–	–
Balance at the end of the Year	**101,958,124**	**1,369,222,534**	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 instalments, commencing after 24 months from the first date of subscription (from December 2005).

The preference shares do not carry the right to vote.

	Group		Company	
	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.
24. RESERVES				
a. Revaluation and Other Capital Reserve				
Balance at the beginning of the year	**825,586,930**	688,186,008	**372,663,859**	372,663,859
Revaluation Reserve during the Year	**–**	–	**–**	–
Adjustment in Capital Reserve of Subsidiaries	**–**	–	**(4,590,020)**	**–**
Transfer to during the Year	**15,747,071**	84,570,545	**–**	–
Net Gain/(Loss) Recognised Directly in Equity	**224,431**	224,431	**–**	–
Effect of Adopting SLAS 40 (Investment Property)	**–**	70,700,000	**–**	–
Adjustment in Respect of Changes in Group Holding	**–**	(18,094,054)	**–**	–
Balance at the end of the year	**841,558,432**	825,586,930	**368,073,839**	372,663,859
b. Capital Redemption Reserve				
Balance at the beginning of the Year	**–**	25,000,000	**–**	–
Transfer from Retained Earnings	**–**	(25,000,000)	**–**	–
Balance at the end of the Year	**–**	–	**–**	–
c. Exchange Reserve				
Balance at the beginning of the Year	**(42,173,703)**	(77,741,757)	**–**	–
Transfer from/(to) Retained Earnings	**(34,749,885)**	35,568,054	**–**	–
Balance at the end of the Year	**(76,923,588)**	(42,173,703)	**–**	–
Total Reserves	**764,634,844**	783,413,227	**368,073,839**	372,663,859

	2009 Amount Repayable Within 1 Year Rs.	**2009 Amount Repayable After 1 Year Rs.**	**2009 Total Rs.**	2008 Amount Repayable Within 1 Year Rs.	2008 Amount Repayable After 1 Year Rs.	2008 Total Rs.
25. NON-INTEREST BEARING LOANS AND BORROWINGS						
25.1 Group						
Rent Deposits/Advances Payable	**–**	**–**	**–**	–	20,214,441	20,214,441
Other Payables	**1,207,000**	**13,781,847**	**14,988,847**	1,207,000	5,731,123	6,938,123
	1,207,000	**13,781,847**	**14,988,847**	1,207,000	25,945,564	27,152,564

	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.	2008 Amount Repayable Within 1 Year Rs.	2008 Amount Repayable After 1 Year Rs.	2008 Total Rs.
26. INTEREST BEARING LOANS AND BORROWINGS						
26.1 Group						
Finance Leases	**1,510,403**	**1,986,874**	**3,497,277**	1,105,755	3,103,556	4,209,311
Bank Loans						
- Rupee Loans (26.1.1)	**299,346,753**	**1,340,834,492**	**1,640,181,245**	70,654,800	96,151,112	166,805,912
- US$ Syndicate Loan (26.1.2)	**398,180,814**	**360,502,534**	**758,683,348**	371,613,589	708,062,942	1,079,676,531
Debentures (26.1.3)	**9,090,909**	**6,818,182**	**15,909,091**	9,090,909	15,909,091	25,000,000
Commercial Papers -						
Nations Trust Bank PLC	**–**	**–**	**–**	336,560,379	–	336,560,379
Trust Receipt Loan -						
Standard Chartered Bank	**243,716,260**	**–**	**243,716,260**	227,716,260	–	227,716,260
Deutsche Bank	**58,000,000**	**–**	**58,000,000**	45,000,000	–	45,000,000
Bank Overdrafts	**1,142,119,977**	**–**	**1,142,119,977**	1,333,842,407	–	1,333,842,407
	2,151,965,116	**1,710,142,082**	**3,862,107,198**	2,395,584,099	823,226,701	3,218,810,800

	As at 01.04.2008 Rs.	Loans Obtained Rs.	Repayments Rs.	**As at 31.03.2009 Rs.**
26.1.1 Rupee Loans				
Bank Loans	166,805,912	1,914,600,000	(441,224,667)	**1,640,181,245**

	As at 01.04.2008 Rs.	Loans Obtained Rs.	Repayments Rs.	Exchange Gain Rs.	**As at 31.03.2009 Rs.**
26.1.2 US$ Syndicate Loan					
Syndicate Loan	1,079,676,531	–	(378,851,835)	57,858,652	**758,683,348**

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 and 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.

	As at 01.04.2008 Rs.	New Issues Rs.	Redemption Rs.	**As at 31.03.2009 Rs.**
26.1.3 Debentures				
15.75% Unsecured Subordinated Redeemable Fixed Rate Debenture	25,000,000	–	(9,090,909)	**15,909,091**

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.

	2009 Amount Repayable Within 1 Year Rs.	**2009 Amount Repayable After 1 Year Rs.**	**2009 Total Rs.**	2008 Amount Repayable Within 1 Year Rs.	2008 Amount Repayable After 1 Year Rs.	2008 Total Rs.
26.2 Company						
Loans from Related Parties (26.2.1)	**290,868,500**	**1,171,320,577**	**1,462,189,077**	381,847,538	425,844,463	807,692,001
Bank Overdrafts	**896,891**	**–**	**896,891**	928,819	–	928,819
	291,765,391	**1,171,320,577**	**1,463,085,968**	382,776,357	425,844,463	808,620,820

	Relationship	As at 01.04.2008 Rs.	Loans Obtained During the Year Rs.	Repayment/ Transfer During the Year Rs.	**As at 31.03.2009 Rs.**
26.2.1 Loans from Related Parties					
Hemas Marketing (Pvt) Ltd.	Subsidiary	155,851,285	–	(27,283,740)	128,567,545
Hemas Air Services (Pvt) Ltd.	Subsidiary	64,568,597	121,600,200	(127,000,200)	59,168,597
Hemas Developments (Pvt) Ltd.	Subsidiary	66,217,548	371,080,000	(323,380,000)	113,917,548
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	101,904,914	478,181,116	–	580,086,030
Peace Haven Resorts Ltd.	Subsidiary	228,895,298	33,999,700	(6,700,000)	256,194,998
Vishwa BPO (Pvt) Ltd.	Subsidiary	6,000,000	43,000,000	(41,000,000)	8,000,000
Forbes Air Services (Pvt) Ltd.	Subsidiary	52,676,960	289,750,000	(157,750,000)	184,676,960
Hemtours (Pvt) Ltd.	Subsidiary	130,619,995	–	–	130,619,995
Hemas Travels (Pvt) Ltd.	Subsidiary	957,404	–	–	957,404
		807,692,001	1,337,611,016	(525,363,940)	1,462,189,077

Terms and Conditions

1. Treasury Loans (Current)
   Security - Unsecured
   Repayment - Within 3 months
   Interest - Based on market rates

2. Other Loans (Non-Current)
   Security - Unsecured
   Repayments - Grace Period of 3 Years (01/04/2007 - 31/03/2010) and thereafter repayable over 3 years
   Interest - Grace Period of 3 Years (01/04/2007 - 31/03/2010) and thereafter interest chargeable based on Market Rates

27. DEFERRED INCOME TAX

	Group		Company	
	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.
27.1 Deferred Tax Assets				
Balance as at Beginning of the Year	**18,482,425**	–	**–**	–
Income/(Expense) arising during the Year	**3,349,703**	18,482,425	**–**	–
Balance at the End of the Year	**21,832,128**	18,482,425	**–**	–

	Group		Company	
	2009 Rs.	2008 Rs.	**2009 Rs.**	2008 Rs.
27.2 DEFERRED TAX LIABILITIES				
Balance as at Beginning of the Year	**139,563,588**	171,032,817	**37,047,574**	51,882,237
Provision/(Release) made during the Year				
- Directly to Income Statement	**(7,546,598)**	(10,109,346)	**1,932,184**	(14,834,663)
- Directly to Equity	**4,290,736**	(8,597,819)	**–**	–
- Adjustment in respect of prior Year	**–**	(12,762,064)	**–**	–
Balance at the End of the Year	**136,307,726**	139,563,588	**38,979,758**	37,047,574

28. RETIREMENT BENEFIT LIABILITY

	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Retirement Benefit Obligation - Gratuity				
Balance as at Beginning of the Year	**145,535,317**	120,831,293	**13,276,545**	11,381,592
Charge for the Year	**22,914,881**	42,106,220	**(347,375)**	6,491,426
Transfers during the year	**7,184,397**	–	**6,315,995**	–
Payments during the Year	**(34,877,711)**	(17,402,196)	**(137,037)**	(4,596,473)
Balance as at the End of the Year	**140,756,884**	145,535,317	**19,108,128**	13,276,545

28.1 Messrs Actuarial & Management Consultants (Pvt) Ltd. Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31/03/2009. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Discount rate assumed (%)	12%
Further salary increase (%)	10%
Retirement age	50-60 Years

29. PROVISIONS

	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Provision for Delay Interest under EPC/O&M Contracts	**–**	4,703,892	**–**	–
Provision for Delay Interest on Purchase of Fuel	**10,586,961**	11,350,000	**–**	–
Provision for Excess Energy and Others	**1,745,548**	5,446,399	**–**	–
	12,332,509	21,500,291	**–**	–

30. TRADE AND OTHER PAYABLES

	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Trade Payables				
Related Parties (30.1)	**–**	–	**777,204**	1,472,042
Others	**1,880,580,278**	1,933,966,526	**830,698**	149,379
Other Payables				
Related Parties (30.2)	**–**	–	**5,874,906**	27,587,872
Others	**223,978,943**	199,011,774	**20,642,401**	24,961,529
Sundry Creditors including Accrued Expenses	**649,417,847**	386,031,251	**16,796,052**	16,101,490
	2,753,977,068	2,519,009,551	**44,921,262**	70,272,312

	Relationship	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
30.1 Trade Dues to Related Parties					
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	–	–	–	77,856
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	56,900	76,082
Hemas Development (Pvt) Ltd.	Subsidiary	–	–	–	42,500
Hemas Marketing (Pvt) Ltd.	Subsidiary	–	–	444,304	444,304
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	16,800	16,800
Hemtours (Pvt) Ltd.	Subsidiary	–	–	259,200	364,500
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	–	450,000
		–	–	777,204	1,472,042
30.2 Non-Trade Dues to Related Parties					
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	–	–	1,684,553	22,138
Peace Haven Resorts Ltd.	Subsidiary	–	–	2,812,500	2,812,500
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	–	23,487,359
Hemas Marketing (Pvt) Ltd.	Subsidiary	–	–	–	39,373
ACX International (Pvt) Ltd.	Subsidiary	–	–	–	22,437
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	186,571	102,255
Hemtours (Pvt) Ltd.	Subsidiary	–	–	251,230	1,100,810
Hemas International Freight (Pvt) Ltd.	Joint Venture	–	–	–	1,000
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	401,863	–
Diethelm Travels (Pvt) Ltd	Subsidiary	–	–	153,089	–
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	385,100	–
		–	–	5,874,906	27,587,872

31. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
Peace Haven Resorts Ltd.	Subsidiary	–	–	4,885,024	1,702,082
Hemas Power (Pvt) Ltd.	Subsidiary	–	–	13,175,400	1,865,000
Spectrum Marketing (Pvt) Ltd.	Subsidiary	–	–	–	6,008
Hemas Hospitals (Pvt) Ltd.	Subsidiary	–	–	–	793,557
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	3,263,047	–
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	5,457,475	–
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	10,000	–
Hemtours (Pvt) Ltd.	Subsidiary	–	–	7,745,000	–
Hemas Aviation (Pvt) Ltd.	Subsidiary	–	–	5,400,000	–
Exchange & Finance Investment Ltd.	Subsidiary	–	–	3,755,318	–
Discover the World Marketing (Pvt) Ltd.	Subsidiary	–	–	3,320,001	–
Hemas Air Services (Pvt) Ltd.	Subsidiary	–	–	384,973	–
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	1,775,881	–
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	3,899,455	–
Hemas Developments (Pvt) Ltd.	Subsidiary	–	–	1,333,939	–
ACX International (Pvt) Ltd.	Subsidiary	–	–	6,376,325	–
N-Able (Pvt) Ltd.	Subsidiary	–	–	691,667	–
		–	–	61,473,505	4,366,647

	Group		Company	
	2009	2008	**2009**	2008
	Rs.	Rs.	**Rs.**	Rs.

32. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group 2009 Rs.	Group 2008 Rs.	Company 2009 Rs.	Company 2008 Rs.
32.1 Favourable Cash and Cash Equivalent Balances				
Cash & Bank Balances	**485,126,578**	567,512,348	**10,186,344**	16,446,618
Fixed Deposits, Treasury Bills and Repo Investments	**602,497,060**	631,461,389	**12,520,944**	1,308,473
32.2 Unfavourable Cash and Cash Equivalent Balances	**1,087,623,638**	1,198,973,737	**22,707,288**	17,755,091
Bank Overdraft (Note: 26.1/26.2)	**(1,142,119,977)**	(1,333,842,407)	**(896,891)**	(928,819)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**(54,496,339)**	(134,868,670)	**21,810,397**	16,826,272

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

The acquisitions and disposals had the following effects on the Group's Assets & Liabilities

a. Okanda Power Grid (Pvt) Ltd. (2008).

	2009 Rs.	2008 Rs.
Assets		
Property, Plant and Equipment	–	2,177,600
Goodwill Acquired	–	20,435,109
Purchase Consideration	–	22,612,709
b. Hemas Hospitals (Pvt) Limited	**(7,607,086)**	194,921,361
Total Cash Consideration	**(7,607,086)**	217,534,070
Proceeds from Disposal of Subsidiary - Hemans International Freight (Pvt) Ltd./ (Associate 2008)	**(17,024,700)**	(103,029,381)
Net Cash Out flows	**(24,631,786)**	114,504,689

34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring subsequent to the balance sheet date, that require adjustment to or disclosure in the financial statements.

35. COMMITMENTS AND CONTINGENCIES

35.1 Capital Expenditure Commitments

The Company and the Group do not have significant capital commitments as at the Balance Sheet date.

35.2 Contingencies

a. Hemas Holdings PLC

The contingent liability as at 31st March 2009 on guarantees given by Hemas Holdings PLC., to banks on behalf of subsidiaries & joint venture relating to facilities obtained, are as follows:

	2009 Rs.	2008 Rs.
Hemas Pharmaceuticals (Pvt) Ltd.	**88,750,000**	88,750,000
Hemas Travels (Pvt) Ltd.	**14,000,000**	14,000,000
Hemas Corporate Services (Pvt) Ltd.	**5,000,000**	5,000,000
Hemas Southern Hospitals (Pvt) Ltd,	**110,000,000**	110,000,000
Heladhanavi Ltd.	**300,000,000**	–
Exchange & Finance Investments Ltd.	**2,500,000**	2,500,000
Giddawa Hydro Power (Pvt) Ltd.	**–**	132,000,000
Hemas Manufacturing (Pvt) Ltd.	**85,000,000**	–
	605,250,000	352,250,000

b. Hemas Manufacturing (Pvt) Ltd.

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

Both parties have filed written submissions as per the Supreme Court rules and the Supreme Court Registry will notify the date of hearing in due course

c. Hemas Marketing (Pvt) Ltd.

The Company has given guarantees to Banks on behalf of Hemas Manufacturing (Pvt) Ltd. amounting to Rs. 150 Mn.

d. Hemas Travels (Pvt) Ltd.

1. The Company has obtained guarantees from Standard Chartered Bank favouring Airline Operators amounting to Rs. 169,300,000/-.

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/-.

4. The Company has obtained guarantees from Standard Chartered Bank favouring The Commissioner General of Inland Revenue and Sri Lanka Tourist Board amounting to Rs. 202,700/- and Rs.60,000/- respectively.

e. Hemas Air Services (Pvt) Ltd.

1. The Company has obtained guarantees from Standard Chartered Bank favouring Airport & Aviation Services (Pvt) Ltd. and Malaysian Airlines amounting to Rs. 5,201,450/- and US$ 200,000/- respectively.

2. The Company has obtained guarantees from Standard Chartered Bank on behalf of Hemas Aviation (Pvt) Ltd., favouring Island Aviation Services, Sri Lankan Airline Ltd. and Drukair Corporation Ltd., amounting to Rs. 1,000,000 , US$ 30,000 and US$ 20,000 respectively.

3. The Company has obtained guarantee from Standard Chartered Bank favouring Commissioner General of Inland Revenue amounting to Rs. 199,300/-

f. Forbes Air Services (Pvt) Ltd.

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

2. The Company has obtained a guarantee from Standard Chartered Bank favouring Airport & Aviation Services amounting to Rs. 141,538/-.

3. The Company has obtained a guarantee from Standard Chartered Bank favouring The Commissioner General of Inland Revenue amounting to Rs. 460,100/-.

g. Hemas International Freight (Pvt) Ltd.

1. The Company has obtained a guarantee from Standard Chartered Bank favouring Sri Lankan Airlines amounting to Rs. 2,000,000/-.

2. The Company has obtained a guarantee from Standard Chartered Bank favouring Green Lanka Shipping Ltd. amounting to Rs. 4,000,000/-.

3. The Company has obtained a guarantee from Standard Chartered Bank favouring Atiken Spence Aviation (Pvt) Ltd. amounting to Rs. 2,000,000/-.

4. The Company has obtained a guarantee from Standard Chartered Bank favouring MAC Holdings (Pvt) Ltd. amounting to Rs. 1,000,000/-.

5. The Company has obtained a guarantee from Standard Chartered Bank favouring The Commissioner General of Inland Revenue amounting to Rs. 1,423,400/- and on behalf of Hellman Worldwide Logistics (Pvt) Ltd. amounting to Rs. 163,700/-.

6. The Company has obtained guarantees from Standard Chartered Bank favouring Cathay Pacific Airways Ltd., Delmege Forsyth Tours (Pvt) Ltd., Airport & Aviation Services, South Asian Travels Ltd. and The Director General of Customs, amounting to Rs. 500,000/- , Rs. 500,000/-, Rs. 284,625/-, Rs. 250,000/- and Rs. 50,000/- respectively.

h. Exchange & Finance Investments Ltd.

1. The Company has obtained guarantees from Nations Trust Bank PLC favouring Kenya Airways amounting to Rs. 4,000,000/-.

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

i. Hemas Aviation (Pvt) Ltd.

1. The Company has obtained a guarantee from Standard Chartered Bank favouring RAK Airways amounting to US$ 25,000.

2. The Company has obtained guarantees from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd., favouring Island Aviation Services, Sri Lankan Airline Ltd. and Drukair Corporation Ltd., amounting to Rs. 1,000,000/-, US$ 30,000 and US$ 20,000 respectively.

j. ACX International (Pvt) Ltd.

The Company has obtained a bank guarantee on behalf of International Bonded Couries amounting to HKD 30,000.

k. Discover the World Marketing (Pvt) Ltd.

The Company has given a guarantee amounting to US$ 50,000 to its principal "Discover Momentum" in relation to the credit facilities obtained by the principal.

l. Far Shipping Lanka (Pvt) Ltd.

The Company has obtained guarantees from Standard Chartered Bank favouring Sri Lanka Port Authority, Merchant Shipping and The Commissioner General of Inland Revenue., amounting to Rs. 500,000/-, Rs. 500,000/- and Rs. 442,850/-. respectively.

m. Hemtours (Pvt) 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 (Pvt) Ltd.

Operating Lease Commitments - Company as Lessee

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

	2009 Rs.	2008 Rs.
Future minimum rentals payable under operating lease as at 31 March are as follows:		
Within 01 year	**47,068,140**	15,000,000
After 01 year but not more than 05 years	**81,750,000**	78,000,000
More than 05 years	**542,244,000**	564,744,000
	671,062,140	657,744,000

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 instalments.

Heladhanavi is liable to pay Lakdhanavi an additional sum of US $ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement. 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 need 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, 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. 280,000,000/-.

Power Purchase Agreement with Ceylon Electricity Board

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

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

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 2009 Rs.	2008 Rs.	Included Under
Hemas Manufacturing (Pvt) Ltd.	Inventories and Trade Receivables	Concurrent Mortgage to the extent of bank facility obtained from HNB & HSBC	**22,500,000/-**	22,500,000/-	Inventories and Trade Receivable
	Land & Building of Dankotuwa state Existing machinery Proposed Plant & Machinery, Equipment and Furniture & Fittings of Dankotuwa state.	Primary mortgage for the Bank loan obtained from NDB	**788,280,121/-**	–	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. Share certificates of the Company. Assignment of project documents.	US$ 35,000,000 (Syndicated Loan Facility)	**8,133,820,730/-**	8,090,961,137/-	Property, Plant and Equipment
			1,200,000,070/-	1,200,000,070/-	Stated Capital
	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. Share certificates of the Company. Assignment of project documents.	Rs. 269,230,769/- (Rupee Loan Facility)	**8,133,820,730/-**	8,090,961,137/-	Property, Plant and Equipment
		Rs. 400,000,000/- (Working Capital Loan)	**1,200,000,070/-**	1,200,000,070/-	Stated Capital

Name of the Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged 2009 Rs.	2008 Rs.	Included Under
Serendib Hotels PLC	Leasehold Land and Buildings	Primary Mortgage up to the value of Rs. 48,000,000/- to Seylan Bank Secondary Mortage up to the value of Rs. 20,000,000/- to Seylan Bank Additional Mortgage up to the value of Rs. 1,889,000/- to Seylan Bank	**219,848,875/-**	226,131,255/-	Leasehold Property and Property, Plant and Equipment
Stafford Hotels PLC	Freehold Land and Buildings	Primary Mortgage upto the value of Rs. 55 Mn to DFCC bank.	**439,517,122/-**	439,048,817/-	Property, Plant and Equipment
	Plant, Machinery, and Equipment	Primary Mortgage over existing movable items up to the value of Rs. 5,000,000/- to DFCC	**84,123,783/-**	83,565,586/-	Property, Plant and Equipment
	Freehold Land and Buildings	Secondary Mortgage up to value of Rs. 3,750,000/- to DFCC	**–**	439,048,817/-	Property, Plant and Equipment
Miami Beach Hotels Ltd.	Freehold Land and Buildings	Primary Mortgage up to the value of Rs. 65,000,000/- to Seylan Bank	**180,829,678/-**	180,297,290/-	Property Plant and Equipment
	Freehold Land and Buildings	Secondary Mortgage up to value of Rs. 15,000,000/- to DFCC	**180,829,678/-**	180,297,290/-	Property, Plant and Equipment
	Plant, Machinery, and Equipment	Primary mortgage over existing movable items up to the value of Rs. 5 Mn to DFCC	**58,995,449/-**	57,799,274/-	Property, Plant and Equipment
	Freehold Land and Buildings	Tertiary mortgage up to the value of Rs. 1,250,000/- to DFCC Bank	**–**	180,297,290/-	Property, Plant and Equipment

Name of the Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged 2009 Rs.	2008 Rs.	Included Under
Hotel Sigiriya Ltd.	Leasehold Land & Buildings	Primary Mortgage up to the value of Rs. 30,000,000/- to Commercial Bank of Ceylon PLC	**113,619,097/-**	113,832,864/-	Property, Plant and Equipment
	Plant, Machinery, & Equipment	Primary mortgage up to the value of Rs. 1,750,000/- to Commercial Bank of Ceylon PLC	**3,393,894/-**	–	Property, Plant and Equipment
Hemas Hospitals (Pvt) Ltd.	Leasehold right to the Leasehold Land	Primary Mortgage up to the value of Rs. 750,000,000/- to DFCC Bank	**957,391,095/-**	50,045,580/-	Property, Plant and Equipment
Hemas Southern Hospitals (Pvt) Ltd.	Land & Building	Concurrent mortgage to the extent of Bank facility obtained from Sampath Bank	**258,700,000/-**	–	Property, Plant and Equipment

37. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

	Subsidiaries 2009 Rs.	Subsidiaries 2008 Rs.	Others 2009 Rs.	Others 2008 Rs.	Total 2009 Rs.	Total 2008 Rs.
37.1 Transaction with related entities						
Nature of Transaction						
Management Fees Receivable	**–**	12,500,000	**–**	–	**–**	12,500,000
Consultancy Fees Receivable	**260,017,659**	137,958,571	**–**	–	**260,017,659**	137,958,571
Bank Guarantee Fees Receivable	**2,358,752**	1,585,625	**–**	–	**2,358,752**	1,585,625
IT Charges Receivable	**64,863,417**	59,227,555	**–**	–	**64,863,417**	59,227,555
Rent Receivable	**883,514**	5,301,083	**–**	–	**883,514**	5,301,083
Loan Interest Income Receivable	**30,137,808**	24,569,767	**–**	–	**30,137,808**	24,569,767
Dividend Income Receivable	**141,156,406**	157,137,674	**–**	–	**141,156,406**	157,137,674
Treasury Loans Granted	**(755,506,791)**	(709,633,200)	**–**	–	**(755,506,791)**	(709,633,200)
Loan Interest Income Payable	**(126,933,223)**	(42,176,110)	**–**	–	**(126,933,223)**	(42,176,110)
Receipt of Services	**(6,652,716)**	(4,855,106)	**–**	–	**(6,652,716)**	(4,855,106)
Shared Service Fee Payable	**(6,398,279)**	(3,228,444)	**–**	–	**(6,398,279)**	(3,228,444)
Purchase of Air Ticket	**(6,135,069)**	(4,361,914)	**–**	–	**(6,135,069)**	(4,361,914)
Treasury Loans Obtained	**416,345,047**	605,418,447	**–**	–	**416,345,047**	605,418,447
Repayment of Loans (Net)	**600,866,529**	152,258,543	**–**	–	**600,866,529**	152,258,543
	615,003,054	391,702,491	**–**	–	**615,003,054**	391,702,491

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 statements.

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. 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.

	2009 Rs.	2008 Rs.
a. Key Management Personnel Compensation		
Directors' Fees	**4,564,318**	3,805,000
Emoluments	**32,749,800**	36,552,438
Non Cash Benefits	**3,078,777**	2,978,893
	40,392,895	43,336,331

b. Transactions, Arrangements and Agreements involving Key Management Personnel		
Purchase of Air Tickets	**405,500**	9,626,254
	405,500	9,626,254

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

38. SEGMENTAL INFORMATION

Information based on the primary segments (Business Segment)

	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue														
Segmental Revenue - Gross	**4,626,304,057**	4,871,773,189	**3,844,065,721**	3,234,294,651	**933,856,782**	944,872,677	**679,292,121**	570,668,027	**5,171,527,611**	5,266,013,484	**567,666,728**	385,643,642	**15,822,713,020**	15,273,265,670
Intra Segmental Revenue	**–**	(689,347,728)	**(24,066,552)**	(77,352,698)	**–**	–	**–**	–	**–**	–	**(20,854,898)**	(18,603,261)	**(44,921,450)**	(785,303,687)
	4,626,304,057	4,182,425,461	**3,819,999,169**	3,156,941,953	**933,856,782**	944,872,677	**679,292,121**	570,668,027	**5,171,527,611**	5,266,013,484	**546,811,830**	367,040,381	**15,777,791,570**	14,487,961,983
Inter Segmental revenue	**–**	–	**–**	(21,670,408)	**–**	–	**–**	–	**–**	–	**(435,513,492)**	(302,486,651)	**(435,513,492)**	(324,157,059)
Total Revenue	**4,626,304,057**	4,182,425,461	**3,819,999,169**	3,135,271,545	**933,856,782**	944,872,677	**679,292,121**	570,668,027	**5,171,527,611**	5,266,013,484	**111,298,338**	64,553,730	**15,342,278,078**	14,163,804,924
Results														
Segmental Results	**622,621,900**	537,191,094	**154,337,169**	265,931,550	**56,202,033**	42,780,188	**212,317,336**	157,145,856	**501,875,836**	570,995,043	**(214,241,037)**	(112,324,418)	**1,333,113,236**	1,461,719,314
Finance Cost	**(86,982,764)**	(141,846)	**(88,740,103)**	(39,857,590)	**(33,114,626)**	(34,541,949)	**(5,561,182)**	(8,071,283)	**(256,679,313)**	(263,592,840)	**(859,414)**	(359,038)	**(471,937,402)**	(346,564,546)
Change in Fair Value of Investment Properties	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**144,300,000**	–	**144,300,000**
Share of Associate Company Profit/(Loss)	**–**	–	**(4,244,310)**	–	**–**	–	**–**	–	**–**	–	**–**	**–**	**(4,244,310)**	–
Profit before Tax	**535,639,136**	537,049,248	**61,352,756**	226,073,960	**23,087,407**	8,238,239	**206,756,154**	149,074,573	**245,196,522**	307,402,203	**(215,100,452)**	31,616,544	**856,931,524**	1,259,454,768
Income Tax	**(1,554,444)**	(23,814,024)	**(46,142,118)**	(41,620,535)	**(21,863,531)**	(113,801)	**(43,352,397)**	(28,041,010)	**9,972**	–	**(24,951,213)**	(15,035,474)	**(137,853,732)**	(108,624,845)
Profit for the Year	**534,084,692**	513,235,224	**15,210,637**	184,453,425	**1,223,876**	8,124,438	**163,403,757**	121,033,563	**245,206,494**	307,402,203	**(240,051,664)**	16,581,070	**719,077,792**	1,150,829,923
Attributable to:														
Equity Holders of the Parent	**534,084,692**	513,235,224	**73,770,591**	184,453,425	**(332,279)**	(6,386,600)	**163,403,757**	121,033,563	**245,206,494**	307,402,203	**(241,004,463)**	15,680,855	**775,127,792**	1,135,418,670
Minority Interest	**–**	–	**(58,559,954)**	–	**1,557,155**	14,511,038	**–**	–	**–**	–	**952,799**	900,215	**(56,050,000)**	15,411,253
	534,084,692	513,235,224	**15,210,637**	184,453,425	**1,223,876**	8,124,438	**163,403,757**	121,033,563	**245,206,494**	307,402,203	**(240,051,664)**	16,580,070	**719,077,792**	1,150,829,923

Information based on the primary segments (Business Segment)

	FMCG 2009 Rs.	FMCG 2008 Rs.	Health Care 2009 Rs.	Health Care 2008 Rs.	Leisure 2009 Rs.	Leisure 2008 Rs.	Transportation 2009 Rs.	Transportation 2008 Rs.	Power 2009 Rs.	Power 2008 Rs.	Others 2009 Rs.	Others 2008 Rs.	Group 2009 Rs.	Group 2008 Rs.
Assets and Liabilities														
Non Current Assets														
Property, Plant and Equipment	**1,256,329,206**	1,173,640,364	**1,963,841,109**	81,373,197	**1,125,270,691**	1,180,602,509	**53,877,446**	46,135,061	**2,473,533,237**	2,466,840,462	**331,485,206**	280,475,411	**7,204,336,895**	5,229,067,006
Investment Property	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,178,709,950**	1,178,709,950	**1,178,709,950**	1,178,709,950
Other Non Current Assets	**1,452,222,934**	744,807,454	**696,317,151**	346,016,260	**164,923,109**	141,502,635	**170,421,821**	168,401,209	**622,712,610**	773,146,200	**5,446,220,863**	4,438,861,178	**8,552,818,487**	6,612,743,938
Segmental Non Current Assets	**2,708,552,140**	1,918,447,818	**2,660,158,260**	427,389,457	**1,290,193,800**	1,322,105,144	**224,299,267**	214,536,270	**3,096,245,847**	3,239,986,662	**6,956,416,019**	5,898,046,539	**16,935,865,332**	13,020,511,894
Deferred Tax Assets													**21,832,128**	18,482,425
Eliminations/Adjustments													**(8,196,173,342)**	(6,139,255,709)
Total Non Current Assets													**8,761,524,118**	6,899,738,610
Segmental Current Assets														
Current Assets	**1,652,981,544**	2,057,459,646	**1,766,086,706**	1,587,074,439	**574,489,116**	640,575,347	**1,424,226,561**	1,628,968,099	**1,749,027,613**	1,858,779,412	**813,576,985**	944,400,451	**7,980,388,526**	8,717,257,394
Tax Refunds	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**100,105,358**	91,994,344
Eliminations/Adjustments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(2,006,205,672)**	(2,578,364,640)
Total Current Assets													**6,074,288,212**	6,230,887,098
Total Assets													**14,835,812,330**	13,130,625,708
Non Current Liabilities														
Segmental Non Current Liabilities	**456,822,361**	40,684,423	**1,159,556,704**	39,704,805	**68,471,927**	98,743,369	**23,997,762**	33,285,146	**400,133,717**	866,809,888	**1,288,597,284**	436,604,529	**3,397,579,755**	1,515,832,160
Deferred Tax Liability													**136,307,726**	139,563,588
Eliminations/Adjustments													**(1,520,566,433)**	(499,624,287)
Total Non Current Liabilities													**2,013,321,048**	1,155,771,461
Current Liabilities														
Segmental Current Liabilities	**1,138,300,739**	1,619,611,519	**1,692,290,225**	1,344,266,087	**376,970,801**	471,274,119	**1,128,764,238**	1,316,184,186	**1,960,272,369**	1,888,751,823	**400,700,121**	493,817,821	**6,697,298,494**	7,133,905,555
Income Tax Liability													**46,854,590**	17,907,223
Eliminations/Adjustments													**(1,787,014,230)**	(2,215,623,075)
Total Current Liabilities													**4,957,138,854**	4,936,189,703
Total Liabilities													**6,970,459,902**	6,091,961,164
Total Segment Assets	**4,361,533,684**	3,975,907,464	**4,426,244,966**	2,014,463,896	**1,864,682,916**	1,962,680,491	**1,648,525,829**	1,843,504,369	**4,845,273,460**	5,098,766,074	**7,769,933,004**	6,842,446,990	**24,916,253,858**	21,737,769,288
Total Segment Liabilities	**1,595,123,101**	1,660,295,942	**2,851,846,929**	1,383,970,892	**445,442,728**	570,017,488	**1,152,762,000**	1,349,469,332	**2,360,406,086**	2,755,561,711	**1,689,297,405**	930,422,350	**10,094,878,249**	8,649,737,715
Other Segmental Information														
Acquisition Cost of Property, Plant and Equipment	**264,969,669**	758,549,200	**2,672,718,537**	15,760,072	**32,290,157**	96,025,312	**27,468,148**	8,711,230	**196,719,163**	168,610,604	**84,324,975**	20,951,500	**3,278,490,649**	1,068,607,918
Depreciation of segmental assets	**136,978,998**	89,948,450	**44,231,769**	31,883,256	**72,915,953**	67,461,154	**14,399,552**	14,285,310	**198,837,461**	196,415,625	**33,116,921**	32,678,932	**500,480,653**	432,672,727
Other Non Cash expenses														
Provision for Retiring Gratuity	**(7,271,520)**	9,965,053	**11,171,491**	9,712,311	**8,101,929**	6,784,641	**2,623,457**	7,957,791	**146,040**	193,750	**8,143,484**	7,492,673	**22,914,881**	42,106,221
Impairment of Intangibles	**-**	-	**-**	-	**1,373,789**	5,898,074	**-**	-	**-**	-	**-**	-	**1,373,789**	5,898,074
Investment in associates	**-**	-	**-**	82,716,260	**-**	-	**-**	-	**-**	140,433,590	**-**	-	**-**	223,149,850
Adjustment on account of associate company share of net assets/Disposals	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(17,356,648)
Investment in associates-Equity Method	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	205,793,202

39. PROPORTIONATE INTEREST IN JOINT VENTURES

The Group's proportionate share of Heladhanavi Ltd. (50%), Hemas International Freight (Pvt) Ltd. (49%), Skynet Worldwide Express (Pvt) Ltd. (49%) 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	
	2009 Rs.	2008 Rs.
a. Current Assets	**1,480,626,659**	1,598,400,686
b. Non-Current Assets	**2,057,623,329**	2,250,133,737
c. Current Liabilities	**1,677,318,107**	1,671,943,597
d. Non-Current Liabilities	**379,602,718**	777,747,786
e. Income	**5,226,276,246**	5,291,987,769
f. Net Profit	**199,699,277**	271,089,808

40. GROUP COMPANIES

	Ownership Interest as at 31.03.2009 %	**Proportion of Voting Power as at 31.03.2009 %**	Ownership Interest as at 31.03.2008 %	Voting Power as at 31.03.2008 %	**Principal Activities**
Subsidiaries					
Hemas Travels (Pvt) Ltd.	100	100	100	100	Travel Agent
Hemas Manufacturing (Pvt) Ltd.	100	100	100	100	Manufacture of FMCG Products
Hemas Air Services (Pvt) Ltd.	100	100	100	100	GSA Malaysian Airline
Forbes Air Services (Pvt) Ltd.	100	100	100	100	GSA Emirates Airline
Hemas Aviation (Pvt) Ltd.	100	100	100	100	Airline Presentation
Go Asia Air Lines (Pvt) Ltd.	100	100	100	100	Airline Presentation
Exchange & Finance Investment (Pvt) Ltd.	100	100	100	100	Airline Presentation
Discover the World Marketing (Pvt) Ltd	100	100	100	100	Airline Presentation
Hemas Surgical & Diagnostics (Pvt) Ltd.	100	100	100	100	Distribution of Healthcare Products
Hemas Foods (Pvt) Ltd.	100	100	100	100	Import and sale of Food Products
Hemas Corporate Services (Pvt) Ltd.	100	100	100	100	Corporate Secretaries
Leisure Asia Investments Ltd	100	100	100	100	Investment Holding Company
Serendib Hotels PLC (Group)	51	51	51	51	Leisure Investments
Hemas Power (Pvt) Ltd.	100	100	100	100	Venture Capital Company
Hemtours (Pvt) Ltd.	100	100	100	100	Destination Management Services
Hemas Developments (Pvt) Ltd.	100	100	100	100	Property Development
Conventions Asia (Pvt) Ltd.	100	100	100	100	Event Management
Peace Haven Resorts Ltd.	95	95	95	95	Hotel Property
Hemas Marketing (Pvt) Ltd.	100	100	100	100	Trading & Distribution of FMCG Products
Spectrum Marketing (Pvt) Ltd	100	100	100	100	Dormant
Hemas Pharmaceuticals (Pvt) Ltd.	100	100	100	100	Distribution of Pharmaceutical Products
ACX International (Pvt) Ltd.	100	100	100	100	Courier Services
Hemas Clinical Research Services (Pvt) Ltd. (Formerly known as Clinical Solutions (Pvt) Ltd.)	100	100	100	100	Support Services of Clinical Trials
Vishwa BPO (Pvt) Ltd	100	100	100	100	Financial & Accounting BPO
Giddawa Hydro Power (Pvt) Ltd.	100	100	100	100	Mini Hydro Power Plant
Okanda Power Grid (Pvt) Ltd.	100	100	100	100	Mini Hydro Power Plant (under construction)

40. GROUP COMPANIES (Contd...)

	Ownership Interest as at 31.03.2009 %	Proportion of Voting Power as at 31.03.2009 %	Ownership Interest as at 31.03.2008 %	Voting Power as at 31.03.2008 %	Principal Activities
Subsidiaries					
Mowbray Hotels Ltd.	89	89	89	89	Hotel Property
Far Shipping Lanka (Pvt) Ltd.	100	100	100	100	Shipping Agents
Hemas Transportation (Pvt) Ltd. (Formerly known as Hemas Shipping (Pvt) Ltd.)	100	100	100	100	Shipping Agents
Hemas Hospitals (Pvt) Ltd.	65	65	49.7	49.7	Healthcare Services
Hemas Southern Hospitals (Pvt) Ltd.	65	65	49.7	49.7	Healthcare Services
Hemas International Freight (Pvt) Ltd.	–	–	100	100	Freight Forwarders
N-Able (Pvt) Ltd.	100	100	–	–	Enabling Information & Technology Solutions
Diethelm Travel Lanka (Pvt) Ltd.	80	80	–	–	Destination Management Services
Jointly Controlled Entity					
Heladhanavi Ltd.	50	50	50	50	Thermal Power Plant
Hellman Worldwide Logistics (Pvt) Ltd	49	49	49	49	Freight Forwarders
Hemas International Freight (Pvt) Ltd.	49	49	–	–	Freight Forwarders
Sky Net Worldwide Express (Pvt) Ltd.	49	49	–	–	Courier Services

SHARE INFORMATION

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 MARCH 2009

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 to 1000 Shares	3,302	665,555	0.65	23	7,440	0.01	3,325	672,995	0.66
1001 to 5,000 Shares	323	700,422	0.69	10	22,150	0.02	333	722,572	0.71
5,001 to 10,000 Shares	49	353,597	0.35	5	34,625	0.03	54	388,222	0.38
10,001 to 50,000 Shares	61	1,268,295	1.24	4	167,800	0.16	65	1,436,095	1.40
50,001 to 100,000 Shares	12	827,512	0.81	–	–	0.00	12	827,512	0.81
100,001 to 500,000 Shares	16	3,644,247	3.57	3	725,100	0.71	19	4,369,347	4.28
500,001 to 1000,000 Shares	2	1,572,750	1.54	–	–	–	2	1,572,750	1.54
Over 1,000,000 Shares	11	8,292,1581	81.35	2	9,047,050	8.87	13	91,968,631	90.22
	3,776	91,953,959	90.20	47	10,004,165	9.80	3,823	101,958,124	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares
Individual	3,577	7,375,254
Institutional	246	94,582,870
	3,823	101,958,124

COMPUTATION OF PUBLIC SHAREHOLDING

As at 31 March	**2009 No. of Shares**	2008 No. of Shares
Over 10% holding		
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**	398,417
Mr. H.N. Esufally	**1,209,041**	1,209,041
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**	30
Mr. M.E. Wickremasinghe	**2,250**	2,250
Mr. S.J. Scarff	**–**	–
Mr. P.K. Mohapatra	**–**	–
	73,728,903	73,728,903

Issued Share Capital	**101,958,124**	101,308,124
Less:Directors Shareholding and shareholders over 10%	**73,728,903**	73,728,903
Public Holding	**28,229,221**	27,579,221
Public Holding as a % of Issued Share Capital	**27.69%**	27.22%

SHARE INFORMATION

SHARE TRADING

	2008/09		2007/08	
Market Price				
Highest (Rs.)	**92.25**	**(04.04.08)**	120.00	(16.04.07)
Lowest (Rs.)	**55.00**	**(24.12.08)**	87.00	(31.03.08)
As at year ended (Rs.)	**60.25**	**(31.03.09)**	87.50	(31.03.08)
No. of Trades	**1,295**		915	
No. of Shares Traded	**3,834,000**		1,594,400	
Value of the Shares Traded - (Rs.)	**276,707,350**		158,574,675	
Market Capitalisation (Rs. Bn)	**6,142,977**	**(31.03.09)**	8,864,461	(31.03.08)

MAJOR SHAREHOLDERS

LIST OF 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH

		2009 No. of Shares	%	2008 No. of Shares	%
1.	A Z Holdings (Pvt) Ltd.	**18,152,575**	**17.8**	18,152,575	17.9
2.	Saraz Investments (Pvt) Ltd.	**17,279,207**	**16.9**	17,279,207	17.1
3.	Bluberry Investments (Pvt) Ltd.	**17,156,250**	**16.8**	17,156,250	16.9
4.	Amagroup (Pvt) Limited	**17,156,133**	**16.8**	17,156,133	16.9
5.	HSBC INTL NOM Ltd. - Arisaig India Fund Ltd.	**8,042,050**	**7.9**	8,042,050	7.9
6.	Employees Provident Fund	**4,061,175**	**4.0**	3,665,975	3.6
7.	Sri Lanka Insurance Corporation Ltd. - Life Fund	**3,008,800**	**3.0**	1,749,100	1.7
8.	Akbar Brothers Ltd.	**1,340,900**	**1.3**	1,090,900	1.1
9.	Mr. I.A.H. Esufally	**1,226,500**	**1.2**	1,226,500	1.2
10.	Mr. H.N. Esufally	**1,209,041**	**1.2**	1,209,041	1.2
11.	National Savings Bank	**1,200,000**	**1.2**	1,200,000	1.2
12.	Mr. M.A.H. Esufally	**1,131,000**	**1.1**	1,131,000	1.1
13.	HSBC Intl. Nominees Ltd. - HSBC Bank PLC - CMG First State Global Umbrella Fund PLC	**1,005,000**	**1.0**	1,005,000	1.0
14.	Jacey Trust Services (Pvt) Ltd.	**922,750**	**0.9**	922,750	0.9
15.	Jacey Trust Services (Pvt) Ltd. - Account No. 2	**650,000**	**0.6**		
16.	Employees Trust Fund Board	**485,900**	**0.5**		
17.	Cocoshell Activated Carbon Company Ltd.	**433,775**	**0.4**	407,275	0.4
18.	Mr. A.N. Esufally	**398,417**	**0.4**	398,417	0.4
19.	M.J.F. Exports Ltd.	**341,000**	**0.3**	341,000	0.3
20.	CB London S/A The RBS As DEP of FS India Sub/Cont FD As S/F of First State Invest ICVC	**327,000**	**0.3**		
		95,527,473	**93.6**	92,133,173	90.8
	Shares held by the balance shareholders	**6,430,651**	**6.4**	9,174,951	9.2
	Total Issued Shares	**101,958,124**	**100.0**	101,308,124	100.0

PUBLIC HOLDING

	As at 31.03.09	As at 31.03.08
Public Holding as a % of issued Share Capital	**27.69%**	27.22%

FIVE YEAR SUMMARY

Year Ended 31st March	**2009 Rs. '000**	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000 Restated	2005 Rs. '000 Restated
Operating Results					
Group Revenue	**15,342,278**	14,163,805	11,778,136	9,779,338	9,275,784
Profit Before Taxation	**856,932**	1,259,455	1,407,185	1,247,374	1,057,678
Taxation	**137,854**	108,625	387,648	281,838	225,143
Profit After Taxation	**719,078**	1,150,830	1,019,537	965,536	832,535
Profit Attributable to Hemas Group	**775,128**	1,135,419	1,005,727	958,599	836,973
Equity & Liabilities					
Stated and Preference Shares	**1,410,889**	1,387,345	1,404,018	1,277,195	1,235,186
Reserves	**764,635**	783,413	635,444	590,584	661,391
Retained Earnings	**4,852,766**	4,262,939	3,234,682	2,451,308	1,745,396
Minority Interest	**837,062**	604,967	588,527	496,967	681,897
Non-Current Liabilities	**2,013,321**	1,155,771	1,597,455	1,922,112	2,182,320
Current Liabilities	**4,957,139**	4,936,190	3,935,734	3,286,596	3,145,779
	14,835,812	13,130,625	11,395,855	10,024,762	9,651,969
Assets					
Property, Plant and Equipment	**7,180,680**	5,182,389	4,704,921	4,664,939	5,333,306
Investment Property	**1,178,710**	1,178,710	963,710	570,152	–
Leasehold Property	**64,911**	67,976	71,042	75,346	–
Intangible Assets	**191,214**	173,622	155,563	107,268	40,336
Investments (Associate & Others)	**124,177**	278,559	66,751	138,082	233,259
Deferred Tax Assets	**21,832**	18,482	–	–	–
Current Assets	**6,074,288**	6,230,887	5,433,868	4,468,975	4,045,068
	14,835,812	13,130,625	11,395,855	10,024,762	9,651,969
Key Indicators					
Earnings Per Share (Rs.)	**7.57**	11.13	9.90	9.52	8.43
Dividends Per Share (Rs.)	**1.25**	1.25	2.5	2.5	3.0
Dividend Cover (No. of Times)	**6.1**	8.9	4.0	4.0	3.5
Interest Cover (No. of Times)	**2.8**	4.6	6.1	5.4	7.8
Net Asset Per Share (Rs.)	**68.90**	63.50	52.30	42.50	46.00
Cash from Operating Activities (Rs. '000)	**1,458,434**	929,277	176,992	1,035,785	1,182,366
Current Ratio (No. of Times)	**1.2**	1.3	1.4	1.4	1.3
Gearing (%)	**32.9**	31.4	33.0	36.1	40.3
ROE (%)	**11.5**	19.4	21.0	24.1	25.7

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.

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.

EARNINGS
Profit after tax less minority interest.

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.

EBITDA
Earnings before interest, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION
Income tax over profit before tax.

EQUITY
Total shareholders' funds.

GEARING
Debt divided by the sum of equity and minority interest and debt.

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 extraordinary items divided by average shareholders' funds at the beginning and end of the year.

REVENUE RESERVES
Reserves set aside for future distributions and Investments.

RETURN ON CAPITAL EMPLOYED
Earnings before tax divided by average capital employed.

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixth 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 26th day of June 2009 at 3.00 p.m. for the following purposes:

AGENDA

1. To receive and consider the Statements of Accounts of the Company and of the Group for the year ended 31 March 2009, together with the Reports of the Directors and Auditors thereon.

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

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

4. To pass the ordinary resolution set out below to reappoint as a Director Deshamanya J.C.L. De Mel who has reached the age of 72 years on 6 May 2009 and vacates office as a Director of the Company in terms of Section 210 (2) (a) of the Companies' Act No. 7 of 2007:

   '**RESOLVED** that Deshamanya J.C.L. De Mel who has reached the age of 72 years on 6 May 2009 be and is hereby reappointed a Director of the Company and it is hereby declared as provided for in Section 211 (1) of the Companies Act No. 7 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Deshamanya J.C.L. De Mel.'

5. To reappoint Messrs Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration.

6. To authorise the Directors to determine and make donations to Charity.

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

By Order of the Board of
HEMAS HOLDINGS PLC
HEMAS CORPORATE SERVICES (PVT) LIMITED
Secretaries

3 June 2009

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.

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:

Deshamanya 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 Sixth Annual General Meeting of Hemas Holdings PLC to be held at 3.00 p.m. on Friday the 26 day of June. 2009 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 and of the Group for the year ended 31.03.09 together with the Reports of the Directors and Auditors thereon		
2.	To re-elect as Director, Mr. Pradipta Mohapatra retiring by rotation in terms of the Articles of Association of the Company		
3.	To re-elect as Director, Mr. Husein Esufally retiring by rotation in terms of the Articles of Association of the Company		
4.	To reappoint Deshamanya 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. 1.80 per share as recommended by the Board.		
6.	To reappoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	To authorise 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.*

.... Date: ....
Signature/s

Note:

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

INSTRUCTIONS FOR 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 forty-eight (48) hours before the time appointed for the meeting.

CORPORATE INFORMATION

Legal Form
Quoted Public Company with limited liability listed on the Colombo Stock Exchange on 15 October 2003

Date of Incorporation
10 December 1948

Date of Re-Registration
30 May 2007

New Registration Number
PQ 6

Accounting year end
31 March

Registered Office
Hemas Building
No. 36, Bristol Street, Colombo 1.

Website
www.hemas.com

Auditors
Ernst & Young
Chartered Accountants
No. 201, De Saram Place, Colombo 10.

Directors
Lalith De Mel *(Chairman)*
Husein Esufally *(CEO)*
Imtiaz Esufally
Murtaza Esufally
Abbas Esufally
Maithri Wickremesinghe
Pradipta Mohapatra
Divyaroop Bhatnagar

Secretaries & Registrars
Hemas Corporate Services (Pvt) Ltd.
No. 36, Bristol Street, Colombo 1
Telephone: 4 731731 (hunting)
Facsimile: 4 731777

Lawyers to the Company
D.L. & F De Saram
No. 47, Alexandra Place, Colombo 7

Bankers
Commercial Bank of Ceylon PLC
Deutsche Bank AG
Hong Kong & Shanghai Banking Corp. Ltd.
Hatton National Bank PLC
Standard Chartered Bank

Produced by: Smart Media   Printed by: Printel (Pvt) Limited

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