HEMAS

Joie de vivre

[*Joy of Living*]

HEMAS HOLDINGS PLC

Annual Report 2009/10

Contents

02 Financial Highlights
03 Chairman's Review
05 Management Report
- 05 Chief Executive Officer's Review
- 08 Financial Review
- 11 Sector Reviews
- 32 Risk Management

34 Sustainability Report
42 Stewardship
- 42 Enterprise Governance
- 48 Directors' Interest in Contracts with the Company
- 50 Board of Directors
- 52 Senior Management
- 54 Annual Report of the Board of Directors

59 Financial Statements
60 Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements
61 Auditors' Report
62 Income Statement
63 Balance Sheet
64 Statement of Changes in Equity
66 Cash Flow Statement
67 Notes to the Financial Statements
108 Share Information
110 Five Year Summary
111 Glossary
112 Notice of Meeting
Form of Proxy Enclosed
Corporate Information (Inner Back Cover)

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 - passion for customers, obsession for performance, driven by innovation and concern for people. These values define the 'Hemas way' as we progress through new and exciting business ventures and ideas.

It was in 2009 that Sri Lanka ended a tragic and debilitating war. What that means to the country, its people and its enterprise is staggering. Whilst reversing debility will not happen overnight, it is true to say that Sri Lanka has not looked such a period of unprecedented opportunity in the eye… for over thirty years. Perhaps not since independence!

Largely insulated though our country was from the full force of the global economic crisis, we still needed to do what had to be done in terms of extra prudence, vigilance and cost awareness in tiding over the worst times… and as a business community we did… ending the year with optimism.

Put these two factors together with Hemas' reason to exist… to enrich lives… and one can see how *joie de vivre*… the enjoyment of life… the joy of living was firmly in our sights this year… and is our goal in the years ahead.

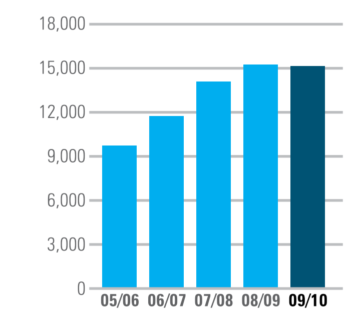
We feel this is eminently achievable, both for Sri Lanka and Hemas and all the 'vital signs' of our business sectors support this view.

We have a vibrant saga to report this year!

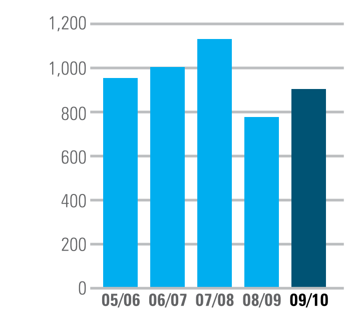
Financial Highlights

Year ended 31 March	**2010**	2009	% Change	2008
OPERATIVE RESULTS				
Group Revenue (Rs. '000s)	**15,221,418**	15,342,278	(0.8)	14,163,805
Profit Before Interest and Taxation (Rs. '000s)	**1,544,095**	1,328,870	16.2	1,606,019
Profit Before Taxation (Rs. '000s)	**1,094,719**	856,932	27.7	1,259,455
Profit After Taxation (Rs. '000s)	**934,644**	719,078	30.0	1,150,830
Profit Attributable to the Group (Rs. '000s)	**901,730**	775,128	16.3	1,135,419
Dividend - Gross (Rs. '000s)	**183,525**	126,635	44.9	113,980
Cash from Operations (Rs. '000s)	**1,371,016**	1,458,434	(6.0)	929,277
BALANCE SHEET HIGHLIGHTS				
Total Assets (Rs. '000s)	**16,066,931**	14,835,812	8.3	13,130,625
Total Shareholders' Funds (Rs. '000s)	**7,692,116**	7,028,290	9.4	6,433,698
No. of Shares ('000s)	**101,958**	101,958	0.0	101,308
Gearing (%)	**25.8**	32.9	5.5	31.4
SHAREHOLDER INFORMATION				
Return on Equity (%)	**12.3**	11.5	6.9	19.4
Earnings per Share (Rs.)	**8.82**	7.57	16.5	11.13
Dividend per Share (Rs.)	**1.80**	1.25	44.0	1.25
Dividend Payout (%)	**20.4**	16.5	23.6	11.23
Net Assets per Share (Rs.)	**75.44**	68.93	9.4	63.50
Market Capitalisation (Rs. '000s)	**12,234,975**	6,142,977	99.2	8,864,461
Price Earnings Ratio (Times)	**13.61**	7.96	70.9	7.86
Market Price as at 31 March (Rs.)	**120.00**	60.25	99.2	87.50

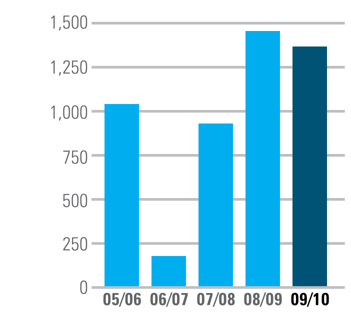
Group Revenue
Rs. Mn



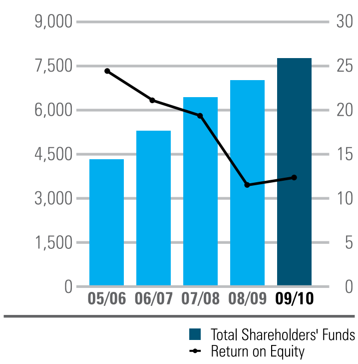
Profit Attributable to the Group
Rs. Mn



Cash from Operations
Rs. Mn



Shareholders' Funds & ROE
Rs. Mn
%



Sri Lanka will be rightly perceived as an investment friendly economy. This would generate a higher level of local and foreign investment...

Market Capitalisation

Rs. 12,235 Mn

Shareholders' Funds

Rs. 7,692 Mn

The drums of war that tormented us for 30 years are silent. Today, that war is only a bad memory. We are grateful to the political leadership and the armed forces that gave us peace. Looking ahead to the future we too are committed to help to create a society free of any form of discrimination, race, creed, caste or gender.

The end of the war created a wave of expectations. Some expected a monsoonal cloud burst that rained gold nuggets. With time and reflection there is now a clearer, sober perspective. When the funds that went to finance the war get transferred to infrastructure and all the other things that stimulate economic activity we can confidently expect stronger growth in the future. This will snowball. Sri Lanka will be rightly perceived as an investment friendly economy. This should generate a higher level of both local and foreign investment. There will then be a new buzz in the market place with a strong competitive scenario. In this new context, the challenge is to see where the optimum opportunities are and to formulate our strategies to pursue them.

I would like to share with you the vision of your Board. Our key businesses FMCG and Pharmaceuticals had a good year. FMCG sales increased by 13% and its profits by 19%. Pharmaceuticals with a very robust performance increased its sales by 24% and its profits by 51%. These sectors will find a stronger favourable wind behind them in the future and we therefore see a continuing strong performance in future. With strong brands in FMCG and barriers to entry in Pharmaceuticals we will remain well placed to be successful players even in the more competitive economic environment.

We have a major diversification into Hospitals. The Wattala hospital and the Galle hospital fall into two models and the experience has given us rich learnings leaving us well placed to contemplate further developments in the future. The Government's thrust in healthcare should logically focus on enhancing the facilities available in the rural areas as 85% of our country is rural. Therefore, whilst we may see more competition from the private sector we do not see a

Government initiative that will diminish the market for private healthcare. The current trends of a strong demand for the services of private healthcare will continue and we think our entry into the Hospital sector is a good one for the future.

Another diversification of the Group was into the power sector. We are very far away from saturation capacity in power and the stronger economic profile and the concomitant increase in investment will increase the need for power. We believe that this too is a good long-term opportunity for us.

We have persevered for years (with low returns) with our hotel investments waiting patiently for peace. This sector can now blossom and be a jewel in the crown. Tourism has to be the prime development opportunity for Sri Lanka. I believe the Government recognises this and will be very supportive of developing this sector. As our Hotel sector has hardly contributed in recent years Hotels and Tourism will be a key engine of incremental growth. A close ally of this sector is our airlines and travel sectors. They have been very good contributors of profits and cash over the years and will be well placed to enhance this good performance in the future.

One of the key strengths of HHL is its cash generation capacity. This has in the short-term reduced our finance costs and improved our gearing ratios and this leaves the Group well placed to pursue expansion in current businesses or to diversify further if good opportunities emerge.

Overall HHL is very well placed to build upon the solid platform of the year under review and to grow and prosper in the post-war economic scenario.

The CEO will deal more fully with the details of our performance in his review.

In the year under review, profit before tax increased by 28% and our earnings increased by 16%. We generated Rs. 1.3 Bn (737 Mn net cash) of operating cash and this reduced our debt by Rs. 677 Mn. The debt equity ratio at the end of the year was 41.4%.

HHL has successfully established itself as a public Company. The board is comprised of 3 Executive Directors, 1 Non-Executive who was a former Executive Director, and an Independent Chairman and 3 more Independent Directors. All the requirements of good governance are in place. The Audit Committee and Remuneration Committee are comprised of Independent Directors. Under the leadership of the Board the final phase of the transformation from a private to a major public quoted entity is intrain. The former owners who were also the managers are migrating to being major equity investors committed to using the best management skills to optimise shareholder value.

I wish to thank my fellow Directors for their support during the year. Everything we have achieved is due to the hard work, loyalty and support of our employees and I thank them for it.

Deshamanya Lalith De Mel
Chairman

25 May 2010

Overall Hemas is very well placed to build upon the solid platform of the year under review.

We see a unique opportunity to participate in the resurgence of our country...

Group Revenue

Rs. 15,221 Mn

Group Earnings

Rs. 902 Mn

As we look forward to a new era of progress for our nation, it is my pleasure to present the financial results of your Company for the year ended 31 March 2010.

Sri Lanka recorded a GDP growth of 3.5% in real terms during 2009, in the backdrop of challenging domestic and external conditions. The economy, which had slowed down to a modest growth of 1.5% during the first quarter of 2009 as a result of the spillover effects of the global financial crisis, recovered strongly during the last quarter to post a growth of 6.2%. The end of the 30-year old civil war has reversed the country's fortunes, resulting in improved business confidence and renewed investor interest. This was well reflected in the performance of the Sri Lankan stock market, which grew by 122% in 2009.

For the year ended 31 March 2010, your Company has recorded consolidated revenues of Rs. 15.2 Bn and net earnings of Rs. 902 Mn to equity holders. The underlying businesses have performed particularly well during the year, to deliver profits that have compensated for the startup losses and finance costs associated with our new investments, to secure an overall earnings growth of 16%. On 31 March 2010, Hemas Holdings shares closed at Rs. 120, delivering total shareholder returns of 103% for the year under review and taking the market capitalisation of the Group up to Rs. 12.2 Bn.

Consumer spending bounces back…

Aided by the opening of markets that were previously underserved and the improvement in the local economy, most FMCG categories saw double digit growth. This was in contrast to the previous year when category growth was almost flat and several categories shrank. In line with this, our FMCG business also experienced a good year with Net Revenues crossing the Rs. 5.2 Bn mark, to post a top-line growth of 13%. Profits were up by 19% to close at Rs. 636 Mn. A highlight of the year was the re-launch of our flagship Personal care brand, *Baby Cheramy* with significantly better packaging and several new SKU's. In the personal wash space, the value proposition of *Velvet* toilet soap was significantly improved and post launch sales indicate good acceptance. In the Homecare category, *Diva*, which reshaped the washing powder market, was re-launched successfully and has withstood severe competitive action to retain its market leadership position. At the SLIM brand excellence awards held in October 2009, *Diva* won the Gold Award for the product brand of the year and the Silver Award for the local brand of the year. Over the years our Fragrance category has been adversely impacted by the plethora of unregistered imported fragrance products available in the grey market. We have appealed to the relevant authorities to take action and are hopeful that they will do so in the interests of consumers and the local industry. Supporting the delivery of our winning brands, our production and logistics team achieved a notable success by winning Gold at the Akimoto 5S awards which recognises the best manufacturing practices towards achieving excellence in productivity.

The Pharmaceuticals distribution business too had a robust year growing revenues by 24% to Rs. 4.5 Bn and further strengthening its leadership position in the private sector with a 16.5% exit market share (source: IMS). Whilst the business has a wide representation of Pharmaceutical principals, it has grown its representation in the area of surgical products and over-the-counter medicines where it has a relatively smaller share. The surgical arm secured a new distribution contract with Omron Healthcare, adding a range of self diagnostic products to the portfolio. The Company also secured the sole distributorship for the UK-based cosmeceutical producer, PharmaClinix, which markets a range of high end therapeutic skincare products. Running the State health sector is a complex and daunting challenge and the new administration will have to tackle several key issues, not least of them being the unavailability of essential drugs to patients at Government hospitals. Although the National Drug Policy that is under debate is presented as the cure to the problems in this sector, it is our view that much of the problems are in fact caused by inefficiencies and resource constraints in the State sector. As the leading player in the industry, we are committed to our code of ethics and look to take the lead in promoting best practices in the private sector and supporting the State in its endeavour to delivering better healthcare.

Steady patient buildup at Hemas Hospitals…

The key focus during the year under review was to implement the systems and processes to ensure patient-centric services to all our customers. Both hospitals have concentrated and grown with their core medical programmes in the areas of general medicine, general surgery, obstetrics & gynaecology, eye surgery, paediatrics, diagnostics, emergency and critical care. Our fixed price packages such as *Maathru* and *Suwa Sathkam* have ensured affordability and predictability of the services that we offer. Our business model is predicated on delivering better quality of care through our consultant doctors and nursing staff who are focused on service delivery to our patients. Since commencement of operations, the two hospitals have enjoyed a steady buildup of patient volumes and revenues closed at Rs. 598 Mn for the year under review. Capacity utilisation has reached over 60% and it is encouraging to note that a positive EBITDA has been achieved within a relatively short period since commencement. An independent research commissioned on the Hemas Hospitals Brand, came in as an endorsement of the brand equity it has built over the last one and a half years as a leading provider of healthcare services in the target market.

Hemas Power lists to gear up for growth…

Power Sector revenues dropped 45% during the year to close at Rs. 2.8 Bn. However, this decline is merely a reflection of the pass through effect of lower oil prices in the thermal power operation that prevailed during the year. Profits for the sector has only showed a marginal decrease of 0.5% to Rs. 245 Mn, contributed to by additional revenue streams in the form of renewable energy, setting off the high-level of planned overhaul costs in the thermal plant that were incurred during the year. In September 2009, Hemas Power successfully raised Rs. 626 Mn in equity through its Initial Public Offering in order to raise capital for expanding our renewable energy portfolio through new developments and acquisitions. In line with this plan, an operational mini hydro business with a capacity of 2.6 MW was acquired for Rs. 196 Mn in December 2009, and the development of a 2.4 MW plant in Upper Magal Ganga area was commenced in March 2010. With these developments, the total renewable energy capacity will increase to 7 MW, in addition to the 100 MW thermal power plant. The improved economic climate bodes well for this industry and no doubt the demand for power will increase with economic growth. In this context, the business is well poised to participate in new power generation projects whilst continuing its endeavours to expand its footprint in the renewable energy space.

Upbeat outlook for tourism drives Hotel Investments…

With the heavy influx of tourists into a destination that had become 'war-free' after three decades, the Sri Lankan hotel industry prospered during the latter stages of the year with high levels of occupancy. In this context, the Serendib Group turned around the loss of Rs. 0.5 Mn it made in 2008/09 into a profit of Rs. 65 Mn for the year under review. Sri Lanka is being hailed globally as one of the hottest tourist destinations and with the high priority placed on Tourism by the present administration, we believe that, that the time for investing is opportune.
In this context, we have embarked on an ambitious development plan that will include the repositioning of our existing properties, development of resorts on our undeveloped properties in Kandy and Tangalle, and the acquisition of a strategic land bank for future development. In line with this plan, the business commenced a Rs. 500 Mn refurbishment of Club Hotel Dolphin in Waikkal with the objective of upgrading the property to secure higher yields.

Transportation Sector looks to Maritime for growth…

Whilst the increase in tourism and trade links bode well for the long-term development of our Transportation sector, the year under review proved to be challenging with both airline passenger and cargo volumes declining, although our two main GSAs, Emirates and Malaysian Airlines, maintained their market share. Despite this the sector did well to close the year with profits of Rs. 181 Mn, which represents an 11% increase over the previous year. The maritime arm, backed by steady feeder volumes to the subcontinent, performed relatively well compared to the previous year, despite a significant drop in global shipping activity. During the year, the business secured an agency to operate bunker barges for Lanka Indian Oil Corporation. Government plans to enhance Sri Lanka's profile as a commercial hub bode well for the industry, and we hope to expand our presence in aviation and maritime related services in the years to come.

Building Capacity to ensure sustainability…

As we seek to accelerate the pace of growth, talent will be a key resource and over the years we have been increasing our focus on developing a bench-strength of future leaders. During the year under review, we stepped up our efforts in this area by allocating more resources into focused individual training and leadership development. In conjunction with the Postgraduate Institute of Management, a 14-week long, General Management Programme was conducted during the latter part of the year, for a selected pool of high-performers. Also, with a view to better aligning our compensation with job roles within relevant industries, we commissioned a leading Human Resource consulting company with a special project to develop and categorise job roles across the Group. Over the year we paid more attention to understanding business risks and now have a framework that is in place for each business that allows us to identify key risks along with materiality and mitigatory actions. This information is actively used by the Audit Committees and ensures that whilst operating teams focus on growing the business, they do not lose sight of issues that could significantly impact the sustainability of the organisation. The good work of the Hemas Outreach Foundation was expanded this year, firstly to provide temporary pre-schools in IDP camps for children displaced by the conflict in the North, and then embark on a permanent programme jointly with the Ministry of Child Development and Women's Empowerment to build 5 pre-schools in identified localities in the North. In fact, Hemas was one of the first private sector establishments to gain access into the IDP camps and our pre-schools provided an oasis for innocent children caught up in the war.

The future looks bright...

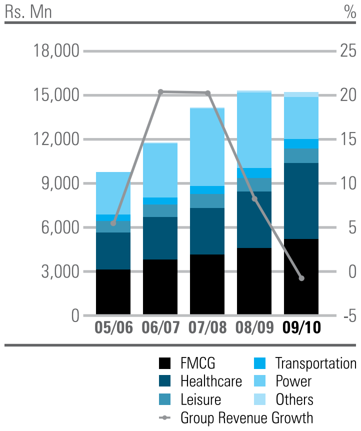
Coming off from years of modest economic growth stunted by the global financial crisis and the negative effects of the thirty-year war at home, there is widely-held optimism for higher growth in the years ahead. Moreover, policy makers have set a target of doubling the GDP per capita, which is currently $2,000, to reach $4,000 in 2016. Hemas, a conglomerate that is primarily linked with the domestic economy, thus sees much brighter prospects in the years to come. With the growth of local consumer markets, our FMCG and Healthcare businesses are geared to offer more and more enriching products and services to our customers. On the other hand we are strengthening our Leisure sector presence to take advantage of the booming tourism sector, which expects to see 2.5 Mn tourists by 2016. In the Power sector too, we anticipate there to be significant potential not only in the renewable energy space, but, also in larger scale thermal projects that the country will need to enable growth. We thus see a unique opportunity to participate in the resurgence of our country and have placed top priority to structuring and resourcing the organisation to take Hemas to the next level in this era of economic growth.

I take this opportunity to thank my Chairman and fellow Board Members for the guidance and support provided in steering the business forward. The Hemas team has steadily grown in numbers and ability and I thank them for their support and dedication, not only for the hard work, but, also for their commitment to the 'Hemas way'. We have so many long and deep associations with our customers and business partners, and my sincere thanks go out to them for the support over the years. Finally, I thank you, our shareholders for reposing faith in Hemas and assure you of our best efforts to generate superior business results in the years ahead.

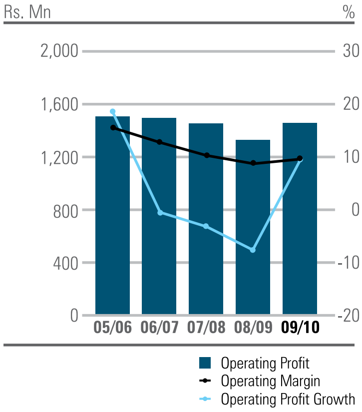
Husein Esufally
Chief Executive Officer

25 May 2010

Group Revenue Break-up



Operating Profit



Revenue

For the year ended 31 March 2010, the Group recorded consolidated revenues of Rs. 15.2 Bn, a year-on-year decline of 0.8%. The drop in revenues is largely attributable to our Power business which saw its revenues decrease by 45% from the previous year. This is due to reduced furnace oil prices of Heladhanavi being reflected in the form of lower revenues, even though there is no impact on gross profits. Power revenues as a result, dragged the Group turnover by as much as 15.2% vis-à-vis the previous year (see Table 1 below). The year-on-year revenue growth for the Group excluding power segment revenues, stands at an impressive 21.7%. Revenue growth was driven by Healthcare and FMCG businesses, which grew 32.2% and 13.4% respectively. After a sustained period of high inflation, the year under review saw inflation curbed to single digits, as a result of which consumer markets recovered with high levels of volume growth. In addition, our Healthcare sector was boosted by revenues from the Hospitals business, which completed its first full financial year. Healthcare and FMCG contributed 8.0% and 4.0% respectively, to overall turnover growth, with Leisure and Transportation contributing marginally.

As shown in Table 1, the revenue mix has shifted more towards FMCG and Healthcare, which together account for more than two thirds of total revenue, and the contribution from Power has declined to 18.7% from 33.7% due to reasons mentioned above.

Operating Profit

Consolidated operating profits stood at Rs. 1,461 Mn for the period under review, in comparison to Rs. 1,331 Mn recorded in the previous year, posting a growth of 9.8%. The Healthcare sector, which consists of pharmaceuticals and Hospitals saw its operating profits increasing by 116.3%, largely due to an excellent year enjoyed by our pharmaceutical business. Our Leisure sector which enjoyed a good winter season in the post-war scenario increased its operating profits by 24.8%, whilst FMCG recorded a 9.9% growth. The Power sector declined 16.3% in terms of operating profits due to scheduled overhaul costs of the Thermal Power plant, whilst Transportation operating profits declined by 1.1%. Group operating margin for the year improved to 9.6% from 8.7% achieved in the previous year. Overall margin improvement was mainly driven by the Power sector, as a result of high-margin revenues from the mini hydro business coming on stream and the trimmed top-line due to the pass through impact of reduced oil prices without an impact on the absolute profits. The Healthcare sector too had a positive impact on Group operating margins as a result of the Pharmaceuticals business posting an impressive performance and the high-margin revenues from Hospitals.

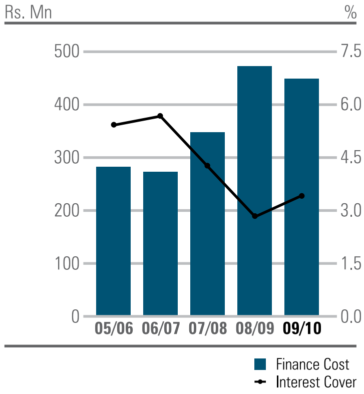
Table 1: **Revenue Analysis**

	Revenue Mix 2008/09 %	**Growth 2009/10 %**	Contribution to Growth %	**Revenue Mix 2009/10 %**
FMCG	30.2	**13.4**	4.0	**34.5**
Healthcare	24.9	**32.2**	8.0	**33.2**
Leisure	6.1	**4.6**	0.3	**6.4**
Transportation	4.4	**-2.2**	-0.1	**4.4**
Power	33.7	**-45.0**	-15.2	**18.7**
Other	0.7	**295.9**	2.1	**2.9**
Group	100.0	**-0.8**	-0.8	**100.0**

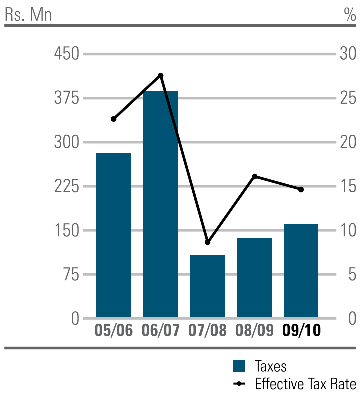
Table 2: **Operating Margin Analysis**

	Revenue Mix		Operating Margins		Margin Impact		
	2008/09 %	**2009/10 %**	2008/09 %	**2009/10 %**	Mix %	Profitability %	Total %
FMCG	30.2	**34.5**	13.5	**13.0**	0.2	-0.1	0.1
Healthcare	24.9	**33.2**	4.0	**6.6**	-0.2	0.6	0.5
Leisure	6.1	**6.4**	6.0	**7.2**	0.0	0.1	0.1
Transportation	4.4	**4.4**	31.1	**31.5**	0.0	0.0	0.0
Power	33.7	**18.7**	9.7	**14.8**	-0.9	1.7	0.8
Other	0.7	**2.9**	-193.3	**-58.1**	-1.4	1.0	-0.5
Group	100.0	**100.0**	8.7	**9.6**	-2.4	3.3	0.9

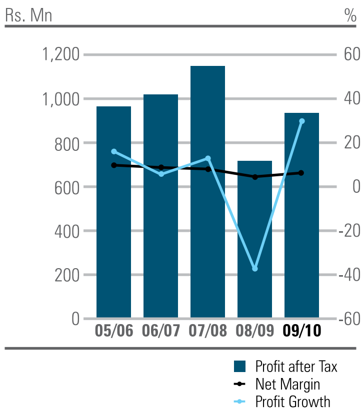
Finance Cost



Taxation



Profit After Tax



Finance Cost

Finance cost of the Group showed a decline of 4.4% during the year, from Rs. 470 Mn to Rs. 449 Mn, whilst interest cover improved with the growth in profits to 3.3 from 2.8 recorded in the previous year. The Healthcare sector finance costs increased to Rs. 177 Mn from Rs. 89 Mn recorded during the previous financial year, mainly due to the increase in interest costs related to our Hospital investment. The interest costs of both FMCG and Power sectors declined during the year, the latter due to the reduction in the syndicate loan of Heladhanavi, which is nearing full repayment and reduced working capital financing costs. The Group consolidated borrowings dropped to Rs. 3,186 Mn from Rs. 3,862 Mn recorded the previous year, reducing the Group gearing ratio to 25.8% from 32.9%. Reduction in the overall gearing ratio was largely due to the repayments of the Heladhanavi syndicate loan and increase in equity that followed the Hemas Power PLC initial public offering. During the year, the Group benefited from the drop in interest rates as most majority of the borrowings are floating rate loans.

Taxation

Tax charge for the year increased by 16.1% to Rs. 160 Mn, from Rs. 138 Mn a year ago. However, the Group effective tax rate declined to 14.6% from 16.1% recorded the previous year. Most of our low-tax paying businesses have performed relatively better, causing the Group effective tax rate to decrease.

Net Profit

Group net profits increased by 30.0% to close at Rs. 935 Mn as opposed to Rs. 719 Mn recorded in 2008/09. Profits attributable to the Group increased to Rs. 902 Mn from Rs. 775 Mn achieved in the previous year, recording a year-on-year growth of 16.3%, after a minority interest of Rs. 32.9 Mn. FMCG posted a healthy growth in net profits of 19.1% during the year and improved its net profit margins to 12.1%. Our Leisure sector enjoyed a good winter season to record an overall profit of Rs. 33 Mn, compared to Rs. 1.2 Mn achieved in 2008/09. The Healthcare sector posted a net profit of Rs. 69 Mn which was largely attributable to the exceptional performance of the Pharmaceutical business. Transportation sector showed an increase in profits of 10.7%, whilst the Power sector showed a marginal decline of 0.5%. Increasing contribution of the hydro power segment together with the drop in finance costs ensured stability in Power profits, compensating for the scheduled maintenance costs during the year.

Increase in operating margins and reduction in finance costs contributed to the increase in net margins which stood at 6.1% for the year under review, up from 4.7% during the previous year. Table 3 illustrates an analysis of the change in net margin attributable to the mix in revenue and change in profitability. At a Group level, the changes in revenue mix had a negative impact of 1.8%, while the sector profitability had a positive influence of 3.2% on the profit of the Group.

Table 3: **Net Margin Analysis**

	Revenue Mix		Net Margins		Margin Impact		
	2008/09 %	**2009/10 %**	2008/09 %	**2009/10 %**	Mix %	Profitability %	Total %
FMCG	30.2	**34.5**	11.5	**12.1**	0.3	0.2	0.5
Healthcare	24.9	**33.2**	0.4	**1.4**	-0.3	0.2	0.0
Leisure	6.1	**6.4**	0.1	**3.4**	0.0	0.2	0.2
Transportation	4.4	**4.4**	24.1	**27.3**	0.0	0.1	0.1
Power	33.7	**18.7**	4.7	**8.6**	-0.6	1.3	0.7
Other	0.7	**2.9**	-215.7	**-51.8**	-1.2	1.2	0.0
Group	100.0	**100.0**	4.7	**6.1**	-1.8	3.2	1.5

Cash Flow

Group operating cash flow declined 6.1%, to close at Rs. 1,371 Mn for the year under review. The net increase in cash tied up in working capital and the higher tax payments have translated the increase in operating profits into a decrease in operating cash flow. As shown in the chart, cash generation during the last 3 years has been steady, enabling the Group to finance most of its investments through internal funds.

The net cash used in investment activities was Rs. 650 Mn in 2009/10, following two years of high-level spending on new investments.

As far as financing activities are concerned, the key source of funds during the year under review was equity, through the Hemas Power IPO whereas funds were raised through debt during the previous year.

As a result, the net cash flow to the Group was Rs. 737 Mn in 2009/10 vis-à-vis Rs. 80 Mn in 2008/09.

Return on Capital

Maintaining a healthy growth in returns is a key area of focus for the Group. During the last 3 years, the Group has witnessed declining returns on capital employed, as a result of our new investments coupled with the challenging economic conditions. We are confident that the Group is geared to deliver superior returns in the years to come.

The decrease in borrowings over the year together with declining interest rates has improved the Group interest cover from 2.8 to 3.3, whilst reducing the gearing ratio from 32.9% to 25.8%. The Group recorded an ROE of 12.3% during the year under review, a marginal growth over the 2008/09 ROE of 11.5%. Over the medium term, the Group is committed to increase its ROE towards 20.0% without hampering the growth opportunities across the businesses.

Cash Flow

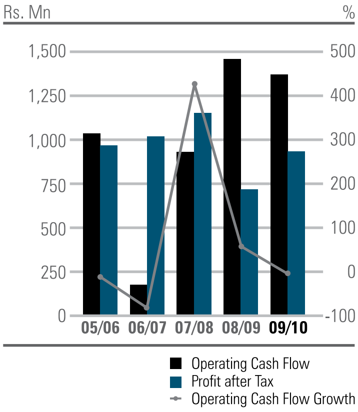


Table 4: **Return on Capital**

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	**2009/10 %**
Operating Margin	15.6	12.8	10.3	8.7	**9.6**
Asset Turnover	0.99	1.10	1.15	1.10	**0.99**
Assets/Capital Employed	1.33	1.32	1.29	1.27	**1.29**
ROCE	20.7	18.6	15.4	12.1	**12.1**
Interest Cover	5.4	5.5	4.2	2.8	**3.3**
Effective Tax Rate	22.6	27.5	8.6	16.1	**14.6**
Gearing	36.1	33.0	31.4	32.9	**25.8**
ROE	24.1	21.0	19.4	11.5	**12.3**

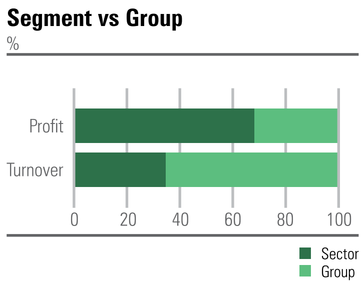
SECTOR REVIEWS

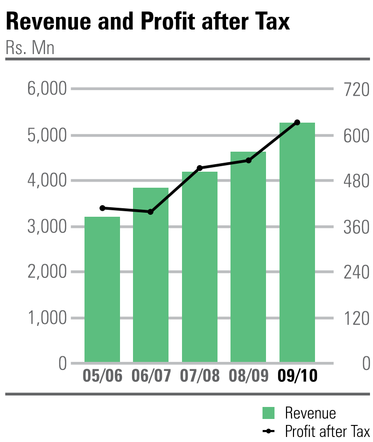

Clogard
Clogard
Clogard
Clogard
Clogard
Clogard
Clogard
Clogard
Nimex
Nimex
Nimex
Nimex
Nimex
Nimex
Diva
Diva
Diva
Diva
2 Kg
COMMANDO
Gold
obsession
obsession
PRO
INTENSE
PRO
DEEP
PRO
EXTREME
PRO
PRO
PRO
PRO
Kumarika
Baby Cheramy
fems
fems
Velvet
Velvet
Velvet
Velvet
Velvet
Velvet
Velvet

FMCG

The Fast Moving Consumer Goods (FMCG) sector which focuses on manufacturing and marketing branded goods in the personal care, home care and foods categories, continued to be the largest contributor to the Group. This sector performed well recording a turnover of Rs. 5.2 Bn, an increase of 13% over the previous year. Profits closed at Rs. 636 Mn, an increase of 19% over the previous year. Revenue growth was largely volume driven whilst margins improved on account of weakening commodity prices and initiatives undertaken to improve productivity and efficiency.

The overall FMCG industry grew by 9% during the fiscal year to Rs. 114 Bn (Source: ACNielsen, LMRB). The personal care and home care segments grew by 13% and 10% respectively whilst the foods market showed a marginal decline of 4% in comparison to the previous year. Under personal care, the fragrance segments performed poorly due to the increase in the influx of illegal imports not registered with the CDDA. Currently, these illegal imports account for 47% of the fragrance market. Representations have been made to the relevant authorities to take necessary action in the interest of consumers and the local industry.





Diva won the Gold Award for the product brand of the year

Our flagship brand *Baby Cheramy*, was relaunched in October 2009 with a view of enhancing the product offering in line with global standards. The relaunch has not only helped the brand consolidate its position in the market, but also strengthened brand equity, whilst the attractive packaging of the products have increased consumer acceptance. *Clogard* continues to be a strong player in the oral care category and increased its presence in the toothbrush segment. In hair care, *Kumarika* continued to lead the market in hair oils, and a new range of shampoos were launched during the year to build presence in the category.

Gold introduced *'Commando'*, a new line of colognes which strengthened the brands footprint in the men's grooming space. In the personal wash category, *Velvet* toilet soap was relaunched in December 2009 and has seen higher consumer acceptance on account of its improved value proposition.

In the home care category, *Diva* washing powder was relaunched with an improved formulation. In the face of aggressive competitive action, the brand continues to do well and retained its market leadership position in the washing powder category. The brand also extended its presence in the larger laundry soap category through the introduction of *Diva* detergent soap. The extraordinary success of the brand was well recognised and *Diva* won the accolade for the Product Brand of the Year and Silver Award for Local Brand of the Year at the SLIM Brand Excellence Awards held in October 2009. *Whiz* relaunched its dish wash bar with a unique 'bar in tray' solution which has been well received, thus strengthening its position in the segment.

Looking to establish a regional footprint

Our state-of-the-art production facility in Dankotuwa is geared towards improving productivity through the adoption of lean production techniques practiced by leading production facilities globally. The first step was the implementation of the 5S system which is now complete. Subsequently, the facility was awarded the Gold Award in the Manufacturing Sector and the Silver Award in the overall category at the Taiki Akimoto 5S Award Competition, held in March 2010. The Hemas Innovation centre, dedicated towards the development of new products, recently opened its doors to interns in the research and development area.

Improved economic growth will no doubt have a positive impact on the FMCG industry, and the business remains committed towards maintaining and improving its market shares through continuous product innovation and a close understanding of dynamic consumer needs. In parallel, the sector has also been exploring opportunities for extending its business into related categories and markets. First steps have already been taken in establishing a regional presence and we hope to be able to generate an increasing proportion of our revenues from regional markets in the years to come.

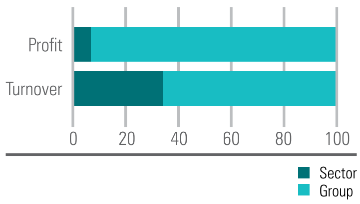
Healthcare

The Healthcare sector consists of two hospitals in Wattala and Galle, together with the pharmaceutical distribution business. The Sector showed a healthy growth during the year mainly on account of the good performance of the pharmaceutical distribution business. Revenues amounted to Rs. 5.1 Bn, an increase of 32% over last year, whilst profits increased by 350% to Rs. 69 Mn.

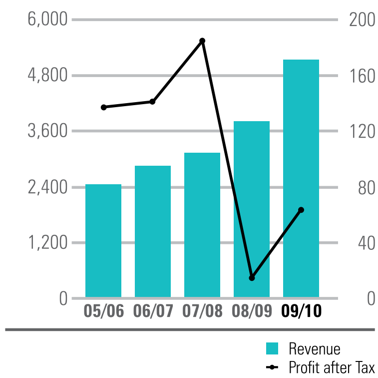
Over the years, healthcare has emerged as a primary need and has grown to 2.2% of private consumption expenditure in 2009. Growth in disposable income and consumer confidence in private healthcare has increased the demand for private hospitals during the last few years, resulting in many key private hospitals investing in capacity increases to cater to this growing demand.

Our Hospital Services recorded a turnover of Rs. 598 Mn for the year under review, an increase of 271% compared to last year. Capacity utilisation has reached over 60% and it is encouraging to note that a positive EBITDA has been achieved within a relatively short period since inception.

Segment vs Group
%



Revenue and Profit after Tax
Rs. Mn



The hospital in Wattala is growing in popularity among the local community as is evidenced by the continued increase in daily census numbers and surgical patients. During the year several large scale health screening programmes were initiated and the hospital has been successful in tying up with many leading corporates.

The focus for both Wattala and Galle Hospitals has been to improve the offering in the Obstetrics and Gynaecology segment to give an enhanced level of care for the family. Our fixed priced packages such as '*Maathru*' and '*Suwa Sathkam*' has been aligned with this and has grown in popularity since its introduction in June 2009. The hospital in Wattala has an in-house VOG consultant to ensure conformity to Good Health Practices (GHP) and has recently enlisted the service of a specialist in family and reproductive health to advice and address any concerns a mother would have.

During the year the services offered by our laboratories improved significantly. Laboratory processes were streamlined thus guaranteeing the accurate disbursement of test reports. A network of collection points in and around Wattala are being developed in order to grant easier access to our laboratory facilities.

We continued to invest in new equipment to be in line with new technological advances which would enable us to provide a better service. With the newly equipped operating theaters and ICU, Hemas Southern Hospital gained recognition for its service quality level, not only amongst the local community, but also among foreign expatriates and tourists.

An international quality accreditation process was initiated with a view to ensuring that the hospital would have best in class processes in terms of safety, quality and care.

The first batch of nurses of the Hemas Nursing School which was inaugurated in 2007, graduated in April 2010. Being the first batch tutored and trained in the English medium, we believe that they will play an integral role in improving the quality of the hospital services in the years ahead. CME programmes were conducted for consultants and doctors with the expectation of bringing new learnings and enhancing quality levels.

The pharmaceutical industry is a highly regulated industry and as a responsible pharmaceutical distribution company we follow a proactive approach by exercising stringent procedures in order to comply with the guidelines of the Sri Lanka Chamber of Pharmaceutical Industries. During the year, the Government has

Pharmaceuticals… a market leading, value adding member of the Hemas portfolio

Our Hospital Services - Rapidly improving centres of Quality Healthcare… poised for expansion

sought private sector support to design the future of the healthcare system and has opened discussions with the private sector to develop a strategy to regulate and grow the industry. On our part, we try to take a leadership role in promoting best practices within the industry and do our best to support the State in its endeavours to bring better healthcare to all citizens.

The pharmaceutical industry grew by over 15% during the year largely driven by the growth in volumes. Amidst intense competition from pure generics, Hemas Pharmaceuticals further strengthened its leadership position in the private sector with a 16.5% market share (Source: IMS). During the year the surgical arm consolidated its leadership position by securing the distribution for a new principal, OMRON Healthcare Ltd., a leading diagnostic player in the global market.

The sector also increased its presence in the over-the-counter (OTC) market by introducing several new offerings, including a range of high-end therapeutic skin care products specially designed for the Asian skin, from PharmaClinix, UK.

During the year, the Company made a significant investment in developing sales force productivity through the deployment of wireless handheld devices which enabled the sales staff to be seamlessly connected to real-time information to facilitate effective selling. The Company also launched a new website, *www.hemashealthcare.com*, providing insightful information on our products and services to both principals and consumers alike.

Going forward, the focus will be to improve service levels at our hospitals thus ensuring the quality of our medical programmes. This in turn will contribute to the growing confidence in using our services and ensure sustainable financial returns. Whilst our core business of pharmaceutical distribution continues to demonstrate healthy growth, the sector hopes to grow its share in the surgical and OTC segments where it has a relatively smaller presence.

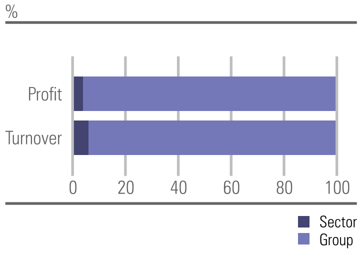
Leisure

The Leisure sector comprises the Serendib Hotels Group and Diethelm Travels. The Serendib Group, in which Hemas has a 51% stake, consists of Hotel Serendib in Bentota, Club Hotel Dolphin in Waikkal and Hotel Sigiriya. These three resorts together consist of 320 rooms and suits. Diethelm Travels, which entered the Maldivian market in 2008, is one of the key inbound tour operators in Sri Lanka.

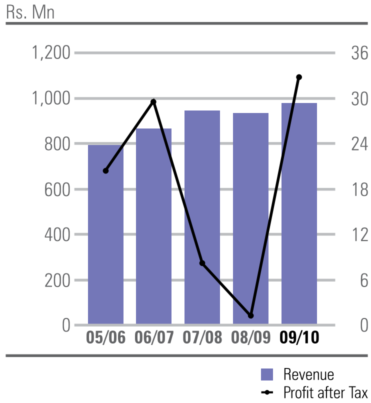
For the year under review, the sector posted revenues of Rs. 976 Mn, a 5% year-on-year growth, whereas profit after tax increased from Rs. 1.2 Mn in 2008/09 to Rs. 33.5 Mn. However, despite this performance the sector still returned a loss of Rs. 6.4 Mn after minority interest. Going forward, we see healthy profits for the Hemas shareholders from this sector.

The prospects for the hotel industry turned positive with the end of the 30 year conflict. Consequently the country saw a good winter season, towards the latter part of the financial year, with overall occupancies increasing to 82% from 44% in the previous year.

Segment vs Group



Revenue and Profit after Tax



Club Hotel Dolphin continued to post excellent results recording an annual occupancy of 87% despite tough times faced by the industry during the early part of the year. With the Leisure sector poised to take advantage of the improved environment, the Board of Dolphin Hotel approved a Rs. 500 Mn upgrade with the objective of improving yields. The Hotel is expected to complete the upgrade before the beginning of the winter season in 2010. Club Hotel Dolphin continues to be recognised by Global Tour operators on their superior offering and this year too the Hotel won the ITS Red Star Award from one of Germany's largest tour operators, the Rewe Group, for outstanding standards and customer satisfaction. The Hotel also earned another accolade by winning the Traveller's Choice Award in the family hotel category by Trip Advisor during the year.

Hotel Serendib, themed on an 18th Century Dutch village by Sri Lanka's world-famous architect, Geoffrey Bawa achieved a year round occupancy of 65%, posting a marginal profit for the year. This financial year saw the hotel investing in upgrading forty rooms, thereby improving the product offering to its guests.

Hotel Sigiriya, located within the cultural triangle was heavily impacted during the years of conflict. In the year under review, the Hotel recorded a marginal loss mainly driven by the lower occupancy level in the Summer. The Winter season saw an average occupancy of 66%, which pushed the year round occupancy to 53%, which was higher than last year. The year saw the Hotel carrying out a refurbishment on forty rooms with the remaining rooms to be upgraded in 2010. The hotel was bestowed the Silver Award by the Chamber of Commerce of Royal Netherlands Embassy, under the Eco-Efficient Productivity Project (EPP).

Poised for re-positioning to capture new opportunities as tourism grows

Set to benefit from improving global economic situation

Our destination management businesses in Sri Lanka and Maldives recovered during the second half of the year following improvements in global economic conditions and the end of the conflict in Sri Lanka. The Maldivian arm had a good year winning a large tour operator contract and consolidating its presence in Maldives within a short period.

The future of the leisure industry in Sri Lanka looks very positive with the Government and the industry joining forces to make it the most sought after holiday destination in the region. The Government is targeting to attract 2.5 Mn tourists by 2016 for which plans have been developed to improve the overall product offering, enhance human capital and uplift the supporting infrastructure.

The Government plans to increase room strength by developing hotels in the North and the East region and aiding the private sector to enhance their product offering. Overall policies have been laid out by the Government to be in line with these growth plans and much support has been extended to involve the private sector in the development of a sustainable tourism strategy.

In anticipation of increased demand for the destination, the sector has developed an exciting plan aimed at increasing our presence in the industry. This will include the repositioning of our existing properties, developing our sites in Tangalle and Kandy and also securing new sites for future development.

Transportation

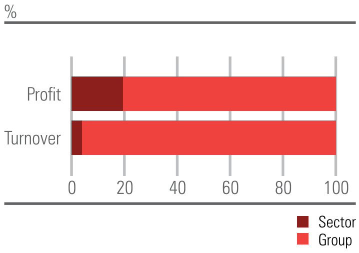
The Transportation sector of the Group comprises the Aviation, Maritime and Integrated Logistics segments.

The sector generated revenues of Rs. 664 Mn, a 2% drop compared to last year, and a profit after tax of Rs. 181 Mn, a growth of 11%.

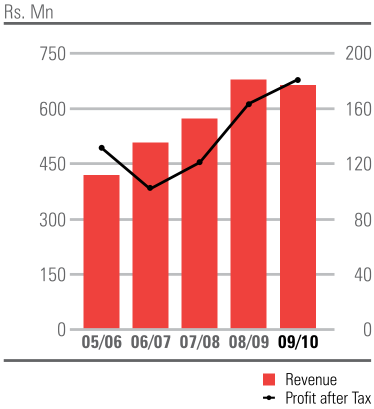
Aviation, which consists of airline representation and the outbound travel agency business, continues to maintain the market leadership position. This cluster performed well during a difficult year for transportation due to the global downturn. Industry figures show international passenger travel contracting by 13% and a marginal growth in cargo uplifted by 2% for the year. (Source: IATA traffic statistics)

This drop in international passenger travel was reflected by performance of the passenger segment of the Aviation business. However, our two major GSAs, Emirates (EK) and Malaysia Airlines (MAS), proved to be resilient in the face of adverse market conditions by ensuring that they retained their market leadership. In the Cargo segment, the sector performed impressively vis-a-vis the industry,

Segment vs Group



Revenue and Profit after Tax



by reporting growth of 35% against market growth of 2% (Source: Sri Lankan Airlines), consequently gaining market share and consolidating its position as a leader in this segment.

Other GSAs including Maldivian Airlines, LTU, Kenyan Airlines and BMI performed in line with expectations. Our outbound travel agency business, Hemas Travels, continued its focus on its Corporate travel segment, whilst focusing heavily on growing outbound leisure products and value added services in a bid to expand their product portfolio.

In Maritime, global shipping volumes declined significantly during the year. However, container throughput volumes at the Port of Colombo showed only a marginal drop of 6% in the year 2009. This decline had a minimal effect on our portfolio of businesses in the Maritime cluster, which grew in size as well as service spectrum, from Feeder Agency and Maritime Asset Owning Investments, to Maritime Support Services.

The investment in Mercantile Shipping Company PLC (MSL) has allowed the sector to gain a deeper understanding of the vessel ownership business. MSL has been re-fleeted with two new multipurpose vessels which have been currently chartered internationally. During the financial year an agreement was entered into with NCGB India and Lanka IOC to provide a range of marine services.

The Integrated logistics cluster which comprises freight forwarding and courier experienced yet another difficult year due to a scenario of intense competition heightened by a price war in the market and the global economic slowdown. With increasing pressure on margins, the overall focus of our business in this cluster was to rationalise resources with our international partners and improve cost efficiencies and focus on customer service delivery.

As a result of the Government's aggressive development plans for the country, we expect to see a range of growth opportunities present itself to the Transportation industry. Over the next few years the Government plans to invest heavily on infrastructure development and has completed the initial steps of port development in Hambantota and

We have a role to play in partnering the national initiative to transform Sri Lanka into the commercial hub of the region

expansion in the Port of Colombo to enhance Sri Lanka's profile as a commercial hub. Plans to construct another international airport in Mattala are also well underway. We view these expansion plans as an opportunity to expand our aviation and maritime businesses in the ensuing years. We also anticipate the global maritime market to turnaround strengthening the local maritime industry.

The sector anticipates business growth as a result of new opportunities emerging by the end of the civil war and prospects of increased global trade.

Going forward the sector will look for opportunities to expand its presence in the maritime industry whilst focusing on service delivery and new business development to consolidate its leadership in the Aviation business.

Aviation is set to grow globally, after a period of contraction


ASEA

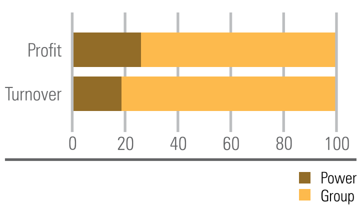
Power

The Power sector comprises 50% of Heladhanavi Ltd., which operates a 100 MW thermal plant and two fully owned mini hydro plants with a total capacity of 4.6 MW, operating in Giddawa and Lindula. In addition to the operating plants, development of a new 2.4 MW mini hydro power plant in Magal Ganga is currently in progress. In September 2009, the Power sector went public by listing Hemas Power PLC, to raise equity funding for future expansion of the business. The Company successfully raised Rs. 626 Mn through its Initial Public Offer of 31.3 Mn shares, which was well received with an oversubscription of nearly four times. In December 2009, the Company applied part of these funds to acquire the 2.6 MW mini hydro plant in Lindula, for a consideration of Rs. 196 Mn.

Sector revenues dropped 45% to Rs. 2.8 Bn during the year 2009/10, as a result of lower fuel oil prices of Heladhanavi passing through to the topline. Whilst this has no negative impact on profitability, the consequent reduction in funds tied up in inventory has caused working capital related finance costs to decline. The year under review saw new revenue streams materialising from our operational mini hydro plants. Additional profits from mini

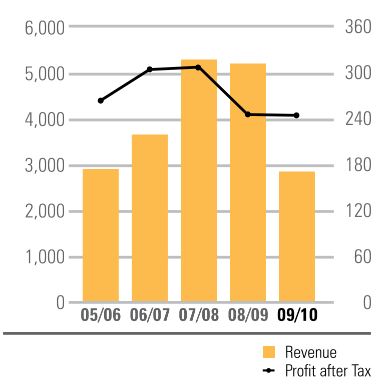
Segment vs Group

%



Revenue and Profit after Tax

Rs. Mn



hydro plants have adequately compensated for the drop in Heladhanavi profits caused by scheduled maintenance costs. Sector profits for the year closed at Rs. 244 Mn, a decrease of 0.5% from the previous year. Renewable energy has contributed 25% to the total sector profits for 2009/10, as against a 6% contribution during the previous year.

Our mini hydro plant in Giddawa has been in operation since October 2008, and its financial performance is commendable despite the lower than average rainfall in the catchment area during the year under review. The recently acquired 2.6 MW plant in Lindula too has been performing satisfactorily during the few months it has been in operation since the acquisition. During the year ended 31 March 2010, our mini hydro plants have been operating at an overall plant factor of 40%, which is an encouraging figure for a year with relatively low rainfall. The construction of our third mini hydro plant, located in Magal Ganga is well underway and we anticipate the plant to commence generating energy to the national grid by September 2011. With the completion of this plant which will have a capacity of 2.4 MW, the size of our renewable energy portfolio increases to 7.0 MW.

Heladhanavi, which is co-owned by Hemas with its joint venture partner Lakdhanavi, continues to be one of the lowest cost thermal power generators in the country. Due to the high level of scheduled maintenance activity that took place during the year, the energy generation has been relatively low compared to previous years. During the year under review, the thermal plant generated 645 GWh and mini hydro plants generated 8.5 GWh of energy, jointly contributing to the national grid nearly 7% of the total energy of 9,882 GWh generated by the Government and independent power producers. The Government's intention of promoting non-conventional renewable energy generation was evident with the awarding of several wind power LOIs' to private developers. It is also worth noting some of the key industry developments during the year such as the opening of the combined cycle thermal power plant in Kerawalapitiya and the progress of the coal power plant in Norochcholai. Turning to coal power generation is a response by the Government to increasing and fluctuating oil prices. However, this move is not seen as a sustainable one due to the cost of importing raw materials and high carbon emissions. Renewable energy is clearly the sustainable long-term path for the sector

Demand for electricity to grow at a CAGR of 8.6% over the long term

We're looking to expand generating capacities

and the Government has introduced a robust regulatory and policy framework to encourage private sector participation in renewable energy generation.

Looking ahead at the industry prospects, the post-war era is expected to create renewed demand for power and energy in the industrial and household segments. The CEB has estimated the demand for electricity to grow at a CAGR of 8.6% over the long-term. This implies an additional output requirement of 5,430 MW by 2022. However, the planned new developments along with existing capacities will be insufficient to cater to this increased demand. As a sustainable means of fulfilling the long-term demands of the country, the Government has declared a target of 10% of total energy to be produced by non-conventional renewable energy sources by 2015. This figure at present stands at 4% and we are well placed to focus our efforts to be in line with the national policy of developing the renewable energy industry of Sri Lanka.

Risk Management

Hemas is exposed to a wide range of risks given its diversified nature. Thus, we have instituted an Enterprise-wide Risk Management system (ERM) that takes into account the requirements of each constituent business whilst ensuring consistency of approach across the Group.

At business unit level, a risk register is maintained and kept constantly up to date. This register carries a list of all the identified risks which are prioritised based on the likelihood of their occurrence and their impact. The register also carries an up-to-date list of all the plans to avoid risk exposure or to mitigate its impact.

Oversight of the risk management function at Board level is through the Audit Committee of the Board. Internal Audit provides an independent and objective view to the Audit Committee though regular scrutiny of the risk registers.

Following is a generalised list of risk exposure and mitigatory actions.

Risk	Exposure
1. Reputation Risk	Our image getting tarnished through negative perceptions created among any of our stakeholders would have an adverse impact on our business. **Mitigating Actions** • Our commitment to meeting and exceeding customer expectations is monitored through regular assessment of customer satisfaction. Systems are in place to take prompt action on findings, particularly on customer suggestions and complaints. • Close monitoring of adherence to regulations and contractual obligations • Strong Corporate Social Responsibility activities.
2. Growth Risk	Key businesses entering a maturity or declining phase would have an adverse impact on our future earnings. **Mitigating Actions** • Identify strategies to grow new business segments and support them with required levels of investment. • Identify opportunities coupled with development projects initiated by the Government
3. Business Partner Risk	Loosing a business partner due to global mergers and acquisitions, competitiveness in global economy or gaps in service level could adversely impact on our earnings. **Mitigating Actions** • Regular assessment of service levels to meet business partner expectations. • Development and continuous monitoring of strategies to optimise value propositions. • Continuous focus on development of new alliances together with new opportunities to minimise exposure to any one partner.
4. Market Risk	Loss of our competitive position in the market due to intense competition, new entrants, change of customer attitudes and adverse economic conditions might reduce our market share or margins. **Mitigating Actions** • Focus on attractive new markets and good growth prospects. • Strategies at every stage of operations to optimise return on investment while ensuring continuous improvement. • Regular monitoring of key customers and consumer trends.

Risk	Exposure
5. Cost Inflation Risk	An increase in input costs and overheads could adversely impact on our margins and cash flows. **Mitigating Actions** • Adapt cost efficient strategies to deliver products at competitive prices. • Continuous focus on lean management practices, lean production practices and overall efficiency of business processes.
6. Operational Risk	Internal process failures, fraud, breakdown of internal controls, failure to comply with statutory requirements, natural and man-made disasters could result in loss of earnings as well as loss of reputation. **Mitigating Actions** • Ensure independence and objectivity of internal audit function focusing on internal controls and compliance. • Business continuity plans are in place to ensure operational sustainability. • Transfer of risk where applicable through insurance.
7. Legal and Regulatory Risk	Changes to regulations or new regulations imposed could impact our business adversely. **Mitigating Actions** • Periodic compliance reviews to ensure adherence to regulatory and statutory requirements. • Participate in industry forums to lobby against regulations that could have an adverse impact.
8. Human Resourses Risk	Inability to attract and retain talented employees could hamper the Group's ability to maintain its current business and limit growth. **Mitigating Actions** • Substantial investment on building and maintaining a strong employer brand image in consultation with international experts. • Effective Employee Share Ownership Scheme (ESOS). • Integrated appraisal system covering skills profile, competencies and business objectives.
9. Credit Risk	Our debtors delaying or failing to honour their commitments towards the Group could adversely impact our liquidity position. **Mitigating Actions** • Effective credit evaluation and rating of new customers. • Close monitoring of adherence to business specific debt management and credit policy. • Ensure efficient debt follow-up and collection practices are in place for all business units.
10. Interest Rate and Foreign Exchange Risk	The adverse movement of interest rates and exchange rates could negatively impact our earnings. **Mitigating Actions** • Ensure adherence to centralised treasury function and protocol. • Manage trading and financial foreign exchange exposure through appropriate hedging strategies.

The basic concepts of Sustainability are firmly rooted in the traditions and values of the Group

The Community

In addition to creating value to its stakeholders, the Group recognises the need to nurture and give back to the society in which we operate. Accordingly, a portion of Group resources in terms of finances and employee effort are dedicated annually to the discharge of what we see as the duties of corporate citizens.

Piyawara

A Corporate Social Responsibility project of Hemas Holdings PLC in partnership with the Ministry of Child Development and Women's Empowerment

Mission

Promote child-friendly pre-schools island-wide to provide a sound foundation for lifelong learning. (pre-schools are now known as Early Childhood Care and Development (ECCD) centres.)

Background

The *Piyawara* programme is the primary CSR project of Hemas Holdings. Undertaken in partnership with the Ministry of Child Development and Women's Empowerment, this programme focuses on promoting early childhood care and development through the establishment of child friendly pre-schools across Sri Lanka. *Piyawara* is now an integrated educational programme making a valuable contribution to the development of the overall Government educational system. The programme goes beyond building bricks and mortar to developing a holistic approach to pre-school education.

The rationale for selecting this project was threefold:

- The Company's biggest brand, *Baby Cheramy*, is also the leading baby brand in Sri Lanka and is familiar to most mothers. *Piyawara* extends our brand's reach beyond infancy into early childhood. *Baby Cheramy* is seen to be helping children achieve a solid foundation for lifelong learning.
- Good health practices are part of ECCD. As a leading healthcare organisation, it is appropriate that we involve ourselves in such a project.
- The project meets a national need.

At present we support 32 ECCD centres across the country under the *Piyawara* banner. Their locations range from Jaffna to Hambantota. We carry out many activities in these schools every year, from teacher training to parental awareness programmes, in partnership with the Ministry of Child Development and Women's Empowerment. We also conduct programmes at district level and at national level through mass media. Hemas has also collaborated with the Police to support the national campaign against child abuse, and several programmes and projects have been undertaken in this area.

At present we support 32 ECCD centres across the country under the *Piyawara* banner.

1.

Recognising our contribution, the Government has appointed Hemas to the national coordination committee on ECCD, which oversees the development and implementation of national policy. In addition the ministry has appointed Hemas to several provincial committees concerned with ECCD.

Programme Objectives

1. Enhance and improve the psychosocial and cognitive development of young children through the addition of new pre-schools to the existing national network and upgrading established pre-schools to minimum standards.
2. Emergency intervention during national disasters to manage temporary pre-schools or set up play areas in makeshift camps.
3. Fulfil the training requirements of pre-school teachers.
4. Empower community-led social development through islandwide parental awareness programmes.
5. Improve recreational facilities for children in disadvantaged communities.
6. Improve child protection legislation and provide publicity for children's issues.

Activities in 2009

At the request of the ministry, the main focus in 2009 was on children of internally-displaced families temporarily housed in relief villages at Menik Farm, Settikulam and Vavuniya.

In addition to this northern project, the existing pre-schools assisted under *Piyawara* had various calendar events organised for them by the Hemas Outreach Foundation.

Key Events in 2009

Menik Farm, Settikulam and Vavuniya Project

- Urgently needed items such as wheelchairs, crutches and personal-care items worth more than Rs. 1 Mn were distributed amongst children in these camps through the agency of the Sri Lanka Army. Additionally, toys and sweets were distributed amongst IDP children.
- A model pre-school was constructed at Kadiragamar Village, Menik Farm, in partnership with the Children's Secretariat of the Ministry of Child Development and Women's Empowerment. Stationery, furniture and storage cupboards were supplied by the Group.
- Teachers for the pre-school were selected from the community and given three days' training by officers of the Children's Secretariat.
- Play areas were developed in the relief villages. Play is considered as therapy for traumatised children. The first of these play areas was opened in Kadiragamar Village, Zone '0', Menik Farm.
- By popular demand, three similar areas were also constructed in Menik Farm Zone 1 (Arunachcalm Village).
- Annual concerts by children attending these pre-schools were held in November 2009, at the Menik Farm pre-school complex.

Other Events in 2009

- The annual *Piyawara* teacher training programme, a three-day residential course conducted in Polonnaruwa, was held in August 2009. Seventy-five teachers, representing all 32 *Piyawara* centres, attended. Training consisted primarily of an educational tour of the *Piyawara* model schools in Polonnaruwa and Kantale, which gave the teachers an opportunity to learn from the experience of other pre-schools and to share their knowledge. A special feature of the programme was a meeting with villagers, which helped the teachers understand how the community sustains pre-schools through participation and contributions in kind.

  The programme was coordinated by officers of the Children's Secretariat. At the end of the programme the teachers made a presentation to the group on what they had learnt, and were evaluated by ministry officials.
- *Seva Vanitha* Switzerland donated a child friendly play area at the Matale *Piyawara* Centre.
- A national art competition for pre-schoolers was held by the Ministry of Child Development in January 2010. 3,700 children took part. Judges from the Arts Faculty of Colombo University selected 150 winners. A quarter of the winners were children from *Piyawara* pre-schools.
- Sponsored by *Baby Cheramy*, the *Nuga Sevana Darupatiyage Lokaya* live chat show has been broadcast every Tuesday since January 2010. The programme has featured members of the College of Paediatricians and many other ECCD professionals.

1. Children at play at the Manik Farm
2. Children's concert at Menik Farm pre-school
3. Newly built play area in Matale pre-school

2.

3.

- Radio spots on ECCD, sponsored by *Baby Cheramy*, were broadcast on Ran FM throughout the year 2009 - March 2010.
- A section of Hambantota *Piyawara* pre-school has been made available to a charitable organisation for use as a school for children with special needs. Most of the children attending are poor and travel to school from as far as Embilipitiya. Thirty-seven children currently attend this special school.
- A special visit was made by representatives of our German business partner in the leisure sector, Rewe Group, to inspect the progress of the schools sponsored by them under '*Piyawara*'.
- Hemas part-sponsored the Mother Sri Lanka Foundation initiated by the President's Office. The theme song for this project was written and produced by Hemas.

Future Initiatives

As a long-term investment, five model pre-schools are to be built among the former battlegrounds of the Northern Peninsula. Land for this purpose has been allocated by the authorities in Jaffna, Kilinocchi, Mannar, Mulaittivu and Vavuniya. Work on the first school, to be built in the Jaffna city, commenced in April 2010.

Diriya

A house-to-house selling operation that makes our products conveniently available to consumers and provides self-employment and income to individuals in need

Bringing Hemas to the rural consumer's doorstep, the *Diriya* house-to-house selling operation introduces our brands to consumers unfamiliar with them, educating consumers and helping break their habituation to international brands. As a community bonus, the programme helps provide self-employment opportunities to rural folk.

How Diriya Works

For a specified rural area, Hemas will appoint a person to go from house to house, selling Company products at retail price. These individuals are designated *Diriya* entrepreneurs. *Diriya* entrepreneurs purchase stocks from a Hemas distributor at wholesale price and sell them on to consumers at the normal retail price, retaining the margin. Monthly incentives are offered to both consumers and entrepreneurs.

Entrepreneur Profile:

- Female, 25-50
- Lives in rural or semi-rural community
- Eager for earnings to augment the family budget
- Able to walk or ride a bicycle up to 20 km per day
- Able to work independently
- Possesses basic accounts and selling skills
- Good interpersonal skills

Pilot Operation in Anuradhapura

- Commenced September 2009
- Four rural towns covered: Nelbewa, Shrawasthipura, Hidogama and Nachchaduwa
- Ten *Diriya* entrepreneurs covering 1,500 productive households
- Sales development officer appointed to monitor the programme
- Redistribution sales to January 2010: Rs 958,607 (average entrepreneur sales Rs. 191,721)

The Way Forward

- National rollout covering all rural communities
- Strategic alliance with charitable organisation to facilitate recruitment.
- Training in selling skills for Diriya entrepreneurs

Our People

Responsible citizenship includes special care and concern for those closest to us, though not at the expense of our fellow-citizens. Recognising this, Hemas takes care of its own. Our personnel policies seek to deliver individual training, development and empowerment to each of our people to the full extent of his or her capacity to benefit from it. Additionally, recruitment and succession policies, staff welfare and benefit schemes and many other initiatives help to build close bonds between the Company and its employees, while frequent participatory events, both professional and ex officio, help build in our people a sense of community, participation and morale.

FMCG Sector

The 2009-10 financial year was a challenging one for the FMCG sector, bent on achieving its strategic goals at a time when the world economy faced its worst recession since the 1930s and many sectors of the national economy found it difficult to remain viable.

During this time, the Human Resources division played a vital role, training, developing and nurturing employees, equipping and motivating them to face the challenges of difficult times.

Leadership Skills

Focused leadership programmes were conducted for senior and middle management, aimed at preparing participants for significant leadership roles and responsibilities in the future. The programme was facilitated by Franklin Covey (South Asia partner).

Motivational Training

Three motivational programmes were carried out to encourage teamwork and build team spirit:

- 'The Art of Winning', conducted by Mr. Nalaka Hewamadduma
- 'See You at the Top', conducted by Mr. Suresh Fernandez
- Outward Bound Training for the sales force

Technical Skills

The FMCG Sector held a number of programmes designed to help develop the technical skills of both Executive and Non-Executive employees. Among them were; a programme on advertising: 'Is Advertising an Expense or an Investment?', training programme on total productivity maintenance, presentation on 'Management Tools for Marketing Success', presentation on 'Making Business Sense: the Role of Financial Professionals', training on counselling as a tool for performance management and a presentation on 'The Manager's Role as Coach.

Overseas Training

Approximately 18 staff of Director and Senior-Manager grade underwent overseas training to help develop their leadership and managerial skills.

Transportation

The Transportation sector embarked on a training programme consisting of three modules, initially targeting all staff working at Forbes Air Services, Hemas Air Services, Hemas Aviation and Hemas Travels.

Training and Development

Special training programmes conducted by Hemas Higher Learning Academy, 2009/10

Programme	Duration	Participants	Objective	Contents
Management Development programme (MDP2)	24 weeks	20 Junior Managers and Executives	Using reputable external and internal resource persons, develop the competency of Junior Managers for promotion	General management skills
Business English Course I (BEC1)	54 hours	16 Junior Managers and Executives	Improve English communication skills	Written, spoken, reading and comprehension skills
General Management Programme I (GMP1)	45 hours	16 Directors and Senior Managers	Enhance the business acumen of Hemas' senior leadership. Programme conducted with support from the Postgraduate Institute of Management	Various aspects related to the execution of business operations

1.

2.

1. CEO's Awards 2009
2. Sports Day 2009

Having successfully completed training all employees below assistant-manager grade (including office assistants) on personal effectiveness, a half-day programme on 'managing human talent' was conducted for employees of the four aviation companies at the level of assistant manager and above. All staff now possesses a shared knowledge and a culture of personal-effectiveness development and enjoys support from managers for their on-going learning.

Associate of the Quarter

The Transportation Sector continues to honour and recognise its outstanding employees each quarter with an award known as 'Associate of the Quarter'. The employee is selected by identifying his/her unique qualities, significant achievements and alignment to group values. He/she is subsequently felicitated at an awards function.

Healthcare: Pharmaceuticals

1. Development of Pivotal Job Competency

As demand creation is the core competency of the pharmaceutical industry, the HR division initiated a programme to improve this competency in all frontline medical delegates of our principal agencies through a planned, systematic long-term learning programme in concurrence with Hemas Hospital. There are approximately 280 delegates; training is currently in progress for the third batch. The programme, entitled the Medical Delegates' Professional Development Programme, is of four and a half months' duration.

2. Identification of Employee Potential and Competency Gaps

With the object of creating a talent pool in pharma, and also for development of competencies, the HR division has created an assessment centre for employees of manager and assistant manager grade. The centre is also involved in the selection of new recruits in the grade of manager and above.

Healthcare: Hospitals

1. Organisational Culture Training

Introduced a code of customer service in which all employees were familiarised and trained. This is the first ever code of customer service in the Sri Lankan hospital industry.

2. Organisational Communications

Launch of Company Newsletter, *Deegayu*

3. Employee Motivation and Recognition

Introduced an employee-of-the-month award known as the iCARE Award.

4. Recreation

Organised Vesak *bakthi* gee and Christmas carols. Organised a sports day for all staff featuring numerous enjoyable activities intended to promote team spirit and bonding with the Company.

Leisure Sector: Diethelm Travel Sri Lanka

The dawning of peace during the 2009/10 financial year opened the doors of opportunity to Sri Lanka tourism as a preferred holiday destination. The Human Resources Division was faced with the task of developing new product knowledge and marketing skills as well as motivating all levels of staff to embrace the opportunities and challenges with an unified and positive mind set.

Out Bound Training

In October the Management Team was taken to Belihul Oya for an Out Bound training program in leadership and team building. This proved to be very successful with each individual and team recognising their strengths and areas of improvement. All participants showed considerable improvement in their day-to-day activities. Department heads worked closely with their teams, the results reflecting on the final quarter sales performance, which was one of the best for the year.

Customer Service Excellence

Sales and Customer Service being the core of the FIT business, the Customer Service Team and the Revenue Managers were exposed to international standard training, when Ms. Libby Southwell, Tourism Consultant from Australia conducted a 3-month training programme on High Quality Service.

The above training resulted in conversion of many enquires as well as positive feedback from agents on the professional presentation of proposals and quotes.

New Product Knowledge

The civil war ending meant that a few key tourist areas that were cordoned off for security reasons were now once again open to the public. Familiarisation tours for the sales and customer service unit were conducted to Trincomalee and Arugam Bay.

For product knowledge enhancement, the teams also visited Kalpitiya, Sinharaja Rain Forest, Kandy and the Kandy Meditation Centres.

Overseas Training

The Manager B2C was sent to Thailand for a 3-day training program on systems. The new system training was conducted to improve the efficiency of our delivery channels to our agents and consumers.

A training program was conducted in the Maldives for our Maldivian Team to give uniformity and be on par with the service standards offered by the Diethelm Travel Group.

Leisure Sector: Serendib Leisure Management Limited

Serendib Leisure hotels conducted their annual training and development programs planned for the year 2009/2010. These programmes were aimed at sustaining high levels of customer service at key customer touch points of the hotels while motivating the staff and building team spirit in all departments.

As a result, the following key training and development programmes were conducted at each hotel.

Overseas Training

- Assistant Manager of Club Hotel Dolphin was sent for cross exposure training to Anantara Hua Hin in Thailand for a period of one month.

Cross Exposure

- Several hotel staff members were given cross exposure training at other hotels within the Group.

Skills Development

- F&B and Front Office staff members at Hotel Sigiriya were sent on outbound training workshops at Sigiriya Village Hotel, Amaya Lake, Heritance Kandalama and Cinnamon Lodge.
- Senior Sous Chef attended a 05-day workshop/seminar titled 'Do we prepare and present authentic Chinese food to our tourists' conducted by Sri Lanka Institute of Tourism and Hotel Management from 09 to 14 November 2009.

Training Programmes and Workshops In-house

- Department specific training programmes conducted at Club Hotel Dolphin for F&B (3 programmes), Supervisors (1 programmes), House Keeping (6 programmes) and Maintenance (4 programmes) with a further 6 programs conducted as 'all staff training programmes' during the year.
- Department specific training conducted for Hotel Serendib as follows;

  F&B with 4 programmes, House Keeping (3 programmes), Spa staff (3 programmes), Front Office staff (6 programmes), Kitchen & Kitchen Stewarding (5 programmes) and Engineering (3 programmes). 3 training and team building programs were also conducted for all staff of the hotel.
- In-house training conducted for the following departments at Hotel Sigiriya. Front Office (5 programmes), Kitchen/ F&B/ Stewarding (4 programmes), Engineering and HR (1 programme each). 5 programmes conducted for all staff.

Job-evaluation and Salary-Banding Project

This project was undertaken for the Group by Hewitt Associates, a global HR consultancy firm. Its object was to rationalise the multiplicity of job grades and salary bands in the Group. This was done by analysing each job, developing descriptions and evaluating it against others at comparable levels of skill and responsibility.

This initiative has facilitated effective salary-banding, even when varying compensation rates in different industries and markets are taken into consideration. Employees now see their future career paths with more clarity, while compensation philosophy has also been clarified and made more methodical.

In addition, the main behavioural competencies of the Group and key competencies for each business were identified depending on the characteristics of the business.

HRIS

The Human-Resources Information System mentioned in last year's Annual Report was implemented Group-wide during the year under review. The system automates regular processes in the management of the employee life-cycle, leaving HR personnel free to concentrate on transformational processes such as talent management and succession planning. The system is now up and running.

Employee Awards

CEO's Awards

Managers who have made an outstanding contribution to Hemas are recognised at the annual CEO's Awards Ceremony. This is the most prestigious event in the Hemas calendar, in which the best performers in each sector of the Group are rewarded according to their merits.

The Living Hemas Values Awards

The Hemas value system is based on the vision of our founders and plays a central role in our continuity and success. These values are:

- passion for customers
- driven by innovation
- obsession for performance
- concern for people

Staff members are encouraged to nominate for these awards any person who, in the view of that staff member, embodies or exemplifies one or more of these values. Quarterly winners and an annual 'grand winner' are selected.

The Enriching Lives Award

Introduced last year, this new award recognises teams that have significantly contributed to the development or enhancement of some product or service that truly enriches the lives of Hemas' customers. Any individual can nominate his or her preferred team or group of employees. The awards are presented every year at the CEO's Awards Ceremony.

Workplace Safety

Our Dankotuwa manufacturing plant was awarded the prestigious Taiki Akimoto 5S Gold Award for the best 5S implementation in the manufacturing sector as well as the Silver Award in the overall category, which covers all sectors. The awards are organised by the Japan-Sri Lanka Technical and Cultural Association (JASTECA) and were presented at a grand ceremony at the Galadari Hotel on 03 April 2010. The 5S culture at Dankotuwa plant has made a vital contribution to industrial harmony, employee discipline and the excellent corporate results achieved during the year under review.

The Environment

Leisure Sector

Energy Conservation at Hotel Sigiriya, Sri Lanka

Hotel Sigiriya, a resort hotel, is located in the diverse ecological zone surrounding the ancient rock fortress that gives the hotel its name. More than a hundred different species of mostly indigenous flora grow wild in the hotel gardens. Over 200 species of birds, amongst which many are endemic, and a variety of animals can be observed at the hotel and its environs.

The hotel features seventy-nine rooms, a purpose-built *Ayurveda* centre, an eco-centre featuring documentaries and a library on wildlife and culture and a range of cultural and nature-related activities conducted by a resident naturalist.

Under the guidance of a reputable environment-management consultant, a 'greening' project was instituted at Hotel Sigiriya in 2005, long before eco-tourism became fashionable. The goal of the project was to promote nature-friendly and environmentally sustainable tourism by integrating environmental-protection disciplines into daily management. Specifically, the project aims to:

- Conserve energy and water
- Minimise solid waste, air pollution and other chemical pollution
- Maximise the 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.

Through continuing training programmes, Hotel Sigiriya staff have been sensitised to environmental issues and actively practise environmental management, integrating it into their daily work routines.

Achievements to date

- Self-contained biological sewerage plant: no chemicals; totally self-contained; treated water used for garden irrigation; dried sludge used for manure
- Discharge water used for garden irrigation: approximately 30,000 litres of treated water from sewage treatment plant used for irrigation daily
- Solar water heating panels
- Card key switching for room air-conditioning
- Scheduled switching of lights
- Water-saving cisterns
- Optional re-use of room linen
- Change from incandescent to CFL lighting
- Organic vegetable garden: no chemical fertilizers used; margoza oil used as insecticide; compost and sludge from sewerage plant used as manure. Crops: corn, cauliflower, radish, curry leaves, green chillies, beans
- Reduced use of aerosols
- Reduced use of plastic
- Composting: both conventional compost pits and vermi-compost
- Gradation of garbage and re-cycling: 85% of wet and 75% of dry waste is re-cycled. Only about 5% of all waste is disposed without some form of recycling
- Biomass-fuelled gasifier to replace diesel boiler

Reduction of CO_2 emissions

- A total of 194 mature trees and 359 semi-mature trees have been planted on the hotel premises
- The new open-plan restaurant, built in 2006, was built without felling a single tree; it was designed around the existing arboreta. It is comfortably cool without either air-conditioning or fans.

1. Bio Mass Gasifier, Hotel Sigiriya
2. Organic Garden, Hotel Sigiriya

1.

2.

Environmental Achievements at Hotel Sigiriya

	2009/10 up to 53% occupancy level
Total carbon footprint (UNEP guidelines)	233.4 MT
Reduction in CO_2 equivalent due to current interventions	25.14 MT
Reduction in CO_2 equivalent due to proposed intervention (installation of bio-mass gasifier)	44.73 MT
Total reduction in CO_2 equivalent	69.67 MT
Total financial saving due to current interventions	Rs. 2,783,159
Total financial saving estimate due to proposed intervention (installation of bio-mass gasifier)	Rs. 1,218,125
Total financial savings	Rs. 4,001,284 (35,516 US$)

We have not embarked on any high-tech interventions costing large sums of money. Most of what has been implemented is based on time-tested, basic, common sense ideas. The difference is that they have been implemented with consistent commitment and evaluated analytically, supported by a careful monitoring and data gathering system. Implementation has been bottom-up, with many hours spent sensitising and training our staff to be fully aware of all relevant issues.

Awards won by Sigiriya Hotel

2009	Silver Award, PEP Green Technology Awards, Ceylon Chamber of Commerce and Royal Netherlands Embassy.
2009	Silver winner, Asia: Green Apple Award, Green Organisation, UK
2008	Highly commended, Virgin Holidays Responsible Tourism Awards, UK
2008	Green Award winner, International Restaurant and Hotel Awards, USA.
1996	Recognised as the first bird-friendly hotel in Sri Lanka by the Field Ornithology Group of Sri Lanka

Eco-Friendly Culture at Dankotuwa Plant

Hemas Manufacturing has its main facility situated near the beautiful village of Bujjampola, 6 km from Dankotuwa. While Hemas helps village farmers to improve their cultivation methods and yields, the main CSR focus is on maintaining the environment in and around its premises. The beauty of the natural greenery around is complemented by the plants, shrubs and herbs planted on the factory premises, which form a haven for local birds. A large natural pond further enhances the attractiveness of the environment.

Waste water from the factory amounts to 60,000 litres daily. There are two waste water treatment plants, one for production effluent and the other for human effluent, installed at considerable expense to comply with relevant legislation and fulfil our social responsibilities.

The process effluent does not contain any harmful substances. Its treatment involves chemical processes. Treatment for waste water generated by human usage involves microbial processes, both aerobic and anaerobic only. The water so treated meets a substantial part of the requirement for gardening purposes.

The Japanese 5S system built into the culture at our Dankotuwa facility has been an important factor in ensuring the maintenance and sustainability of an eco-friendly environment.

Heladhanavi Ltd.

To reduce impact on the environment to a minimum, Heladhanavi Ltd. has dedicated 58 acres of plant site to a green belt that helps hold noise levels down to a prescribed minimum. Noise is further managed by constant monitoring and independent third-party assessment. An annual environmental assessment is carried out by the North-Western Province Environmental Authority for the renewal of the power plant's environmental-protection license.

Water is conserved through rainwater harvesting ponds on the power plant premises. The water used to cool the engines and other equipment is treated in order to separate heavy oil components before releasing it into the environment.

Giddawa Hydro Power: Giddawa SHP

Giddawa SHP was established consequent to an initial environmental examination and strictly conforms in every respect to the conditions stipulated in the formal approval accorded to the plant by the Central Environmental Authority. GHP has taken steps to improve the local environment by planting trees in the surrounding area.

Okanda Power Grid: Magal Ganga SHP

In developing the Magal Ganga SHP, Hemas Power PLC, under the guidance and advice of the CEA, will endeavour to take all necessary steps required to mitigate the impact to the environment to the fullest possible extent.

Hemas rigorously adheres to the policies and practices, guiding the way we do business within the Group

The Board of Directors of Hemas Holdings PLC has adopted the Corporate Governance practices listed below to promote the effective functioning of the Board, its committees and the Company. Hemas rigorously adheres to these policies and practices, guiding the way we do business within the Group. Hemas has complied with the provisions of the Combined Code throughout the last financial year.

The methods we employ to achieve our results are as important as the results themselves. Our Company expects and requires that its Directors, officers and employees observe the highest standards of integrity in the conduct of its business.

The Board, governance, processes and systems

Role of the Board

The business and affairs of Hemas are managed by or under the direction of its Board in accordance with the Statutes. The Directors' fiduciary duty is to exercise their business judgment in the best interests of Hemas' shareholders.

Composition of the Board

Deshamanya Lalith De Mel is the Non-Executive Chairman of Hemas. The roles of Chairman and Chief Executive Officer are separate, with their responsibilities having been clearly articulated by the Board. The Chairman is responsible for the effective operation of the Board and ensures that all Directors are enabled and encouraged to play their full part in Board activities. The Chief Executive Officer (CEO) is responsible to the Board for directing and promoting the profitable operation and development of the Group consistent with enhancing long-term shareholder value, which includes the day-to-day management of the Group, formulating, communicating and executing Group strategy, and the implementation of Board policies.

The Board comprises a Non-Executive Chairman, four Non-Executive Directors and three Executive Directors, with the objective of achieving a balance of executive and Non-Executive Directors. The Board considers its overall size and composition to be appropriate, having regard in particular to the independence of character and integrity of all the Directors and the experience and skills which they bring to their duties, which prevents any individual or small group from dominating the Board's decision making.

Directors' Independence

Of the current Directors of the Company, the Board considers Deshamanya Lalith De Mel, Maithri Wickremesinghe, Pradipta Mohapatra and Divyaroop Bhatnagar to be independent of Hemas' executive management and free from any business or other relationships that could materially interfere with the exercise of their independent judgment.

Based on the above, the Board considers that half of its members were independent Non-Executive Directors throughout the last financial year.

Board Structure

The Board considers that the skills and experience of its individual members, particularly in the areas of international business, corporate finance and marketing, legal and regulatory, have been fundamental in the pursuit of Hemas' growth strategies in the past year. In addition, the quoted company experience available to members of the Board in a variety of industry sectors and international markets has also been invaluable to the Company.

Operation of the Board

The Board is responsible for managing the Group's operations and in this capacity determines the Group's strategic and investment policies. The Board also monitors the performance of the Group's senior management team and organises its business to have regular interaction with key members of the Group. The following is a summary of the approach taken by the Board to corporate governance in the financial year ended 31 March 2010:

- The Board has agreed a schedule which contemplates five Board meetings being held in each financial year and ensuring that key strategic initiatives are thoroughly discussed. Accordingly, in the last financial year the Board met on five separate occasions;
- The Board receives written reports from the CEO and CFO each month on issues affecting the Group. The CEO's report addresses the key strategic initiatives impacting the Group since the last meeting of the Board, and focuses in particular on the strategic progress of each of the five main businesses. Of particular significance in the last financial year was the listing of Hemas Power PLC;
- The CFO's monthly report addresses the financial performance and outlook of the Group and each of the sectors, both on a monthly and year-to-date basis, with the key performance indicators analysed being those identified in the CEO's review.
- On at least two occasions each year, one of the sector heads will give a presentation to the Board on the key strategic, operational and performance issues impacting their business. The Board also receives updates from the CEO's key functional reports on an 'as needed' basis, on issues such as Human Resources, Real Estate and IT. The Board devotes one entire meeting each year to consider strategy and planning issues impacting the Group, from which the five-year corporate plan is generated; a key part of this process involves the Board having the opportunity to question the sector heads and the Executive Directors in relation to the formulation of the corporate plan at sector level and the impact of these plans on the Group strategy as a whole.
- The Board operates through a comprehensive set of processes, which define the schedule of matters to be considered by the Board and its Committees during the annual business cycle, the level of delegated authorities (both financial and non-financial) available to both Executive Directors and other layers of management within the business. The Board also has a clearly articulated set of matters which are specifically reserved to it for consideration, which include reviewing the annual budgets, raising indebtedness, granting security over Group assets, approving Group strategy and the corporate plan, approval of the annual and interim report and accounts, approval of significant investments, acquisition and divestment transactions, approval of Human Resource policies and monitoring the overall system of internal controls, including risk management.

Performance of the Board

During the financial year ended 31 March 2010, the Board repeated the self-assessment process used in the previous year to evaluate the performance of the Board, its Committees and individual Directors. This evaluation process was based on a detailed questionnaire, covering issues ranging from 'Value Creation' and 'Strategic Planning' through to the operation of the Board, its Committees and 'Risk Management'. The evaluation process was led by the Chairman. The Board concluded from the evaluation exercise that its business is conducted in a positive and open manner, with the Board possessing the requisite skills and diversity necessary to fulfill its leadership role and having a detailed understanding of its stewardship responsibilities.

Directors' Induction, Training and Information

All newly appointed Directors participate in an induction programme, which is tailored to meet their specific needs in relation to information on the Group.

Training is also available to the Board on key business issues or developments in policy, regulation or legislation on an 'as needed' basis. Each of the Directors has access to the services of the Company Secretary and there is also an agreed procedure for the Directors to seek independent advice at the Company's expense.

Directors' Responsibilities

Statements explaining the Directors' responsibilities for preparing the Group's financial statements and the auditors' responsibilities for reporting on those statements are set out in the Statement of Directors' responsibilities and the Independent Auditors' Report.

Other Directors' Information

One third of the serving members of the Board will be put forward for re-election at the Annual General Meeting of the Company in 2010.

Committees of Directors

The Board has established two principal committees, being the Audit Committee and the Remuneration Committee, each of which operates within written terms of reference approved by the Board. Each Chairman of the Board Committees reports on the key issues discussed, and decisions taken, at the next meeting of the Board following the committee meeting in question.

Details of each of these Committees are summarised below.

Audit Committee

Each member of the Audit Committee is an Independent Non-Executive Director. The Committee is chaired by Mr. Maithri Wickremesinghe, who is a member of the Chartered Institute of Management Accountants UK and the Board considers him to have relevant financial experience. The other member of the Committee is Mr. Pradipta Mohapatra.

The Audit Committee meets as necessary and at least four times a year. During the financial year ended 31 March 2010, the Committee met on five occasions. During the year, the Committee met with the Group's External Auditors on two separate occasions to discuss the audit process. The Committee Chairman also met with the Head of Internal Audit. The Chief Executive Officer, Chief Financial Officer and the Head of Risk Management normally attend Audit Committee meetings by invitation.

During the last financial year, consideration of the audit process for the full year and interim results represented the principal area of focus for the Audit Committee. The Committee also continued to assess the effectiveness of the Internal Audit function through the review of an Internal Audit Report designed to measure the achievement of Internal Audit objectives, which also resulted in the approval of a detailed work program for the function. As part of its regular review of internal controls, the Committee considered in detail the operations of the subsidiaries and paid particular attention to those areas of internal audit review which had failed to achieve at least a 'satisfactory' rating. As part of the regular reporting process, the Committee also reviewed the activities of the non audit functions, as well as overseeing the level of the External Auditors' fees. The Committee has also been involved in the recruitment process of a Head of Risk Management to overlook the internal audit functions.

In order to safeguard auditor independence and objectivity, the Committee ensures that any other advisory/consulting services provided by the auditors do not conflict with their statutory audit responsibilities and are conducted through entirely separate working teams; such advisory and consulting services only generally cover regulatory reporting, and taxation advisory services. Any non-audit services conducted by the auditors require the consent of the Chief Financial Officer or the Chairman of the Audit Committee before being initiated. The cost of non-audit work undertaken by the auditors are reviewed by the Committee thus allowing the Committee to take corrective action if it believes that there is a risk of the auditors' independence being undermined through the award of such work.

Ernst & Young (E&Y) has been the Company's auditors since 2003. The members of the Audit Committee have declared themselves satisfied with the performance of E&Y as the Company's auditors in the last financial year.

Remuneration Committee

Each member of the Remuneration Committee is an independent Non-executive Director. The Committee is chaired by Deshamanya Lalith De Mel. The other member of the Remuneration Committee is Mr. Maithri Wickremesinghe. The Committee meets as necessary although normally not less than four times a year. During the financial year ended 31 March 2010, the Remuneration Committee met on five occasions. Although not a member of the Committee, the Chief Executive Officer normally attends Committee meetings by invitation. Executive Directors are not present when their own remuneration is being discussed.

Attendance at Board and Committee meetings April 2009 - March 2010

	Board	Remuneration Committee	Audit Committee
J.C.L. De Mel	5/5	5/5	–
H.N.. Esufally	5/5	5/5	5/5
A.N. Esufally	5/5	–	–
I.A.H. Esufally	5/5	–	–
M.E. Wickremesinghe	5/5	5/5	5/5
M.A.H. Esufally	5/5	–	–
P.K. Mohapatra	4/5	–	4/5
D .Bhatnagar	4/5	–	–

Management Committees

The Board of Management comprises the CEO, the Executive Directors of Hemas and three others selected from among the Business/Functional Heads. Their role is to develop overall group strategy and annual business plans, review business plans against budgets and to design and review group polices and controls. The Committee meets every month.

The Group Operating Committee provides a common platform for senior management for best practice sharing across businesses, implementing decisions delegated by the Board, generating proposals to the Board and for updating members on group performances, new initiatives and corrective actions.

Ethical and Responsible Decision Making

The Company recognises that ethical and responsible behaviour and decision making are fundamental to the integrity of the organisation and value to shareholders. The Board and senior management are charged with the responsibility of maintaining a culture of ethical behaviour in the Company's business activities.

Where appropriate, specific policies and procedures are issued by the Board to support this culture.

Specific policies adopted encompass:

- **Code of Conduct**

The Code of Conduct provides guidance to address situations of conflict of interest, protection of assets of the consolidated entity, including confidential information, compliance with laws and regulations and fair dealing, both with employees and external parties.

- **Trading in Company Shares**

The Share Trading Policy provides guidance and rules for directors, executives and employees in relation to the purchase and sale of Company securities. The policy is designed to maintain the awareness of officers of the Company as to the requirements of the law in relation to dealing in Company securities and the significance to investor confidence of ensuring appropriate and proper behaviour of Company officers and employees. Specific requirements under the policy provide restrictions on the time periods during which dealings in Company securities can be undertaken and notification and approval processes for transactions.

Communication with Shareholders

The Company attaches significant importance to the effectiveness of its communication with shareholders. During the last financial year, the Company has maintained regular communication with institutional shareholders and the financial community through media presentations. In addition, each member of the Board attends the Company's Annual General Meeting at which they are available to take questions from shareholders. All shareholders and potential shareholders can gain access to the Annual Report, presentations to investors and other significant information about the Hemas Group on the Company's website at www.hemas.com.

Holders of ordinary shares may attend the Company's AGM at which the Company highlights key business developments during the year and at which shareholders have an opportunity to ask questions. The chairmen of the Audit and Remuneration Committees will be available to answer any questions on the work of the Committees. The Company confirms that it will send the AGM notice and relevant documentation to all shareholders at least 15 working days before the date of the AGM.

Responsibility for maintaining regular communication with shareholders rests with the Executive Team, led by the Chief Executive Officer, assisted by an investor relations function which reports to the Chief Financial Officer. The Board is informed on a regular basis of key shareholder issues, including share price performance and the composition of the shareholder register.

Internal Controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness in safeguarding the shareholders' interests and the Company's assets. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Hemas' business heads are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls to ensure effective mitigation. These risks, which are related to achievement of business objectives, are assessed on a continual basis and may be associated with a variety of internal and external events, including control breakdowns, competition, disruption, regulatory requirements and natural and other catastrophes.

A process of hierarchical self-certification has been established within the organisation which provides a documented and auditable trail of accountability for the operation of the system of internal control. This process is informed by a rigorous and structured self-assessment that addresses all of the guidance cited in the Combined Code. The process provides for successive assurances to be given at increasingly higher levels of management and, finally, to the Board. The process is informed by the Internal auditors, who also provide a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for their timely completion. The Head of Risk Management reports on operational and business risks and how these are managed at meetings of the Audit Committee and to the Board, formally, through its Chairman at meetings of the Board.

The Chief Financial Officer provides the Board with information that includes key performance and risk indicators. Where areas for improvement in the system of internal control are identified, the Board considers the recommendations made by the Audit Committee. The Audit Committee reviews, on behalf of the Board, the key risks inherent in the business and the system of internal control necessary to manage such risks and presents its findings to the Board. The Internal Auditors independently review the risk identification and control processes implemented by management and reports to the Audit Committee.

The Audit Committee also reviews the assurance process, ensuring that an appropriate mix of techniques are used to obtain the level of assurance required by the Board. It presents its findings to the Board on a regular basis. The Board has reviewed the effectiveness of the system of internal control that has been in operation during the financial year ended 31 March 2010. The Board also routinely challenges the management to ensure that the systems of internal control are constantly improving to maintain their continuing effectiveness.

REPORT OF THE REMUNERATION COMMITTEE

I. Purposes of the Committee

The primary purpose of the Remuneration Committee (the "Committee") is to discharge the Board of Directors' (the "Board") responsibilities relating to formulating a remuneration policy and guidelines. It also evaluates the compensation of the Group's Chief Executive Officer (the "CEO"), Executive Directors and certain other Senior Executives, and to discharge the responsibilities of the Committee under applicable rules and regulations. The Committee also makes recommendations to the Board regarding succession planning and development for Senior Executives and positions as needed.

II. Committee Membership

The Committee has two members. Committee members are appointed by the Board from among its members and may be removed by the Board at any time. Each member of the Committee satisfies such criteria of independence and such additional regulatory or listing requirements as the Board has determined to be applicable or appropriate. Accordingly, each member qualifies as an "Independent Non-Executive Director" under rule 7.10.5 of the Colombo Stock Exchange (the "CSE"). Members of the Committee are suitably knowledgeable in matters pertaining to executive compensation.

III. Committee Structure and Operations

The Chair of the Committee has been designated by the Board and also serves as the chairman of the Board. The Remuneration Committee will fix its own rules of procedure and shall meet where and as provided by such rules. In addition to the regular meeting schedule established by the Committee, the Chair of the Committee may call a special meeting at any time.

The Secretary of the Group attends meetings of the Committee and acts as the Secretary of the Remuneration Committee.

IV. Committee Activities

The following are the common recurring activities of the Committee in carrying out its purposes. These activities are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate, given the circumstances.

1. Review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer (CEO) and other Executive Directors;
2. Review the compensation profile in comparable industries and formulate the remuneration guidelines for the CEO and Executive Directors and selected senior management;
3. At least annually, review succession planning and development strategies for senior level positions and executives of the Group.
4. Make recommendations to the Board with respect to incentive compensation plans and equity-based plans.
5. Set guidelines for the salaries of employees of the Group who are members of the Board of Management and set, review or make recommendations with respect to the salaries of such other employees as may be from time to time referred to the Committee by the CEO.
6. Administer Stock Ownership Plans and any similar prior plan.
7. Pursuant to the Company's 2008 Incentive Program,

(a) administer the said Programme;

(b) establish in respect to each year a ceiling, subject to the limitations in the said Programme, on the aggregate number of shares of the Company's common stock that can be awarded under the said Programme;

8. Review proposed terms of any new Incentive Program and any major amendment of an existing program and make such recommendations to the Board with respect thereto as it may deem advisable.
9. Report on compensation policies and practices with respect to the Company's executive officers as required by the Statutes and CSE rules.
10. Take such other actions and do such other things as may be referred to it from time to time by the Board.

V. Committee Reports

The Chair of the Committee will report regularly to the full Board on the Committee's activities, findings, and recommendations.

VI. Resources and Authority of the Committee

The Committee may, with the sanction of the Board, retain such outside advisors, including legal counsel or other experts, as it deems appropriate. The Committee may also retain and terminate any compensation consultant to be used to assist the Committee in the evaluation of the CEO or senior executive compensation.

Lalith De Mel
Chairman

Maithri Wickremesinghe
Director

AUDIT COMMITTEE REPORT

The members of the Audit Committee are appointed by the Board from amongst the Independent Non-Executive Directors.

The main role and responsibilities of the Audit Committee include -

(a) exercising oversight responsibilities relating to, the quality and integrity of the Company's financial statements and financial reporting process including the preparation, presentation and adequacy of disclosures in the financial statements of the Company in accordance with the Sri Lanka Accounting Standards;

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

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

(d) assessing the independence and performance of the Company's External Auditors;

(e) making recommendations to the Board pertaining to appointment, reappointment and in appropriate circumstances removal of the External Auditors;

(f) considering (if appropriate) the degree of any work undertaken by the External Auditor for the Group other than the statutory audit; and

(g) approving the remuneration and terms of engagement of the External Auditors.

The Audit Committee meets with the internal auditors both with and without the management present to review the internal auditor's report.

The members of the Audit Committee all of whom qualify as Independent Non-Executive Directors under the standards prescribed by the Colombo Stock Exchange are Maithri Wickremesinghe, Chairman and Pradipta Mohapatra, Director.

The Audit Committee met five times during the financial year 2009/10. The Audit Committee normally invites the Chief Executive Officer and the Chief Financial Officer of the Group to attend all its meetings although it reserves the right to request any of the individuals to withdraw. In carrying out its responsibilities, the activities of the Audit Committee in the financial year ended 31 March 2010, included the following:

- Appointing internal auditors for the Company and its wholly-owned subsidiaries.
- 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.
- Commissioning follow up reviews and reviewing the reports.
- Discussing the business risks faced by the Group.
- Oversight of the preparation of a standard risk framework.
- Monitoring the implementation of the business continuity plan prepared by external consultants.
- Reviewing the unaudited quarterly financial statements and discussion with the management.
- 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 reappointment 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
Director

Directors' Interest in Contracts with the Company

Related Party disclosures as required by the Sri Lanka Accounting Standards No. 30 on Related Party Disclosures is detailed in Note 37 to the financial statements. In addition, the Company carried out transactions in the ordinary course of business with entities where the Directors of the Company are also Directors of such entities.

Company	Directors	Nature of Transaction	**Value 2010 Rs.**	Value 2009 Rs.
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Rental Income	–	883,514
		Bank Guarantee Charges	**328,606**	318,750
		Consultancy Fees	**68,401,960**	55,000,000
		IT Charges	**24,548,015**	25,897,860
		Interest Expense	**(76,302,293)**	(64,520,189)
		Dividend Income	**19,746,664**	21,541,815
Hemas Marketing (Pvt) Ltd.	Mr. H. Esufally	Dividend Income	**36,417,215**	39,727,870
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. H. Esufally	Consultancy Fees	**116,391,400**	75,250,000
	Mr. M. Esufally	IT Charges	**15,359,561**	17,494,625
		Interest Income	**9,836,768**	3,223,455
		Interest Expense	–	(75,394)
		Bank Guarantee Charges	**457,471**	443,750
		Dividend Income	**23,815,072**	37,685,527
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally	Bank Guarantee Charges	**923,532**	–
	Mr. H. Esufally	Consultancy Fees	**247,004**	–
		IT Charges	**2,573,671**	1,834,063
		Interest Income	–	797,801
		Interest Expense	**(385,055)**	(905,337)
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	Bank Guarantee Charges	**567,006**	550,000
		IT Charges	**794,541**	531,639
		Rental Income	**206,184**	–
Hemas Clinical Research Services (Pvt) Ltd.	Mr. H. Esufally	IT Charges	**19,221**	–
		Interest Income	**93,486**	398,381
		Interest Income		194,459
Hemtours (Pvt) Ltd.	Mr. H. Esufally	IT Charges	–	2,004,965
	Mr. A. Esufally	Interest Income	**5,290,663**	4,778,041
		Transport and Accommodation Charges	–	(396,904)
		Dividend Income	**3,375,000**	3,313,637
Diethem Travel Lanka (Pvt) Ltd.	Mr. A. Esufally	IT Charges	**3,353,818**	2,563,004
	Mr. H. Esufally	Consultancy Fees	**247,004**	–
		Interest Income	**1,424,646**	115,069
		Transport and Accommodation Charges	**(362,356)**	(525,353)
Mowbray Hotels Ltd.	Mr. A. Esufally	Interest Income	**232,542**	126,638
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally	Consultancy Fees	**59,463,800**	64,808,000
	Mr. A. Esufally	IT Charges	**255,778**	248,646
	Mr. I. Esufally	Dividend Income	**6,198,901**	9,543,134
	Mr. M. Esufally	Interest Expense	**(20,492,729)**	(7,738,971)
Hemas Air Services (Pvt) Ltd.	Mr. H. Esufally	Consultancy Fees	**9,092,760**	12,400,000
	Mr. I. Esufally	Interest Expense	**(6,213,129)**	(7,353,191)
		IT Charges	**1,536,897**	1,690,881
		Dividend Income	**2,877,655**	3,139,260
Hemas Travels (Pvt) Ltd.	Mr. H. Esufally	Air Line Ticket/Foreign Currency Sale	**(6,777,037)**	(6,135,069)
	Mr. I. Esufally	Bank Guarantee Charges	**36,083**	70,000
		Consultancy Fees	**9,092,760**	10,700,000
		IT Charges	**3,502,548**	4,987,973
		Interest Income	–	23,973
		Dividend Income	**2,877,655**	5,753,640

Directors' Interest in Contracts with the Company

Company	Directors	Nature of Transaction	Value 2010 Rs.	Value 2009 Rs.
Hemas International Freight (Pvt) Ltd.	Mr. I. Esufally	Consultancy Fees	–	12,428,571
		IT Charges	493,526	2,389,603
		Interest Income	1,744,191	3,743,722
		Dividend Income	–	1,082,503
Far Shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	Consultancy Fees	13,961,498	21,431,088
		IT Charges	790,384	249,340
		Dividend Income	3,673,831	1,154,446
		Interest Income	–	(9,822)
Exchange & Finance Investments Ltd.	Mr. I. Esufally Mr. H. Esufally	Bank Guarantee Charges	6,443	12,500
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	442,923	787,025
		Dividend Income	–	54,905
ACX International (Pvt) Ltd.	Mr. H. Esufally	IT Charges	710,123	1,390,992
	Mr. I. Esufally	Interest Income	310,841	209,593
		Dividend Income	–	706,737
		Courier charges	(70,771)	–
Hellman Worldwide Logistics (Pvt) Ltd.	Mr. I. Esufally	Interest Income	189,681	485,290
Hemas Power PLC	Mr. H. Esufally	Bank Guarantee Charges	37,242	–
	Mr. I. Esufally	Consultancy Fees	308,756	–
		IT Charges	453,392	257,250
		Interest Income	3,235,811	7,730,361
		Dividend Income	2,778,427	1,948,508
Giddawa Hydro Power (Pvt) Ltd.	Mr. H. Esufally	Bank Guarantee Charges	–	330,000
		IT Charges	33,452	–
		Interest Income	1,417,366	1,731,400
		Dividend Income	4,169,589	–
Peace Haven Resorts Ltd.	Mr. H. Esufally	Interest Expense	(12,870,419)	(34,471,122)
	Mr. A. Esufally	Dividend Income	39,413,187	6,306,109
		Consultancy Fees	–	5,000,000
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Consultancy Fees	617,511	3,000,000
		Interest Expense	(7,561,018)	(10,700,895)
		IT Charges	37,874	52,363
		Dividend Income	9,000,001	8,836,363
Vishwa BPO (Pvt) Ltd.	Mr. H. Esufally	Shared Services Expenses	(4,011,740)	(6,398,279)
		Consultancy Fees	710,086	–
		IT Charges	4,618	–
		Interest Expense	(771,122)	(1,168,124)
Hemas Corporate Services (Pvt) Ltd.	Mr. H. Esufally	Centralised Corporate Services	(2,184,008)	(5,730,459)
		Consultancy Fees	154,013	–
		Bank Guarantee Charges	25,773	25,000
		IT Charges	–	2,483,187
		Interest Income	–	5,867,655
N-able (Pvt) Ltd.	Mr. I. Esufally	Consultancy Fees	293,292	–
		Rental Income	927,828	–
		Interest Income	3,939,468	721,792

Board of Directors

1. Deshamanya Lalith De Mel - *Non-Executive Chairman*
   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 and the Chairman of Sri Lanka Telecom Ltd., and was a Senior Advisor Ministry of Finance. He holds directorships in many other companies and is a Trustee of the Cambodia Trust UK.

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

3. Abbas Esufally - *FCA, (Eng. & Wales), FCA (SL), JP, MHCIMA - Non-Executive Director*
   Mr. A.N. Esufally is a 'Fellow' of both the Institute of Chartered Accountants of England and Wales and The Institute of Chartered Accountants of Sri Lanka and is an all Island Justice of Peace. He 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.

4. Imtiaz Esufally - *Executive Director*
   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 and has over 20 years management experience in this field and has been in the forefront of the aviation Industry. He was also past president of the IATA Agents Association of Sri Lanka.

Board of Directors


5.


6.


7.


8.

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

6. Murtaza Esufally - *Executive Director*
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.

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

8. Pradipta Mohapatra - *Independent Director*
Mr. P.K. Mohapatra is the Chairman, Coaching Foundation India Ltd. He also sits on the Boards of a number of 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.

Senior Management

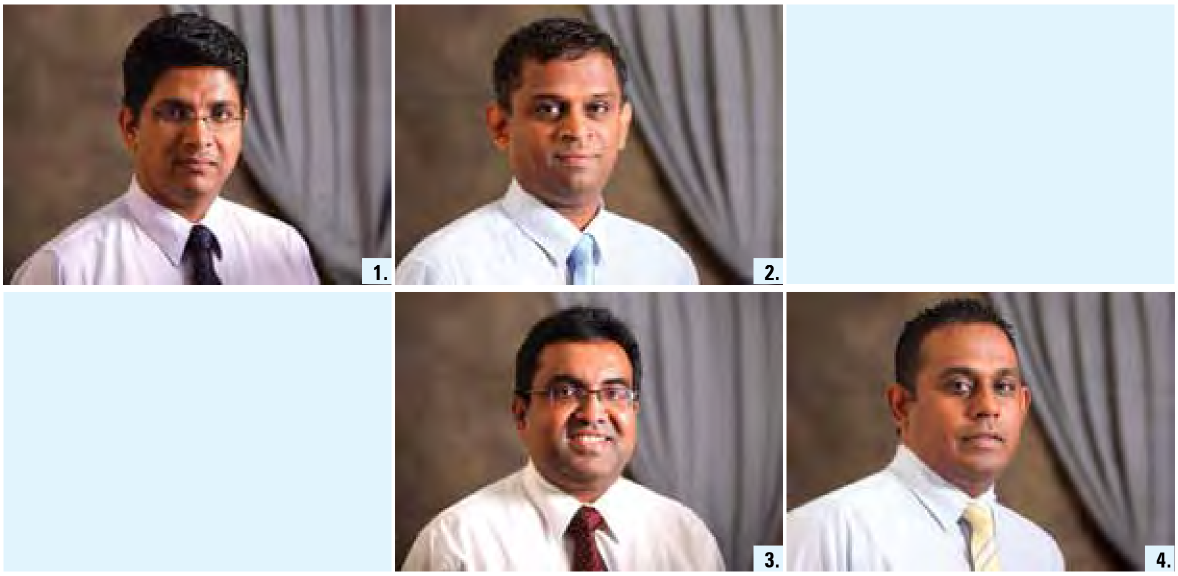
The Senior Management of the Hemas Group consists of the Executive Directors of Hemas Holdings PLC, the Board of Management and the Group Operating Committee.

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



1. Malinga Arsakularatne - *Chief Financial Officer*
2. Kishantha Nanayakkara - *Managing Director, Hemas Power*
3. Isuru Tillakawardane - *Director, Group Human Resources*
4. Imal Fonseka - *Managing Director, FMCG*

Also in the Board of Management,
Husein Esufally
Imtiaz Esufally
Murtaza Esufally

Group Operating Committee


1.


2.


3.


4.


5.


6.


7.

1. Kasturi Chellaraja Wilson - *Chief Process Officer*
2. Sanjeewa Samaranayake - *Managing Director, Pharmaceuticals*
3. Harith Perera - *Managing Director, Diethelm Travels*
4. Roy Joseph - *Finance/Commercial Director, FMCG*
5. Dr. Irshad Musheen - *Director, Maritime*
6. Riad Ameen - Legal *Consultant*
7. Indresh Fernando - *Finance Director, Transportation*

Also in the Group Operating Committee,
Husein Esufally
Malinga Arsakularatne
Kishantha Nanayakkara
Isuru Tillakawardane
Imal Fonseka

The Directors present their Annual Report on the affairs of the Company and the Group, together with the financial statements and the Independent Auditors' Report, for the year ended 31 March 2010. These will be laid before the shareholders at the Annual General Meeting (AGM) to be held on Friday 2 July 2010.

Principal Activities and Business Review

Hemas Holdings PLC is the ultimate holding company of a group of companies. Detailed information on the Group's principal activities, its performance during the past year and its prospects for future development are reported in the Chairman's Review, the Management Report by the Chief Executive Officer, the Financial Review, the Sustainability Report and the sector reviews. The statements and reviews are incorporated into this report by reference, together with the list of the principal subsidiary undertakings

Acquisitions and disposals made by the Group during the year are described in Note 2.1.3 (d) to the financial statements.

Results and Dividends

The Group profit after tax for the year was Rs. 934,643,946/- (2009 - Rs. 719,077,792/-) The results of the Group for the year are set out in the consolidated income statement.

The Directors authorised a dividend of Rs. 2.25 per ordinary share in respect of the year ended 31 March 2010.

In compliance with the Statutes, the Directors signed a certificate stating that in their opinion, based on information available at present, the Company will satisfy the solvency test immediately after the distribution is made. The Company also obtained a certificate from the Auditors, prior to authorising the dividend which will be paid on 28 June 2010 to the ordinary shareholders on the register of members as at 16 June 2010.

Accounting Policies

Significant accounting policies adopted in preparing the financial statements are stated in Note 1 and 2 to the financial statements.

Directors

The names and biographical details of those persons serving as Directors of the Company as at the date of this report are set out in this report (Board of Directors).

No changes were made to the Board in the financial year under review.

In terms of the Company's Articles of Association, one-third of the Directors must retire at each AGM and they may offer themselves for re-election.

Messrs Murtaza Esufally and Abbas Esufally will retire by rotation at the AGM and being eligible, will offer themselves for re-election.

The Board considers that the performance of those Directors proposed for re-election continues to be effective and that they demonstrate a strong commitment to their role.

Deshamanya Lalith De Mel, will retire from the Board in compliance with Section 210 of the Companies Act. The Board unanimously recommends that he be reappointed for another term of one year until the next Annual General Meeting. A resolution to reappoint him is incorporated in the Notice of Meeting appearing on page 112.

Board Committees

Audit Committee

Mr. Maithri Wickremesinghe (Chairman)
Mr. Pradipta Mohapatra

Remuneration Committee

Deshamanya Lalith De Mel (Chairman)
Mr. Maithri Wickremesinghe

Board of Management

Mr. Husein Esufally (Chairman)
Mr. Imtiaz Esufally
Mr. Murtaza Esufally
Mr. Malinga Arsakularatne
Mr. Isuru Tillakawardane
Mr. Kishantha Nanayakkara
Mr. Imal Fonseka

Group Operating Committee

Mr. Husein Esufally
Mr. Malinga Arsakularatne
Mr. Isuru Tillakawardane
Mr. Kishantha Nanayakkara
Mr. Imal Fonseka
Ms. Kasturi Chellaraja Wilson
Mr. Harith Perera
Mr. Sanjeewa Samaranayake
Dr. Irshad Musheen
Mr. Roy Joseph
Ms. Indresh Fernando
Mr. Riad Ameen

Remuneration of Directors

Remuneration paid to Directors during the year under review has been disclosed in Note 37.2 to the financial statements.

Directors' Indemnity and Insurance

Directors and Officers of the Company and its subsidiaries benefit from Directors' and Officers' liability insurance cover in respect of legal actions brought against them. In addition, Directors of the Company are indemnified in accordance with Article 119 of the Company's Articles of Association to the maximum extent permitted by law. Neither the insurance nor the indemnities provide cover where the relevant Director or officer has acted fraudulently or dishonestly.

Powers of the Board

The Board of Directors may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy back shares, along with the rules for the appointment and removal of Directors.

Directors' Interests in Shares

The beneficial interests of the Directors and their connected parties in the shares of the Company are shown on page 108 under Share Information. The Company's Register of Directors' interests contains full details of Directors' interests, shareholdings and options over ordinary shares of the Company.

Directors' Interest in Contracts

During the year, no Director had any material interest in any contract of significance in the Group's business.

Directors' interests in contracts with the Company and the Group are described on pages 102 to 103 and 48 to 49.

Statement of Directors' Responsibilities

A statement containing the responsibilities of the Directors and a compliance report is included on page 60 of this report.

Annual General Meeting (AGM)

The AGM will be held on Friday, 2 July 2010 at the Auditorium of the Chamber of Commerce No. 50, Navam Mawatha, Colombo 2 at 3.30 pm. The Notice of Meeting accompanies this report, explaining the business to be transacted at the meeting.

At the meeting, resolutions to receive the Annual Report and financial statements, re-elect Directors, reappoint Ernst & Young as auditors and authorise the Directors to make 'Charitable Donations' will be proposed. The Directors also recommend amending the Articles of Association to comply with the Listing Rules and a subdivision of the Company's shares which resolutions will be taken up under 'Special Business'.

Related Party Transactions

Details of related party transactions are set out in Note 37 to the financial statements.

Corporate Governance and Internal Controls

The Company prepares a separate Enterprise Governance Report (page 42 to 47), which includes the Remuneration Committee Report and the Audit Committee Report.

Corporate Social Responsibility

Details of the Company's principal corporate responsibility initiatives and activities are set out in the Sustainability Report. In addition, the Group provides further information on corporate responsibility, which includes detailed information in respect of community work carried out on the Company's website www.hemas.com.

Hemas has a strong record in its commitment to corporate responsibility, which is an everyday part of how the Company does business.

Environmental Protection

The Group makes every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country.

Charitable Donations

During the year, the Group made charitable donations of Rs. 1,544,983/- (2009 - Rs. 409,909/-) The beneficiaries of these donations were local approved charities serving the communities in which the Group operates or Government approved charities working in areas relevant to the Group's activities. The Group intends to continue its focus on local charities in the current financial year.

Employment Policies

As part of 'A Great Place to Work' the Company has well developed policies for fair and equal treatment of all colleagues, employment of disadvantaged persons and colleague participation. During their employment, the Company seeks to work with each individual, enabling them to reach and maximise their potential in the context of their own personal circumstances.

The Group is committed to the fair and equitable treatment of all its employees, irrespective of sex, race, age, religion, disability or sexual orientation. To this end, policies have been implemented to ensure this is practised at recruitment and then continues throughout an individual's employment with the Group. The Group encourages recruitment, training, career development and promotion on the basis of aptitude and ability, without regard to disability. It is also committed to retaining and retraining as necessary, employees who become disabled during the course of their employment.

Employees are routinely informed of financial results and significant business issues via the use of e-mail, the Company's intranet and regular briefings.

The Company's quarterly, interim and annual results are presented to all senior management and are communicated to all colleagues.

An annual survey is carried out to obtain feedback from employees. This survey is confidential and is used alongside consultation with employees. Employee involvement in the Group's performance continues to be encouraged through share ownership schemes as well as the presentation of quarterly and annual achievement awards.

Group Employment

The number of persons in employment in the Company and its subsidiaries as at 31 March 2010 was 2,585 (2009 - 2,446).

Stated Capital, Share Options and Control

The rights and obligations attached to the Company's ordinary shares are contained in the Company's Articles of Association, a copy of which can be obtained on request from the Company Secretary. The Articles of Association can only be changed by a special resolution passed at a general meeting of shareholders.

As at the date of this report, the Company's stated capital consists of 101,958,124 issued and fully paid ordinary shares listed on the Colombo Stock Exchange. Further details of the Company's stated capital, including changes, if any, during the year, can be found in Note 23 to the financial statements.

In November 2008, the Board of Directors agreed to create an Employee Share Option Scheme (ESOS) and issue up to 3,000,000 ordinary shares of the Company with a view to facilitate the retention of key employees by means of assisting and enabling them to obtain benefits from an appreciation in the value of shares in the Company. Jacey Trust Services (Pvt) Ltd. were appointed as trustees to acquire and hold these scheme shares for and on behalf of the eligible employees.

A 1st Tranche of 650,000 shares were issued in February 2009 and are held in trust by Jacey Trust Services (Pvt) Ltd. Participants in the scheme are beneficial owners of the shares but the Trustee is the registered owner. Voting rights are normally exercised by the registered owner on the instructions of the beneficiaries.

Each ordinary share carries the right to one vote on a poll at a general meeting of the Company. There are no restrictions on transfer or limitations on the holding of the Company's ordinary shares (other than the Trust shares) and no requirements for prior approval of any transfers save and except to the extent required for compliance with statutory requirements.

Shares acquired through employee share ownership schemes rank equally with all other ordinary shares in issue and have no special rights. The trustees of the ESOS retain dividends distributed on shares held by the Trust for and on behalf of the eligible employees.

The Company's employee share scheme contains provisions relating to a change of control. On a change of control, options and awards granted to employees under the Company's share schemes may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.

Substantial Shareholders

As at the date of this report, the Company had been notified of the following holdings of over 10% in the issued share capital of the Company:

Name of Holder	Number of voting rights	Percentage of total voting rights
AZ Holdings (Pvt) Ltd.	18,152,575	17.8%
Saraz Investments (Pvt) Ltd.	17,279,207	16.9%
Blueberry Investments (Pvt) Ltd.	17,156,250	16.8%
Amagroup (Pvt) Ltd.	17,156,133	16.8%

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed on page 109.

The percentage of share held by the public as at 31 March 2010 was 27.74%.

Market Value of Properties
The Directors believe that the aggregate open market value of Group properties exceeds the net book value as set out in Note 12 of the financial statements.

Contingent Liabilities and Capital Commitments
Commitments made on capital expenditure and contingent liabilities as at the year end are disclosed in Note 35 to the financial statements.

Capital Expenditure
The Group capitalised a sum of Rs. 463 Mn in property, plant and equipment. The movements in property, plant and equipment for the year are given in Note 12 to the financial statements.

Market Statistics
Market statistics as at 31 March 2010 are indicated on page 109 of this report.

Investments
Investment of the Company in subsidiaries, joint ventures and external investments amounted to Rs. 5,728 Mn (2009 - Rs. 4,986 Mn). A detailed description of the long-term investments held as at the balance sheet date is given in Notes 16 to 18 of the financial statements.

Reserves
Total reserves of the Company and the Group stood at Rs. 257 Mn and Rs. 806 Mn respectively (2009 - Rs. 368 Mn and Rs. 838 Mn).

Risk
This report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under the Risk Management Report. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Post Balance Sheet Events
Events after the balance sheet date are disclosed in Note 34 of the financial statements.

Statutory Payments
The Directors confirm that to the best of their knowledge all taxes and levies payable by the Company and its subsidiaries, all contributions levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory payments as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid or where relevant provided for.

Going Concern
As highlighted in the financial review, the Group manages its financing by diversifying funding sources, configuring core borrowings with long-term maturities and maintaining sufficient stand by liquidity. Full details of the Group's financing arrangements can be found in Note 26 of the financial statements.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully given the current economic outlook.

In addition, Notes 26 and 31 of the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the financial review. The financial position of the Group, its cash flow, liquidity position, facilities and borrowing position are described in the business review and Notes 26 and 31 to the financial statements provide further detail on the Group's borrowings and management of financial risks. The business review includes an analysis of the key risks facing the Group and the Group's approach to risk management.

After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Disclosure of Audit Information

The Directors confirm that, as at the date this report was approved, so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and that he has taken all the steps he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Other Statutory Information

The Directors are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with applicable law and regulations. A detailed statement made by the Directors is given on page 60 of this report

The Directors confirm that, to the best of each person's knowledge and belief: the financial statements, prepared in accordance with the statutes, the rules and regulations of the Colombo Stock Exchange and the Accounting Standards, give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group; and the management report contained in the financial review includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

Secretaries and Registrars

Hemas Corporate Services (Pvt) Ltd., of No. 36, Bristol Street, Colombo 1 act as the Secretaries and Registrars of the Company and its subsidiaries.

Auditors

The books of the Company and the Group were audited by Messrs Ernst & Young. Audit fees paid to the external auditors amounted to Rs. 910,000/-
(2009 - Rs. 820,000/-). Fees for non-audit services were Rs. 250,000/-
(2009 - Rs. 218,000/-)

Messrs Ernst & Young have declared that they have no relationship or interest in the Group other than as external auditors. They have expressed their willingness to continue in office and a resolution for their reappointment and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Approved by the Board and signed on its behalf by

Deshamanya Lalith De Mel
Chairman

Husein Esufally
CEO

25 May 2010

Financial Statements

60 Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements
61 Auditors' Report **62** Income Statement **63** Balance Sheet **64** Statement of Changes in Equity
66 Cash Flow Statement **67** Notes to the Financial Statements

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with Section 152 of the Companies' Act and SLAS 26 of the Accounting Standards.

The Group financial statements are required by law and the Accounting Standards to present fairly, the financial position and performance of the Group; the Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

In preparing each of the Group and Parent Company financial statements, the Directors are required -

- to select suitable accounting policies and then apply them consistently;
- to make judgments and estimates that are reasonable and prudent;
- to state whether the Group financial statements have been prepared in accordance with the Companies Act and the Accounting Standards;
- to state whether applicable Accounting Standards have been followed, in the Parent Company financial statements subject to any material departures disclosed and explained; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Group and the Parent Company will continue in operational business for the foreseeable future.

The Directors confirm they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that its financial statements comply with the Companies Act No. 07 of 2007. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with the law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT

We, the Directors of the Company, confirm that to the best of our knowledge, the financial statements of the Group and of the Company have been prepared in accordance with applicable law and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

By Order of the Board

Hemas Corporate Services (Pvt) Ltd.
Secretaries

25 May 2010

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 ('Company'), the consolidated financial statements of the Company and its subsidiaries ('the Group') which comprise the Balance Sheets as at March 31, 2010, 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, 2010 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2010 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, 2010 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Group 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
25 May 2010

Income Statement

Year ended 31 March	Note	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Revenue	3	**15,221,417,759**	15,342,278,078	**343,212,995**	334,288,740
Cost of Sales		**(10,118,212,855)**	(10,918,156,464)	**–**	–
Gross Profit		**5,103,204,904**	4,424,121,614	**343,212,995**	334,288,740
Dividend Income	4	**93,014**	1,417	**156,045,665**	141,156,406
Change in Fair Value of Investment Properties	13	**82,700,000**	–	**58,700,000**	–
Other Income and Gains	5	**44,527,535**	91,338,769	**1,699,527**	2,945,867
Gain/(Loss) on Disposal of Investments	6	**(1,600,000)**	16,677	**1,241,081,268**	(9,655,923)
Selling and Distribution Costs		**(1,305,185,673)**	(1,058,105,058)	**–**	–
Administrative Expenses		**(2,480,575,088)**	(2,242,785,657)	**(215,934,394)**	(215,727,088)
Finance Cost	7	**(449,375,718)**	(470,169,853)	**(125,368,362)**	(127,285,161)
Finance Income	7	**100,929,714**	116,757,925	**30,298,791**	33,096,012
Share of Loss of an Associate		**–**	(4,244,310)	**–**	–
Profit Before Tax	8	**1,094,718,688**	856,931,524	**1,489,735,490**	158,818,853
Income Tax Expenses	9	**(160,074,742)**	(137,853,732)	**(34,627,608)**	(13,642,050)
Profit for the Year		**934,643,946**	719,077,792	**1,455,107,882**	145,176,803
Attributable to:					
Equity Holders of the Parent		**901,730,007**	775,127,792	**1,455,107,882**	145,176,803
Minority Interests		**32,913,939**	(56,050,000)	**–**	–
		934,643,946	719,077,792	**1,455,107,882**	145,176,803
Earnings per Share	10	**8.82**	7.57	**14.27**	1.43
Dividends per Share	11	**1.80**	1.25	**1.80**	1.25

The Accounting Policies and Notes on pages 67 through 107 form an integral part of the financial statements.

Balance Sheet

As at 31 March	Note	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	**7,033,615,456**	7,180,680,242	**59,682,782**	66,830,110
Investment Properties	13	**1,261,409,950**	1,178,709,950	**330,409,950**	271,709,950
Intangible Assets	14	**333,073,487**	191,214,493	**–**	–
Leasehold Property	15	**61,844,853**	64,910,569	**–**	–
Deferred Tax Assets	27	**22,805,294**	21,832,128	**–**	–
Loans Due from Related Parties	21	**–**	–	**21,937,369**	163,123,048
Investment in Subsidiaries	16	**–**	–	**5,574,780,994**	4,842,485,806
Investment in Joint Ventures	17	**–**	–	**38,519,264**	38,519,264
Other Long-Term Receivables		**43,318,140**	43,678,140	**–**	–
Other Investments	18	**64,498,596**	80,498,596	**114,248,398**	105,248,398
		8,820,565,776	8,761,524,118	**6,139,578,757**	5,487,916,576
Current Assets					
Inventories	19	**1,544,559,296**	1,308,795,107	**–**	–
Trade and Other Receivables	20	**3,933,326,303**	3,577,696,414	**116,826,379**	157,043,999
Loans Due from Related Parties	21	**–**	–	**268,621,260**	159,366,260
Other Investments	18	**67,694**	67,694	**48,642**	48,642
Tax Recoverable		**116,532,983**	100,105,359	**4,436,091**	897,624
Amounts Due from Related Parties	22	**–**	–	**214,091,394**	232,782,704
Short-Term Cash Investments	31	**1,258,993,053**	602,497,060	**50,141,052**	12,520,944
Cash and Cash Equivalents	31	**392,885,938**	485,126,578	**27,994,605**	10,186,344
		7,246,365,267	6,074,288,212	**682,159,423**	572,846,517
Total Assets		**16,066,931,043**	14,835,812,330	**6,821,738,180**	6,060,763,093
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	23	**1,369,222,534**	1,369,222,534	**1,369,222,534**	1,369,222,534
Reserves	24	**805,982,557**	837,674,843	**257,032,425**	368,073,839
Retained Earnings		**5,516,910,931**	4,821,392,989	**4,096,385,205**	2,695,408,071
Shareholders' Funds		**7,692,116,022**	7,028,290,366	**5,722,640,164**	4,432,704,444
Minority Interests		**1,488,104,391**	837,062,062	**–**	–
Total Shareholders' Funds and Minority Interests		**9,180,220,413**	7,865,352,428	**5,722,640,164**	4,432,704,444
Non-Current Liabilities					
Other Borrowings	25	**8,790,222**	13,781,847	**–**	–
Interest Bearing Loans and Borrowings	26	**1,231,529,708**	1,710,142,082	**425,709,598**	1,171,320,577
Deferred Tax Liabilities	27	**145,146,554**	136,307,726	**60,197,984**	38,979,758
Retirement Benefit Liability	28	**184,963,092**	140,756,884	**17,025,408**	19,108,128
		1,570,429,576	2,000,988,539	**502,932,990**	1,229,408,463
Current Liabilities					
Trade and Other Payables	29	**3,286,857,966**	2,766,309,577	**41,390,249**	44,921,262
Dividends Payable		**4,204,888**	3,135,204	**1,563,715**	490,028
Income Tax Liabilities		**69,044,426**	46,854,466	**7,807,835**	–
Amounts Due to Related Parties	30	**–**	–	**116,941,470**	61,473,505
Other Borrowings	25	**1,207,000**	1,207,000	**–**	–
Interest Bearing Loans and Borrowings	26	**1,954,966,774**	2,151,965,116	**428,461,757**	291,765,391
		5,316,281,054	4,969,471,363	**596,165,026**	398,650,186
Total Shareholders' Funds, Minority Interests and Liabilities		**16,066,931,043**	14,835,812,330	**6,821,738,180**	6,060,763,093

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 67 through 107 form an integral part of the financial statements.

Colombo
25 May 2010

Statement of Changes in Equity

	Attributable to Equity Holders of the Parent						
	Stated Capital	Exchange Reserve	Revaluation and Other Capital Reserve	Retained Earnings	Total	Minority Interests	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group							
As at 31 March 2008	1,329,012,573	(42,173,703)	898,626,929	4,248,232,008	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 Employee Share Option Scheme	40,209,961	–	–	–	40,209,961	–	40,209,961
Redemption of Preference Shares of Joint Venture Company	–	–	–	(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 of Joint Venture Company	–	–	–	(7,678,265)	(7,678,265)	–	(7,678,265)
Transfer to/(from) during the Year							
- Overhaul, Heat Rate and Lube Oil Reserves	–	–	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)
As at 31 March 2009	1,369,222,534	(76,923,588)	914,598,431	4,821,392,989	7,028,290,366	837,062,062	7,865,352,428
Profit for the Year	–	–	–	901,730,007	901,730,007	32,913,939	934,643,946
Redemption of Preference Shares of Joint Venture Company	–	–	–	(15,686,667)	(15,686,667)	-	(15,686,667)
Dividends Paid							
- Ordinary Shares (2009)	–	–	–	(165,172,161)	(165,172,161)	(6,825,936)	(171,998,097)
- Preference Shares of Joint Venture Company	–	–	–	(2,303,361)	(2,303,361)	(767,787)	(3,071,148)
Transfer to/(from) during the Year							
- Overhaul, Heat Rate and Lube Oil Reserves	–	–	(48,742,570)	48,742,570	–	–	–
- Revaluation Reserve	–	–	(1,384,237)	1,384,237	–	–	–
Share Issued to Minority Shareholders	–	–	–	–	–	643,892,692	643,892,692
Adjustment in Respect of Changes in Group Holding	–	4,235,328	(29,349,131)	(73,176,683)	(98,290,486)	(18,370,355)	(116,660,841)
Net Gain/(Loss) Recognised Directly in Equity							
- Deferred Income Tax	–	–	830,613	–	830,613	199,776	1,030,389
- Exchange Reserve	–	42,717,711	–	–	42,717,711	–	42,717,711
As at 31 March 2010	**1,369,222,534**	**(29,970,549)**	**835,953,106**	**5,516,910,931**	**7,692,116,022**	**1,488,104,391**	**9,180,220,413**

The Accounting Policies and Notes on pages 67 through 107 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				
As at 31 March 2008	1,329,012,573	368,073,839	2,665,572,306	4,362,658,718
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
As at 31 March 2009	1,369,222,534	368,073,839	2,695,408,071	4,432,704,444
Profit for the Year	–	–	1,455,107,882	1,455,107,882
Dividends Paid - 2009	–	–	(165,172,161)	(165,172,161)
Net Gain/(Loss) directly recognised in Equity - Acquisition, Disposal and Changes in Investments	–	(111,041,414)	111,041,414	–
As at 31 March 2010	**1,369,222,534**	**257,032,425**	**4,096,385,205**	**5,722,640,164**

The Accounting Policies and Notes on pages 67 through 107 form an integral part of the financial statements.

Cash Flow Statement

Year ended 31 March	Note	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Operating Activities					
Profit Before Taxation		**1,094,718,688**	856,931,524	**1,489,735,490**	158,818,853
Adjustments for Non-Cash Items					
Depreciation	12	**522,605,675**	500,480,653	**18,012,703**	22,685,551
Impairment		**–**	7,358,810	**–**	–
Profit on Disposal of Property, Plant and Equipment		**4,828,403**	(545,796)	**(79,716)**	(1,272,274)
Retirement Benefit Plan	8	**64,771,707**	22,914,881	**4,624,701**	(347,375)
Finance Cost	7	**449,375,718**	470,169,853	**125,368,362**	127,285,161
Investment Income	4	**(93,014)**	(1,417)	**(156,045,665)**	(141,156,406)
Change in Fair Value of Investment Properties	13	**(82,700,000)**	–	**(58,700,000)**	–
(Profit)/Loss on Sale of Investments		**1,600,000**	(46,533,770)	**(1,241,081,268)**	9,655,923
Amortisation/Impairment of Intangibles	14	**9,160,937**	1,373,789	**–**	–
Amortisation of Leasehold Property	15	**3,065,716**	3,065,718	**–**	–
Amortisation of Other Long-Term Receivables		**360,000**	3,000,000	**–**	–
Working Capital Adjustments					
(Increase)/Decrease in Trade and Other Receivables		**(355,629,889)**	65,754,260	**40,217,620**	9,283,762
(Increase)/Decrease in Inventories		**(235,764,189)**	73,198,324	**–**	–
(Increase)/Decrease in Amounts Due from Related Parties		**–**	14,587,988	**18,691,310**	(6,300,442)
Increase/(Decrease) in Amounts Due to Related Parties		**–**	(2,538,787)	**55,467,965**	57,106,858
Increase/(Decrease) in Trade and Other Payables		**510,073,378**	117,656,379	**(3,531,013)**	(25,351,051)
Finance Cost Paid	7	**(449,375,718)**	(470,169,853)	**(125,368,362)**	(127,285,161)
Income Tax Paid		**(145,416,246)**	(122,017,414)	**(9,140,014)**	(6,075,230)
Gratuity Paid	28	**(20,565,499)**	(34,877,711)	**(6,707,421)**	(137,037)
Net Cash from/(Used in) Operating Activities		**1,371,015,667**	1,459,807,431	**151,464,692**	76,911,132
Investing Activities					
Purchase of Property, Plant and Equipment	12	**(434,087,867)**	(1,666,759,197)	**(12,808,057)**	(43,563,431)
Acquisitions and Disposals of Subsidiaries	33	**(268,791,801)**	24,631,786	**(1,805,748,920)**	(550,038,025)
Investment in Other Assets		**–**	40,513,300	**–**	–
Other Investments		**–**	(53,660,682)	**(25,000,000)**	(88,843,298)
Proceeds from Disposal of Property, Plant and Equipment		**53,718,573**	78,050,589	**2,022,397**	1,789,726
Proceeds from Disposal of Investments		**14,400,000**	17,024,700	**2,330,535,000**	17,024,700
Redemption of Preference Shares of Joint Venture Company		**(15,686,667)**	(16,666,667)	**–**	–
Investment Income Received	4	**93,014**	1,417	**156,045,665**	141,156,406
Net Cash from/(Used in) Investing Activities		**(650,354,748)**	(1,576,864,754)	**645,046,085**	(522,473,922)
Financing Activities					
Interest Bearing Loans and Borrowings (Net) - Rupee Loan		**(92,255,494)**	843,428,764	**(577,640,300)**	525,325,331
- USD Loan		**(373,118,293)**	(641,986,367)	**–**	–
Proceeds from Issue of Ordinary Shares under ESOS		**–**	40,209,961	**–**	40,209,961
Proceeds from Minority Shareholders		**655,478,626**	85,195,565	**–**	–
Dividends Paid - Ordinary Shares		**(170,928,413)**	(121,740,004)	**(164,098,474)**	(114,988,377)
- Preference Shares of Joint Venture Company		**(3,071,148)**	(7,678,265)	**–**	–
Net Cash from/(Used in) Financing Activities		**16,105,278**	197,429,654	**(741,738,774)**	450,546,915
Net Increase/(Decrease) in Cash and Cash Equivalents		**736,766,197**	80,372,331	**54,772,003**	4,984,125
Cash and Cash Equivalents at the beginning of the Year	31	**(54,496,339)**	(134,868,670)	**21,810,397**	16,826,272
Cash and Cash Equivalents at the end of the Year	31	**682,269,858**	(54,496,339)	**76,582,400**	21,810,397

The Accounting Policies and Notes on pages 67 through 107 form an integral part of the financial statements.

1. CORPORATE INFORMATION

1.1 GENERAL

Hemas Holdings PLC is a public limited liability company listed on the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka. The registered office and the principal place of business 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 2010 comprise the Company (the 'Company') and all its subsidiaries (the 'Group').

1.3 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

1.4 DATE OF AUTHORISATION FOR ISSUE

The consolidated financial statements of Hemas Holdings PLC for the year ended 31 March 2010 were authorised for issue, in accordance with a resolution of the Board of Directors on 25 May 2010.

2. GENERAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

2.1.1 STATEMENT OF COMPLIANCE

The consolidated financial statements of 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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent Accounting Policies.

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

Subsidiaries are fully consolidated from the date of acquisition being the date on 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 are presented separately in the Consolidated 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. 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 consolidated 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 statement is prepared for 31 December 2009. All the material transactions are adjusted for the 3 months period ended 31 March 2010. Accounting Policies of the Joint Ventures are consistent with the parent company.

c. 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.

d. Changes in Group Companies

The Group has formed Hemas Consumer Brands (Pvt) Ltd., and Solas Lanka (Pvt) Ltd., as fully owned subsidiaries. The Group acquired Senok Mark Hydro (Pvt) Ltd. and the Company name was changed as Upper Agra Oya Hydro Power (Pvt) Ltd. The Group has increased its stake in Hemas Hospitals (Pvt) Ltd., from 65% to 70%.

Hemas Power PLC was listed on the Main Board of Colombo Stock Exchange on 8 October 2009, with the Group retaining a shareholding of 75%.

e. Country of Incorporation

All Subsidiaries 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)
Hemas Consumer Brands (Pvt) Ltd.	Bangladesh	Taka (BDT)

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 re-arranged wherever necessary, to conform to the current year's presentation.

2.1.5 DISCONTINUING OPERATIONS

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

2.2 CHANGES IN ACCOUNTING POLICIES

The Accounting Policies adopted are consistent with those used in the previous year.

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 Lankan Rupees, which is the Group'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 recognised 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 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 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 are 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 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 the 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 impairment 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. Okanda Power Grid (Pvt) Ltd., commenced a project to develop a hydro power plant. The expenses that are of capital in nature are accounted as capital work-in-progress until the completion of the project.

2.4.10 LEASED PROPERTY

Leasehold property comprising of land use rights obtained on a long-term basis, is stated at the recorded carrying values as at the effective date of 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 risks 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 Company's 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 at that date and any investment made after 1 April 2006 are 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 net of any provision for other than temporary diminution in value.

c. Disposal of Investments

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognised as income or expense. Any revaluation surplus related to disposed investments are transferred to retained earnings.

Unrealised gains on revaluation of long-term investments are credited to the owner's equity as revaluation surplus. However, unrealised gains are credited to income to the extent that it offsets the previously recorded decrease.

Unrealised losses on revaluation of long-term investment are debited to revaluation surplus to the extent that a decrease in carrying amount offsets previous increase for the same investment that has been credited to revaluation surplus and not subsequently reversed or utilised. All the other cases, unrealised losses are recognised as expense.

d. 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.

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.

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

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.

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 the 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. Interest

Interest income is recognised on an accrual basis.

f. Dividends

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

g. 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.

h. 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

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 9 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.

2.7 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued by The Institute of Chartered Accountants of Sri Lanka and are effective for the accounting periods on the dates specified below.

(A) SRI LANKA ACCOUNTING STANDARD 44 - FINANCIAL INSTRUMENTS; PRESENTATION (SLAS 44) AND SRI LANKA ACCOUNTING STANDARD 45 - FINANCIAL INSTRUMENTS; RECOGNITION AND MEASUREMENT (SLAS 45)

SLAS 44 and 45 becomes effective for financial years beginning on or after 1 January 2011. Accordingly, the financial statements for the year ending 31 March 2012 will adopt SLAS 44 and 45, for the first time.

These two standards together provide comprehensive guidance on identification, classification, measurement and presentation of financial instruments (including derivatives) into financial assets, financial liabilities and equity instruments.

In order to comply with the requirements of these standards, the Company is in the process of assessing the effect of adoption of the aforesaid two standards. Due to the complex nature of the effect of these standards the impact of adoption cannot be estimated as at the date of publication of these financial statements.

(B) SRI LANKA ACCOUNTING STANDARD 39 - SHARE-BASED PAYMENTS (SLAS 39)

SLAS 39 - Share Based Payments, effective for periods beginning on or after 1 January 2010 will be first adopted in the year ending 31 March 2011. This standard requires an expense to be recognised where the Company buys goods or services in exchange for shares or rights over shares (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash-settled transactions).

The Company is in the process of evaluating the impact of this standard, and due to the complex nature of the effect of this standard the impact of adoption cannot be estimated as at the date of the publication of these financial statements.

Year ended 31 March	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.

3. REVENUE

Summary	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Sales of Goods	9,794,718,534	8,296,823,958	–	–
Rendering of Services	5,426,699,225	7,045,454,120	343,212,995	334,288,740
	15,221,417,759	15,342,278,078	343,212,995	334,288,740

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

4. DIVIDEND INCOME

		Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Income from Investments	- Related Parties	–	–	155,962,343	141,156,406
	- Others	93,014	1,417	83,322	–
		93,014	1,417	156,045,665	141,156,406

5. OTHER INCOME AND GAINS

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Gain on Disposal and Acquisition	2,451,226	36,830,451	–	–
Rental Income	1,252,018	1,173,000	1,100,000	988,393
Commission Income	7,232,511	8,902,297	–	–
Exchange Gain	17,163,064	20,911,678	–	–
Sundry Income	16,428,716	23,521,343	599,527	1,957,474
	44,527,535	91,338,769	1,699,527	2,945,867

6. GAIN/(LOSS) ON DISPOSAL OF INVESTMENTS

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Gain on Share Buy Back	–	–	1,242,681,268	–
Loss on Disposal of Investment	(1,600,000)	16,677	(1,600,000)	(9,655,923)
	(1,600,000)	16,677	1,241,081,268	(9,655,923)

During the year the Boards of Hemas Manufacturing (Pvt) Ltd., Hemas Marketing (Pvt) Ltd., Hemas Pharmaceuticals (Pvt) Ltd., Forbes Air Services (Pvt) Ltd. and Hemas Travels (Pvt) Ltd. offered to repurchase its own shares held by Hemas Holdings PLC. A gain of Rs. 1,242,681,268/- was made by Hemas Holdings PLC by accepting this offer.

7. FINANCE COST AND INCOME

7.1 FINANCE COST

		Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Interest Expense on Overdrafts		130,159,200	147,632,938	296,565	214,692
Interest Expense on Loans and Borrowings	- Rupee	266,296,311	244,105,234	125,071,797	127,070,469
	- USD	51,142,616	75,533,114	–	–
Debenture Interest		1,715,355	2,726,811	–	–
Finance Charges on Lease Liabilities		62,236	171,756	–	–
		449,375,718	470,169,853	125,368,362	127,285,161

7.2 FINANCE INCOME

		Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Interest Income	- Related Parties	–	–	28,735,369	30,264,289
	- Others	100,929,714	116,757,925	1,563,422	2,831,723
		100,929,714	116,757,925	30,298,791	33,096,012

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
8. PROFIT BEFORE TAX				
Stated after Charging/(Crediting)				
Included in Cost of Sales				
Depreciation	193,300,165	184,697,305	–	–
Provision for Obsolete Stocks	14,518,634	21,519,278	–	–
Included in Administrative Expenses				
Employees Benefits Including the following				
Defined Benefit Plan Cost - Gratuity	64,771,707	22,914,881	4,624,701	(347,375)
Defined Contribution Plan Cost - MSPS/EPF/ETF	97,282,366	90,788,544	7,479,554	8,730,431
Depreciation	329,305,510	315,783,348	18,012,703	22,685,551
Exchange Loss	48,287,966	14,091,988	–	–
Amortisation/Impairment of Intangibles	9,160,937	–	–	–
Profit/(Loss) on Disposal of Property, Plant and Equipment	4,828,403	(545,796)	(79,716)	(1,272,274)
Auditors' Fees and Expenses	7,330,870	6,801,925	1,091,396	880,329
Legal Fees	697,341	1,055,845	59,000	135,000
Donations	1,544,983	409,909	11,200	–
Bad Debts Written-off	6,833,185	2,369,117	–	–
Provision for Doubtful Debts	33,788,971	5,281,645	5,796,235	–
Included in Selling and Distribution Cost				
Transport Cost	35,650,293	28,613,517	–	–
Advertising Cost	318,156,095	242,898,653	–	–

9. INCOME TAX EXPENSE

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (Note 9.1)	145,294,975	128,369,384	13,409,382	11,709,866
Under/(Over) Provision of Current Taxes in respect of prior years	(4,319,542)	8,165,893	–	–
Tax on Dividends	10,135,366	3,813,961	–	–
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 9.2)	8,963,943	(2,495,506)	21,218,226	1,932,184
	160,074,742	137,853,732	34,627,608	13,642,050

9.1 RECONCILIATION BETWEEN INCOME TAX EXPENSES AND THE ACCOUNTING PROFIT

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Accounting Profit Before Tax	1,094,718,688	856,931,524	1,489,735,490	158,818,853
Intra-Group Adjustment/Share of Profits of Subsidiaries	249,836,310	299,016,100	(1,241,081,268)	–
	1,344,554,998	1,155,947,624	248,654,222	158,818,853
Aggregate Disallowed Items	293,452,409	388,877,154	39,577,153	50,272,263
Aggregate Allowable Expenses	(383,591,394)	(278,742,329)	(16,813,091)	(16,973,918)
Aggregate Allowable Income	(61,929,964)	(158,812,010)	(213,062,343)	(141,156,406)
Taxable Profit	1,192,486,049	1,107,270,439	58,355,941	50,960,792
Tax Losses Brought Forward and Utilised	(74,832,395)	(89,069,992)	(20,424,579)	(17,836,812)
	1,117,653,654	1,018,200,447	37,931,362	33,123,980
Current Income Tax Expense	145,294,975	128,369,384	13,409,382	11,709,866

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

9.2 DEFERRED TAX EXPENSE/(INCOME)

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Deferred Tax Expense/(Income) arising due to				
- Origination and Reversal of Timing Differences	8,963,943	(2,495,506)	21,218,226	1,932,184
	8,963,943	(2,495,506)	21,218,226	1,932,184

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

9.4 APPLICABLE TAX RATES

As per the Inland Revenue Act No. 10 of 2006, all resident companies are liable to effective Income Tax of 35% (2009 - 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., Diethelm Travel Lanka (Pvt) Ltd., Hemas Travels (Pvt) Ltd. and Hemtours (Pvt) Ltd. are taxed at 15% (2009 - 15%), while other incomes of these Companies are taxed at 35% (2009 - 35%).

Hemas Developments (Pvt) Ltd., has obtained Board of Investment approval under Section 17 and it enjoys a tax rate of 2% on 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. is exempt from income tax for a period of three (3) years 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 Company, whichever is earlier. The exemption period would expire in the year of assessment 2009/10. After the expiration of the tax exempted period, profits shall be charged at 10% for the next two (2) years. Thereafter, the Company's profits are liable for tax at 20% thereon.

Pursuant to agreement entered into with the Board of Investment under Section 17 of the Board of Investment Law No. 4 of 1978, Hemas Hospitals (Pvt) Ltd. and Hemas Southern Hospitals (Pvt) Ltd. are exempt from income tax for a period of five (5) years, reckoned from the year of assessment, in which the companies 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 shall be charged at 10% for the next two (2) years. Thereafter, the Company's profits are liable for tax at 20% thereon.

Pursuant to 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 Company commences commercial operations at the relocated factory, which will expire in 2012/13. After the expiration of the aforesaid tax exemption period, the profits and income of the Company shall be charged at a concessionary tax rate of 10% for a period of 2 years and 20% thereon.

Pursuant to agreement entered into with the Board of Investment, 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 2012/13. 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%.

As per Inland Revenue Act No. 10 of 2006, Section 17, N-able (Pvt) Ltd. is exempt from income tax for a period of 3 years commencing from year 2008/09. After the expiration of the aforesaid tax exemption period, profits are charged at 5% for the first year, 10% in the second year and 15% thereafter.

10. EARNINGS PER SHARE

10.1 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.

10.2 The following reflects the income and share data used in the Basic Earnings Per Share computation:

	Group		Company	
	2010 Rs.	2009 Rs.	**2010 Rs.**	2009 Rs.
Amount used as the Numerator:				
Profit for the Year	**901,730,007**	775,127,792	**1,455,107,882**	145,176,803
Less: Preference Dividends	**(2,303,361)**	(7,678,265)	**–**	–
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	**899,426,646**	767,449,527	**1,455,107,882**	145,176,803
	2010 Number	2009 Number	**2010 Number**	2009 Number
Number of Ordinary Shares used as Denominator:				
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings Per Share	**101,958,124**	101,416,457	**101,958,124**	101,416,457

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

		2010 Rs.	2009 Rs.

11. DIVIDEND PER SHARE - GROUP/COMPANY

11.1 DIVIDENDS PAID

		2010 Rs.	2009 Rs.
Final out of 2008/09 (2009 - 2007/08) Profits	Net Dividend paid to ordinary shareholders - out of Dividends received	**165,172,161**	113,971,640
	Withholding tax deducted at source from Dividends out of Profits	**–**	1,369,398
	Gross Ordinary Dividends Paid	**165,172,161**	115,341,038
	Gross Ordinary Dividends Paid	**165,172,161**	115,341,038
	Withholding tax deducted at source from Dividend out of Dividend received	**18,352,462**	11,294,117
	Gross Ordinary Dividends Paid	**183,524,623**	126,635,155

11.2 DIVIDEND PER SHARE

		2010	2009
	- Final out of 2007/08 Profits	**–**	1.25
	- Final out of 2008/09 Profits	**1.80**	–

11.3 The Final dividend for 2008/09 has been paid on 7th July 2009.

12. PROPERTY, PLANT AND EQUIPMENT

12.1 GROUP

	Balance As at 01.04.2009 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	**Balance As at 31.03.2010 Rs.**
Gross Carrying Amount				
At Cost/Cost Incurred since last Revaluation				
Freehold Land	185,436,074	–	(1,082,967)	**184,353,107**
Freehold Buildings	1,973,787,230	216,655,933	–	**2,190,443,163**
Buildings on Leasehold Land	96,394,731	4,282,564	–	**100,677,295**
Plant and Machinery	3,731,064,704	32,908,134	(49,985,223)	**3,713,987,615**
Furniture and Fittings	367,745,178	37,694,726	(7,408,843)	**398,031,061**
Office and Factory Equipment	638,753,465	149,150,282	(43,581,603)	**744,322,144**
Computer Hardware and Software	368,828,972	25,046,699	(15,804,127)	**378,071,544**
Motor Vehicles	410,782,906	39,001,192	(28,343,384)	**421,440,714**
Revertment	19,108,922	–	–	**19,108,922**
	7,791,902,782	504,739,530	(146,206,147)	**8,150,435,565**
At Valuation				
Freehold Land	434,266,370	–	–	**434,266,370**
Freehold Buildings	641,412,150	–	–	**641,412,150**
Buildings on Leasehold Land	239,629,015	–	–	**239,629,015**
	1,315,307,535	–	–	**1,315,307,535**
Assets on Finance Lease				
Motor Vehicles	12,501,293	3,759,000	(1,848,550)	**14,411,743**
	12,501,293	3,759,000	(1,848,550)	**14,411,743**
Total Value of Assets	9,119,711,610	508,498,530	(148,054,697)	**9,480,154,843**
Capital Work-In-Progress				
At Cost	91,528,572	110,125,621	(155,978,821)	**45,675,372**
At Valuation	17,500,000	–	–	**17,500,000**
	109,028,572	110,125,621	(155,978,821)	**63,175,372**
Depreciation				
At Cost				
Freehold Buildings	34,995,067	59,045,717	–	**94,040,784**
Plant and Machinery	1,178,185,644	211,267,572	(28,345,140)	**1,361,108,076**
Furniture and Fittings	171,041,618	36,828,789	(3,700,826)	**204,169,581**
Office and Factory Equipment	95,493,867	81,597,171	(4,496,283)	**172,594,755**
Computer Hardware and Software	282,150,985	41,171,531	(5,629,385)	**317,693,131**
Motor Vehicles	176,612,533	56,698,806	(17,257,885)	**216,053,454**
Revertment	3,140,234	8,189,876	–	**11,330,110**
	1,941,619,948	494,799,462	(59,429,519)	**2,376,989,891**
At Valuation				
Freehold Buildings	61,224,365	15,710,138	–	**76,934,503**
Buildings on Leasehold Land	35,244,709	9,936,901	–	**45,181,610**
	96,469,074	25,647,039	–	**122,116,113**
Assets on Finance Lease				
Motor Vehicles	9,970,918	2,159,174	(1,521,337)	**10,608,755**
	9,970,918	2,159,174	(1,521,337)	**10,608,755**
Total Depreciation	2,048,059,940	522,605,675	(60,950,856)	**2,509,714,759**

	2010 Rs.	2009 Rs.
Net Book Values		
At Cost	**5,819,121,046**	5,941,811,406
At Valuation	**1,210,691,422**	1,236,338,461
Assets on Finance Lease	**3,802,988**	2,530,375
Total Carrying Amount	**7,033,615,456**	7,180,680,242

12.1.1 A revaluation was carried out by independent valuers Mr. K. Arthur Perera (A.M.I.V.) in 2009/10 for Hemas Manufacturing (Pvt) Ltd. and Mr. A.R. Ajith Fernando in 2008/09 for Stafford Hotels PLC and Miami Beach Hotels Ltd., for the purpose of ascertaining the fair value of land and building. 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.

12.1.2 The Land and Buildings of Peace Haven Resort Ltd. was last revalued at the beginning of the financial year 2006/07 by Mr. K. Arthur Perera (A.M.I.V.) an independent valuer. The results of such revaluation was incorporated in these financial statements from its effective date which is 1 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.

12.1.3 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 462,645,330/- (2009 - Rs. 3,278,490,649/-). Cash payments amounting to Rs. 434,087,867/- (2009 - Rs. 1,666,759,197/-) was paid during the year for purchases of Property, Plant and Equipment.

12.2 COMPANY

	Balance As at 01.04.2009 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
At Cost				
Roadways	6,975,688	–	–	**6,975,688**
Furniture and Fittings	11,373,803	6,561,059	(753,468)	**17,181,394**
Office Equipment	11,445,161	1,226,033	(1,273,113)	**11,398,081**
Computer Hardware and Software	76,829,471	5,020,965	(114,650)	**81,735,786**
Motor Vehicles	45,640,282	–	(1,162,500)	**44,477,782**
Total Value of Assets	152,264,405	12,808,057	(3,303,731)	**161,768,731**

	Balance As at 01.04.2009 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
Depreciation				
At Cost				
Furniture and Fittings	4,210,189	1,502,698	(391,743)	**5,321,144**
Office Equipment	8,044,437	689,218	(936,254)	**7,797,401**
Computer Hardware and Software	64,344,467	7,968,879	(33,052)	**72,280,294**
Motor Vehicles	8,835,202	7,851,908	–	**16,687,110**
Total Depreciation	85,434,295	18,012,703	(1,361,049)	**102,085,949**

	2010 Rs.	2009 Rs.
Net Book Values		
At Cost	**59,682,782**	66,830,110

12.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 12,808,057/- (2009 - Rs. 43,563,431/-) by means of cash.

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
13. INVESTMENT PROPERTIES				
Investment Properties at Fair Value at the beginning of the Year	**1,178,709,950**	1,178,709,950	**271,709,950**	271,709,950
Change in Fair Value of Investment Properties during the Year	**82,700,000**	–	**58,700,000**	–
Investment Properties at Fair Value at the end of the Year	**1,261,409,950**	1,178,709,950	**330,409,950**	271,709,950

The fair value of the investment property of Hemas Holdings PLC as at 31 March 2010 is ascertained by an independent valuation carried out by Mr. K. Arthur Perera (A.M.I.V), an independent valuer on an open market value for existing use basis.

In determining the fair value of the investment property of Hemas Development (Pvt) Ltd. the capitalisation of net income method and the discounting of future cash flows to their present value have been used which are based upon assumptions including future rental income, anticipated maintenance costs, appropriate discount rate and make reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

Investment property was appraised in accordance with SLAS 40 and the resulting surplus in fair values is included in the Income Statement.

The significant assumptions used by the valuer are as follows:

Growth in future rentals	: 12% in 3rd and 5th year
Anticipated maintenance cost	: 30% of rentals
Discount rate	: 11% p.a.

	Group 2010 Rs.	Group 2009 Rs.
14. INTANGIBLE ASSETS		
14.1 NON-CURRENT		
Goodwill	**201,194,204**	50,174,272
Brands	**126,657,895**	132,521,739
Development Expenses	**5,221,388**	8,518,482
	333,073,487	191,214,493
14.1.1 GOODWILL		
Balance at the beginning of the Year	**50,174,272**	41,099,987
Acquired during the Year	**151,019,932**	9,074,285
Impairment/Amortisation during the Year	**–**	–
Balance at the end of the Year	**201,194,204**	50,174,272
14.1.2 BRANDS		
Balance at the beginning of the Year	**132,521,739**	132,521,739
Impairment/Written Off during the Year	**(5,863,844)**	–
Balance at the end of the Year	**126,657,895**	132,521,739
14.1.3 DEVELOPMENT EXPENSES		
Balance at the beginning of the Year	**8,518,482**	–
Acquired during the year	**–**	9,892,271
Impairment/Written Off during the Year	**(3,297,094)**	(1,373,789)
Balance at the end of the Year	**5,221,388**	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 completing the project/product and the business case for future economic benefits are reassessed each year.

15. LEASEHOLD PROPERTY

	Group	
	2010	2009
	Rs.	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	**11,927,801**	8,862,083
Amortised during the Year	**3,065,716**	3,065,718
Balance at the end of the Year	**14,993,517**	11,927,801
Carrying Value at the end of the Year	**61,844,853**	64,910,569

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.

	Group Holding		Company Holding		Company	
	2010	2009	2010	2009	2010	2009
	%	%	%	%	Rs.	Rs.
16. INVESTMENT IN SUBSIDIARIES						
16.1 NON-QUOTED INVESTMENTS						
Hemas Corporate Services (Pvt) Ltd.	100	100	100	100	39,890,699	39,890,699
Hemas Developments (Pvt) Ltd.	100	100	73	73	632,316,443	632,316,443
Hemas Manufacturing (Pvt) Ltd.	100	100	100	100	509,904,546	890,662,863
Hemas Marketing (Pvt) Ltd.	100	100	100	100	192,599,742	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	213,330,657	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	91,358,852	123,876,586
Hemas Air Services (Pvt) Ltd.	100	100	100	100	64,687,574	64,687,574
Forbes Air Services (Pvt) Ltd.	100	100	100	100	62,452,297	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 (Pvt) 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	95	95	95	336,454,612	336,454,612
Hemas Transportation (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.	70	65	63	56	756,343,445	507,038,025
Vishwa BPO (Pvt) Ltd.	100	100	100	100	10,000,000	10,000,000
					3,512,889,114	4,337,037,426
16.2 QUOTED INVESTMENTS						
Serendib Hotels PLC	51	51	22.4	22.4	120,755,299	120,755,299
Hemas Power PLC	75	100	75	3	1,941,136,581	384,693,081
Total					5,574,780,994	4,842,485,806
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	49	49	30,044,344	30,044,344
					38,519,264	38,519,264

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
18. OTHER INVESTMENTS				
Summary				
NON-CURRENT				
Investments in Equity Securities (Note 18.1/18.2)	**64,498,596**	80,498,596	**114,248,398**	105,248,398
	64,498,596	80,498,596	**114,248,398**	105,248,398
CURRENT				
Investment in Equity Securities (Note 18.1.1/18.2.1)	**67,694**	67,694	**48,642**	48,642
	67,694	67,694	**48,642**	48,642
Total Carrying Value of Other Investments	**64,566,290**	80,566,290	**114,297,040**	105,297,040

	No. of Shares 2010	No. of Shares 2009	Carrying Value 2010 Rs.	Market Value 2010 Rs.	Carrying Value 2009 Rs.	Market Value 2009 Rs.
18.1 INVESTMENTS IN EQUITY SECURITIES NON-CURRENT						
Group						
A. QUOTED						
Overseas Realty (Ceylon) PLC	**1,000**	1,000	**10,000**	**15,750**	10,000	7,750
Eden Hotels Lanka PLC	**127**	127	**861**	**4,286**	861	1,238
Galadari Hotels PLC	**2,000**	2,000	**18,750**	**44,000**	18,750	15,500
Blue Diamond Jewellers PLC	**1,300**	1,300	**3,900**	**2,470**	3,900	1,950
Royal Palm Beach Hotels PLC	**85**	85	**676**	**5,525**	676	2,699
Kotmale Holdings PLC	**40,000**	40,000	**400,000**	**990,000**	400,000	380,000
Mercantile Shipping PLC	**426,223**	426,223	**53,843,298**	**49,015,645**	53,843,298	42,302,633
Total Investment in Quoted Equity Securities			**54,277,485**	**50,077,676**	54,277,485	42,711,770

	Carrying Value 2010 Rs.	Directors' Value 2010 Rs.	Carrying Value 2009 Rs.	Directors' Value 2009 Rs.
B. NON-QUOTED				
Rainforest Ecology (Pvt) Ltd.	**10,020,000**	**10,020,000**	10,020,000	10,020,000
SLFFA Cargo Services Ltd.	**201,111**	**201,111**	201,111	201,111
CT Capital (Pvt) Ltd.	**–**	**–**	16,000,000	16,000,000
	10,221,111	**10,221,111**	26,221,111	26,221,111
Less: Provision for fall in Value	**–**	**–**	–	–
Total Investment in Non-quoted Equity Securities	**10,221,111**	**10,221,111**	26,221,111	26,221,111
Total Equity Investments (Group - Non-current)	**64,498,596**		80,498,596	

	No. of Shares 2010	No. of Shares 2009	Carrying Value 2010 Rs.	Market Value 2010 Rs.	Carrying Value 2009 Rs.	Market Value 2009 Rs.
18.1.1 INVESTMENTS IN EQUITY SECURITIES - CURRENT						
Group						
A. QUOTED						
John Keells Holdings PLC	726	726	48,642	133,584	48,642	45,557
Ceylon Theatres PLC	143	143	24,000	7,714	24,000	3,857
Lankem Ceylon PLC	1,500	1,500	14,500	97,500	14,500	43,125
			87,142	238,798	87,142	92,539
Less: Provision for Fall in Value			(30,823)	–	(30,823)	–
Total Investments in Quoted Equity Securities			56,319	238,798	56,319	92,539

	No. of Shares 2010	No. of Shares 2009	Carrying Value 2010 Rs.	Directors' Value 2010 Rs.	Carrying Value 2009 Rs.	Directors' Value 2009 Rs.
B. NON-QUOTED						
Coca Cola Beverages Sri Lanka Ltd.	100	100	5,275	5,275	5,275	5,275
Glaxo Ceylon Ltd.	150	150	4,500	4,500	4,500	4,500
Carsons Marketing Ltd.	100	100	1,600	1,600	1,600	1,600
Total Investments in Non-Quoted Equity Securities			11,375	11,375	11,375	11,375
Total Equity Investments			67,694		67,694	

	No. of Shares 2010	No. of Shares 2009	Carrying Value 2010 Rs.	Market Value 2010 Rs.	Carrying Value 2009 Rs.	Market Value 2009 Rs.
18.2 INVESTMENT IN EQUITY SECURITIES - NON-CURRENT						
Company						
A. QUOTED						
Overseas Realty (Ceylon) PLC	500	500	5,000	7,875	5,000	3,875
Kotmale Holdings PLC	40,000	40,000	400,000	990,000	400,000	380,000
Mercantile Shipping PLC	426,223	426,223	53,843,298	49,015,645	53,843,298	42,302,633
			54,248,298	50,013,520	54,248,298	42,686,508

	No. of Shares 2010	No. of Shares 2009	Carrying Value 2010 Rs.	Directors' Value 2010 Rs.	Carrying Value 2009 Rs.	Directors' Value 2009 Rs.
SECURITIES - NON-CURRENT						
B. NON-QUOTED						
CT Capital (Pvt) Ltd.	–	1,600,000	–	–	16,000,000	16,000,000
Giddawa Hydro Power (Pvt) Ltd.	600,001	350,001	60,000,100	60,000,100	35,000,100	35,000,100
			60,000,100	60,000,100	51,000,100	51,000,100
Total Carrying Value of Equity Investment			114,248,398		105,248,398	

	No. of Shares 2010	No. of Shares 2009	Carrying Value 2010 Rs.	Market Value 2010 Rs.	Carrying Value 2009 Rs.	Market Value 2009 Rs.
18.2.1 INVESTMENT IN EQUITY SECURITIES - CURRENT						
COMPANY						
A. QUOTED						
John Keells Holdings PLC	726	726	48,642	133,584	48,642	45,557
Total Carrying Value of Equity Investment			48,642	133,584	48,642	45,557

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.

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
19. INVENTORIES				
Raw Materials	241,056,935	261,091,046	–	–
Work-in-Progress	38,129,326	18,489,754	–	–
Finished Goods and Other Stocks	1,304,823,798	968,517,597	–	–
Goods in Transit	5,652,847	82,215,988	–	–
	1,589,662,906	1,330,314,385	–	–
Less: Provision for Obsolete Stocks	(45,103,610)	(21,519,278)	–	–
	1,544,559,296	1,308,795,107	–	–
20. TRADE AND OTHER RECEIVABLES				
20.1 SUMMARY				
TRADE DEBTORS				
Related Parties (Note 20.2)	–	–	59,025,697	97,314,722
Others	2,573,817,703	1,832,645,857	1,569,642	2,717,562
Ceylon Electricity Board	614,051,111	1,022,061,415	–	–
Less: Provision for Doubtful Debts	(39,871,579)	(8,350,363)	(2,300,000)	–
	3,147,997,235	2,846,356,909	58,295,339	100,032,284
OTHER DEBTORS				
Related Parties (Note 20.3)	–	–	7,855,278	8,536,247
Others	490,525,305	512,123,648	32,335,482	31,422,348
Advances and Prepayments	261,031,736	190,389,329	10,614,195	6,574,579
Less: Provision for Doubtful Debts	(29,779,723)	(37,796,416)	–	–
	3,869,774,553	3,511,073,470	109,100,294	146,565,458
Loans to Company Officers (Note 20.4)	63,551,750	66,622,944	7,726,085	10,478,541
	3,933,326,303	3,577,696,414	116,826,379	157,043,999

	Relationship	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
20.2 TRADE DUES FROM RELATED PARTIES					
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	12,901,122	45,100,803
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	–	–	35,970	343,091
Hemas International Freight (Pvt) Ltd.	Joint Venture	–	–	150,927	1,845
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	398,520	3,401,858
Hemas Power PLC	Subsidiary	–	–	370,499	250,420
Hemas Marketing (Pvt) Ltd.	Subsidiary	–	–	–	17,100
Hemas Air Services (Pvt) Ltd.	Subsidiary	–	–	668,879	3,412,127
Hemtours (Pvt) Ltd.	Subsidiary	–	–	26,638	101,738
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	–	–	–	7,129
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	–	–	2,067,934	544,271
Hemas Hospitals (Pvt) Ltd.	Subsidiary	–	–	741,294	5,041,503
Hemas Aviation (Pvt) Ltd.	Subsidiary	–	–	44,236	5,476
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	3,032,916	565,529
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	32,379,311	29,157,918
ACX International (Pvt) Ltd.	Subsidiary	–	–	740,770	1,195,199
Hemas Development (Pvt) Ltd.	Subsidiary	–	–	61,946	1,136,273
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	–	–	444,806	465,212
Heladhanavi Ltd.	Joint Venture	–	–	1,741,385	820,139
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	–	–	3,406	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	–	–	1,792,753	4,727,369
N-able (Pvt) Ltd.	Subsidiary	–	–	1,325,780	866,751
Sky Net Worldwide Express (Pvt) Ltd.	Joint Venture	–	–	84,346	–
Okanda Power Grid (Pvt) Ltd.	Subsidiary	–	–	12,259	–
		–	–	59,025,697	97,314,722
20.3 OTHER DUES FROM RELATED PARTIES					
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	924,651	982,040
Hemtours (Pvt) Ltd.	Subsidiary	–	–	992	992
Hemas International Freight (Pvt) Ltd.	Joint Venture	–	–	26,594	17,773
Hemas Development (Pvt) Ltd.	Subsidiary	–	–	98,174	165,587
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	–	–	505,148	1,723
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	–	–	2,201,533	4,131,875
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	86,128	86,128
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	515,286	–
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	–	–	342,994	432,904
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	233,678	220,749
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	–	–	8,317	8,317
Hemas Hospitals (Pvt) Ltd.	Subsidiary	–	–	672,434	1,311,921
Hemas Power PLC	Subsidiary	–	–	243,820	76,708
N-able (Pvt) Ltd.	Subsidiary	–	–	921,388	1,051,875
ACX International (Pvt) Ltd.	Subsidiary	–	–	12,000	–
Hemas Air Services (Pvt) Ltd.	Subsidiary	–	–	341,654	–
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	720,487	–
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	–	–	–	16,055
Okanda Power Grid (Pvt) Ltd.	Subsidiary	–	–	–	31,600
		–	–	7,855,278	8,536,247

	Relationship	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
20.4 LOANS TO COMPANY OFFICERS					
SUMMARY					
Balance at the beginning of the Year		66,622,944	52,825,559	10,478,541	10,568,008
Loans Granted During the Year		36,185,503	49,576,911	2,749,403	5,497,490
Less: Repayments		(39,256,697)	(35,779,526)	(5,501,859)	(5,586,957)
Balance at the end of the Year		63,551,750	66,622,944	7,726,085	10,478,541

21. LOANS DUE FROM RELATED PARTIES

	Relationship	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Non-Current					
Hemas Corporate Services (Pvt) Ltd .	Subsidiary	–	–	19,202,439	13,123,048
Hemas Hospitals (Pvt) Ltd.	Subsidiary	–	–	–	150,000,000
Mowbray Hotels Ltd.	Subsidiary	–	–	2,734,930	–
		–	–	21,937,369	163,123,048
Current					
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	153,716,260	35,000,000
Hemas Power PLC	Subsidiary	–	–	7,250,000	31,250,000
Hemas International Freight (Pvt) Ltd.	Joint Venture	–	–	12,000,000	12,000,000
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	–	–	1,000,000	1,000,000
ACX International (Pvt) Ltd.	Subsidiary	–	–	2,600,000	600,000
Hemas Hospitals (Pvt) Ltd.	Subsidiary	–	–	–	8,316,260
Hemas Clinical Research Services (Pvt) Ltd.	Subsidiary	–	–	2,296,235	1,150,000
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	–	–	–	2,000,000
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	–	–	2,055,000	21,450,000
Hemtours (Pvt) Ltd.	Subsidiary	–	–	50,000,000	33,000,000
N-able (Pvt) Ltd.	Subsidiary	–	–	40,000,000	12,500,000
Mowbray Hotels Ltd.	Subsidiary	–	–	–	1,100,000
Less: Provision for Doubtful Debts		–	–	(2,296,235)	–
		–	–	268,621,260	159,366,260

22. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
Hemtours (Pvt) Ltd.	Subsidiary	–	–	16,630,546	23,245,813
Hemas Marketing (Pvt) Ltd.	Subsidiary	–	–	–	4,604,631
Hemas International Freight (Pvt) Ltd.	Joint Venture	–	–	74,942	–
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	85,573,192	70,053,013
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	–	–	–	849,654
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	–	–	39,734	39,734
Hemas Air Services (Pvt) Ltd.	Subsidiary	–	–	12,527,337	12,148,300
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	1,775,881	2,000,000
Hemas Power PLC	Subsidiary	–	–	3,619,631	4,016,749
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	47,234,952	44,175,565
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	4,549,427	3,963,695
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	–	–	3,027	54,562
ACX International (Pvt) Ltd.	Subsidiary	–	–	–	81,740
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	–	–	1,596,520	–
Hemas Clinical Research Services (Pvt) Ltd.	Subsidiary	–	–	1,200,000	1,248,602
Hemas Hospitals (Pvt) Ltd.	Subsidiary	–	–	40,000,000	40,385,055
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	–	25,000,000
Hemas Aviation (Pvt) Ltd.	Subsidiary	–	–	2,415	2,415
N-able (Pvt) Ltd.	Subsidiary	–	–	447,340	400,370
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	–	–	3,594	3,594
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	–	–	12,856	382,574
Mowbray Hotels Ltd.	Subsidiary	–	–	–	126,638
Less: Provision for Doubtful Debts		–	–	(1,200,000)	–
		–	–	214,091,394	232,782,704

	2010 No.	2010 Rs.	2009 No.	2009 Rs.
23. STATED CAPITAL - GROUP/COMPANY				
23.1 FULLY PAID ORDINARY SHARES (Note 23.1.1)	**101,958,124**	**1,369,222,534**	101,958,124	1,369,222,534
23.1.1 FULLY PAID ORDINARY SHARES				
Balance at the beginning of the Year	**101,958,124**	**1,369,222,534**	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**	101,958,124	1,369,222,534

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.

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
24. RESERVES				
SUMMARY				
a. Revaluation and Other Capital Reserve				
Balance at the beginning of the Year	**914,598,431**	898,626,929	**368,073,839**	368,073,839
Net Gain/(Loss) directly recognised in Equity - Acquisition, Disposal and Changes in Investments	**–**	–	**(111,041,414)**	–
Transfer during the Year	**(79,475,938)**	15,747,071	**–**	–
Net Gain/(Loss) Recognised Directly in Equity	**830,613**	224,431	**–**	–
Balance at the end of the Year	**835,953,106**	914,598,431	**257,032,425**	368,073,839
b. Exchange Reserve				
Balance at the beginning of the Year	**(76,923,588)**	(42,173,703)	**–**	–
Transfer from/(to) Retained Earnings	**46,953,039**	(34,749,885)	**–**	–
Balance at the end of the Year	**(29,970,549)**	(76,923,588)	**–**	–
Total Reserves	**805,982,557**	837,674,843	**257,032,425**	368,073,839

	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.
25. OTHER BORROWINGS						
GROUP						
Rent Deposits/Advances	**–**	**8,790,222**	**8,790,222**	–	13,781,847	13,781,847
Non-Interest Bearing Loans	**1,207,000**	**–**	**1,207,000**	1,207,000	–	1,207,000
	1,207,000	**8,790,222**	**9,997,222**	1,207,000	13,781,847	14,988,847

	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.
26. INTEREST BEARING LOANS AND BORROWINGS						
26.1 GROUP						
Finance Leases	**2,243,309**	**5,607,057**	**7,850,366**	1,510,403	1,986,874	3,497,277
Bank Loans						
- Rupee Loans (Note 26.1.1)	**599,429,377**	**1,177,984,141**	**1,777,413,518**	343,957,334	1,340,834,492	1,684,791,826
- US$ Syndicate Loan (Note 26.1.2)	**287,267,682**	**47,938,510**	**335,206,192**	353,570,233	360,502,534	714,072,767
Debentures (Note 26.1.3)	**6,417,273**	**–**	**6,417,273**	9,090,909	6,818,182	15,909,091
Trust Receipt Loan						
- Standard Chartered Bank	**90,000,000**	**–**	**90,000,000**	243,716,260	–	243,716,260
- Deutsche Bank	**–**	**–**	**–**	58,000,000	–	58,000,000
Bank Overdrafts	**969,609,133**	**–**	**969,609,133**	1,142,119,977	–	1,142,119,977
	1,954,966,774	**1,231,529,708**	**3,186,496,482**	2,151,965,116	1,710,142,082	3,862,107,198

	As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2010 Rs.
26.1.1 RUPEE LOANS				
Bank Loans	1,684,791,826	478,789,372	(386,167,680)	**1,777,413,518**

	As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayments Rs.	Exchange Loss Rs.	As at 31.03.2010 Rs.
26.1.2 US$ SYNDICATE LOAN					
Syndicate Loan	714,072,767	–	(373,118,293)	(5,748,282)	**335,206,192**

Rate of Interest

(a) In 2004 Heladanavi Ltd. entered into an interest rate swap agreement with Hatton National Bank PLC, on a fixed interest rate of 5.15% plus 3% per annum for US$ 36.5 Mn.

(b) Floating Interest Rate: Three months London Inter Bank Offer Rate (LIBOR) plus 3% per annum applicable for balance US$ 2.5 Mn - Interest payable quarterly during the grace period and thereafter monthly.

(c) In 2008, Heladanavi Ltd. entered into another interest rate SWAP agreement with Commercial Bank of Ceylon PLC, to obtain a reverse position against the original SWAP with Hatton National Bank PLC, fixing the interest rate at 2.7%, if one month LIBOR is at or greater than 1.5%.

However, if one month LIBOR is less than 1.5%, then Company will have to pay to the Commercial Bank of Ceylon PLC, the difference between one month LIBOR and 2.7% (fixed interest rate).

Security

Immovable assets have been secured against US$ 4 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 loan.

Facility

The US$ 39 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

(a) 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.

(b) Heladanavi Ltd. 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.

(c) No payments can be made to an amount aggregating to more than US$ 100,000 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 01.04.2009 Rs.	New Issues Rs.	Redemption Rs.	**As at 31.03.2010 Rs.**
26.1.3 DEBENTURES				
15.75% Unsecured Subordinated Redeemable Fixed Rate Debenture	15,909,091	–	(9,500,000)	**6,409,091**

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.

	2010 Amount Repayable Within 1 Year Rs.	**2010 Amount Repayable After 1 Year Rs.**	**2010 Total Rs.**	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.
26.2 COMPANY						
Loans from Related Parties (26.2.1)	**426,908,500**	**425,709,598**	**852,618,098**	290,868,500	1,171,320,577	1,462,189,077
Bank Overdrafts	**1,553,257**	**–**	**1,553,257**	896,891	–	896,891
	428,461,757	**425,709,598**	**854,171,355**	291,765,391	1,171,320,577	1,463,085,968

	Relationship	As at 01.04.2009 Rs.	Loans Obtained During the Year Rs.	Repayment/ Transfer During the Year Rs.	**As at 31.03.2010 Rs.**
26.2.1 LOANS FROM RELATED PARTIES					
Hemas Marketing (Pvt) Ltd.	Subsidiary	128,567,545	–	(128,567,545)	**–**
Hemas Air Services (Pvt) Ltd.	Subsidiary	59,168,597	36,000,000	(10,000,000)	**85,168,597**
Hemas Developments (Pvt) Ltd.	Subsidiary	113,917,548	61,950,000	(44,900,000)	**130,967,548**
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	580,086,030	160,009,583	(670,095,613)	**70,000,000**
Peace Haven Resorts Ltd.	Subsidiary	256,194,998	2,800,000	(38,800,000)	**220,194,998**
Vishwa BPO (Pvt) Ltd.	Subsidiary	8,000,000	22,000,000	(12,000,000)	**18,000,000**
Forbes Air Services (Pvt) Ltd.	Subsidiary	184,676,960	208,000,000	(195,010,000)	**197,666,960**
Hemtours (Pvt) Ltd.	Subsidiary	130,619,995	–	–	**130,619,995**
Hemas Travels (Pvt) Ltd.	Subsidiary	957,404	–	(957,404)	**–**
		1,462,189,077	490,759,583	(904,363,158)	**852,618,098**

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 (29/04/2007 - 30/04/2010) and thereafter repayable over 3 years.
   Interest - Grace Period of 3 Years (29/04/2008 - 30/04/2010) and thereafter interest chargeable based on Market Rates.

	Group		Company	
	2010 Rs.	2009 Rs.	**2010 Rs.**	2009 Rs.
27. DEFERRED INCOME TAX				
27.1 DEFERRED TAX ASSETS				
Balance as at beginning of the Year	**21,832,128**	18,482,425	**–**	–
Income/(Expense) arising during the Year	**973,166**	3,349,703	**–**	–
Balance at the end of the Year	**22,805,294**	21,832,128	**–**	–
27.2 DEFERRED TAX LIABILITIES				
Balance as at beginning of the Year	**136,307,726**	139,563,588	**38,979,758**	37,047,574
Provision/(Release) made during the Year				
- Directly to Income Statement	**9,419,558**	(7,546,598)	**21,218,226**	1,932,184
- Directly to Equity	**(580,730)**	4,290,736	**–**	–
Balance at the end of the Year	**145,146,554**	136,307,726	**60,197,984**	38,979,758
28. RETIREMENT BENEFIT LIABILITY				
Retirement Benefit Obligation - Gratuity				
Balance as at beginning of the Year	**140,756,884**	145,535,317	**19,108,128**	13,276,545
Interest Cost	**14,353,377**	–	**2,292,975**	–
Current Service Cost	**20,828,580**	30,099,278	**1,575,041**	5,968,620
Benefits Paid	**(20,565,499)**	(34,877,711)	**(6,707,421)**	(137,037)
Actaurial (Gain) or Loss	**29,589,750**	–	**756,685**	–
Balance as at the End of the Year	**184,963,092**	140,756,884	**17,025,408**	19,108,128

28.1 Messrs Actuarial & Management Consultants (Pvt) Ltd. Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31/03/2010. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2010	2009
Discount rate assumed (%)	**11**	12
Further salary increase (%)	**10**	10
Retirement age	**50-60 Years**	50-60 Years

	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
29. TRADE AND OTHER PAYABLES				
Trade Payables				
Related Parties (Note 29.1)	–	–	108,650	777,204
Others	2,475,713,016	1,880,580,278	346,613	830,698
Other Payables				
Related Parties (Note 29.2)	–	–	4,057,419	5,874,906
Others	276,617,217	236,311,452	11,466,067	20,642,402
Sundry Creditors including Accrued Expenses	534,527,733	649,417,847	25,411,500	16,796,052
	3,286,857,966	2,766,309,577	41,390,249	44,921,262

	Relationship	Group 2010 Rs.	Group 2009 Rs.	Company 2010 Rs.	Company 2009 Rs.
29.1 TRADE DUES TO RELATED PARTIES					
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	56,900	56,900
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	–	–	51,750	–
Hemas Marketing (Pvt) Ltd.	Subsidiary	–	–	–	444,304
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	–	16,800
Hemtours (Pvt) Ltd.	Subsidiary	–	–	–	259,200
		–	–	108,650	777,204
29.2 NON-TRADE DUES TO RELATED PARTIES					
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	–	–	692,250	1,684,553
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	70,000	–
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	2,812,500	2,812,500
ACX International (Pvt) Ltd.	Subsidiary	–	–	162	–
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	3,000	186,571
Hemtours (Pvt) Ltd.	Subsidiary	–	–	71,928	251,230
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	–	401,863
Diethelm Travel Lanka (Pvt) Ltd	Subsidiary	–	–	65,729	153,089
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	341,850	385,100
		–	–	4,057,419	5,874,906
30. AMOUNTS DUE TO RELATED PARTIES					
Peace Haven Resorts Ltd.	Subsidiary	–	–	458,489	4,885,024
Hemas Power PLC	Subsidiary	–	–	13,175,400	13,175,400
Vishwa BPO (Pvt) Ltd.	Subsidiary	–	–	5,221,073	3,263,047
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	–	–	831,736	5,457,475
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	–	–	–	10,000
Hemtours (Pvt) Ltd.	Subsidiary	–	–	10,985,000	7,745,000
Hemas Aviation (Pvt) Ltd.	Subsidiary	–	–	5,400,001	5,400,000
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	–	–	3,755,318	3,755,318
Discover the World Marketing (Pvt) Ltd.	Subsidiary	–	–	3,320,001	3,320,001
Hemas Air Services (Pvt) Ltd.	Subsidiary	–	–	49,924,034	384,973
Hemas Travels (Pvt) Ltd.	Subsidiary	–	–	1,775,881	1,775,881
Forbes Air Services (Pvt) Ltd.	Subsidiary	–	–	13,046,706	3,899,455
Hemas Developments (Pvt) Ltd.	Subsidiary	–	–	1,074,986	1,333,939
ACX International (Pvt) Ltd.	Subsidiary	–	–	7,972,845	6,376,325
N-able (Pvt) Ltd.	Subsidiary	–	–	–	691,667
		–	–	116,941,470	61,473,505

	Group		Company	
	2010	2009	**2010**	2009
	Rs.	Rs.	**Rs.**	Rs.
31. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT				
Components of Cash and Cash Equivalents				
31.1 FAVOURABLE CASH AND CASH EQUIVALENT BALANCES				
Cash and Bank Balances	**392,885,938**	485,126,578	**27,994,605**	10,186,344
Fixed Deposits, Treasury Bills and Repo Investments	**1,258,993,053**	602,497,060	**50,141,052**	12,520,944
31.2 UNFAVOURABLE CASH AND CASH EQUIVALENT BALANCES	**1,651,878,991**	1,087,623,638	**78,135,657**	22,707,288
Bank Overdraft	**(969,609,133)**	(1,142,119,977)	**(1,553,257)**	(896,891)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**682,269,858**	(54,496,339)	**76,582,400**	21,810,397

32. COMPARATIVE INFORMATION RESTATEMENT

The Capital Reserves, Retained Earnings and Preference Share Capital were restated as shown below to be in compliance with the guideline issued by the 'Company Law and Other Legislation Committee' of The Institute of Chartered Accountants of Sri Lanka.

	Current Presentation 2009 Rs.	As Reported Previously 2009 Rs.
Revaluation and Other Capital Reserve	914,598,431	841,558,432
Preference Share Capital	–	41,666,666
Retained Earnings	4,821,392,989	4,852,766,322
	5,735,991,420	5,735,991,420

33. ACQUISITION OF SUBSIDIARIES DURING THE YEAR - GROUP

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

	2010 **Rs.**	2009 Rs.
a. Upper Agra Oya Hydro Power (Pvt) Ltd./Stafford Hotels PLC		
Assets		
Property, Plant and Equipment	**296,597,690**	–
Investments	**264,588**	–
Receivables	**26,477,999**	–
	323,340,277	–
Less: Liabilities		
Creditors and Accruals	**29,441,858**	–
Bank overdraft	**5,915,114**	–
Long-term Loans	**140,306,327**	–
Deferred Income Tax	**3,979,890**	–
Other Deferred Liabilities	**527,399**	–
	180,170,588	–
Convertible Non-Voting Preference Shares	**2,978,010**	–
Net Assets Acquired	**140,191,679**	–
Minority Share	**(22,419,811)**	–
	117,771,869	–
Goodwill Acquired (Negative Goodwill)	**151,019,932**	–
Cash and Cash Equivalents	**–**	–
Purchase Consideration	**268,791,801**	–
b. Hemas Hospitals (Pvt) Ltd.	**–**	(7,607,086)
Total Cash Consideration	**268,791,801**	(7,607,086)
Proceeds from Disposal of Subsidiary - Hemas International Freight (Pvt) Ltd.	**–**	17,024,700
Net Cash Out/(in) Flows	**268,791,801**	(24,631,786)

34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company has declared a final dividend of Rs. 2.25 per share for the financial year ended 31 March 2010. As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to declaring the final dividend which is to be paid on 28 June 2010.

In accordance with the Sri Lanka Accounting Standard 12 (Revised 2005) - Events after the Balance Sheet date, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2010.

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 2010 on guarantees given by Hemas Holdings PLC, to banks on behalf of subsidiaries and joint venture relating to facilities obtained, are as follows:

	2010 Rs.	2009 Rs.
Hemas Pharmaceuticals (Pvt) Ltd.	**88,750,000**	88,750,000
Hemas Travels (Pvt) Ltd.	**22,000,000**	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
Exchange & Finance Investments (Pvt) Ltd.	**2,500,000**	2,500,000
Hemas Manufacturing (Pvt) Ltd.	**85,000,000**	85,000,000
Heladhanavi Ltd.	**300,000,000**	300,000,000
Hemas Power PLC	**10,000,000**	–
Forbes Air Services (Pvt) Ltd.	**150,000,000**	–
Hemas Hospitals (Pvt) Ltd.	**200,000,000**	–
	973,250,000	605,250,000

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. 150,000,000/-.

D. HEMAS TRAVELS (PVT) LTD.

1. The Company has obtained guarantees from Standard Chartered Bank favouring Airline Operators amounting to Rs. 172,960,000/-.

2. The Company has obtained guarantees from Standard Chartered Bank favouring 'Gullivers Travels', 'Danata' and 'Saltours International' amounting to GBP 10,000, US$ 10,000 and EURO 10,000 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$ 500,000/- 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.

F. FORBES AIR SERVICES (PVT) LTD.

1. The Company has obtained guarantees from Standard Chartered Bank favouring Emirates - Dubai amounting to Rs. 906,300,000/-.

2. The Company has obtained a guarantee from Standard Chartered Bank favouring the Commissioner General of Inland Revenue amounting to Rs. 2,205,100/-.

G. HEMAS INTERNATIONAL FREIGHT (PVT) LTD.

1. The Company has obtained a guarantee from Standard Chartered Bank favouring Sri Lankan Airlines Ltd., Green Lanka Shipping Ltd., Aitken Spence Aviation (Pvt) Ltd. and MAC Holdings (Pvt) Ltd. amounting to Rs. 2,000,000/-, Rs. 4,000,000/-, Rs. 2,000,000/- and Rs. 1,000,000/- respectively.

H. EXCHANGE & FINANCE INVESTMENTS (PVT) LTD.

1. The Company has obtained guarantees from Nations Trust Bank 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. 5,000,000/- and the trial is still being continued. However, no provision has been made in the accounts in this regard.

I. 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.

J. GO ASIA AIR LINES (PVT) LTD.

The Company has obtained a guarantee from Nations Trust Bank favouring Kenyan Air Lines amounting to Rs. 4,000,000/-.

K. HELLMANN WORLDWIDE LOGISTICS (PVT) LTD

The Company has obtained corporate guarantees from Hellmann Worldwide Logistics Ltd. (Hong Kong) for Hong Kong Dollars equivalent to Rs. 31,900,000/-.

L. UPPER AGRA OYA HYDRO POWER (PVT) LTD.

Legal action instituted at the Thalawakelle Labour Tribunal by the following past employees of the Company claiming reinstatement and back wages were outstanding as at 31 March 2010.

Complainant	L.T. Case No.
Mr. Nagalingam Sudagar	35/2008
Mr. Kadarsha Shahul Hameed	36/2008
Mr. Annadurai Jans	37/2008

Based on the information available and on expert advice, the Directors are confident that the ultimate resolutions of the above contingencies is unlikely to have a material adverse effect on the financial position of the Company.

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.

	2010 Rs.	2009 Rs.
Future minimum rentals payable under operating lease as at 31 March are as follows:		
Within 01 year	18,750,000	47,068,140
After 01 year but not more than 05 years	84,750,000	81,750,000
More than 05 years	524,244,000	542,244,000
	627,744,000	671,062,140

35.4 COMMITMENTS AND CONTINGENCIES OF THE JOINTLY CONTROLLED ENTITY

Heladhanavi Ltd. - The Group has its Proportionate 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 Ltd. is liable to pay Lakdhanavi Ltd. an additional sum of US$ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement. A variable fee, depends on the net energy output generated.

Fuel Transport Agreement with LTL Projects (Pvt) Ltd.

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

Fuel Supply Agreement with Ceylon Petroleum Corporation

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

According to the clause 3.5 (C) of fuel supply agreement, the 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

Fixed and Floating Interest Rate Swap Agreements

	Hatton National Bank	Commercial Bank of Ceylon
Date of Commencement	16 June 2004	31 March 2008
Date of Termination	29 May 2012	29 April 2012
National Principal Amount	USD 36,500,000	USD 17,675,699
Fixed Rate	8.15%	4.00%
Floating Rate	–	1 month USD LIBOR +1.3%
Fair Value as at 31 March 2010	USD 100,405	USD 60,000

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		Included Under
			2010 Rs.	2009 Rs.	
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/-**	788,280,121/-	Property, Plant and Equipment
Heladhanavi Ltd. (The Group has its Proportionate 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.		**7,377,091,249/-**	8,133,820,730/-	Property, Plant and Equipment
		US$ 35,000,000 (Syndicated Loan Facility)	**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)	**7,377,091,249/-**	8,133,820,730/-	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 2010 Rs.	2009 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	**214,851,556/-**	219,848,875/-	Leasehold Property and Property, Plant and Equipment
Stafford Hotels PLC	Freehold Land and Buildings.	Primary Mortgage upto the value of Rs. 55,000,000/- to DFCC Bank.	**412,513,870/-**	412,704,601/-	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 Bank.	**34,962,409/-**	33,660,913/-	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	**165,304,509/-**	167,149,179/-	Property, Plant and Equipment
	Freehold Land and Buildings.	Secondary Mortgage up to value of Rs. 15,000,000/- to DFCC Bank.	**165,304,509/-**	167,149,179/-	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 Bank.	**17,092,261/-**	20,752,849/-	Property, Plant and Equipment

Name of the Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged 2010 Rs.	2009 Rs.	Included Under
Hotel Sigiriya PLC	Leasehold Land and Buildings.	Primary Mortgage up to the value of Rs. 30,000,000/- to Commercial Bank of Ceylon PLC	108,958,795/-	113,619,097/-	Property, Plant and Equipment
	Plant, Machinery, & Equipment.	Primary mortgage up to the value of Rs. 1,750,000/- to Commercial Bank of Ceylon PLC	3,159,832/-	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	1,453,727,473/-	957,391,095/-	Property, Plant and Equipment
Hemas Southern Hospitals (Pvt) Ltd.	Land & Building.	Concurrent mortgage to the extent of Bank facility obtained from Sampath Bank	354,400,000/-	258,700,000/-	Property, Plant and Equipment

37. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

	Subsidiaries 2010 Rs.	Subsidiaries 2009 Rs.	Others 2010 Rs.	Others 2009 Rs.	Total 2010 Rs.	Total 2009 Rs.
37.1 TRANSACTION WITH RELATED ENTITIES						
NATURE OF TRANSACTION						
Consultancy Fees Receivable	278,981,844	260,017,659	–	–	278,981,844	260,017,659
Bank Guarantee Fees Receivable	2,382,156	2,358,752	773,190	–	3,155,346	2,358,752
IT Charges Receivable	54,416,815	62,473,814	493,526	2,389,603	54,910,341	64,863,417
Rent Receivable	1,134,012	883,514	–	–	1,134,012	883,514
Loan Interest Income Receivable	27,898,277	25,908,796	192,708	4,229,012	28,090,985	30,137,808
Dividend Income	155,962,343	141,156,406	–	–	155,962,343	141,156,406
Treasury Loans Granted	(635,895,906)	(755,506,791)	–	–	(635,895,906)	(755,506,791)
Loan Interest Expense Payable	(124,971,287)	(126,933,223)	–	–	(124,971,287)	(126,933,223)
Receipt of Services	(2,617,135)	(6,652,716)	–	–	(2,617,135)	(6,652,716)
Shared Service Fee Payable	(4,011,740)	(6,398,279)	–	–	(4,011,740)	(6,398,279)
Purchase of Air Tickets/ Foreign Currency	(6,777,037)	(6,135,069)	–	–	(6,777,037)	(6,135,069)
Treasury Loans Obtained	523,959,583	416,345,047	–	–	523,959,583	416,345,047
Repayment of Loans (Net)	465,047,610	600,866,529	–	–	465,047,610	600,866,529
	735,509,536	608,384,439	1,459,424	6,618,615	736,968,960	615,003,054

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 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.

	2010 Rs.	2009 Rs.
A. KEY MANAGEMENT PERSONNEL COMPENSATION		
Directors' Fees	5,759,998	4,564,318
Emoluments	24,723,000	32,749,800
Non-Cash Benefits	2,266,296	3,078,777
	32,749,294	40,392,895
B. TRANSACTIONS, ARRANGEMENTS AND AGREEMENTS INVOLVING KEY MANAGEMENT PERSONNEL		
Purchase of Air Tickets	515,200	405,500
	515,200	405,500

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

38. SEGMENTAL INFORMATION

	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Information based on the Primary Segments (Business Segment)														
Revenue														
Segmental Revenue - Gross	5,247,238,975	4,626,304,057	5,092,165,215	3,844,065,721	976,347,594	933,856,782	664,230,384	679,292,121	2,843,809,089	5,171,527,611	904,819,346	567,666,728	15,728,610,603	15,822,713,020
Intra Segmental Revenue	–	–	(42,957,000)	(24,066,552)	–	–	–	–	–	–	(15,017,354)	(20,854,898)	(57,974,354)	(44,921,450)
	5,247,238,975	4,626,304,057	5,049,208,215	3,819,999,169	976,347,594	933,856,782	664,230,384	679,292,121	2,843,809,089	5,171,527,611	889,801,992	546,811,830	15,670,636,249	15,777,791,570
Inter Segmental revenue	–	–	–	–	–	–	–	–	–	–	(449,218,490)	(435,513,492)	(449,218,490)	(435,513,492)
Total Revenue	5,247,238,975	4,626,304,057	5,049,208,215	3,819,999,169	976,347,594	933,856,782	664,230,384	679,292,121	2,843,809,089	5,171,527,611	440,583,502	111,298,338	15,221,417,759	15,342,278,078
Results														
Segmental Results	684,556,465	622,620,828	333,787,374	154,337,169	70,163,166	56,202,033	209,173,120	211,429,585	419,534,460	501,234,892	(255,820,179)	(215,100,451)	1,461,394,406	1,331,345,687
Finance Cost	(65,243,178)	(86,981,691)	(177,125,432)	(88,740,103)	(19,803,660)	(33,114,626)	(7,990,929)	(4,673,431)	(175,421,888)	(256,038,370)	(3,790,631)	(621,632)	(449,375,718)	(470,169,853)
Change in Fair Value of Investment Properties	–	–	–	–	–	–	–	–	–	–	82,700,000	–	82,700,000	–
Share of Associate Company-Loss	–	–		(4,244,310)	–	–	–	–	–	–	–	–	–	(4,244,310)
Profit/(Loss) before Tax	619,313,287	535,639,137	156,661,942	61,352,756	50,359,506	23,087,407	201,182,191	206,756,154	244,112,572	245,196,522	(176,910,810)	(215,100,451)	1,094,718,688	856,931,524
Income Tax	16,723,144	(1,554,444)	(88,154,551)	(46,142,118)	(16,891,392)	(21,863,531)	(20,301,748)	(43,352,397)	(42,615)	9,972	(51,407,580)	(24,951,213)	(160,074,742)	(137,853,732)
Profit/(Loss) for the Year	636,036,431	534,084,693	68,507,391	15,210,638	33,468,114	1,223,876	180,880,443	163,403,757	244,069,957	245,206,494	(228,318,390)	(240,051,664)	934,643,946	719,077,792
Attributable to:														
Equity Holders of the Parent	636,036,431	534,084,693	138,580,696	73,770,592	(6,405,452)	(333,279)	180,880,443	163,403,757	181,232,341	245,206,494	(228,594,452)	(241,004,463)	901,730,007	775,127,792
Minority Interests	–	–	(70,073,305)	(58,559,954)	39,873,566	1,557,155	–	–	62,837,616	–	276,062	952,799	32,913,939	(56,050,000)
	636,036,431	534,084,693	68,507,391	15,210,638	33,468,114	1,223,876	180,880,443	163,403,757	244,069,957	245,206,494	(228,318,390)	(240,051,664)	934,643,946	719,077,792

	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Information based on the Primary Segments (Business Segment)														
Assets and Liabilities														
Non-Current Assets														
Property, Plant and Equipment	1,119,998,075	1,256,329,206	1,998,487,174	1,963,841,109	1,135,807,242	1,125,270,691	48,713,637	53,877,446	2,430,280,989	2,473,533,237	313,149,301	331,485,206	7,046,436,418	7,204,336,895
Investment Property	–	–	–	–	–	–	–	–	–	–	1,261,409,950	1,178,709,950	1,261,409,950	1,178,709,950
Other Non-Current Assets	166,760,250	1,452,222,934	505,648,842	696,317,151	182,050,958	164,923,109	64,714,417	170,421,821	1,126,739,400	622,712,610	6,006,127,933	5,446,220,863	8,052,041,800	8,552,818,488
Segmental Non-Current Assets	1,286,758,325	2,708,552,140	2,504,136,016	2,660,158,260	1,317,858,200	1,290,193,800	113,428,054	224,299,267	3,557,020,389	3,096,245,847	7,580,687,184	6,956,416,019	16,359,888,168	16,935,865,333
Deferred Tax Assets	–	–	–	–	–	–	–	–	–	–	–	–	22,805,294	21,832,128
Eliminations/Adjustments	–	–	–	–	–	–	–	–	–	–	–	–	(7,562,127,686)	(8,196,173,343)
Total Non-Current Assets	–	–	–	–	–	–	–	–	–	–	–	–	8,820,565,776	8,761,524,118
Segmental Current Assets														
Current Assets	2,229,996,795	1,652,981,544	2,199,531,881	1,766,086,706	524,242,156	574,489,116	1,734,145,359	1,424,226,561	1,560,689,915	1,749,027,613	1,037,996,455	813,576,985	9,286,602,561	7,980,388,525
Tax Refunds	–	–	–	–	–	–	–	–	–	–	–	–	116,532,983	100,105,358
Eliminations/Adjustments	–	–	–	–	–	–	–	–	–	–	–	–	(2,156,770,277)	(2,006,205,671)
Total Current Assets	–	–	–	–	–	–	–	–	–	–	–	–	7,246,365,267	6,074,288,212
Total Assets	–	–	–		–	–	–	–	–	–	–	–	16,066,931,043	14,835,812,330
Non-Current Liabilities														
Segmental Non-Current Liabilities	327,804,169	456,822,361	1,034,130,696	1,159,556,704	59,522,668	66,781,379	39,568,886	23,942,762	51,844,226	389,546,756	476,673,714	1,288,597,284	1,989,544,359	3,385,247,246
Deferred Tax Liability	–	–	–	–	–	–	–	–	–	–	–	–	145,146,554	136,307,726
Eliminations/Adjustments	–	–	–	–	–	–	–	–	–	–	–	–	(564,261,337)	(1,520,566,433)
Total Non-Current Liabilities	–	–	–	–	–	–	–	–	–	–	–	–	1,570,249,576	2,000,988,539
Current Liabilities														
Segmental Current Liabilities	1,312,586,757	1,138,300,739	2,041,448,568	1,692,290,225	384,604,226	378,661,349	1,326,842,157	1,128,819,238	1,483,538,592	1,970,859,331	720,718,526	400,700,121	7,269,738,826	6,709,631,003
Income Tax Liability	–	–	–	–	–	–	–	–	–	–	–	–	69,044,426	46,854,590
Eliminations/Adjustments	–	–	–	–	–	–	–	–	–	–	–	–	(2,022,502,198)	(1,787,014,230)
Total Current Liabilities	–	–	–	–	–	–	–	–	–	–	–	–	5,316,281,054	4,969,471,363
Total Liabilities	–	–	–	–	–	–	–	–	–	–	–	–	6,886,710,630	6,970,459,902
Total Segment Assets	3,516,755,120	4,361,533,684	4,703,667,897	4,426,244,966	1,842,100,356	1,864,682,916	1,847,573,413	1,648,525,828	5,117,710,304	4,845,273,460	8,618,683,639	7,769,993,004	25,646,490,729	24,916,253,858
Total Segment Liabilities	1,640,390,926	1,595,123,100	3,075,579,264	2,851,846,929	444,126,894	445,442,728	1,366,411,043	1,152,762,000	1,535,382,818	2,360,406,087	1,197,392,240	1,689,297,405	9,259,283,185	10,094,878,249
Other Segmental Information														
Acquisition Cost of Property, Plant and Equipment	45,071,846	264,969,669	184,494,667	2,672,718,537	74,035,771	32,290,157	13,647,604	27,468,148	131,908,294	196,719,163	13,487,148	84,324,975	462,645,330	3,278,490,649
Depreciation of segmental assets	142,211,927	136,978,998	132,322,783	44,231,769	62,500,097	72,915,953	14,828,406	14,399,552	139,795,673	198,837,461	30,946,789	33,116,920	522,605,675	500,480,653
Other Non-Cash Expenses														
Provision for Retiring Gratuity	27,036,184	(7,271,520)	17,716,476	11,171,491	2,482,932	8,101,929	7,752,987	2,623,457	1,074,676	146,040	8,708,452	8,143,484	64,771,707	22,914,881
Impairment of Intangibles	5,863,844	–	–	–	3,297,093	1,373,789	–	–	–	–	–	–	9,160,937	1,373,789

39. PROPORTIONATE INTEREST IN JOINT VENTURES

The Group's proportionate share of Heladhanavi Ltd. (47%), 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	
	2010 Rs.	2009 Rs.
a. Current Assets	**1,089,104,363**	1,480,626,659
b. Non-Current Assets	**1,761,995,084**	2,057,623,329
c. Current Liabilities	**1,335,687,895**	1,677,318,107
d. Non-Current Liabilities	**59,462,126**	379,602,718
e. Revenue	**2,849,185,913**	5,226,276,246
f. Net Profit	**186,015,068**	199,699,277

40. GROUP COMPANIES

	Proportion of				
	Ownership Interest as at 31.03.2010 %	**Voting Power as at 31.03.2010 %**	Ownership Interest as at 31.03.2009 %	Voting Power as at 31.03.2009 %	**Principal Activities**
Subsidiaries					
Hemas Manufacturing (Pvt) Ltd.	**100**	**100**	100	100	Manufacture & Distribution of FMCG Products
Hemas Marketing (Pvt) Ltd.	**100**	**100**	100	100	Trading & Distribution of FMCG Products
Hemas Foods (Pvt) Ltd.	**100**	**100**	100	100	Import and Sale of Food Products
Hemas Consumer Brands (Pvt) Ltd.	**100**	**100**	–	–	Trading of FMCG Products
Spectrum Marketing (Pvt) Ltd.	**–**	**–**	100	100	Liquidated during the year
Hemas Pharmaceuticals (Pvt) Ltd.	**100**	**100**	100	100	Distribution of Pharmaceutical Products
Hemas Surgical & Diagnostics (Pvt) Ltd.	**100**	**100**	100	100	Distribution of Healthcare Products
Hemas Hospitals (Pvt) Ltd.	**70**	**70**	65	65	Hospital Services
Hemas Southern Hospitals (Pvt) Ltd.	**70**	**70**	65	65	Hospital Services
Hemas Clinical Research Services (Pvt) Ltd.	**100**	**100**	100	100	Support Services of Clinical Trials
Leisure Asia Investments Ltd.	**100**	**100**	100	100	Investment Holding Company
Serendib Hotels PLC (Group)	**51**	**51**	51	51	Leisure Investments
Diethelm Travel Lanka (Pvt) Ltd.	**80**	**80**	80	80	Destination Management Services
Hemtours (Pvt) Ltd.	**100**	**100**	100	100	Destination Management Services
Conventions Asia (Pvt) Ltd.	**100**	**100**	100	100	Event Management
Mowbray Hotels Ltd.	**89**	**89**	89	89	Hotel Property
Forbes Air Services (Pvt) Ltd.	**100**	**100**	100	100	GSA Emirates Airlines
Hemas Air Services (Pvt) Ltd.	**100**	**100**	100	100	GSA Malaysia Airlines
Hemas Travels (Pvt) Ltd.	**100**	**100**	100	100	Travel Agent
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
ACX International (Pvt) Ltd.	**100**	**100**	100	100	Courier Services
Far Shipping Lanka (Pvt) Ltd.	**100**	**100**	100	100	Shipping Agents
Hemas Transportation (Pvt) Ltd.	**100**	**100**	100	100	Shipping Agents
Solas Lanka (Pvt) Ltd.	**100**	**100**	–	–	Shipping Agents
Hemas Power PLC	**75**	**75**	100	100	Venture Capital Company

40. GROUP COMPANIES (Contd.)

	Proportion of Ownership Interest as at 31.03.2010 %	Voting Power as at 31.03.2010 %	Ownership Interest as at 31.03.2009 %	Voting Power as at 31.03.2009 %	Principal Activities
Subsidiaries (Contd.)					
Giddawa Hydro Power (Pvt) Ltd.	75	75	100	100	Mini Hydro Power Plant
Okanda Power Grid (Pvt) Ltd.	75	75	100	100	Mini Hydro Power Plant (under constructions)
Upper Agra Oya Hydro Power (Pvt) Ltd. [Formerly known as Senok Mark Hydro (Pvt) Ltd.]	75	75	–	–	Mini Hydro Power Plant
Hemas Corporate Services (Pvt) Ltd.	100	100	100	100	Corporate Secretaries
Hemas Developments (Pvt) Ltd.	100	100	100	100	Property Development
Vishwa BPO (Pvt) Ltd.	100	100	100	100	Financial & Accounting BPO
Peace Haven Resorts Ltd.	95	95	95	95	Hotel Property
N-able (Pvt) Ltd.	100	100	100	100	Enabling Information & Technology Solutions
Jointly Controlled Entities					
Heladhanavi Ltd.	47	50	47	50	Thermal Power Plant
Hellman Worldwide Logistics (Pvt) Ltd.	49	49	49	49	Freight Forwarders
Hemas International Freight (Pvt) Ltd.	49	49	49	49	Freight Forwarders
Sky Net Worldwide Express (Pvt) Ltd.	49	49	49	49	Courier Services

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 MARCH 2010

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	3,090	583,319	0.57	23	8,516	0.01	3,113	591,835	0.58
1001	to	10,000 Shares	341	1,031,887	1.01	19	71,000	0.07	360	1,102,887	1.08
10,001	to	100,000 Shares	64	1,995,344	1.96	6	326,100	0.32	70	2,321,444	2.28
100,001	to	1,000,000 Shares	18	5,676,847	5.57	2	421,374	0.41	20	6,098,221	5.98
		Over 1,000,000 Shares	11	83,844,781	82.23	4	7,998,956	7.85	15	91,843,737	90.08
			3,524	93,132,178	91.34	54	8,825,946	8.66	3,578	101,958,124	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares
Individual	3,346	7,222,997
Institutional	232	94,735,127
	3,578	101,958,124

COMPUTATION OF PUBLIC SHAREHOLDING

As at 31 March	**2010 No. of Shares**	2009 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' SHAREHOLDINGS		
Mr. A.N. Esufally	**398,417**	398,417
Mr. H.N. Esufally	**1,159,041**	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. J.C.L. De Mel	**17,500**	17,500
Mr. D. Bhatnagar	**30**	30
Mr. M.E. Wickremesinghe	**2,250**	2,250
Mr. P.K. Mohapatra	**–**	–
	73,678,903	73,728,903
Issued Share Capital	**101,958,124**	101,958,124
Less: Directors' Shareholding and shareholders over 10%	**73,678,903**	73,728,903
Public Holding	**28,279,221**	28,229,221
Public Holding as a % of Issued Share Capital	**27.74**	27.69%

Share Information

SHARE TRADING

	2009/10		2008/09	
Market Price				
Highest (Rs.)	135	(20.01.10) (23.09.09)	92.25	(04.04.08)
Lowest (Rs.)	60	(01.04.09)	55.00	(24.12.08)
As at year ended (Rs.)	120		60.25	(31.03.09)
No. of Trades	2,705		1,295	
No. of Shares Traded	9,407,474		3,834,000	
Value of the Shares Traded - (Rs.)	1,113,734,930		276,707,350	
Market Capitalisation (Rs. Bn)	12,234,974,880		6,142,977	(31.03.09)

MAJOR SHAREHOLDERS

LIST OF 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH

	2010 No. of Shares	%	2009 No. of Shares
1. A Z Holdings (Pvt) Ltd.	18,152,575	17.80	18,152,575
2. Saraz Investments (Pvt) Ltd.	17,279,207	16.95	17,279,207
3. Bluberry Investments (Pvt) Ltd.	17,156,250	16.83	17,156,250
4. Amagroup (Pvt) Limited	17,156,133	16.83	17,156,133
5. Employees Provident Fund	5,344,275	5.24	4,061,175
6. Sri Lanka Insurance Corporation Ltd. - Life Fund	3,008,800	2.95	3,008,800
7. HSBC INTL NOM Ltd. - SNFE - Arisaig India Fund Ltd.	2,710,676	2.66	8,042,050
8. CB London S/A The RBS As DEP for First State Asia Pacific Sustainability Fund S/F FSI ICVC	2,553,706	2.50	–
9. CB London S/A The RBS As DEP of FS India Sub/Cont FD As S/F of First State Invest ICVC	1,569,474	1.54	327,000
10. Mr. I.A.H. Esufally	1,226,500	1.20	1,226,500
11. National Savings Bank	1,200,000	1.18	1,200,000
12. HSBC Intl. Nominees Ltd. - HSBC Bank PLC - CMG First State Global Umbrella Fund PLC - CMG First State Indian CMG First State Indian - Subcontinent	1,165,100	1.14	1,005,000
13. Mr. H.N. Esufally	1,159,041	1.14	1,209,041
14. Mr. M.A.H. Esufally	1,131,000	1.11	1,131,000
15. Bank of Ceylon No. 1 Account	1,031,000	1.01	–
16. Jacey Trust Services (Pvt) Ltd.	922,750	0.91	922,750
17. Anverally and Sons (Pvt) Ltd. A/C No. 1	751,200	0.74	–
18. Employees Trust Fund Board	704,100	0.69	485,900
19. Jacey Trust Services (Pvt) Ltd. - Account No. 2	650,000	0.64	650,000
20. Cocoshell Activated Carbon Company Ltd.	407,675	0.40	433,775
	95,279,462	93.46	
Shares held by the balance shareholders	6,678,662	6.54	
Total Issued Shares	101,958,124	100	

PUBLIC HOLDING

	As at 31.03.10	As at 31.03.09
Public Holding as a % of issued Share Capital	27.74%	27.69%

Five Year Summary

Year Ended 31st March	**2010 Rs. '000**	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000 Restated
Operating Results					
Group Revenue	**15,221,418**	15,342,278	14,163,805	11,778,136	9,779,338
Profit Before Taxation	**1,094,719**	856,932	1,259,455	1,407,185	1,247,374
Taxation	**160,075**	137,854	108,625	387,648	281,838
Profit After Taxation	**934,644**	719,078	1,150,830	1,019,537	965,536
Profit Attributable to Hemas Group	**901,730**	775,128	1,135,419	1,005,727	958,599
Equity & Liabilities					
Stated Capital and Preference Shares	**1,369,223**	1,369,223	1,329,013	1,329,013	1,185,529
Reserves	**805,983**	837,675	856,452	693,777	673,917
Retained Earnings	**5,516,910**	4,821,392	4,248,232	3,251,349	2,459,641
Minority Interest	**1,488,104**	837,062	604,967	588,527	496,967
Non-Current Liabilities	**1,570,430**	2,000,989	1,155,771	1,597,455	1,922,112
Current Liabilities	**5,316,281**	4,969,471	4,936,190	3,935,734	3,286,596
	16,066,931	14,835,812	13,130,625	11,395,855	10,024,762
Assets					
Property, Plant and Equipment	**7,033,615**	7,180,680	5,182,389	4,704,921	4,664,939
Investment Property	**1,261,410**	1,178,710	1,178,710	963,710	570,152
Leasehold Property	**61,845**	64,911	67,976	71,042	75,346
Intangible Assets	**333,074**	191,214	173,622	155,563	107,268
Investments (Associate & Others)	**107,817**	124,177	278,559	66,751	138,082
Deferred Tax Assets	**22,805**	21,832	18,482	–	–
Current Assets	**7,246,365**	6,074,288	6,230,887	5,433,868	4,468,975
	16,066,931	14,835,812	13,130,625	11,395,855	10,024,762
Key Indicators					
Earnings Per Share (Rs.)	**8.82**	7.57	11.13	9.90	9.52
Dividends Per Share (Rs.)	**1.80**	1.25	1.25	2.5	2.5
Dividend Cover (No. of Times)	**4.9**	6.1	8.9	4.0	4.0
Interest Cover (No. of Times)	**3.3**	2.8	4.2	5.5	5.4
Net Assets Per Share (Rs.)	**75.4**	68.9	63.5	52.3	42.5
Cash from Operating Activities (Rs. '000)	**1,371,016**	1,458,434	929,277	176,992	1,035,785
Current Ratio (No. of Times)	**1.4**	1.2	1.3	1.4	1.4
Gearing (%)	**25.8**	32.9	31.4	33.0	36.1
ROE (%)	**12.3**	11.5	19.4	21.0	24.1

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

The sum of interest bearing long-term and 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, tax, 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, minority interest and debt.

INTEREST COVER

Earnings 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 interest and 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 Seventh 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 2nd day of July 2010 at 3.30 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 2010, together with the Reports of the Directors and Auditors thereon.

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

3. To re-elect as Director, Mr. Abbas 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 73 years 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 73 years on 6 May 2010 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. Special Business:
   (a) To pass a Special Resolution to amend the Articles of Association of the Company, in accordance with Section 6A of the Listing Rules of the Colombo Stock Exchange as follows:

   "**RESOLVED** that the Articles of Association of the Company be amended, by the deletion of the existing Article 131, and the substitution therefore of the following Article numbered as 131:

   JOINT SHAREHOLDING
   (131) The Company shall not register more than three persons as joint holders (including the principal holder) of any shares (except in the case of executors, administrators or heirs of a deceased member)."

   (b) To consider and if thought fit, pass the following resolution as an Ordinary Resolution: -

   "**IT IS HEREBY RESOLVED** that pursuant to Article 8 (i) (a) of the Articles of Association of the Company, each of the One Hundred and One Million Nine Hundred and Fifty Eight Thousand One Hundred and Twenty Four (101,958,124) Ordinary issued shares in the capital of the Company, as at the end of trading on 2 July 2010, being the date of the Annual General Meeting of the Company, be subdivided into five (5) ordinary shares in the proportion of 5:1, thereby increasing the ordinary shares in issue to Five Hundred and Nine Million, Seven Hundred and Ninety Thousand Six Hundred and Twenty (509,790,620), which ordinary shares shall rank pari-passu in respect of voting and other rights attached to the ordinary share that are being subdivided."

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

8 June 2010

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.

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 Seventh Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Friday the 2 day of July. 2010 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 March 2010 together with the Reports of the Directors and Auditors thereon		
2.	To re-elect as Director, Mr. Murtaza Esufally retiring by rotation in terms of the Articles of Association of the Company		
3.	To re-elect as Director, Mr. Abbas 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 reappoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
6.	To authorise the Directors to determine and make donations to Charity.		
	Special Business		
7.	(a) To pass a Special Resolution to amend the Articles of Association in accordance with Section 6A of the Listing Rules of the Colombo Stock Exchange.		
	(b) To pass an Ordinary Resolution to increase the issued Ordinary Shares in the Company by way of a subdivision in the proportion of 5:1.		

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

....
Signature/s

Date: ....

Note:

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

Form of Proxy

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.

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
Nations Trust Bank PLC
DFCC Bank

Produced by **Smart Media** The Annual Report Company / Printed by Ace Printing and Packaging (Pvt) Ltd.

HEMAS HOLDINGS PLC
Hemas Building
36, Bristol Street
Colombo 01, Sri Lanka

Tel: +94 11 4731731
Fax: +94 11 2332889, +94 11 4731777
Email: info@hemas.com

www.hemas.com