ENRICHING LIVES. INSPIRING CHANGE.

HEMAS HOLDINGS PLC ANNUAL REPORT 2011/12

CONTENTS

ENRICHING LIVES. INSPIRING CHANGE.

THE HEMAS GROUP IS ONE OF SRI LANKA'S MOST-LOVED COMPANIES, HOLDING DEEP AND LONG-STANDING RELATIONSHIPS WITH THOUSANDS OF LOYAL CUSTOMERS ACROSS THE ISLAND.

OVER THE YEARS, WE'VE BEEN INVESTING FOR GROWTH IN OUR PORTFOLIO ACROSS ALL OUR SECTORS, ADDING VALUE, GROWING IN STRENGTH, ENRICHING LIVES.

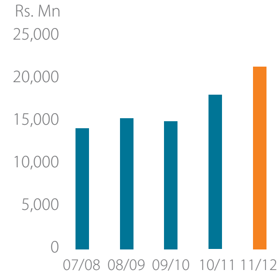
HEMAS

FINANCIAL HIGHLIGHTS

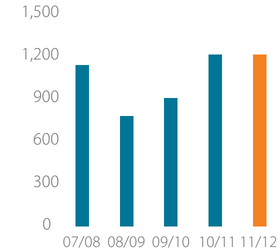
Year Ended 31 March		2012	2011	Change %	2010
Operating Results					
Group Revenue	Rs '000s	21,409,596	18,067,489	18.5	14,997,405
Operating Profit	Rs '000s	1,958,205	1,817,642	7.7	1,498,046
Profit Before Taxation	Rs '000s	1,574,913	1,569,345	0.4	1,094,719
Profit After Taxation	Rs '000s	1,314,606	1,355,191	(3.0)	934,644
Profit Attributable to the Group	Rs '000s	1,209,058	1,210,159	(0.1)	901,730
Gross Dividend Paid	Rs '000s	285,370	382,390	(25.4)	183,525
Cash from Operations	Rs '000s	948,833	1,994,663	(52.4)	1,407,985
Balance Sheet Highlights					
Total Assets	Rs '000s	22,808,972	19,215,874	18.7	16,066,931
Total Shareholders' Funds	Rs '000s	10,791,559	8,874,006	21.6	7,692,116
No. of Shares	'000s	515,291	512,041	0.6	101,958
Gearing	%	24.5	27.8	(11.9)	25.8
Shareholder Information					
Return on Equity	%	12.3	14.6	(15.8)	12.3
Earnings per Share*	Rs.	2.33	2.36	(1.4)	1.76
Dividend per Share*	Rs.	0.50	0.70	(28.5)	0.36
Dividend Payout	%	21.4	29.6	(27.8)	20.4
Net Assets per Share*	Rs.	20.94	17.33	20.8	15.09
Market Capitalisation	Rs '000s	13,552,143	23,553,869	(42.5)	12,234,975
Price Earnings Ratio	Times	11.3	19.5	(42.0)	13.6
Market Price as at 31st March*	Rs.	26.30	46.00	(42.8)	24.00

* Comparative figures adjusted for sub division of ordinary shares in the proportion of 5:1

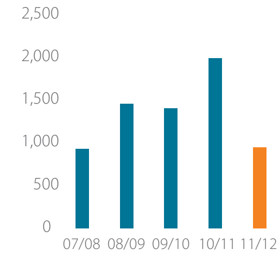
GROUP REVENUE



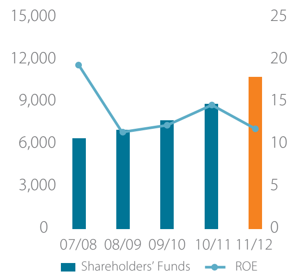
PROFIT ATTRIBUTABLE TO THE GROUP



CASH FROM OPERATIONS

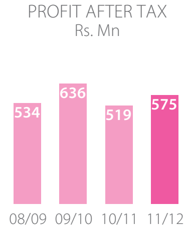


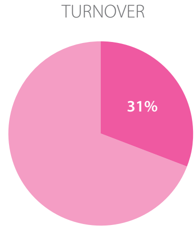
SHAREHOLDERS' FUNDS & ROE



FMCG

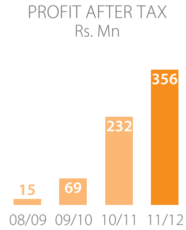
Personal Care
Home Care
Food
Paper Products

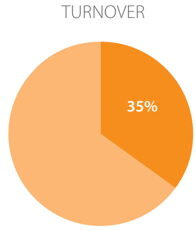




HEALTHCARE

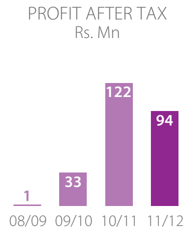
Pharmaceuticals
Diagnostics & Surgical
Hospitals

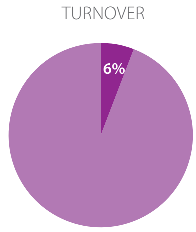




LEISURE

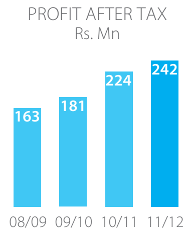
Hotels
Destination Management

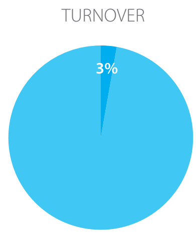




TRANSPORTATION

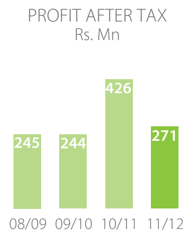
Aviation
Maritime
Freight & Logistics
Courier Services

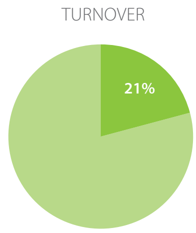




POWER

Thermal
Mini Hydro





CHAIRMAN'S REPORT

"...in addition to optimising revenue and profit growth from current activities we have been and we are continuing to invest in incremental activities that will give us new slabs of revenue in the future. We believe this will help us to create greater shareholder value in the future..."

PROFIT AFTER TAX - Rs. Mn

1,315

CASH FROM OPERATIONS - Rs. Mn

949

The expected peace dividend that would create massive inflows of investment has not materialised. On reflection this should not be perceived as a negative. There are a large number of countries that have peace. With peace we have joined the club of peaceful countries. We are on a level playing field with the rest. The only surprise is that we ever expected a peace dividend!!

Investment funds will flow to where there is a competitive advantage which gives the investor the potential to get good returns. Tourism is a classic example. We have a competitive advantage and we are therefore seeing interest and inflows of funds.

Modern business leaders place importance on the impact on the environment, human rights and governance as these are areas of concern to their shareholders. Countries that do not score well on these three dimensions will suffer the consequences and will find that this will diminish inflows of funds. We must hope that the Government will deal vigorously with the problems of abductions, violence and corruption as they will be the log across the river that will reduce the inflow of investments.

When planning for the future it is necessary to take a view of the future and to develop strategies in that context.

I think the macro economic fundamentals are quite sound and this gives us confidence about the future. Inflation is single digit, unemployment figures are coming down and compared to most parts of the world our unemployment numbers are impressive even though they to some extent have been helped by those moving out as migrant workers. Reserves are adequate, government debt as a percentage of GDP is declining. The only blip that will not go away easily is the deficit in the balance of trade, but as long as other inflows bridge the gap it does not really spoil an otherwise good report card. Overall with modest assumptions of investment inflows GDP growth is expected to be around 7 to 8%.

Your Board has viewed the future through these very lightly rose tinted glasses. Therefore we are continuing our commitment to growth in the future. This means that in addition to optimising revenue and profit growth from current activities we have been and we are continuing to invest in incremental activities that will give us new slabs of revenue in the future. We believe this will help us to create greater shareholder value in the future. The flip side to this is that in the short term the interest costs of the investments in new activities will depress earnings. Whilst we will be mindful of sustaining

"I THINK THE MACRO ECONOMIC FUNDAMENTALS ARE QUITE SOUND AND THIS GIVES US CONFIDENCE ABOUT THE FUTURE..."

earnings growth we will not let this stifle investment for the future which we believe is the best route to build shareholder value.

We are continuing to pursue our three prongs of investment activities that will create long term value, namely Hospitals, Power and Hotels.

The CEO in his report will comment in detail on our performance during the year. So rather than repeating all of this I will confine my comments saying that our sales increased by 18.5%, EBITDA by 5.8%. However profit before tax and earnings remained flat due to the reasons I have commented upon earlier and a bit of bad luck with one of our new initiatives, the mini hydro plants where the power generated was low due to the drought. Increases in working capital during the year had a negative effect on the Group's operating cash flow reducing it by 52%.

We continue our successful, journey from family firm to a well structured public company. Family members are moving away from their executive roles. We have a very good governance structure . The three committees namely Audit, Remuneration and Nomination have worked well during the year. There are separate reports on these activities in this report. I think we have very good professional management teams across our businesses and we give a lot of attention to developing our people skills.

We welcome to the Board Mr. R Gopalakrishnan .He has immense corporate experience and we are delighted and fortunate that he has joined our Board. I must congratulate the CEO Mr. Husein Esufally on another excellent performance. I must thank the members of the Board for their help and support. What we achieve is entirely due to our staff and to all of them I say a big Thank You.

Lalith De Mel
Chairman
May 25, 2012

CHIEF EXECUTIVE OFFICER'S REVIEW

GROUP REVENUE - Rs. Mn

21,410

EARNINGS - Rs. Mn

1,209

"Whilst we anticipate that there will be short term challenges to the economy, we remain optimistic about Sri Lanka's long term growth and many of our investment strategies are predicated on that."

Dear Shareholder,

As an eventful year comes to an end and paves the way for another, it is indeed my pleasure to report to you on the Company's performance for the year ended March 31, 2012. It was encouraging to see the Company close the year with positive momentum, after experiencing a challenging first half.

Revenues showed a robust growth of 18.5% to record Rs. 21.4Bn for the year under review, key contributors to revenue growth being Power (32.7%), Healthcare (14.8%) and FMCG (13.7%) sectors. The steady growth of our Hospital volumes together with the healthy performance of our pharmaceutical business contributed towards the continuous topline growth of the healthcare sector. The growth seen by the Power sector is attributable to the hike in furnace oil prices, a pass through cost of our thermal power operation. Our FMCG sector faced a challenging environment during the first half of the year, but was successful in ending the year on a positive note with a strong momentum in sales growth. Despite the closure of Hotel Serendib, which was subsequently rebranded as Avani Bentota, the Leisure sector posted a topline growth of 14.3%. A shrinking cargo market contributed to the drop in revenue of 1.7% of the Transportation sector, which was somewhat mitigated by the impressive growth witnessed in passenger sales.

Whilst Earnings for the first half were down by 17.2%, performance bounced back strongly during the third and fourth quarters with Earnings up by 12.6% and 19.6% respectively, enabling the Company to close out the year with Earnings of Rs.1,209Mn, a marginal decline from the previous year's Rs. 1,210Mn. Earnings were driven by the strong performances of Pharmaceuticals, Aviation and FMCG businesses, which grew by 35.1%, 28.8% and 10.7% respectively, whilst results were dampened by the poor rainfall in the catchment areas of our hydro plants, the closure for refurbishment of Hotel Serendib (which reopened as Avani Resort, Bentota) and startup losses and development expenses of our new Hospital projects. In addition, the steep decline in the Sri Lankan Rupee during the latter part of the year, caused unexpected exchange losses that impacted reported earnings.

For the Sri Lankan economy, 2011 was a mixed year, during which an impressive GDP growth of 8.3% coincided with increasing pressure on prices, currency and interest rates. The impact of these pressures was increasingly evident during the latter part of 2011 with the inevitable repercussions spilling over into 2012 with even greater impact. Whilst the depreciating rupee, increasing costs of borrowing

"WHILST EARNINGS FOR THE FIRST HALF WERE DOWN BY 17.2%, PERFORMANCE BOUNCED BACK STRONGLY DURING THE THIRD AND FOURTH QUARTERS WITH EARNINGS UP BY 12.6% AND 19.6% RESPECTIVELY..."

and heightening inflationary pressures have all impacted our Group's performance in general, certain industry-specific challenges such as high commodity prices, Euro zone crisis and the year-round drought have stunted growth in some of our businesses. In a business environment which was increasingly uncertain, it was a challenging task to deliver results without losing focus on our long-term investment plan. For the year under review the Group has generated Operating Profits of Rs. 1.96Bn, a growth of 7.7%, whilst investing Rs. 1.5Bn in projects that we believe will hold the Company in good stead in years to come.

At the current market price of Rs. 22.00 (25/05/12), your stock is trading at a price-earnings multiple of 9.4 on 2011/12 earnings. This reflects an earnings yield of 10.6% implying good underlying value for the stock, given the long-term growth potential of our underlying and new businesses.

UNDERLYING BUSINESSES: THE CORE THAT DRIVES THE GROUP

While our underlying businesses, namely FMCG, Pharmaceuticals, Hotels, Aviation and Power, experienced mixed fortunes during the year under review, many of them closed the year on a high note.

The FMCG business sustained a difficult first half with its revenues growing at a moderate pace of 8.5% in a highly competitive market environment. Gross margins were also under immense pressure due to high raw material prices, as a result of which sector profits declined 12.7% during the first half. The second half of the year saw a spirited comeback by the business, with revenues growing by 19% and profits soaring by 41.3%. Whilst Baby Cheramy and Clogard remains the main flagship brands of our business, growth over the year was led by Kumarika, Velvet and Fems brands, which saw significant growth in market share and revenues in their respective categories. Our new offering for the year included Kumarika Face Wash, marking its entry into the growing market of skin cleansing, along with useful extensions to its existing shampoo and hair oil propositions, all of which were inspired around a 'naturals' platform. In addition, Clogard extended its presence in the oral care category with its Multi-Vitamin variant whilst Diva Detergent Powder was extended to the whitener category with Diva White Power. During the year, our sanitary napkins brand Fems underwent a facelift and was re-launched with a new look and feel. As we anticipate a more dynamic and competitive marketplace going forward, we continuously look to align our product portfolio with the evolving consumer.

Pharmaceutical distribution has been a steadily growing business over the past few years, and for the year under review the business recorded a revenue growth of 13.4% and an impressive profit growth of 35.1%. The business was significantly impacted by the rapid decline in the Rupee during the latter part of the year, stunting its growth which otherwise would have been even better. Hemas has been the long-standing market leader in pharmaceutical distribution and we have further strengthened our leadership position by extending our market share to 17% (source: IMS). During the year the business acquired a new agency Panacea Biotec which specializes in Nephrology. In this business, our long-term strategy is to most effectively serve the Sri Lankan market by attracting and retaining Principals that manufacture pharmaceuticals which address our market needs effectively in terms of quality, efficacy and affordability. According to the Health Ministry, the new Drug Policy will be presented to the Parliament soon and currently it is with the legal draftsman. Even with the proposed changes in the Drug policy, the Company is well placed to continue its service to Sri Lankan patients through the mix of MNC's and Branded Generic Companies that it represents. The Company welcomes a policy to streamline the Pharmaceutical industry in Sri Lanka, and plays an active role at the Pharmaceutical Chamber (SLCPI) which has made several recommendations to improve the effectiveness of the proposed reforms.

The key highlight of our Hotels Sector, which comprises the Serendib Group of Hotels, was the repositioning and rebranding of Hotel Serendib as Avani Resorts, Bentota. The total cost of refurbishment was Rs. 650Mn, and the hotel is now positioned to target an up market clientele. The closure of the hotel resulted in a decline in profits, understating the real performance of the Sector, which in fact enjoyed a tremendous year. Club Hotel Dolphin and Hotel Sigiriya grew its earnings by 340% and 213% respectively to close the year at Rs. 91Mn and Rs. 47Mn respectively. Given the improved outlook of tourism to Sri Lanka, the sector has revived its plans to develop its 43 acre property in Tangalle.

Growth and profitability of our Aviation business suffered during the first nine months of the year due to the industry-wide decline in cargo volumes, overshadowing the growth in the passenger sales market. During the first nine months, profits declined by 8% but due to the steady growth in our passenger sales coupled with a late recovery in the cargo market, the business was able to close the year successfully, posting a 28.8% growth in profits. Going forward, the sector is evaluating several investment opportunities in the Maritime & Logistics space where it sees significant potential.

Power Sector profits were depressed throughout the year due to extremely low rainfall in the catchment areas of our hydro power plants. Revenues were up 32.7% as a result of higher furnace oil prices being passed through to thermal power revenues. However this has no positive effect on profitability and the poor performance of our hydro plants determined the overall profitability of the sector, which delivered Earnings of Rs. 203Mn, a decline of 36.3% over last year. Our third mini hydro power plant, which is located in Upper Magal Ganga, commenced operations in September 2011. With this 2.4MW plant, our total renewable energy capacity is now 7.0MW, which is in addition to Heladhanavi, the 100MW thermal plant at Puttalam. Our strategy remains to grow our portfolio of renewable energy projects and to this end, we have already embarked on a Rs. 750Mn project for a 3MW biomass power plant. Furthermore, the Sector is currently carrying out the groundwork for an offshore opportunity in East Africa for a 10MW mini hydro plant.

NEW INVESTMENTS: DRIVING AN AMBITIOUS GROWTH PLAN

In the past few years, the Group has been actively investing in Hospitals, Hotels and Power, with a long-term focus. Over the past 5 years, Group investments have exceeded Rs. 5Bn.

From a business portfolio perspective, the most noteworthy investment in the recent past has been our entry into Hospitals space, where we invested over Rs. 2Bn from 2007 to 2009. Our hospital model is built around the idea of making quality healthcare easily accessible to the target market. As we continuously focus on perfecting our operating model, we continue to experience a growing patronage at our multi-specialty facilities in Wattala and Galle. For the year under review, total revenues from Wattala and Galle hospitals have grown by 23.8% which led to an EBITDA growth of 25.3%. With the ACHSI (Australian Council on Healthcare Standards International) certification in 2011, Hemas Hospitals became the first and only hospital in Sri Lanka to obtain an international accreditation. Moreover Hemas Hospitals is the first hospital to receive the OHSAS 18001

(Occupational Health & Safety Advisory Services) certification, which is the international standard for health and safety of patients and staff. With the learning experiences from our first two hospitals coupled with our long-term positive outlook on the industry, we embarked upon our third project at Thalawathugoda in early 2012. With this project our total investment into the Hospital sector will exceed Rs. 3Bn and we look forward to expanding our model into more suburban towns and key cities outside Colombo over the longer term.

PEOPLE AND GOVERNANCE: KEY TO SUSTAINABLE GROWTH

As a public listed company, maintaining high standards of governance is important to us, and we strive to ensure that governance facilitates sustainable performance and growth rather than constrain it. Each of our key businesses is governed by an active board which provides a strategic oversight and ensure business risks are managed well. The involvement of independent directors who can add value at business level is important to ensure that performance and conformance go hand in hand. Focusing on people development is a natural outcome of governance as it is a key aspect of the continuity of the organization. Leadership development in particular has been a key area of focus at Hemas during the past year and there is no doubt that this will be a key priority going forward. In our Group, each of our leaders has an individualized development plan focusing on leadership training, executive coaching and special assignments. From time to time we transfer our leadership resources across businesses and across functions as an effective tool of leveraging our top talent to address key priorities of the Group.

Over the year under review, the company launched its Sustainability initiative with the advice from a leading consultancy firm. Having completed a successful pilot project in our Pharmaceuticals business, the company hopes to roll this out across all Group businesses over the coming years. Under this project, Group Sustainability guidelines have been introduced to ensure that sustainability in the context of Hemas is understood and adopted by all employees to ensure that it becomes a way of life at Hemas. It is intended that this would bring significant long term benefits through better stakeholder engagement and reduction of our environmental footprint.
Our flagship Corporate Social Responsibility project 'Piyawara' in collaboration with the Children's Secretariat of Ministry of Child Development & Women's Affairs celebrated 10 years of partnership with the government. The year under review saw a new concept named 'Piyawara' Community Preschools' being introduced to assist the marginalized communities in rural Sri Lanka. The first ever 'Piyawara' community preschool is being constructed in Ambalnagar which is a newly resettled village in the district of Kilinochchi.

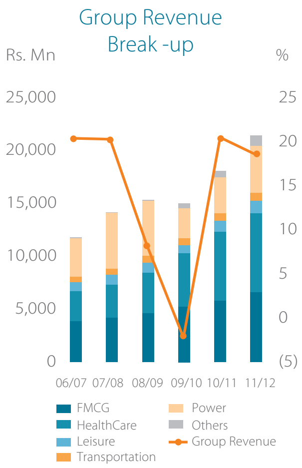
Whilst we anticipate that there will be short term challenges to the economy, we remain optimistic about Sri Lanka's long term growth and many of our investment strategies are predicated on that.
Our priority as always remains to deliver shareholder value through earnings growth, and we will strive to do this by improving the performance of our core businesses, whilst constantly looking for acquisition opportunities that have a strategic fit with our portfolio

In conclusion, I wish to thank my Chairman and the Board of Directors for their active participation and guidance to steer the Group forward. My special thanks to Mr. Debu Bhatnagar who retired from the Board having completed 3 years as a Non-Executive Director, following his previous association with us as Head of the FMCG business. I am indeed happy to welcome Mr. R Gopalakrishnan who joins us as an Independent Director to fill the vacancy. My sincere thanks as always to the entire Hemas team who have always given off their best to support the company in its endeavors.

Our Customers remain at the core of our business, and I thank them for their patronage and support, along with our Business partners who have placed their confidence by partnering with Hemas. Finally, my sincere thanks go out to all our shareholders for the faith you have placed in the company, and we assure you of our best efforts in delivering superior performance in the coming year and beyond.

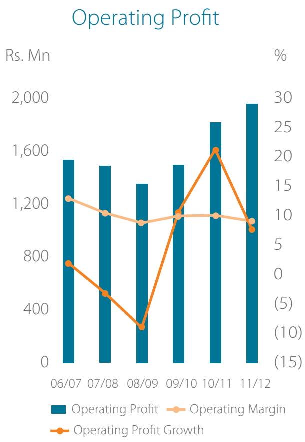
Husein Esufally
Cheif Executive Officer
May 25, 2012

FINANCIAL REVIEW



GROUP REVENUE

Consolidated revenue for the year was Rs. 21.4Bn, an 18.5% growth over the previous year. In terms of revenue contribution, our two largest sectors are Healthcare and FMCG, which account for 34.9% and 30.8% respectively, of consolidated revenue, followed by the Power sector which accounts for 20.9%. Healthcare sector grew by 14.8% during the year, supported by the steady buildup of volumes at our Hospitals and the strong performance by our Pharmaceuticals business which continued to strengthen its market leadership position, taking its market share to 17% (IMS). FMCG revenue growth which was slowing down during the first half, picked up during the second half on the back of stronger consumer demand to deliver a growth of 13.7% for the year. Power sector grew its top line by 32.7% mainly due to the pass-through effect of higher furnace oil prices, which is the key input to our thermal power operation. Our Leisure sector, which contributes 5.5% of Group revenues, grew its top line at a pace of 14.3% despite the half-year closure of Hotel Serendib, which was refurbished and relaunched as Avani Resort, Bentota in December. Our Transportation sector which makes up 3.4% of Group revenues, suffered a 1.7% decline in revenues due to a shrinking cargo market, despite its impressive performance with regard to the passenger business. Other revenues, which have grown by 55.8% was largely due to the encouraging performance by our Systems Integration business which experienced its most successful year since inception in 2008. In terms of impact on revenue growth, FMCG, Healthcare and Power sectors were instrumental in delivering 15.9% out of the 18.5% overall revenue growth.



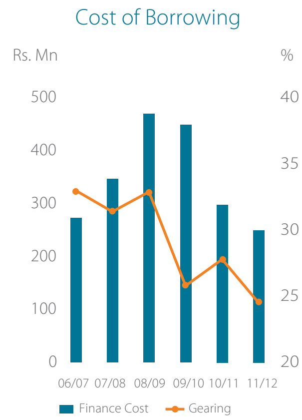
OPERATING PROFIT

Operating Profit (before interest cost and exchange losses due to foreign currency borrowings) of the Group for the year ended 31 March 2012 was Rs. 1.96Bn, a 7.7% increase from the previous year. However operating margins declined from 10.1% to 9.1% over the year, largely due to the declined profitability of the Power sector, where operating margins dropped from 15.5% to 9.5%. The steep drop in Power sector operating margins is attributable to the lower profitability of our mini hydro segment on the back of poor rainfall and the pass-through effect of higher input costs of the thermal power segment. Operating Profits of FMCG have grown by 8.6% with an operating margin of 9.1% compared to previous year's 9.5%. FMCG margins were dampened last year due to higher raw material prices vis-a-vis the previous year. Profitability of the Personal Wash category in particular took a beating with the significant increase in distilled fatty acid prices. Operating Profits of the Healthcare sector grew at a healthy pace of 24.1% largely driven by the revenue growth of both Hospitals and Pharmaceuticals as well as continuous improvement in

Table 1: **Revenue Analysis**

	Revenue Mix 10/11	Growth 11/12	Contribution to Growth		Revenue Mix 11/12
			Absolute 11/12	11/12	
FMCG	32.1%	13.7%	4.4%	23.8%	30.8%
Healthcare	36.1%	14.8%	5.3%	28.9%	34.9%
Leisure	5.7%	14.3%	0.8%	4.4%	5.5%
Transportation	4.1%	(1.7%)	(0.1%)	(0.4%)	3.4%
Power	18.7%	32.7%	6.1%	32.9%	20.9%
Other	3.4%	55.8%	1.9%	10.3%	4.5%
Group	100.0%	18.5%	18.5%	100.0%	100.0%

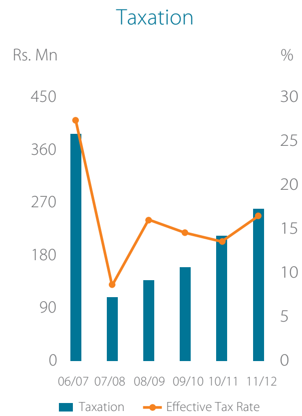
operational efficiencies of the Pharmaceuticals business. Operating margin of the sector has increased to 7.9% during the year under review from 7.3% in the previous year. Leisure sector saw its operating profits increase by 59.9%, due to the strong performances at Club Hotel Dolphin and Hotel Sigiriya, despite the closure of Hotel Serendib. Leisure sector operating margins were impressive at 19.4% compared to 13.9% the previous year. In the Transportation sector, operating margins improved from 35.8% to 38.2%, but the decline in revenue restricted the growth in Operating Profits to 4.9%.



COST OF BORROWING

During the year under review, cost of borrowing was impacted due to the rapid depreciation of the rupee resulting in Rs. 165Mn of exchange losses on foreign currency borrowings as well as interest expenses of Rs. 250Mn. The total cost of borrowing of Rs. 415Mn is a 33.4% increase on the Rs. 311Mn recorded in the previous year. The majority of the local currency borrowings are applied into our Hospital business. Foreign currency borrowings are concentrated on the Leisure sector and Power sector. Whilst Heladhanavi has USD 18Mn outstanding borrowings to fund its thermal power operations, Serendib Hotels Group has outstanding borrowings of EUR 2Mn and GBP 2Mn which financed the refurbishment of Club Hotel Dolphin in 2010 and the repositioning of Hotel Serendib last year. Whilst long-term borrowings have declined from Rs. 1.70Bn to Rs. 1.39Bn, a drop of 18.5%, mainly due to capital repayments and recognition of current component of borrowings, short-term borrowings have increased by 18.6%, from Rs. 2.38Bn to Rs. 2.82Bn, where the majority is used in Heladhanavi operations. As a result, the total debt in the Group has increased 3.1%, from Rs. 4.08Bn to Rs. 4.21Bn.

As the growth in total debt is lower than the accumulation of retained earnings of the Group, total gearing has decreased from 27.8% to 24.5% over the year.



TAXATION

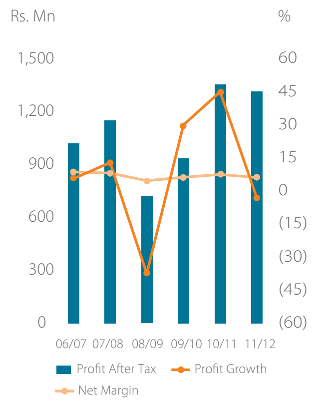
Taxation for the year under review has increased by 21.6%, from Rs. 214Mn to Rs. 260Mn. The effective tax rate for the year was 16.5% as against 13.6% in the previous year. The key reasons for the increased effective tax rate is that the highest pre-tax profits were generated by the highest tax paying businesses in the Group and the relatively large unrealized exchange losses, which do not result in tax deductions despite the reduction in pre-tax profits.

Table 2: **Operating Margin Analysis**

	Revenue Mix		Operating Margins		Margin Impact		
	10/11	11/12	10/11	11/12	Mix	Profitability	Total
FMCG	32.1%	30.8%	9.5%	9.1%	0.0%	(0.1%)	(0.1%)
Healthcare	36.1%	34.9%	7.3%	7.9%	0.0%	0.2%	0.2%
Leisure	5.7%	5.5%	13.9%	19.4%	0.0%	0.3%	0.3%
Transportation	4.1%	3.4%	35.8%	38.2%	(0.2%)	0.1%	(0.1%)
Power	18.7%	20.9%	15.5%	9.5%	0.0%	(1.1%)	(1.1%)
Other	3.4%	4.5%	(23.2%)	(17.0%)	(0.3%)	0.2%	(0.1%)
Group	100.0%	100.0%	10.1%	9.1%	(0.5%)	(0.4%)	(0.9%)

FINANCIAL REVIEW

Profit After Tax

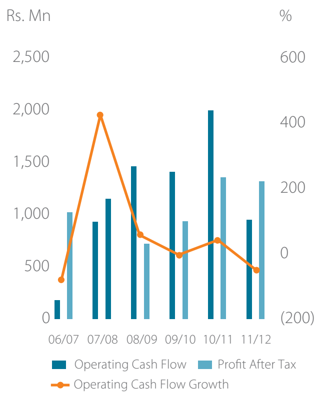


PROFIT AFTER TAX

Profit after Tax of the Group for the year under review was Rs. 1,315Mn, a 3% decline compared to previous year's Rs. 1,355Mn. The 7.7% growth in Operating Profits has been translated into a 3% decline in Profits after Tax as a result of the 33.4% increase in the cost of borrowing and the 21.6% increase in taxation. Profit after Tax has been mainly driven by the Healthcare sector which saw an impressive growth of 53.3% on the back of a strong performance by our Pharmaceuticals business and the steady buildup of business volumes at our Hospitals. On the other hand Leisure and Power sectors have dragged profit growth due to the large exchange losses suffered on the foreign currency borrowings. In addition, the poor rainfall across the catchment areas of our mini hydro plants further deteriorated Group profits.

Net margin of the Group declined from 7.5% to 6.1% during the year under review. This decline is largely attributable to the significant drop in Power sector margins, from 12.6% to 6.1%.

Cash Flow



CASH FLOW

Net Cash from Operating Activities declined 52.4% from Rs. 1,995Mn to Rs. 949Mn. A net outflow of Rs. 922Mn into working capital has dragged cash flow generation, with the Power sector causing the largest impact due to delayed payments by the CEB.

Net Cash used in Investing Activities has been Rs. 1.44Bn, 15.9% higher than the previous year. The bulk of this amount was invested in the refurbishment of Hotel Serendib and the Magal Ganga Mini Hydro Project. Net Cash Used in Financing Activities for the year was Rs. 457Mn, which is a 234.7% swing compared to the Rs. 339Mn of Net Cash generated from Financing Activities in the previous year.

Table 3: **Net Margin Analysis**

	Revenue Mix		PAT Margins		Margin		
	10/11	11/12	10/11	11/12	Mix	Profitability	Total
FMCG	32.1%	30.8%	9.0%	8.7%	0.0%	(0.1%)	(0.1%)
Healthcare	36.1%	34.9%	3.6%	4.8%	0.0%	0.4%	0.5%
Leisure	5.7%	5.5%	11.8%	8.0%	0.0%	(0.2%)	(0.2%)
Transportation	4.1%	3.4%	30.5%	33.5%	(0.2%)	0.1%	(0.1%)
Power	18.7%	20.9%	12.6%	6.1%	0.0%	(1.2%)	(1.3%)
Other	3.4%	4.5%	(27.3%)	(23.4%)	(0.3%)	0.1%	(0.2%)
Group	100.0%	100.0%	7.5%	6.1%	(0.5%)	(0.8%)	(1.4%)

RETURN ON INVESTMENT

Return on Capital Employed (ROCE) has declined from 13.5% to 12.3% due to the drop in operating margin from 10.1% to 9.1% while asset utilization rate has remained stable. The increase in effective tax rate from 13.6% to 16.5%, coupled with lower gearing has caused the Return on Equity (ROE) to decline to 12.3% from 14.6% in the previous year.

Table 4: **Return on Investment**

	07/08	08/09	09/10	10/11	11/12
Operating Margin	10.5%	8.8%	10.0%	10.1%	9.1%
Asset Turnover	1.15	1.08	0.97	1.02	1.02
Asset/Capital Employed	1.29	1.27	1.29	1.31	1.32
ROCE	15.7%	12.1%	12.5%	13.5%	12.3%
Interest Cover	4.2	2.8	3.3	6.2	7.3
Effective Tax Rate	8.6%	16.1%	14.6%	13.6%	16.5%
Gearing	31.4%	32.9%	25.8%	27.8%	24.5%
ROE	19.4%	11.5%	12.3%	14.6%	12.3%

The Fast Moving Consumer Goods (FMCG) sector of Hemas which closed the year with a turnover of Rs 6.6Bn encompasses the key product categories of personal care, personal wash, and home care.

The industry is an extremely dynamic one with growth driven by higher disposable income, new channels and an ever increasing choice of new products for consumers to choose from. Whilst this has contributed to high growth rates in the last few years (especially in rural demand), there is evidence that the prevailing economic climate and increase in cost of living have dampened growth. For the year under review, the industry saw double digit growth, driven by categories like skin care, hair care and feminine hygiene, whilst growth in traditional categories remained in single digits. A key concern for local manufacturers is the availability of spurious products that are not registered under the Cosmetics, Devices & Drugs Authority (CDDA), but, are freely available in cosmetic stores. This impacts our fragrance business in particular, and we hope that authorities will act on representations made to them to assure consumers of quality products, and protect the interests of local manufacturers.

After a challenging first half, where revenue growth was slowing and margins were dipping, the Sector did well to recover and drive momentum with increased brand building activities, which resulted in a year on year revenue growth of 13.7%. Sector profitability was significantly impacted due to the higher prices of imported raw material, in particular distilled fatty acids, the key ingredient in the manufacture of soap, which accounts for a significant portion of FMCG revenues. The impact was partially reversed towards the end of the year with world commodity prices coming off their peak levels. However, this was negated by the unexpected and rapid depreciation of the Sri Lankan rupee which declined by 13% over the two months ending 31st March 2012. Despite this, the sector closed the year with a profit of Rs. 575Mn, a year on year growth of 10.7%.

Baby Cheramy our flagship brand continues to lead the market in the baby care space. During the year the brand increased penetration through a strong advertising and promotions campaign, enabling the growth momentum to continue from the previous year. Whilst the brand did well to increase share in certain segments (especially soap), it has more to do in evolving segments, like Diapers, which are dominated by imported offerings.

Kumarika hair oil was the key driver of revenue growth for the FMCG division during the year with the launch of two new variants. The brand also re-launched its shampoo, offering consumers a unique product on a 'naturals' platform in distinctive modern packaging. These initiatives significantly contributed to revenue growth, with the brand growing twice as fast as the category.

The brand has also achieved a measure of success in the Bangladesh market since its launch in 2007. Encouraged by the positive response we commenced manufacturing the product locally in Bangladesh to further enhance competitiveness.

Clogard our oral care brand consists of toothpaste, toothbrushes and mouthwash. Clogard launched a new multi vitamin variant during the year. Clogard is in continuous partnership with the Sri Lanka Dental Association, the Peradeniya Dental Faculty and other universities, supporting them and involving itself in research and development into dental hygiene.

Diva washing powder sales increased significantly over the year with the introduction of 'Diva Whitening Powder'. The success of brand building and product improvement efforts were evident with the brand crossing the Rs 1Bn sales mark. Diva was recognised at the SLIM (Sri Lanka Institute of Marketing) Brand Excellence Awards 2011, with the Bronze award for "Best New Entrant of the Year".

Fems sanitary napkins was re-launched last year with enhanced quality and product features, which has led to significant gains in market share during the year. Growth in this category remains robust and the company is in the process of developing a long term plan to increase its presence in this market

Velvet toilet soap continued to gain popularity strengthening its position in the adult toilet soap category. The brand has seen continual growth since the re-launch of the product last year and closed the year with its sights set on becoming the second largest brand of adult toilet soap. The brand also extended its footprint, launching a liquid hand wash which was well received, especially in modern trade.

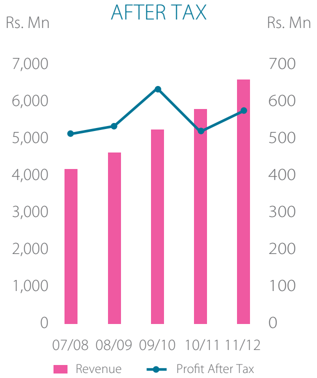
"AFTER A CHALLENGING FIRST HALF, WHERE REVENUE GROWTH WAS SLOWING AND MARGINS WERE DIPPING, THE SECTOR WAS ABLE TO RECOVER AND DRIVE MOMENTUM WITH INCREASED BRAND BUILDING ACTIVITIES, WHICH RESULTED IN A YEAR ON YEAR REVENUE GROWTH OF 13.7%..."

Channel focus being a key priority for successful execution, we have begun featuring more of our products in cosmetics outlets and beauty salons as well as strengthening our presence in the modern trade.

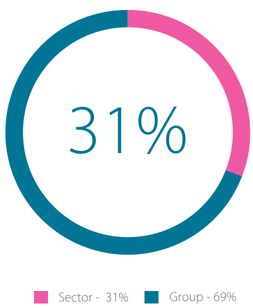
Our FMCG sector was awarded in 2011, the Gold award in the manufacturing medium scale segment for excellence in quality at the Sri Lanka National Quality Awards Ceremony, the Quest for Excellence award at the Global Performance Excellence Awards organized by the Asia Pacific Quality Organization and four awards at the SLIM - NASCO (National Sales Congress) Awards.

Evolving consumer needs coupled with the rapid growth of the modern trade present both opportunities and challenges to business growth. We continue to work diligently towards strengthening our existing product portfolio and identifying new opportunities to expand our product offerings. We aim to implement a realignment of the product/brand portfolio within the business whilst relentlessly challenging ourselves to improve product quality in line with consumer expectations. This is expected to result in a suite of brands and products more aligned to the evolving consumer in prospering, post-war Sri Lanka.

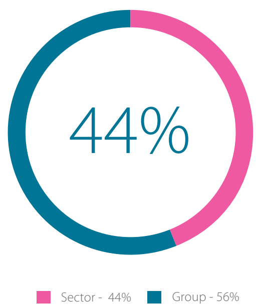
REVENUE AND PROFIT AFTER TAX



SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



HEALTHCARE

Hemas Healthcare Sector, which comprises hospitals and pharmaceuticals distribution, reported an outstanding financial performance in 2011. For the year under review, the sector posted revenues and profits of Rs. 7.5Bn and Rs. 356Mn respectively. Compared to the previous year, sector revenue and profits have grown by 14.8% and 53.3% respectively.

Hemas Pharmaceuticals contributed 85.6% to the healthcare sector revenue, reflecting a growth of 13% over the previous year. The division posted Rs. 6.4Bn revenue during the period to cap what has been an exceptional year marked by expansion of our product portfolio and consolidation of market leadership status. The enhanced profitability can be attributed to the strategic measures undertaken by the company to sustain its leadership position. Our market share increased to 17% during the year as per IMS, despite the industry registering single digit growth during the same period.

Our sales and distribution systems were strengthened through the year backed by an efficient supply chain system. We undertook a strategic rebranding exercise to transform and position the company as a fully-fledged pharmaceuticals, surgical and diagnostics company. This rebranding of our consolidated business will enable enhanced customer centricity. Customer relationship management training was imparted to all our employees to empower them to peg our service at a much higher level than prevailing industry standards. Launched three years ago, the Over the Counter (OTC) segment reflects a healthy growth rate with value additions in the form of new products and aggressive sales and marketing efforts. We anticipate a wide scope to grow this segment and will be aiming to strengthen our presence in the OTC segment.

The company fortified its product portfolio by launching Mankind products in Sri Lanka. One of the fastest growing pharmaceutical companies in India, Mankind manufactures pharmaceuticals for acute and chronic conditions, and will prove to be a vital addition to the range of essential drugs in the market. Adding further value, we have recently secured the distributorship for Panacea Biotech products in Sri Lanka. Over the years, we have striven to offer the widest and most relevant choice of drugs in the local context.

Inspired by our group philosophy of functioning in an ethical manner and ensuring sustainability of all stakeholders, Hemas Pharmaceuticals released its first-ever GRI-based Sustainability Report in 2011. This is a pioneering achievement by any pharmaceuticals company in the country. Our sustainability goals form an integral part of our company's overall objectives, and sustainability is inbuilt in our business model. Our vision to be a role model in healthcare in Sri Lanka drives us to establish centres of excellence in every aspect of our operations. As a pharmaceuticals supplier, we will continue to look for ways through which we can make a direct connection with our end users so that we can understand and cater to their needs in a more focused manner.

Hemas Hospitals reached the Rs. 1Bn milestone, marking a 23.8% increase in revenue over the previous year. This growth has been strategically driven through focused investments, superior quality certifications and world-class health care products and services. Hemas Hospitals is comprised of two family-oriented private hospitals located in Wattala and Galle and a laboratory and diagnostic services network. Hemas Hospitals is the first and only health care facility in Sri Lanka to receive international accreditation. This globally acclaimed recognition from the Australian Council on Healthcare Standard International (ACHSI) reflects the superior systems and processes in place at Hemas Hospitals. The laboratories received the ISO 9001:2008 & ISO 15189 certifications and the stringent OHSAS 18001 certification, which places the health and safety of patients and employees at the forefront.

Wattala and Galle hospitals together generated an EBITDA growth of 25.3% to post a figure of Rs. 167Mn. Whilst our flagship hospital in Wattala continued to enjoy growing patronage, the Galle hospital enhanced its offering with the introduction of laparoscopy surgery, making it the first hospital in the south to offer this facility. Hemas Hospitals is increasingly becoming a preferred centre for deliveries and the 'Maathru' package for mother and baby care is one of our best performing products.

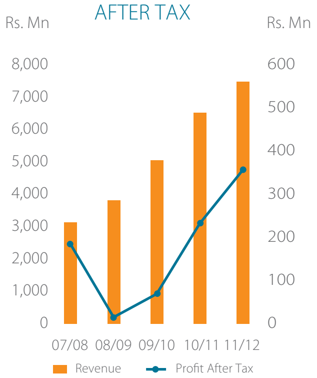
"...AN EXCEPTIONAL YEAR MARKED BY EXPANSION OF OUR PRODUCT PORTFOLIO AND CONSOLIDATION OF MARKET LEADERSHIP STATUS..."

As part of our initiative to strengthen the skills of our workforce, our key managers were sent to reputable hospitals and business schools in Singapore, Philippines and India to familiarize themselves with new systems and processes that can be suitably adapted to local needs. Our commitment to training staff was demonstrated by the 27,641 hours of training offered.

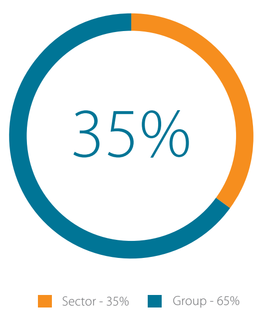
The satellite laboratory network set up at strategic locations around the country experienced a 35% increase in revenue during the year under review. We expanded our chain in 2011 by adding two more laboratories in Gampaha and Chilaw. We will continue to strengthen the network through expansion and value addition.

We have commenced the construction of our third hospital in Thalawathugoda which is expected to be operational by March 2013. The new Rs. 1.2Bn hospital is to be built on a one acre site close to the Thalawathugoda junction. The 50 bed hospital is expected to have a wide range of specialties. Going forward, Hemas hopes to expand the chain of hospitals while improving service levels at the current hospitals. While our core business of pharmaceutical distribution continues to grow, the sector hopes to grow its presence in the hospital segment.

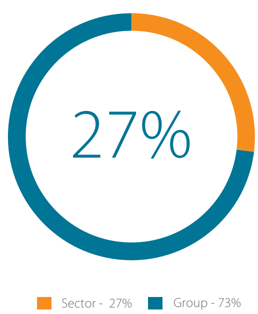
REVENUE AND PROFIT AFTER TAX



SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



LEISURE

The Hemas Leisure Sector comprises of the Serendib Group of Hotels and Diethelm Travels, a key inbound tour operator in Sri Lanka. Overall a favourable year for the tourism industry, 2011/12 witnessed a 34% increase in tourist arrivals to Sri Lanka, thereby driving high levels of occupancy at all our properties. As a result, our leisure businesses generated revenues of Rs. 1183Mn, a marked increase of 14.3% over the previous year.

The Hotels arm manages the four hotel properties of Avani Bentota Resort & Spa (formerly Hotel Serendib), Hotel Sigiriya, Club Hotel Dolphin and Avani Kalutara Resort & Spa. The Serendib Group achieved a record turnover of 1 billion rupees during the financial year. Achievement of this exceptional performance was supported through our partnership with one of the largest hospitality and leisure companies in the Asia Pacific Region - Minor International of Thailand. Minor International's selection of the Serendib Group as the global launch pad for the Avani brand reflects their confidence in the group and in the potential of the county's tourism prospects. Avani Bentota Resort and Spa, formerly known as Hotel Serendib, was refurbished at a cost of approximately Rs. 650 Mn and converted into a luxury hotel. Despite the complete refurbishment, Avani Bentota retains its original Geoffrey Bawa signature touch.

The Sector recorded an average occupancy of 80% for the properties mentioned above whilst posting an impressive growth of 29% in average room rates for the year under review. The Serendib Group has maintained high levels of occupancy due to strong relationships with our tour operators overseas who perceive us as a reliable partner that consistently delivers a high level of service to their customers. As testimony to this claim, Club Hotel Dolphin won the ITS Red Star award for the third consecutive year. The property was also awarded the prestigious Holiday Check award based on guest reviews, making it only one of 99 hotels in the world and the first in Sri Lanka to win this accolade.

As a group, we are proactively developing new markets and attracting guests from India, China, East Europe and the Middle East to mitigate the impact of the economic downturn in the European Union (EU), one of our key source markets. In anticipation of continued growth in the tourism industry, we continue to engage in training and development of our hotel staff, refurbishments of properties and the pursuit of service excellence.

Diethelm Travels, one of the leading inbound tour operators in the country, was able to build on the previous year's positive performance by ending this year with a revenue growth of 20% over last year. It was pleasing to note that tourist numbers from the EU and the Middle East grew apace. The latter is fast emerging as an important tourist generating market and demonstrates a keen interest in Sri Lanka's tourism product.

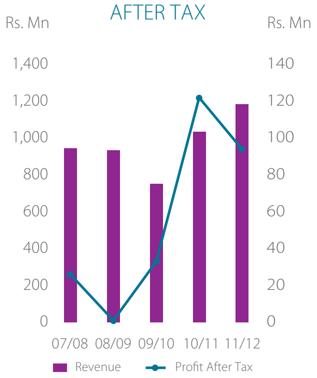
Lower occupancies at city hotels during the summer months had an unfavourable impact on our travel counter business located at Colombo's five-star hotels. Fortunately, the onset of the 2011/12 winter season witnessed a complete turnaround in fortunes for this segment of our business. The healthy inflow of inbound tourists recorded from EU and other markets during the latter part of the year impacted favourably on revenue earnings from our inbound travel arm.

Diethelm Travels won key EU accounts for Sri Lanka and the Maldives, largely attributable to an aggressive sales push. Encouraged by the positive trend in the global tourism industry, we launched an office in Maldives during the 2011/2012 financial year.

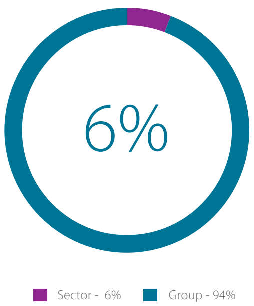
We remain optimistic about the growth prospects of the Sector as the demand for the Sri Lankan tourism product continues to grow. As such, we aim to expand our portfolio of signature owned and managed properties in key tourist destinations around the Island, under the Avani brand. The Sector aims to enhance the Group's leisure footprint whilst delivering great experiences and exceptional service to our guests over the coming years.

"MINOR INTERNATIONAL'S SELECTION OF THE SERENDIB GROUP AS THE GLOBAL LAUNCH PAD FOR THE AVANI BRAND REFLECTS THEIR CONFIDENCE IN THE GROUP AND IN THE POTENTIAL OF THE COUNTY'S TOURISM PROSPECTS...."

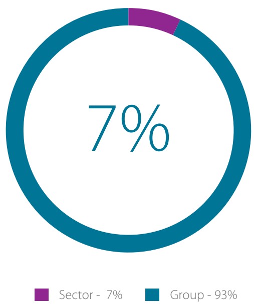
REVENUE AND PROFIT AFTER TAX



SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



TRANSPORTATION

Comprising aviation, maritime and logistics, the transportation sector contributed 18% to our overall group profitability during the year under review. Profit after tax grew by 8% over last year to Rs. 242.2Mn, despite turnover slipping 2 % to Rs. 721.9Mn, Sri Lanka's transportation industry grew at a lower 7.2% in 2011, compared to 16.8% recorded a year earlier, according to the Central Bank of Sri Lanka. The government has continued to invest millions of rupees to develop seaports, airports, roads and rail networks, creating multiple opportunities for the industry as a whole.

Sri Lanka's aviation market continued its double digit growth last year. The main Bandaranaike International Airport handled 6.1 million passengers in 2011, which was a 17% growth over 2010, according to the Central Bank figures.

Hemas' aviation business benefited from a growth in air traffic. Overall passenger sales grew in both the GSA (Genaral Sales Agent) and outbound travel retail businesses. Despite the challenging global market, our GSAs retained their market share as we maintained our service quality levels to clients. Emirates Airlines and Malaysian Airlines, continued to dominate our GSA business. During the year, Emirates Airlines opened a deluxe passenger lounge at the airport, reinforcing the Dubai-based carrier's commitment to grow their business in Sri Lanka. Malaysia Airlines has also shown keenness to develop the business in Colombo.

Hemas Travel continued to expand its business, specialising in corporate and leisure travel. In partnership with the UK's Hogg Robinson Group, the unit handled a large number of groups and a number of corporate accounts. On the global arena, cargo volumes were hit in 2011, following the Eurozone debt crisis and slower economic recovery in the USA. Air cargo market growth slowed down to a single-digit as exporters were hit by lower volumes and higher freight rates.

The maritime segment was affected by a sharp decline in freight rates across the world due to recessionary conditions and excess supply. Container handling at the Port of Colombo reduced by 3% during the financial year of 2011, where transhipment volumes also declined by 1%. (Source: SLPA)

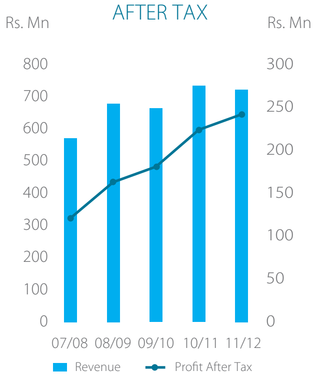
Far Shipping Lanka, our feeder vessel agency, saw a fall in transhipment volumes during the financial year. However, our future prospects remain strong, as the government remains committed to expand capacity at the Colombo Port and to develop Galle, Hambantota and Trincomalee Ports. These plans will position Sri Lanka as a multi-port regional hub.

In the Logistics segment, our joint venture companies, Hellman Worldwide Logistics and Skynet expanded their revenue bases and recorded bottom-line growth in line with our expectations. Hellmann continues to secure key clientele, while Skynet established itself amongst the top ten players in the Sri Lankan courier market.

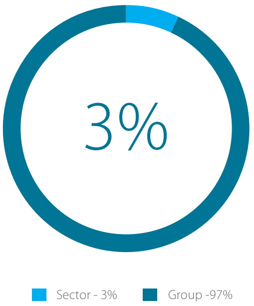
Looking ahead, the sector has established plans to strengthen its presence in the logistics and maritime sectors in the economy in keeping with the national policy of creating logistics and maritime hubs. We are confident that we will be able to cater to future growth opportunities that will arise both in the country and the region.

"DESPITE THE CHALLENGING GLOBAL MARKET, OUR GSAs RETAINED THEIR MARKET SHARE AS WE MAINTAINED OUR SERVICE QUALITY LEVELS TO CLIENTS..."

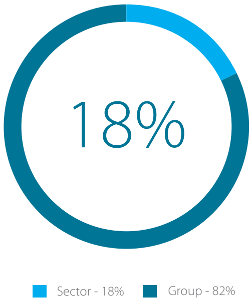
REVENUE AND PROFIT AFTER TAX



SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



POWER

The power sector contributes 107 MW to the national grid, and comprises Heladhanavi Ltd., a 100MW thermal power plant and three mini hydro plants located in Giddawa, Lindula and Magal Ganga with a combined capacity of 7.0MW. The sector reported a consolidated net profit of Rs. 270 Mn for the year, which is a 37% reduction from the previous year. The reduction in financial performance was primarily due to two factors. Firstly, a prolonged drought caused a drastic reduction in our hydropower generation. Secondly, a marginal reduction in the avoided cost tariff affected our hydropower sector performance adversely. Despite financial setbacks, on growth initiatives we were able to advance several steps making significant progress on the pre-development work of our projects.

Heladhanavi Ltd.,which stands amongst highest dispatch thermal plants due to its low operational cost, remained the largest contributor to our financial results for this year. The economical importance of the Heladhanavi plant was clearly evident during the year, being a poor-rainfall-year. The plant was dispatched at approximately 85% plant utilization despite a significant outage due to scheduled maintenance work. The generation during the year stood at 748 GWh, which is 112 GWh more than the previous year's generation.

During the year under review, a drastic devaluation of LKR against the USD, led to a considerable reduction in net profits due to the exchange loss on translation. This exchange loss on translation will be recouped gradually in months to come through US Dollar revenue inflows from the Ceylon Electricity Board (CEB). Conversely, the conversion of a portion of LKR loans to US Dollar loans in 2010 enabled us to keep the finance cost low for the current financial year.

The 2.4MW Magal Ganga hydropower project was completed during the year under review. The project was commissioned in September 2011, about a month ahead of the scheduled completion date and currently is operational and is estimated to generate approximately 7.0 million units per year. The plant encountered a few teething problems on the technical front and also on the transmission line. This caused an energy generation loss resulting in the Magal Ganga plant dispatching 1.5GWh during the six months of operations compared to the expected 3.5GWH. Both the technical and transmission-line related issues are now largely resolved.

Due to low rainfall, the hydro power segment's contribution to the sector's revenue was lower than expected. The 2.0MW Giddawa Power Plant operated at 35% plant-utilization-level for the year compared to the 40% expected level and the AgraOya Power Plant operated at 27% plant-utilization-level compared to the 33% expected level.
The operational performances of both Giddawa and AgraOya were further impacted by the 7% decrease in tariff over the last year's tariff. The combined effect of low generation and tariff reduction reduced the net profit of Giddawa by 55% in comparison to its last year's profit, whereas AgraOya profits were down 59% over that of the previous year.

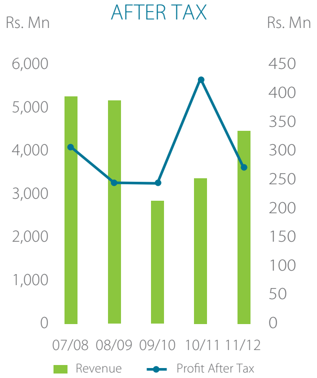
In the coming year, we will commence development of our first biomass power project with a capacity of 3MWs in the southern part of the country. All the approvals required for this project, its designs, technical specifications and the financing arrangements have been finalized. Taking stock of the country's available opportunities, we find it is most opportune to align our growth strategy on the renewable energy side. We have earmarked several hydropower sites in the country with development potential. We are currently exploring opportunities in East Africa for hydropower development in addition to expanding capacity in Sri Lanka.

Looking ahead, we foresee a surge in demand for power generation fuelled by greater economic activity. According to the CEB, total primary energy demand is expected to increase to about15,000 kTOE by the year 2020 at an average annual growth rate of about 3%. It is crucial to generate power through renewable sources to meet this surge in demand as renewable energy is clearly the sustainable long term path for the sector. Conventional energy sources such as coal reserves and fossil fuels continue to dwindle at a rapid pace leading to higher costs for the use of these resources for power generation. Additionally, the use of these resources contributes to pollution and global warming. The Government has reinforced its commitment to sustainable energy by continuing to support renewable power projects. The previous National Energy Policy target to reach 10% of the country's energy generation through renewable energy sources by 2015 has now been revised to achieve a target of 20% by 2020. 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.

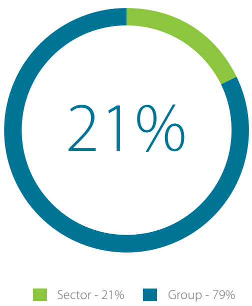
We remain strongly committed to pursue opportunities to acquire or develop viable hydropower projects while keeping a vigilant eye on emerging opportunities in other renewable energy segments.

"THE 2.4MW MAGAL GANGA HYDROPOWER PROJECT WAS COMPLETED DURING THE YEAR UNDER REVIEW. THE PROJECT WAS COMMISSIONED IN SEPTEMBER 2011, ABOUT A MONTH AHEAD OF THE SCHEDULED COMPLETION DATE..."

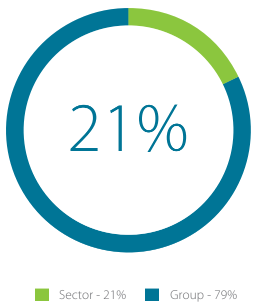
REVENUE AND PROFIT AFTER TAX



SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



SUSTAINABILITY REPORT

"The Hemas Group has a well entrenched Sustainability Policy based on the overall impact of the Organization's operations on the components of Sustainability: Environmental, Social and Economic. We believe this approach creates long-term shareholder value by embracing opportunities and managing risks deriving from Economic, Environmental and Social Developments..."

Our dedication to all stakeholders of the community grows stronger with every passing year. As a company that has woven ethical operations and social responsibility into our DNA, we are totally committed to serving our stakeholders by leveraging on innovative sustainable strategies and delivering multiple benefits to the community in a mutually fulfilling manner.

Apart from our initiatives to cascade profitability down into the community in which we operate, we are also committed to our people, who are the driving force behind the company. Our resources reflect some of the most promising talent in the country and as a group we go to great lengths to nourish, nurture and groom these resources to become vital contributors to the progress of the country.

As inheritors of the planet and its natural resources each of us has a responsibility to the environment and at Hemas Holdings we have translated this collective responsibility to crystallize into some dynamic initiatives that have a favourable impact on the environment, thereby conserving our rich bio diversity and preserving the country's natural resources as healthy and vibrant for future generations.

Whilst structuring our sustainability commitment, Hemas Holdings made a conscious decision that any social responsibility we embarked on, would necessitate complete cooperation and involvement from our staff rather than mere involvement as a donor. We are proud to say that we have stayed true to this vow and, today, the company is spearheading all its sustainable initiatives in active participation with sustainable partners, such as the Government of Sri Lanka.

"WE ARE PROUD OF THE FACT THAT HEMAS PHARMACEUTICALS HAS RELEASED ITS FIRST SUSTAINABILITY REPORT DEVELOPED AND BASED ON THE GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES FOR SUSTAINABILITY REPORTING IN 2011. THE COMPANY HAS ESTABLISHED A CONTINUOUS IMPROVEMENT PROCESS IN ADOPTING THE GRI GUIDELINES AND INTENDS TO BE IN FULL COMPLIANCE WITH THESE GUIDELINES IN THE COMING YEARS..."

Our staff is entrenched in this social engagement philosophy and proactively tracks avenues for further enrichment of sustainable initiatives, becoming active participants in all our projects.

The Hemas Group has a well entrenched sustainability policy based on the overall impact of the organization's operations on the components of sustainability: environmental, social and economic. We believe this approach creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments, thereby ensuring long term viability, profitability and integrity of the group. The defining elements of our sustainability ensure commitment and accountability by all staff.

SUSTAINABILITY REPORT

Guiding principles of the Hemas Group's sustainability policy:

- To comply with all applicable legislations, regulations and code of best practice.
- To adhere to best corporate governance practices whilst being accountable and transparent to its stakeholders.
- To identify the risks and opportunities faced by the group and provide mitigation where applicable.
- To adhere to the core values of the group and conduct business in an ethical manner.
- To integrate sustainability considerations in our daily business decisions.
- To make clients and suppliers aware of the Group's sustainable management practices.
- To minimize the impact on sustainability by adhering to the individual guidelines introduced by the group sustainability committee (environment, economic, human rights, work place and social).
- To engage with stakeholders in an appropriate manner, in order to consider their opinion and suggestions for the benefit of business operations and sustainability.
- To continuously enhance quality of products, services and value to customers whilst ensuring profitability.
- To provide employees a safe and healthy working environment.
- To support and promote the protection of internationally proclaimed human rights.
- To respect diversity within our employees (caste, creed, religion, disability, gender, age etc)
- To be sensitive to the local communities within our business localities and whenever possible support local suppliers, participate in community activities and provide employment.
- To support the Group's philanthropic arm 'Hemas Outreach Foundation' and be involved in projects and ensure employee participation.
- To respect and recognize the diverse cultural elements of a community. Incorporate and integrate them to the business plan and strategy in order to ensure community's sustainability.
- To adhere to best environmental practices and incorporate them in business decisions, whilst committing ourselves to the three R's within the group (Reduce,Reuse,Recyle).

We have taken a pledge to aspire to the highest standards of corporate citizenship and our programmes through the period under review, achieved significantly moving ahead in making a positive impact on our sustainability pillars - Community, Human Resources and Environment, which are inter-linked to ensure long term viability for the enterprise and sustainability for the society and the environment within which we operate.

COMMUNITY

Our decade-long focus of Early Childhood Care and Development (ECCD) is progressing rapidly, providing a sound foundation for lifelong learning for future young generations. Hemas Holdings' flagship Corporate Social Responsibility project in partnership with the Children's Secretariat of Ministry of Child Development & Women's Affairs - the 'Piyawara' programme - has gained further momentum over this financial year. Launched in 2002, the group celebrates 10 years of partnership with the government on this initiative in the year 2012.

The project essentially focuses on promoting Early Childhood Care & Development (ECCD) through the establishment of child friendly pre-schools across Sri Lanka. The Group's CSR activities are carried out by the Hemas Outreach Foundation which is managed by a board of trustees. This is an approved charity by the Sri Lanka Government, audited by Ernst and Young.

'Piyawara' Adds Further Value to Communities

Piyawara' is an integrated educational programme making a valuable contribution to the development of the state education system through various strategies to benefit early childhood education in the country. The programme goes beyond building bricks and mortar to developing a holistic approach to pre-school education in Sri Lanka. The key objective of Piyawara is to 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 reach minimum standards. At present, we foster 34 pre-schools island-wide under the banner 'Piyawara', and approx 3,000 children are receiving their early learning at these centres. These schools are located in diverse locations from Jaffna to Hambantota.

Developed In partnership with the Ministry of Child Development and Women's Affairs, a host of activities are carried out in these schools yearly - from teacher training to parental awareness programmes. Apart from the activities in these preschools, further programmes are delivered also at a national level through TV, Radio and district level activities. Hemas has also partnered with Sri Lanka Police, to support the national campaign against child abuse. Many programmes and projects have been initiated to raise awareness on the issue. Piyawara also aims to improve child protection legislations and provide publicity for children's issues.

In recognition of our contribution, the Ministry of Child Development & Women's Affairs appointed Hemas to the National Coordination Committee on ECCD, the oversight body for the development and implementation of the national policy on ECCD. In addition, the ministry has also appointed Hemas to the provincial level committees in the country, which reflects the deep commitment on our part, which has been duly acknowledged by the state.

Exciting Developments in 2011/12

In the year 2011/12 the focus was on resettled areas of the northern region of Sri Lanka. We commenced the year with the handing over of the model pre-school in Jaffna, construction of which was undertaken along with UNOPS at a total cost of Rs. 7,202,438/-. This project marks the beginning of Piyawara's entry into the hitherto inaccessible areas of the north. We will be setting up many more such pre-schools in the hitherto conflict effected districts as this project has brought hope to the communities in the area.

During the period under review, we re-evaluated the needs of the communities within which these pre-schools will be established. There were some key factors that emerged. Firstly, it is very apparent

that years of backward social ideologies and prejudice have relegated these communities to the brink of poverty, thereby having basic sanitation, healthcare and educational facilities denied to the children. The abject lack of basic services and infrastructure motivated us to add value to the existing model pre-school through a new concept of 'Piyawara Community Pre-schools'.

The Ambalnagar village was selected for this pilot project. Located about 10 kms from Kilinochchi, Ambalnagar consists largely of marginalized communities struggling to eke out their living in the most rudimentary conditions, with a severe lack of basic necessities such as sanitation and medical care and schooling. The community residing here counts 300 children between the ages of 1- 4 and 186 above 4 years, all with little or no access to pre-school education in their immediate vicinity. The community pre-schools will also be used for multi purpose functions such as conducting maternal and child clinics, whilst imparting vital early education to the children. A prototype model with two class rooms have been designed for community preschools by UNOPS.

In addition to the projects in the northern region the main focus in 2011/12 was to conduct parental awareness programs in other Piyawara schools on a large scale, covering all preschools in the selected locations. However, the foundation had to cancel the annual teacher training program scheduled for August 2011 in Jaffna due to unavoidable circumstances.

We are proud to be sustaining these government partnerships for a decade now and the Piyawara project has become a model sustainability early education project in strengthening the gaps in the government system and reducing the financial burden on the state, whilst benefitting hundreds of children by giving them a sound educational and emotional foundation for their future. Piyawara also continued its teacher training programmes through 2011/12, refreshing and upgrading skills of teachers to bring out the best in the pre-schoolers. One of the goals of Piyawara is to empower community led social development through island wide parental awareness programmes.

Plans are ongoing to replicate the community pre school model in Mullaitivu in the 2012/13 financial year. Our partnership with the government has enabled us to leverage on the state network and resources to achieve much wider coverage than we would have on our own strength. The success of our flagship sustainability programme can be directly attributed to the unstinted support of the Chairman and Board of Directors down to the junior-most employee, all of whom champion this project whole-heatedly. Our partners in this project also need mention, namely, Rewe Touristik, a key business partner of the Hemas Leisure Sector and Eli Lilly and Company a partner of Hemas Healthcare sector.

We see exciting opportunities ahead for Piyawara in the upcoming year and we will continue to explore beneficial linkages with the state to analyze how we can add value to the lives of the communities we touch with our project.

Related Piyawara Projects

Our focus on the Hambantota Special School which is managed by the Southern Youth Development Foundation in partnership with the Hambantota Municipal Council and Hemas Outreach Foundation continues through the period under review. In 2011, Hemas provided students of the school with essential nutrition in the form of free milk

daily and other required essentials such as study materials.
The company sponsored the annual concert of the school, wherein all 44 children took part with great enthusiasm. We also sponsor the schools annual trip and sports festival whilst providing them with uniforms and other essentials. Our employees remained deeply involved with the special needs children through the year, making their own personal contribution by way of sponsoring their needs and spending time with the children in the school. Hemas has dedicated resources towards the enhancement of the school and will keep enhancing facilities and services to the school into the future.

"OUR FOCUS ON THE HAMBANTOTA SPECIAL SCHOOL WHICH IS MANAGED BY THE SOUTHERN YOUTH DEVELOPMENT FOUNDATION IN PARTNERSHIP WITH THE HAMBANTOTA MUNICIPAL COUNCIL AND HEMAS OUTREACH FOUNDATION CONTINUES THROUGH THE PERIOD UNDER REVIEW..."

'Diriya' Imparts Dignity to Rural Women

'Diriya' was launched in September 2009 as a door-to-door sales project devised to empower women in rural areas by making them financially independent. A brainchild of the Hemas FMCG division, this programme has endeared itself to rural women as it gives them the opportunity to earn an income on their own terms and with flexible timings to suit their household responsibilities as well. Diriya entrepreneurs purchase Hemas products at the wholesale price and sell them at the retail rate - retaining the 10% profit margin for themselves. The project has contributed to uplifting the living standards of the participating rural women. Further, Hemas keeps devising special offers and attractive deals that are exclusive to those in the Diriya network so that they derive the optimum advantage from the project.

Diriya currently encompasses 50 rural female entrepreneurs covering approximately 15 towns islandwide. During the year we continued the programme in Anuradhapura, Kinniya and Badulla areas successfully. The project recorded turnover of Rs. 6.5Mn during the financial year under consideration. Hemas plans to extend the programme to cover new geographical areas in the future.

SUSTAINABILITY REPORT

"OUR CORE BELIEF IS THAT TALENT AND LEADERSHIP DEVELOPMENT IS A GROWTH DRIVER. THE GROUP IS DEDICATED TO IDENTIFYING AND DEVELOPING ITS LEADERS AT EACH LEVEL. AT THE DIRECTOR LEVEL, WE HAVE IMPLEMENTED A FORUM TO DISCUSS AND REVIEW EACH DIRECTOR AND MAP OUT THEIR CAREER MOVEMENTS IN THE SAME BUSINESS OR IN ANOTHER BUSINESS..."

OUR PEOPLE

At Hemas, we invest in our employees to help them succeed and develop the skills they need to perform to their highest potential. We leverage best practices across the sectors enabling our employees to develop their skills, explore new opportunities and empowering them to be innovative. We have implemented frameworks to effectively build leadership, track performance and cultivate growth. We believe that the success of Hemas depends on the diverse strengths and talents of our employees and we take care to foster a culture of continual development with an unwavering commitment to the engagement and fulfillment of our employees. Helping our employees succeed and acquire the skills that enable growth in turn will help sustain Hemas' long-term growth.

Hemas Group

Our core belief is that talent and leadership development is a growth driver. The Group is dedicated to identifying and developing its leaders at each level. At the director level, we have implemented a forum to discuss and review each director and map out their career movements in the same business or in another business. A definitive policy was developed and approved in order to lend legitimacy and adherence to the process.

Over the past 1 ½ years the group's senior management has been undergoing executive coaching sessions to sharpen competencies and make them better leaders. Our executive coaching partner is the Global Consulting firm, Heidrick and Struggles. Hemas has invested time and financial resources in this important development process as we believe that coaching and mentoring plays a vital role in making leaders more effective. Thus far, two batches have gone through sessions and the third batch completes the sessions in May 2012.

We are committed to a robust and systematic approach to managerial and executive development and succession planning. During the year under review, 12 management trainees were recruited for FMCG, Healthcare and Hospitals sectors. Hemas has established its credentials as one of the most preferred employers in the country and this was evident in the 2,000 applications we received on announcing the vacancies. Our screening process was able to handpick the best talent from among the applicants. One of the screening tools used were assessment centers run by SHL certified assessors.

A diploma level course was conducted during the course of the year for middle and junior level mangers to develop their managerial and leadership skills. This year's course had 12 participants and they will follow the course for duration of 8 months.

Training is an integral component of our talent and performance agendas and outbound training is one of the many diverse training forums we utilize. The Directors Adventure 2011 was one such training program which witnessed the coming together of the senior management outside of the board room to great success.
The purpose of the adventure session was to develop bonding through adventure learning at the Thulhiriya Training Center. An

outbound training program called Sustainability through Solution Mindset was held for the group corporate team at the Kukuleganga Holiday Resort. A key component of the adventure learning activity was to reinforce the company's philosophies of sustainability through solution mind set and excellence in execution which is the key focus for 2012/13. Similar outbound training programs were also conducted in the Healthcare, Leisure and Power sectors.

At Hemas, we are committed to enhancing the skills of our employees to help them thrive in their respective careers. For example, 20 middle and junior level managers were provided with a Business English course to enhance their communication skills. In another training initiative we identified behavioral competencies applicable for the group and conducted workshops on how to live the competencies while working in each business.

To help us increase employee engagement and satisfaction, we seek the insights of our employees. As part of this initiative, committees comprising of staff and management representatives from various departments were created. These committees known as Joint Consultative Committees (JCCs) were initially tried and tested in the FMCG and Hospitals businesses last year and were rolled out to other businesses during the year under review. The committees are a mechanism through which employees can play a greater role within the company's planning process.

During the year the Finance Team of Hemas made a pledge to enhance their value addition to the organization to become valued business partners. In an effort to transcend the frontiers of the traditional finance function, the team conducted the first ever Finance Conference at Hemas and zeroed in on three initiatives that would drive their value addition to the organization. These were in the field of business analytics, where the team set out to make decision making an activity derived from insightful business insights driven by innovative information technology solutions, reengineering cost bases, where the team achieved a 4% saving on the company's bottom line, and establishing productivity matrices, where factory productivity was streamlined to improve the manufacturing side's supply chain. In view of these initiatives and outcomes, the Finance team was nominated at the prestigious Chartered Institute of Management Accountants (CIMA) UK Awards under the category of Best Finance Team of the year for medium sized organizations. During the awards ceremony held in London, the team was highly commended by the judges behind the winner, Hallmark PLC.

At Hemas, we believe in the importance of recognizing and rewarding those that have made an outstanding contribution to the company. The CEO's Awards are presented to senior managers and managers who have made an exceptional contribution to the success of the company. The Living Hemas Values Awards are based on nominations of staff members who feel that a fellow employee embodies the core values by which Hemas operates. These awards are given on a quarterly basis with a 'Grand Winner' announced annually. In addition, The Enriching Lives Award is awarded to teams that have contributed significantly to enhance or develop a product or a service to 'enrich the lives' of our customers. .

FMCG Sector

The FMCG sector strives to foster a workplace culture and career growth that enables employees to thrive at work and at home. The personal development of employees formed a major focus during this financial year. Our initiatives to this end included:

- An awareness program on best health practices for our Dankotuwa factory employees by personnel from Hemas Hospital
- A session on work-life balance conducted by trainer Prasanna Jayathilake
- A session on Employee Motivation & Changing Attitudes conducted by Chandana Gunawardena
- An awareness program on Violence Against Women& Child Abuse
- A comprehensive technical training for machine operators conducted by Ceylon German Technical Institute.

To effectively prepare our managers and executives to lead in a challenging macroeconomic environment and to develop employees of all levels, the FMCG sector launched a series of training initiatives. Hemas sponsored one of its senior leaders for an executive MBA by the Indian School of Business. The program is targeted at busy executives who normally cannot devote time for classroom training of a lengthy duration. A brands competency development workshop was carried by Kanter Retail, India, to develop brand mangers' technical competencies on Customer Focused Marketing Strategies and Integrated Marketing & Communications. Foreign training was provided for the sales team on Strategic Procurement and Sourcing, World Class Warehouse Operations and Planning, Manufacturing Process Optimization and accounting & Finance for Non-Financial Managers.

Healthcare Sector

At the heart of the Healthcare Sector are our people, who continue to transform the sector through growth and innovation. The sector continues to create a work environment in which employees know that their skills, talents and interests can be developed to its full potential.

Pharmaceuticals

The fifth batch of the Medical Delegates Professional Development course concluded on March 2012. Since its inception, over 100 medical delegates have successfully completed this five month course which covers Anatomy, Physiology, Pharmacology, Marketing and Management. The course has received positive feedback from principals and local agencies.

The division initiated two familiarization and educational tours for the sales and operations employees. This opportunity helped them to enhance their product knowledge thus increasing their performance and productivity. In order to strengthen the team spirit and create a motivational environment, the division participated in an outbound training for management and sales staff. The annual Pharma Awards event was held in July'11 to recognize staff who contributed to the success of the company while exceeding the set targets.

Hospitals

At Hemas Hospitals we aim to design initiatives that enable our employees to develop and sustain healthy behaviors to improve their overall quality of life. In February 2012, counseling facilitates were introduced for our hospital employees to assist employees with challenges related to work and personal life. Hospital employees are now able to consult Senior Medical Officer at the Suwatha Piyasa Medical Services Unit. Medical treatments will be provided free of charge if deemed necessary.

Hemas Hospitals partners with the Open University of Sri Lanka and Aquinas University College to conduct the Student Nurse Development Programme. The first batch of students has successfully completed their academic and practical training. Due to the

expansion of Hemas Hospitals, a surge in the demand for quality nursing staff is expected in the near future. In light of this, the Student Nurse Development Program enrolled a new batch in March 2011.

A New Nursing Grading System designed by the Hospital Team was approved by the Hospital Board for implementation effective 01st September 2011. This newly adopted grading system for Nursing Professionals provides comprehensive guidelines for future recruitment of nursing professionals into the Hemas Hospitals Chain. It also creates a continuous competency based nursing education platform, career progression pathways and rewarding nursing professionals on merit.

The Director Medical Services, Hemas Hospitals, participated in the ISQua 2011 Medical Conference in Hong Kong, China. Dr. Samanthi De Silva, Head of Medical Services and Acting General Manager, Hemas Hospital, Wattala, was honored as a speaker at the Hospital Management Asia Conference-2010 held in Singapore. She is the first Sri Lankan Medical Professional to be afforded an opportunity to address this prestigious conference. Mr. Murtaza Esufally, Chairman, Hemas Hospitals Chain, was honored as a guest speaker at the Private Healthcare Investment World Asia Conference-2011 held in Singapore.

Leisure Sector

Going forward, our hotels sector expects to enter a new era in the tourism industry with unbeaten service. Thus, it is of paramount importance to develop the competencies of all employees in the Leisure sector. We continue to invest in our associates to help them develop their skills and to sustain Hemas' superior service.

"HEMAS HOSPITALS PARTNERS WITH THE OPEN UNIVERSITY OF SRI LANKA AND AQUINAS UNIVERSITY COLLEGE TO CONDUCT THE STUDENT NURSE DEVELOPMENT PROGRAMME. THE FIRST BATCH OF STUDENTS HAS SUCCESSFULLY COMPLETED THEIR ACADEMIC AND PRACTICAL TRAINING. DUE TO THE EXPANSION OF HEMAS HOSPITALS, A SURGE IN THE DEMAND FOR QUALITY NURSING STAFF IS EXPECTED..."

Serendib Group

We have partnered with Minor International in Thailand which is one of the largest hospitality and leisure companies in the Asia Pacific Region, to launch Avani, a new hotel brand. The induction process for the Avani brand was carried out for all Avani Brand Hotels employees and for a cross section of head office employees by our partner, Minor Hotel Group. Service Excellence Training was conducted for all employees of Avani Bentota by Mr. Dammika Kalapuge. Industry specific and compulsory Health & Safety initiatives such as HACCP & ISO 22000 Awareness Programmes, First Aid Skill Certifications and Food Handler Medical Certification Initiatives were fulfilled at all hotels.

Avani Bentota and Avani Kalutara conducted English & German Language Training while Club Hotel Dolphin sought to upgrade the language skills of employees. Moreover, an employee satisfaction survey was carried out for Club Hotel Dolphin and the Head Office.

"FOREIGN TRAINING PROGRAMMES WERE CONDUCTED BASED ON TRAINING NEEDS SUCH AS STRATEGIC PROCUREMENT AND SOURCING; WORLD CLASS WAREHOUSE OPERATIONS AND PLANNING; MANUFACTURING PROCESS OPTIMIZATION AND ACCOUNTING & FINANCE FOR NON-FINANCIAL MANAGERS. THE RESULT OF THESE EFFORTS IS MORE ENGAGED AND PRODUCTIVE EMPLOYEES..."

Diethelm Travels

As Sri Lanka tourism undergoes a revival, there is a greater need for specialized skills in order for the group's leisure business to position itself on par with other regional destinations. Keeping this in mind, the company sent key personnel for the MICE Professional Development training programme organized by the Sri Lanka Convention Bureau, together with the International Congress and Convention Association (ICCA). At this programme, Hemas Leisure executives were exposed to skills sets such as bidding for conferences, dealing with associations and setting up green conferences.

Transportation Sector

The Transportation sector anticipates business growth as a result of new opportunities due to increased global trade. Ensuring the success of the sector depends on attracting and developing the best people and empowering them to be innovative. The sector conducted a trainee executive program during the year under review which saw an unprecedented 2,000 applicants. The applicants were assessed by written tests and interviews to identify the best candidates for the program. Five applicants were selected for the intensive training program. Once the training is completed, the five trainees will be assigned to different companies in the sector ranging from airlines representation, travel agency and shipping.

Foreign training programmes were conducted based on training needs such as Strategic Procurement and Sourcing; World Class Warehouse Operations and Planning; Manufacturing Process Optimization and Accounting & Finance for Non-Financial Managers. The result of these efforts is more engaged and productive employees who can seize opportunities to grow the company.

The Director/GM of Hemas Air Services and Director/GM of Hemas Travels attended a training programme on Leadership Skills for Top Management at the Indian School of Business in Hyderabad, India. This institute is one of the leading business schools in the region and boasts an eminent faculty. The GM - Cargo for Hemas Air Services and Senior Manager – Cargo Sales also attended a training programme, Stepping into Leadership at the same institute in 2011.

Power Sector

Looking ahead at the industry prospects, we expect a renewed demand for power and energy in the industrial and household segments. In a growing industry, our goal is to conduct training for employees from the front line to senior management, to ensure that our employees have the knowledge and skills required to achieve performance goals. During 2011/12, the sector organized outbound training focused on team building, leadership, communication and decision making. In addition, training was provided on adaptability and quick reaction skills for employees in the power plants as this is an integral skill for their job performance.

At Hemas, engaging employees and developing clear communication lines between employees and management is of paramount importance. Our resolve to continually seek the insights of our employees led to the establishment of a Joint Consultative Committee (JCC) within the sector to allow employees to express their concerns and give them an opportunity to be part of the solution. The committees also provide a forum for employees to express their ideas and point out functions that can be further developed. The frequent meetings between employees and management have resulted in improved communication and increased productivity.

ENVIRONMENT

Hemas Holdings' sustainability commitment encompasses our responsibility to make environmentally friendly and ecologically responsible decisions in our pursuit of creating shareholder wealth. Our passion for preserving the environment is led by the Hemas Green Pledge - 'We take responsibility as individuals and collectively as part of the Hemas Group to minimize harmful practices and embrace emerging trends, that will help us leave a more gentle environmental footprint.'

Our sustainability goals drive green practices within the company - and the year under review was no exception towards achieving those objectives. We were able to add further depth and breadth to our conservation efforts and achieved significant gains in distilling the pledge amongst employees, who are the key drivers of the green philosophy.

We believe that appropriate environmentally friendly practices can unleash strategic advantages to our businesses, helping us remain competitive and relevant in a world battling with a host of environmental hazards. During the year 2011/12, we continued with some ongoing projects and embarked on some new initiatives. All our activities are linked in some manner to our business, which imparts an element of continuity and relevance for us as an organization and for the sustainability of the initiatives. We constantly evaluate our environmentally sustainable initiatives and the difference we are making to the lives we touch.

Leisure Sector

Towards a Green Footprint

Hotel Sigiriya

Over the past few years, each of our hotels has embarked on initiatives to help, conserve and enrich the environment. Hotel Sigiriya leads the way in our group's green initiatives due to its location in an area that is rich in bio diversity. It was one of the first hotels in the country to adopt a greening policy. Our legendary commitment to green concepts has enabled us to strategically plan out, implement, collate and document all the activities of our hotels in consultation with an environmental expert. The company now has in place an overarching set of conservation-based programmes, supported by regular audits and backed by ongoing training programmes for the staff. In this manner, we have ensured that a conservation and environmental management culture has been integrated into our daily management.

The plethora of green initiatives undertaken by the hotel has received global recognition at local and international forums. The hotel was awarded the Green Apple Award for energy generation from organic waste. We are committed to conserving energy and conserving water; minimizing solid waste; managing greenhouse gas emissions, air pollution and other chemical pollution; maximizing practices of reducing, recycling and reusing; using environment-friendly materials, planting indigenous flora in landscaping; and conserving biodiversity. Moreover, the hotel remains proactive in maintaining the pristine environment around the sacred Sigiriya Rock.

Club Hotel Dolphin

At Club Hotel Dolphin we are deeply involved with the local community, working in partnership with the residents in the area to deliver some essential services to improve their well-being. During the last financial year, we undertook the task of renovating a local community centre to benefit the children and youth of the area and we sustained this involvement in the centre over 2011/12 as well.

Apart from the many activities which are being carried out at the community centre, we have added on the facility of teaching computer science to the children and youth of the area and engaged a professional to coach the students. The hotel is also in the process of donating land to the Pradeshiya Sabha to be used for the welfare of the villagers. Club Hotel Dolphin frequently responds to requests for donations to the village school and the district hospital.

Avani Bentota Resort & Spa and Avani Kalutara Resort

Sri Lanka is known to be a country with a rich spiritual legacy. The Avani Bentota Resort & Spa and Avani Kalutara Resort have been instrumental in maintaining places of worship in the vicinity of their respective properties and in supporting the villagers to pass on the legacy of their cultural and religious activities to the next generation. The hotel staff participates in donations and 'shramadana' programmes together with the villagers and the entire community comes together as one in this effort. Regular beach clean up programmes remain an ongoing endeavour at the beachside properties.

Avani Bentota Resort & Spa is also responsible for maintaining the Bentota railway station for a period of three years commencing August 2010. The station, which was in disrepair, was refurbished at a cost of Rs.850,000/- in addition to continued monthly maintenance charges of over Rs.10,000/-. The hotel also undertakes the annual cleaning, painting and arranging of all wards in the Bentota government hospital.

FMCG Sector

Harnessing Natural Resources

At the Dankotuwa Plant, our main manufacturing facility, we are proactively focusing on ensuring that the environment in and around the immediate surroundings is protected and retains its natural beauty. Our investment of Rs.8 million to enhance the capacity of our waste water treatment plants, allocated for production effluent and human waste water, reflects our commitment to reusing resources and eliminating wastage. This focused effort has enabled us to recycle almost 100% of our waste water, an achievement far above stipulated norms.

Once the waste water has been recycled, it is used for utilitarian purposes, such as gardening. Furthermore, we recycle 80% of our solid waste including polythene, paper, glass, plastics, oil and metal. Our agreement with Geo Cycle (a subsidiary of Holcim Sri Lanka) is indicative of our commitment to disposing of all solid waste in a completely eco friendly manner. Our FMCG operation possesses its own environmental management system and environmental policy and functions in accordance. The company won the bronze award for 2011 at the Geocycle awards ceremony. The award recognises the facility's long term commitment to the protection of the environment, and the positive example it sets to those within the industry in which it operates.

Power Sector

Protecting the Environment

The key environmental focus areas at the Heladhanavi power plant are water conservation and the management of noise pollution. Rain water harvesting pools have been set up across the premises and these pools aid our water conservation effort. Water that contains heavy oil components is treated prior to being released into the environment, thus ensuring that the delicate eco system of the area is completely unaffected.

The creation of the green belt in the 58 acre property helps to keep noise levels to the permitted levels. The North-Western Province Environmental Authority conducts a rigorous annual assessment of noise pollution and we have been successful in obtaining the required licensing in 2011/12 with ease for yet another year in succession.

As part of our commitment to sustainable development, we have hired a dedicated environmental officer for the Sector. The environmental officer acts as an independent party who ensures the protection of the environment. The environmental officer has the authority to even stop construction when deemed necessary

"The group is committed to developing renewable sources of energy and its hydropower plants operate on the philosophy of minimum impact to the environment and are fully compliant with environmental regulations...."

The group is committed to developing renewable sources of energy and its hydropower plants operate on the philosophy of minimum impact to the environment and are fully compliant with environmental regulations and standards stipulated by the Central Environmental Authority. Apart from generating environmentally friendly and renewable energy, the hydro power plants serve to nurture and maintain the green environment within the plant premises, thereby, contributing towards clean energy generation. As one of the leading players in the private sector power industry, we have vowed to deepen our commitment to augmenting and expanding our best practices in the operation, making sure we lead by example in terms of eco sensitive practices and outcomes. Our endeavour in all our operations is to achieve a minimal environmental footprint.

CORPORATE GOVERNANCE

In this report, we discuss, the work and operation of the Board and the framework of governance it deploys to lead and control the business and report on the Company's performance.

COMPLIANCE WITH THE LISTING RULES

Our ordinary shares are listed on the Colombo Stock Exchange.
In accordance with the Listing Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, we confirm that throughout the year ended 31 March 2012 and at the date of this document, we were compliant with the provisions of and applied the principles of Section 7.10 of the CSE's listing rules.
The Institute of Chartered Accountants of Sri Lanka has issued the new Sri Lanka Financial Reporting Standards applicable for financial years beginning on or after 1st January 2012. We will report on it for the first time in our 2012/13 financial year and intend to be in compliance.

ROLE OF THE BOARD

ICASL CODE A.1.

Our core purpose is to ensure long term success of the Company and long term returns to our shareholders. This requires us to determine business strategy and our appetite for risk. We need to monitor management's performance in delivering against that strategy and ensure that the risk management measures and internal controls they put in place are appropriate and effective. We must ensure that the funding and talent available to the business will support it over the long term. Finally, we must remain aware of the Company's obligations to its shareholders and other stakeholders and respond to their needs with transparent reporting and active engagement.

To help discharge these key responsibilities, the Board has defined the business and governance issues which are reserved for its final decision. These form the basis of its core agenda and are summarized below:

Schedule of matters reserved for the Board

Business Strategy:-

- Determining strategy and approval of plans and budgets.
- Approval of major acquisitions and disposals.
- Approval of investments.

Risk appetite, funding and liquidity:-

- Determining the Company's risk appetite.
- Agreeing the Company's capital structure, funding, borrowing limits and liquidity.
- Approval of Treasury policies including credit exposures and interest rate, foreign currency translation and hedging.

Risk management and internal controls:-

- Reviewing the effectiveness of the Company's risk management framework and internal controls and reporting on that review to shareholders.

Financial reporting and dividends:-

- Recommending and declaring dividends.
- Approval of major accounting policies.
- Approval of financial statements and results announcements.
- Approval of all shareholder circulars and notices of meeting.

Appointments:-

- Appointment of directors.
- Appointment of auditors.
- Appointment of Board Committees, their terms of reference and membership.

Remuneration:-

- Approval of the Company's remuneration philosophy and the principles of its remuneration policy.
- Approval, on the recommendation of the Remuneration Committee, of the Company's total variable compensation spend each year.
- Approval of new share incentive plans prior to their submission to shareholders for approval.

BOARD AGENDA LAST YEAR

The table below summarises the main business topics addressed by the Board during the year in addition to their regular review of business performance.

Summary of Board business -2011/12

- Approval of Year end results
- Review of 2011/12 year end results and reporting
- Year end review of risk management and internal controls
- Recommendation of final dividend
- Approval of Annual Report contents
- Approval of interim results, and interim dividend
- Review of Business plans and Goals
- Approval of 2012/13 Budget
- Review on a regular basis the company's performance vis a vis the agreed plan and strategy.
- Review the Human Resources plan and the remuneration policy.

Planning for 2012/13

- Review of liquidity and capital position and executive proposals for change
- Performance of the Group and Strategic outlook for the next five years.

KEY BOARD RELATIONSHIPS

ICASL CODE A.2

Of critical importance to the effective working of the Board, is the relationship of the Chairman with the Chief Executive (CEO). While the Chairman is responsible for leading and running the Board, the CEO leads and runs the business. A summary of their clearly differentiated but complementary roles is given below. The CEO keeps the chairman closely informed on developments in the business, regularly discusses with him the Board's thinking and concerns and identifies issues for further debate. Together they explore ways in which they can best engage the Board on important issues and maximise non executive contribution.

ROLE OF THE CHAIRMAN AND CEO

ICASL CODE A.3

In addition to his regular dialogue with the Chief Executive on management's interface with the Board, the chairman spends time working on the Board's forward agenda and on detailed preparation for meetings in conjunction with the Company Secretary. His aim is that Board meetings should allow full and free discussion, unburdened by time constraint and over prescription, while still delivering proper governance and the timely addressing of issues. Both the Chairman and the CEO keep non-executive Board members updated on all important and topical developments and give them the opportunity to raise any issues of concern. Material and information presented by management are designed to facilitate well informed decision making. In chairing Board meetings, the Chairman encourages expression of the broadest range of views, particularly those which may challenge management. He seeks to foster open and trusting relationships between executive and non-executive Board members and is regularly rewarded with robust, incisive and good humored debate.

Chairman

- Leads the Board and sets its agenda including agreeing strategy and determining risk appetite.
- Ensures the regular flow of accurate and relevant management information to enable the Board to make sound decisions and monitor business performance.
- Ensures, with the support of the Nomination Committee, effective Board succession planning.
- Fosters effective Board relationships, evaluation of Board performance and follow up action.
- Ensures effective communication with shareholders and that the Board develops a clear understanding of their views.
- Ensures the effective functioning of all Board Committees.

Chief Executive

- Leads the Executive Committee in developing business strategy for Board approval and in managing risk.
- Runs the business, through the executive management, on a day to day basis and reports to the Board on performance and significant developments.
- Builds and maintains an effective Executive Committee and management team.
- Communicates and instills throughout the business a shared purpose, culture and set of values.
- Maintains, in conjunction with the Chief Financial Officer and Investor Relations team, an effective dialogue with stakeholders and investors.

To help obtain a comprehensive view of Board activity and Board members' contribution, the Chairman attends Remuneration Committee meetings and the Nomination Committee as their chairman. In addition, he is in frequent touch with Board members between formal meetings to keep them updated or seek their views on particular issues. The chairman is always keen to preserve the immediacy and informality of communication which he believes is one of the great strengths of our Board.

CORPORATE GOVERNANCE

BOARD STRUCTURE

ICASL CODE A.5

Hemas has a focused close knit Board comprised of an effective balance of executive and non executive directors. Board Committee memberships and terms of appointment of each director as at 31st March 2012 are set out in the table below.

The Board

	Lalith de Mel	Husein Esufally	Abbas Esufally	Imtiaz Esufally	Murtaza Esufally
Term of Office	Mr. Lalith de Mel was appointed to the Board as an independent director in April 2002. He was elected Chairman in the year 2003 which Office he holds to date. Each year, his re appointment to the Board is placed before the shareholders for approval.	Mr. Husein Esufally was appointed to the Board in October 1997. He currently serves as the Chief Executive Officer of the Group.	Mr. Abbas Esufally was appointed to the Board in May 1991and served as an executive director until his retirement in 2007. He now holds the office of non executive director/Advisor..	Mr. Imtiaz Esufally was appointed to the Board in May 1991. He serves as an executive director and as Chairman of the Transportation Sector of the Group.	Mr. Murtaza Esufally was appointed to the Board in September 1998 and is an executive director, heading the Healthcare sector of the group.
Committee Membership	Mr. Lalith de Mel serves as the Chairman of the Remuneration and Nominations committees.	Mr. Husein Esufally attends Audit committee meetings and meetings of the Remuneration and Nomination Committees, as an invitee.	None	Mr. Imtiaz Esufally attends meetings of the Audit Committee by invitation.	None.

	Maithri Wickremesinghe	Pradipta Mohapatra	Divyaroop Bhatnagar	Ramabadran Gopalakrishnan
Term of Office	Mr. Maithri Wickremesinghe was appointed to the Board as an independent director in 2003. His current term in Office expires in July 2012 .	Mr. Pradipta Mohapatra was appointed to the Board in July 2007 and serves as an independent director. His current term in Office expires in June 2013.	Mr. Divyaroop Bhatnagar was appointed to the Board in August 2003 and served as an executive director until he stepped down from his executive position in March 2008. Mr. Bhatnagar continued to serve on the board as a non executive director .His current Term of Office expired on 31st March 2012.	Mr. Ramabadran Gopalkrishnan was appointed to the Board as an independent director on 1st April 2012.
Committee Membership	Mr. Wickremesinghe serves as the Chairman of the Audit Committee and member of the Remuneration Committee.	Mr. Mohapatra is a member of the Audit Committee and Nomination Committee.	None	None

A brief resume of each of the above directors is given on page 56 of this report.

FINANCIAL ACUMEN

ICSAL CODE A.4

Our Board benefits from a broad and rich base of non-executive expertise. Together our non-executives bring to Hemas a powerful mix of experience in Corporate Finance, Financial services, Legal and Marketing. Some have worked at director level in large multinational organizations whilst others have specialised experience and are proven entrepreneurs. Each has the global perspective and outlook required for the successful direction of Hemas' business.

The executive directors, supported by senior management, are responsible for the day to day operation and development of the business.

CONTRIBUTION OF NON EXECUTIVES

Non-executive directors are appointed for an initial three year term, subject to their retirement by rotation and reappointment by shareholders at the Company's AGM, after which a second term of three years may be mutually agreed. Their annual time commitment will vary according to their service on Board Committees and the demands of the business. Each director confirms at the time of their appointment that they have sufficient time to give to the role. The non-executive directors make every effort to attend all scheduled and short notice meetings, even if on occasion this requires them to join a meeting by telephone or via Tele conference from a different time zone.

The non-executive directors are appointed to bring an external and independent view, both to support and when appropriate, challenge their management colleagues.

Our non-executive directors closely monitor management performance against the agreed strategy and direction and seek remedial or alternative action where objectives are not being met. Their independence from management also allows them to play a critical part in key Board governance functions through their detailed work on three Board Committees, the summary roles of which are outlined below.

The Chairman of each Committee reports to the Board on matters discussed at Committee meetings and highlights any significant issues requiring Board attention. Reports from the Chairmen of the Audit, Remuneration and Nomination Committees on the work of those Committees during the year are given on pages 51, 52 and 53 respectively.

Full terms of reference of these Board Committees can be obtained from the Secretaries on request.

AUDIT COMMITTEE

- reviews the integrity of financial reporting to shareholders.
- reviews the effectiveness of the Company's risk management framework and internal controls.
- determines the scope of external audit and reviews its findings and effectiveness.
- reviews Internal Audit reports and monitors management's response to their recommendations.
- recommends the appointment, reappointment and removal of the external auditors.
- Approves the remuneration and terms of appointment of the external auditors.

REMUNERATION COMMITTEE

- determines and agrees with the Board the principles of the Company's remuneration policy.
- determines the total compensation for executive directors, the CEO and executive committee members, within that policy.
- recommends to the Board the quantum of the Company's annual variable compensation.
- Sets vesting criteria for share incentive plans.

NOMINATION COMMITTEE

- reviews the Board's skill and experience base and proposes any necessary changes.
- directs the search and selection process for new appointments and recommends preferred candidates to the Company and subsidiary boards.
- oversees senior management succession planning to ensure continuity of executive resource at and just below Board.

OTHER COMMITTEES

The following committee forms part of the Corporate Governance framework, but is not a formally appointed committee of the Board.

BOARD OF MANAGEMENT

The Executive Directors, together with the Group Business Heads, meet each month as the Executive Committee under the chairmanship of the Chief Executive Officer. The role of the Executive

Committee is to develop overall group strategy and annual business plans, review business plans against budgets, design and review policies and controls and provide a platform to the Chief Executive to raise ideas and issues and obtain input.

Biographical details of the members of the Board of Management are set out on page 58.

INDEPENDENCE

ICASL CODE A.5

One of the key qualities required of non-executives is that they should have the independence of character and judgment which enables them to challenge their executive colleagues constructively and dispassionately and to carry our their broad governance role. We recognise the importance of non-executives' independence to our shareholders and it is one of the issues we test in our annual evaluation of directors' effectiveness.

The independence of the directors was determined based on the criteria as defined in the Listing Rules of the Colombo Stock Exchange. Each of the following directors have submitted signed statements declaring their independence:-

Mr. J C L De Mel *
Mr. M E Wickremesinghe *
Mr. P K Mohapatra
Mr. D Bhatnagar

*Notwithstanding the fact that both Messrs J.C.L. De Mel and M E Wickremesinghe have served as directors for over 9 consecutive years, the Board considers them independent, given their impartial approach to the deliberations of the Board.

EXTERNAL INTERESTS

All directors have a duty to avoid situations which create or may create a conflict with the interests of the Company. For this reason we ask our non-executive directors to notify us of their external business appointments and interests prior to joining the Company and to keep us advised of any changes on a continuing basis. If a particular directorship is identified as representing a potential conflict of interest, the director in question will declare his interest and not participate in any Board discussion relating to that company.

DIRECTORS' INDEMNITY AND INSURANCE COVER

On their appointment, new directors are granted an indemnity by the Company, to the extent permitted by law, in respect of any third party liabilities which they may incur as a result of their service on the Board. The Company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which the Company indemnity does not meet. Neither the indemnity nor the insurance provides any protection in the event of a director being found to have acted fraudulently or dishonestly in respect of the Company.

IMPROVING EFFECTIVENESS OF THE BOARD

ICASL CODE A.6

Continuing education and development

There is considerable emphasis on keeping the Board's knowledge of the business substantive and current. Of parallel importance is the need for directors to keep up to date with relevant regulatory developments, corporate governance trends and changes in investor expectations, some of which impact in particular on the non-executive role.

The Company Secretary researches and regularly circulates details of external programs to facilitate this. In addition, all directors are aware that they may, if they consider it necessary, seek independent professional advice at the Company's expense in relation to the discharge of their role.

The Company convenes at least five Board meetings a year for which detailed Agenda are prepared by the Company Secretary in consultation with the chairman. Comprehensive discussion papers on each of the topics for discussion are circulated to the members at least seven working days prior to a meeting to enable the directors to facilitate its effective conduct.

APPOINTMENTS TO THE BOARD

ICASL CODE A.7

A formal and transparent procedure exists for all appointments to the Board. A Nominations Committee comprising two independent directors and the CEO meet as required to review and make recommendations to the Board on the suitability of the appointment and re appointment of directors to the Company and its subsidiaries and to regularly review the structure, size , composition and competencies of the Board.

A statement by the Nominations Committee is given on page 53 of this Report.

RETIREMENT AND RE ELECTION

ICASL CODE A.8

All directors' appointments are subject to their retirement by rotation at three year intervals and reappointment by shareholders at the Company's Annual General Meetings (AGMs). The Chairman retires at each AGM in terms of Section 210 of the Act and is eligible for re appointment in accordance with Section 211 of the Act.

BOARD EVALUATION

ICASL CODE A.9

Every year the Board conducts a review of its performance as a Board and identifies issues on which it needs to work.
A performance evaluation of the Board was carried out last year at which an assessment of the Board's performance was made against key drivers of effectiveness including strategy development, the decision making process, Board-management relationships, board processes and meetings and succession planning. Feedback was also sought on the operation of the principal Board Committees and on the contributions of individual directors. The review indicated that overall the Board and its principal Committees were operating effectively.

The relationship between the Chairman and CEO was considered to be sound and it was felt that major issues were fully discussed before decisions were made.

DISCLOSURE OF INFORMATION IN RELATION TO DIRECTORS

ICASL CODE A.10

The names of the Directors who served during the year and as at date are disclosed in the Corporate Information page of this report.

Directors' interest in contracts with the Company are set out on page 54.

The table below provides a record of directors' individual attendance at Board and committee meetings, in person or by telephone.

DIRECTORS' REMUNERATION

ICASL CODE B. 1,2 AND 3

The Remuneration Committee, comprising two independent directors, within agreed terms of reference, makes recommendations to the Board on the policy for remunerating executive directors, the CEO and senior management. The Committee consults the CEO, who participates in the deliberations, about its proposals relating to the remuneration framework of other executive directors. They have access to professional advise in discharging their responsibilities and review data of comparable companies when positioning levels of remuneration of executive directors and senior management.

The aggregate remuneration paid to the executive and non executive directors for the year under review is disclosed on page 61 of this Report.

Number of meetings attended				
	Board	Audit Committee	Remuneration Committee	Nominations Committee
Mr. J C L De Mel	7/7		5/5	4/4
Mr. H E Esufally	7/7	7/7*	5/5	4/4
Mr. A N Esufally	7/7			
Mr. I A H Esufally	7/7	7/7*		
Mr. M E Wickremesinghe	7/7	7/7	5/5	
Mr. M A H Esufally	6/7			
Mr. P K Mohapatra	6/7			4/4
Mr. D Bhatnagar	7/7			
Mr. R Gopalakrishnan (Appointed on 1st April 2012)				

**By invitation*

CORPORATE GOVERNANCE

CONSTRUCTIVE USE OF THE AGM

ICASL CODE C.1

We are always pleased to hear the views of our stakeholders and to answer their queries by telephone or in writing. We encourage them to make maximum use of our website (www@hemas.com) to access Company reports, notices of meetings and general shareholder and dividend information.

Each AGM includes an open question period allowing shareholders to ask about any areas of the Company's performance as well as to discuss the specific resolutions proposed at the meeting. All our directors were available at the last AGM to answer questions and many circulated and talked to shareholders informally after the meeting. Voting on all the resolutions was by a show of hands and all the resolutions were passed unanimously.

MAJOR TRANSACTIONS

ICASL CODE C.2

There were no major transactions carried out during the financial year under review which materially altered the Company's net asset base or the consolidated group net asset base.

FINANCIAL REPORTING CONTROLS

ICASL CODE D.1

The financial reporting control system operating across the Group requires certification of the key controls over the financial reporting processes and certification of material income statement and balance sheet accounts. The system focuses on the financial reporting process over the most material financial statement line items and is designed to maintain proper accounting records and provide assurance that financial information used within the business and for publication is reliable.

Compliance

The Board of Directors confirm that they have taken all reasonable steps to ensure that the financial statements of the Company and the Group have been prepared in a meaningful manner and are in accordance with all applicable regulations.

The Directors' Responsibility Statement is given on page 68 of this Report.

GOVERNANCE OF RISK

ICASL CODE D.2

The Board is ultimately responsible for the framework of the Group's risk governance and risk management.

The Board is responsible for:

- determining overall risk management strategy.
- ensuring that risk is monitored and controlled effectively.
- the Group's systems of internal control.

GOVERNANCE FRAMEWORK

ICASL CODE D.3

The Audit Committee of the Board provides independent oversight and challenge in relation to internal control and risk management systems.

The Chief Executive has, through the authority given to him by the Board, given delegated authority for the oversight of risk from within the business to senior management from both line businesses and risk control functions.

Senior management in the businesses are accountable for all risks assumed in their areas of responsibility and for the execution of appropriate risk management discipline within the framework of policy and delegated authority set out by the Board. The principle of individual accountability and responsibility for risk management is an important feature of our corporate culture. Day to day independent and objective assessment and monitoring of risk is provided by various control functions at the Group level and in the business. These control functions include Group Risk, Finance, Legal and Compliance, Human Resources and Internal Audit. In addition, risk management functions reside within each business unit, with formal reporting lines and segregation of duties for the key risk, compliance, legal and finance functions.

OPERATIONAL RISK AND INTERNAL CONTROLS

Operational risk arises from the potential for the Group to suffer losses due to failures in processes or procedures in its business. Operational risk is mitigated by the Group's control environment. The directors and senior managers of the Group are committed to maintaining high standards of control and a risk aware culture to safeguard the Group's assets, reputation and franchise. The Group pays particular attention to operational and reputational risks relating to product suitability, sales practices at intermediaries and the accuracy of its valuation and investor reporting processes.

Significant resources are devoted to protecting the resilience of the Group's information technology systems, including formal business continuity plans and remote data back-up and disaster recovery facilities for each of its key locations. Business continuity for its core activities is regularly tested to maintain effectiveness. An insurance program is tailored to its risk profile and designed to maximise breadth of cover and certainty of response in respect of key third party liabilities, loss of Group assets, business interruption, professional indemnity, cash and goods in transit and people-related exposures. The Company's systems of internal control aim to safeguard assets, maintain proper accounting records and provide assurance that the financial information used in the business and published externally is robust and reliable.

Review of controls and risk management systems

The Board receives reports from line management and Group Risk on the risks to the achievement of the Group's operational and financial objectives, together with assurance that the level of risk sustained is consistent with and being managed in accordance with its risk appetite. This includes reports on the current and forward looking assessments of capital and liquidity adequacy. The Audit Committee receives reports from The Senior Manager, Risk and Control which considers the effectiveness of risk controls through regular monitoring of risk scenarios, key risk indicators and operational risk incident reports. This is described in more detail in the Risk Management section of the report on pages 48-50 and from the Chairman of the Audit Committee. Objective assurance on the operation and effectiveness of internal controls is provided by Internal Audit whose audit program is targeted on the business areas and processes that are most significant in terms of the Group's risk profile and where there are key controls on which the Group relies.

In addition to its ongoing monitoring of risk controls, the Board has conducted a specific year end review of the effectiveness of the Group's system of internal control and risk management during the year and for the period up to the date of this Annual Report. This process, which was also reviewed by the Audit Committee, covered all controls; operational, financial and compliance and risk management systems. It included a review of all significant operational risk incidents and internal audit findings raised during the year. Management does, however, have an ongoing process for identifying, evaluating and managing significant risks faced by the Group and continually takes action to improve internal controls as a result of its own initiatives and in response to reports from Internal Audit and other internal and external reviews.

Trading in Company securities by Directors, Officers and Employees

The Colombo Stock Exchange has established guidelines, that restrict dealings by directors and relevant employees in the Company's shares and in shares in other companies related to the Company's operations.

Based on the guidelines and on the basis of knowledge of unpublished price-sensitive information, directors and relevant employees are restricted from buying or selling shares during identified periods. These periods include two (02) market days following the announcement of quarterly and full year results and following the announcement of a dividend or share issue.

CODE OF CONDUCT

ICASL CODE D.4

Through established practices and policies the Board supports the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors, senior managers and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Group. Appropriate training programs on the Group's internal policies including workplace health and safety, environmental law compliance, trade practices legislation and affirmative action programs support this process. The Board recognises that managing "natural, human, social and other forms of capital" may also assist in creating value for shareholders. To this end the Board seeks, by the individual contributions of directors and by encouraging activities of its executives, to uphold community standards and to maintain good relations with community and government organisations.

The Code of Conduct which draws together all of the Company's policies and codes was made more comprehensive during the year and is available on the Company's website www.hemas.com

All directors and members of the senior management affirm that they have complied with the Code during the year under review.

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

ICASL CODE D.5

The Company has, throughout the year ended 31 March 2012, applied the principles of and complied with the provisions of the Code of Best Practice on Corporate Governance (2008) issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

INSTITUTIONAL INVESTORS

ICASL CODE E.1

Hemas undertakes a series of meetings and events for institutional investors and research analysts each year. The Board routinely receives, as part of the Chief Financial Officer's monthly performance review report, updates on significant share movements, analysts' consensus forecasts, market sentiment and feedback from investor meetings. The CEO and the Chief Financial Officer attend results presentations to analysts and hear at first hand their perceptions and concerns about the business.

THE FUTURE

The essence of good corporate governance is ensuring trustworthy relations between the corporation and its stakeholders. Therefore, good governance involves a lot more than compliance. Good corporate governance is a culture and a climate of Consistency, Responsibility, Accountability, Fairness, Transparency, and Effectiveness that is deployed throughout the organization.

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Your board will continue to provide effective oversight and strategic guidance to the management, establishing a culture that sets the right tone at the top, which is critical for establishing the 'trust' for the corporation with all its stakeholders.

We look forward to welcoming shareholders to our AGM to be held on 29th June 2012 and updating them on the progress and significant changes to the business this year.

CSE Rule No.	Applicable Rule	Requirement	Status of compliance	Reference to Annual Report
7.10.1	Non executive Directors(NEDs)	Two or at least one third of the total number of Directors should be NEDs.	√	Corporate Governance Report
7.10.2 (a)	Independent Directors	Two or one third of NEDs (whichever is higher) should be independent	√	Corporate Governance Report
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	√	Corporate Governance Report
7.10.3 (a) and (b)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	√	Corporate Governance Report
- do -	Disclosure relating to Directors	The basis for determination of independence of NEDs, if criteria for independence is not met.	√	Corporate Governance Report
7.10.3 (c)	Brief Resume of each Director in the Annual Report	A brief resume of each Director should be included in the Annual Report, including his area of expertise	√	Annual Report of the Directors
7.10.4	Criteria for defining "independence"	Requirements for fulfilling criteria	√	Corporate Governance Report

CSE Rule No.	Applicable Rule	Requirement	Status of compliance	Reference to Annual Report
Rules relating to Remuneration Committees				
7.10.5 (a)	Composition of Remuneration Committee	The Committee shall comprise of Non–Executive Directors, a majority of whom shall be independent. The Chairman of the Committee shall be a Non-Executive Director.	√	Remuneration Committee Report
7.10.5 (b)	Disclosure of the functions of the Remuneration Committee	The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role.	√	Corporate Governance Report & Remuneration Committee Report
7.10.5 (c)	Disclosure in the Annual Report	The Report should include the names of the Remuneration Committee members, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non - Executive directors.	√	Corporate Governance Report, the Annual Report of the Directors and the Remuneration Committee report.
Rules relating to Audit Committees				
7.10.6 (a)	Composition of Audit Committee	Shall Comprise of NEDs, a majority of who shall be independent. The Chairman of the Committee shall be a Non-Executive director. The Chairman or a member should be a member of a recognized professional accounting body.	√	Corporate Governance Report, the Annual Report of the Directors and the Audit Committee report.
7.10.6 (b)	Functions of the Audit Committee	*Overseeing the preparation , presentation and adequacy of the disclosures in the financial statements in accordance with the SLAS. *Overseeing compliance with financial reporting related regulations and requirements. *Overseeing the processes to ensure that internal controls and risk management are adequate. *Assessing the independence and performance of the external auditors. *Recommending to the board the appointment, re- appointment and removal of the external auditors and approving their remuneration and terms of engagement.	√	Corporate Governance Report and the Audit Committee report.
7.10.6 (c)	Disclosure in the Annual Report	The names of the members of the Audit Committee. The basis of determination of their independence. A report of the Audit Committee setting out the manner of compliance with their functions.	√	Annual Report of the Directors and Audit Committee report.

RISK MANAGEMENT

As a successful diversified conglomerate, we believe that our dynamic approach to risk management ensures that key risks are proactively identified, assessed and appropriate risk responses are taken. Our ongoing assessment process takes into account the likelihood of an event, its potential impact on the business and the need for mitigation controls.

Our system of risk management identifies and provides the response to risks of group significance and business significance through the establishment of standards and other controls. The risks are categorized as: Strategic, Financial, Compliance and Operational.

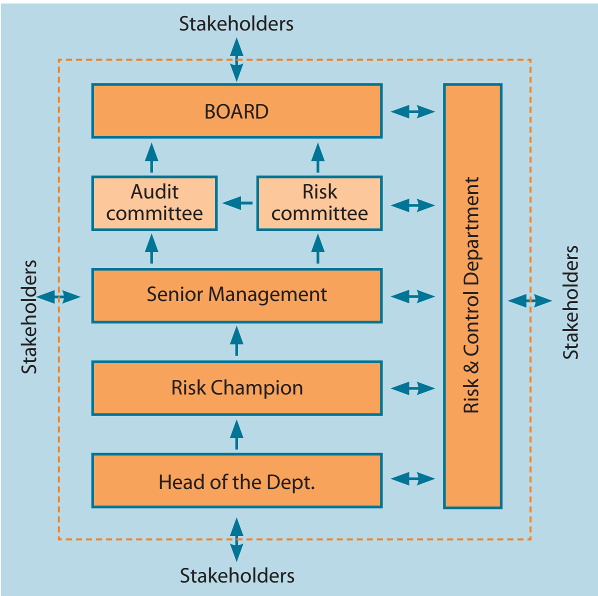
We have adopted the ISO 31000 standard of risk management and this framework has been established at both Group and SBU level to enable scarce resources to the opportunities that are expected to generate maximum return whilst minimizing the associated risk. It elaborates on risk identification, risk assessment, risk response and risk reporting methodologies.

RISK MANAGEMENT POLICY

Our policy for risk management is to proactively manage risk to ensure continued growth of our business and to protect the value created. Accordingly we;

- Utilize an effective and integrated risk management system while maintaining business flexibility.
- Identify and assess material risks associated with our business and monitor, manage and mitigate risks.

THE BOARD AND RISK MANAGEMENT



One of the tasks of the Hemas Holdings Board is to ensure that the entity is functioning effectively and that the material risks to the group are identified and understood, and that the systems of risk management and internal control are in place to responsed to those risks.

INTERNAL CONTROL, AUDIT AND RISK MANAGEMENT

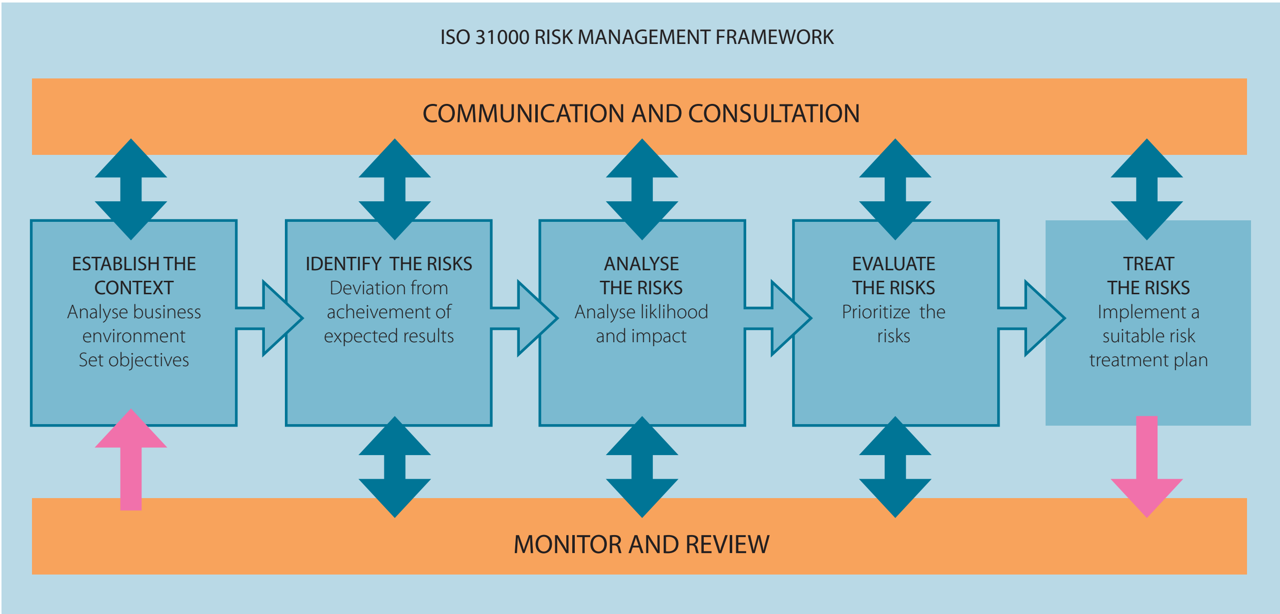
The agenda for the audit committee contains standing items on internal controls. These include the quarterly internal audit findings report, an evaluation of internal controls, and an annual assessment of Hemas's enterprise level controls.

Group Risk Management Committee (GRMC) has been formed to overlook the risk management process. The GRMC meets once every quarter to review the company's risk profile and to provide guidance on required risk responses.

As part of Risk Management process, at the Group level, the Board reviews on a continuous basis its strategies, processes, procedures and guidelines to effectively identify, assess and respond to risks. Further, at SBU level, the management of subsidiaries have developed processess to identify, assess and respond to risks.

The group wide risk management programme is being facilitated by Risk and Control division with the inputs from Business Strategy, Corporate Finance, Group treasury and Group HR divisions.

Risk facilitation is exercised through risk workshops, risk reviews, essential control checklists and risk reporting.



KEY RISKS AND ACTION PLANS

The following framework depicts the specific and most relevant risks faced by the group and the management actions to respond to the risks. The risks are not ranked, but are categorized and described.

Risk	Risk exposure	Mitigating actions
Market Risk	Loss of market share or market leadership in relevant segments due to intense competition from existing and potential competitors, changes in customers attitudes and adverse economic conditions.	• Regular monitoring of key customers and consumer trends • Enhance productivity/efficiency to improve price competitiveness • Continuous focus on innovation • Focus on new markets and growth prospects
Business Partner Risk	Loss of principals/business partners due to global mergers and acquisitions, intense competition, service level gaps.	• Seek new market opportunities and develop new alliances to minimize exposure to a single business partner. • Regular assessments of service levels in order to ensure business partner expectations are met • Develop strategies to maximize value proposition of existing business partners
Growth Risk	Risk of core businesses of the portfolio being in the maturity/declining phase.	• Develop strategies to win the market share from competitors through continuous innovation and value enhancement. • Identify new business opportunities that leverage on core competencies
Investment Risk	Effect on future profitability of the Group by the degree of realization of expected earnings on investments.	• Information on returns from business activity is aggregated each quarter to form an early risk warning system • Gaps in the business portfolio are identified and potential new areas of business identified.

RISK MANAGEMENT

Risk	Risk exposure	Mitigating actions
Legal and Regulatory Risk	Changes to regulations or new regulations imposed could bring adverse effect on our businesses.	• The centralized Legal division assists and advises the companies across the Group on legal matters. • 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.
Operational Risk	Internal process failures, fraud, breakdown of internal controls, failure to comply with statutory requirements, natural and man made disasters could result in potential loss of earnings as well as reputation.	• Maintain objectivity and independence of the internal audit function. • Business Continuity Plans are in place to ensure the smooth operation of the businesses even at a time of disaster. • Seek continuous improvement of processes through process documentation, root cause analysis, vendor performance evaluation, customer satisfaction measurement etc.
Product Risk	Possibility of products becoming irrelevant in the market	• Product innovation is given high priority. • Strategies are developed to get closer to customers and be responsive to their needs.
Interest rate and Foreign Exchange Risk	Potential losses as a result of adverse movement of interest and high volatility in foreign currency exchange rates against the Sri Lankan Rupee.	• Exchange rate movements are constantly monitored for currencies in which the Group carries exposure, to ensure timely actions to hedge. • Centralized treasury management • Managing interest rate risk and foreign exchange exposure through appropriate financial risk management techniques.
Human Resource Risk	Risk arising as a result of failure to attract, develop and retain a skiled workforce	• Build strong employer brand image and talent management process to retain critical employees in the long term. • Develop career development programme, mentoring programmes and performance based rewards programs. • Periodic salary surveys to ensure that remuneration is in line with the market.
IT Risk	Inaccuracy or delays in decision making due to inaccurate or non availability of timely information from key computer system since the Group depends mainly on IT system for information purpose.	• A centralized IT team is mobilized in the Group • A contingency plan is in place to mitigate the risk of IT failures. • Comprehensive IT policy across the Group to ensure adequate systems and controls are in place.

REPORT OF THE REMUNERATION COMMITTEE

THE ROLE

The role of the committee is to set the Company's remuneration policy. This policy must support the growth of the business and facilitate the increase in shareholder value. In order to achieve this it must ensure that the Company's remuneration policies will attract, motivate and retain the high quality staff required.

The Charter determines the terms of reference for the Remuneration Committee. It includes the management of the Group's Board and Executive Remuneration Policy and setting the broad parameters of remuneration for senior executives across the group.

The Remuneration Committee of the Board of Directors is responsible for reviewing and recommending compensation arrangements for the directors, the Chief Executive Officer and other key management personnel. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and Management team.

Executives are given the opportunity to receive their base emolument in the form of cash and non-cash benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating additional cost for the Group. The Remuneration Committee obtains independent advice on remuneration strategy and the appropriateness of remuneration packages given trends in comparable companies.

The Committee will continue to consider the ability of the Group to fund changes to remuneration packages in the short and longer term when determining future executive compensation packages and to align remuneration to performance.

REMUNERATION POLICY

The Remuneration Policy aims to ensure that:

- Remuneration is aligned with and supports the Group's business strategies.
- Rewards are competitive in motivating, attracting and retaining executive talent to deliver continued and sustainable growth in total shareholder returns.
- Executives receive a level of reward that reflects the Group's performance and is also commensurate with the executive's performance, contribution and experience.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, business unit and overall performance of the Group and market practices.
In addition external consultants provide analysis and advice to ensure key management personnel remuneration is competitive in the market place.

All executive remuneration decisions are made at Board level, upon recommendation by the Remuneration Committee.

NON-EXECUTIVE DIRECTORS' REMUNERATION FRAMEWORK

Non-executive directors do not receive equity based compensation or any performance based remuneration. Directors' fees cover all board activities including membership of board committees. In considering the level of remuneration for non-executive directors, the Remuneration Committee takes into account independently sourced survey data and other information about the level of fees and benefits being paid to non-executive directors by comparable companies and endeavors to ensure having an excellent Board.

STOCK OPTIONS

The Company grants share options as a means of linking employee rewards to creating shareholder value. In 2008, the shareholders approved the granting of 3,000,000 shares as options. As a consequence of a subdivision of shares carried out by the Company in 2010, the number of ESOS shares available for allotment increased to 15,000,000. The options granted have to be held for a minimum period of 3 years. This links in to the objective of motivating and retaining key staff. During the year under review, the 3rd and final tranche of 3,250,000 shares were issued.

Stock Options granted by the Company over the years are given in detail in the Annual Report of the Directors.

The Remuneration Committee determines the guidelines for the issue of options and also the criteria for selecting the persons to whom options will be granted. The Remuneration Committee, in consultation with the CEO, formulates the recommendation to the Board on the grant of options.

INDEPENDENCE OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises two independent directors, namely:

Mr. J C L De Mel - *Chairman*
Mr. M E Wickremesinghe
The CEO is invited to participate at meetings of the Committee.

Lalith De Mel
Chairman
May 25, 2012

AUDIT COMMITTEE REPORT

The members of the Audit Committee of your Company are appointed by the Board from amongst the independent non-executive Directors and consists of Maithri Wickremesinghe, Chairman and Pradipta Mohapatra, two directors who qualify as Independent Non-Executive Directors under the standards prescribed by the Colombo Stock Exchange.

The main role and responsibilities of the Audit Committee include;

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

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

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

(d) assessing the independence and performance of the Company's external auditors;

(e) making recommendations to the Board pertaining to appointment, re-appointment and in appropriate circumstances removal of the external auditors;

(f) considering (if appropriate) the degree of any work undertaken by the external auditor for the group other than the statutory audit; and

(g) approving the remuneration and terms of engagement of the external auditors.

The internal auditors report to the Audit Committee which meets with the internal auditors both with and without the management present.

The Audit Committee met seven times during the financial year ended 31st March 2012. The Audit Committee invited Mr. Husein Esufally, the CEO, Mr. Imtiaz Esufally, Director, Mr. Malinga Arsakularatne CFO and Mr. Prasenna Balachandran Head of Risk Management to attend its meetings although it reserved the right to request any of the individuals to withdraw. The Audit Committee inter alia engaged in the following activities during the financial year under review:-

- Review of the un-audited quarterly financial statements and discussion of these financial statements with management.
- Review of the audited financial statements for the year and discussion of those financial statements with the management and external auditors.
- Discussion with the Company's external auditors the results of the external auditors examinations and the judgment of the external auditors concerning the quality as well as the acceptability of the Company's accounting principles.
- Discussion of the management letter issued by the external auditors and monitoring follow up action by the management.
- Discussion with the external auditors of their independence from the Company and the Company's management including a consideration of the compatibility of non-audit services provided by the external auditors with their independence.
- Review of the internal audit plan for the Company and unlisted subsidiaries and monitoring the performance of the internal auditors and their adherence to the internal audit plan.
- Review of the internal audit reports and monitoring follow up action by the management of the Company and its unlisted subsidiaries.
- Commissioning follow up reviews and reviewing the reports.
- Introduced a Whistle Blowing Policy for the group.

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

Maithri Wickremesinghe
Chairman

Pradipta Mohapatra
Director
May 25, 2012

NOMINATIONS COMMITTEE REPORT

A Nominations Committee comprising, two independent directors and the group CEO was established in June 2011. The Terms of Reference of the Committee is as follows:-

- Be responsible for identifying candidates to fill vacancies on the board, as and when they arise and nominate them for approval of the board.
- Before making an appointment evaluate the balance of skills, knowledge and experience on the board and on the basis of this evaluation, prepare a description of the role and capabilities required for the particular appointment.
- Consider candidates for appointment from a wide range of backgrounds.
- Review regularly the structure, size and composition of the board and make recommendations for any changes to the board.
- Ensure that on appointment to the board, Non Executive Directors receive a formal letter of appointment setting out what is expected of them including time commitment and membership of board committees.

The Committee met formally on four occasions during the year to consider and make recommendations on changes necessary to the existing Board of Directors and the composition of the boards of the subsidiaries.

Mr. Divyaroop Bhatnagar, whose term in Office expired on 31st March 2012, resigned from the Board as from that date. Whilst acknowledging the immense contribution made by Mr. Bhatnagar, the Committee recommended the appointment of Mr. R Gopalakrishnan, which recommendation was unanimously accepted by the Board.

The Committee will continue to work closely with the Board in performing their duties and responsibilities effectively.

COMMITTEE MEMBERS:

Mr. J C L De Mel - *Chairman*

Mr. P K Mohapatra

Mr. H E Esufally

Lalith De Mel

Chairman

May 25, 2012

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 36 to the financial statement. In addition, the Company carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities.

Company	Directors	Nature of Transaction	Value 2012 Rs.'000	Value 2011 Rs.'000
Hemas Manufacturing (Pvt) Ltd.	Mr. H Esufally	Dividend Income	165,600	43,374
		Consultancy Fees	75,394	64,500
		IT Charges	16,745	18,897
		Corporate Services Income	1,965	-
		Rental Income	794	-
		Bank Guarantee Charges	54	437
		Interest Expense	(18,241)	(9,874)
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. H Esufally	Consultancy Fees	123,426	100,000
	Mr. M Esufally	IT Charges	28,261	26,889
		Dividend Income	13,410	43,509
		Interest Income	5,793	15,894
		Rental Income	2,143	-
		Corporate Services Income	350	-
		Bank Guarantee Charges	-	184
		Interest Expense	(1,115)	-
Hemas Hospitals (Pvt) Ltd.	Mr. M Esufally	Interest Income	19,204	12,025
	Mr. H Esufally	IT Charges	4,086	4,074
		Bank Guarantee Charges	1,020	1,028
		Consultancy Fees	245	247
		Corporate Services Income	96	-
		Rental expenses	(540)	-
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M Esufally	IT Charges	952	890
		Bank Guarantee Charges	561	566
		Rental Income	-	227
Hemtours (Pvt) Ltd.	Mr. H Esufally	Interest Income	6,146	5,924
	Mr. A Esufally	Dividend Income	-	6,750
		Rental Expense	(302)	-
Diethem Travels Lanka (Pvt) Ltd.	Mr. A Esufally	IT Charges	4,166	2,830
	Mr. H Esufally	Consultancy Fees	245	247
		Corporate Services Income	119	-
		Interest Income	79	664
		Transport and Accommodation Charges	(2,062)	(1,718)
Serendib Hotels PLC	Deshamanya Lalith De Mel	Interest Income	5,430	2,887
	Mr. H Esufally	Bank Guarantee Charges	1,985	-
	Mr. A Esufally	IT Charges	-	17
		Interest Expense	(589)	(60)
Serendib Leisure Management Ltd	Mr. A Esufally	IT Charges	633	-
		Corporate Services Income	16	-
Forbes Air Services (Pvt) Ltd.	Mr. H Esufally	Consultancy Fees	63,960	53,300
	Mr. A Esufally	Dividend Income	3,902	8,640
	Mr. I Esufally	Rental Income	3,316	-
	Mr. M Esufally	Bank Guarantee Charges	765	-
		IT Charges	675	281
		Corporate Services Income	31	-
		Interest Expense	(14,640)	(19,994)
Hemas Air Services (Pvt) Ltd.	Mr. H Esufally	Consultancy Fees	9,593	8,000
	Mr. I Esufally	IT Charges	1,602	1,585
		Dividend Income	502	3,240
		Corporate Services Income	16	-
		Interest Expense	(4,708)	(4,393)
Hemas Travels (Pvt) Ltd.	Mr. H Esufally	IT Charges	3,647	3,244
	Mr. I Esufally	Dividend Income	1,648	4,230
		Consultancy Fees	990	1,000
		Corporate Services Income	71	-
		Bank Guarantee Charges	36	-
		Air Line Ticket Sales	(7,648)	(7,148)

Company	Directors	Nature of Transaction	Value 2012 Rs.'000	Value 2011 Rs.'000
HIF Logistics (Pvt) Ltd..	Mr. I Esufally	Interest Income	350	1,082
Far Shipping Lanka (Pvt) Ltd.	Mr. I Esufally	Dividend Income	4,764	3,950
		Consultancy Fees	1,565	-
		IT Charges	943	901
		Corporate Services Income	79	-
		Interest Income	-	533
Exchange & Finance Investments Ltd.	Mr. I Esufally Mr. H Esufally	Bank Guarantee Charges	13	-
Hemas Aviation (Pvt) Ltd.	Mr. I Esufally	IT Charges	481	468
		Corporate Services Income	73	-
ACX International (Pvt) Ltd.	Mr. I Esufally	IT Charges	393	3,251
		Corporate Services Income	29	-
		Interest Income	-	182
		Consultancy Fees	-	663
		Courier charges	(7)	(48)
Solas Lanka (Pvt) Ltd	Mr. I Esufally	Consultancy Fees	2,134	-
Skynet worldwide express (Pvt) Ltd	Mr. I Esufally	IT Charges	26	-
		Courier charges	(22)	-
Hellman Worldwide Logistics (Pvt) Ltd.	Mr. I Esufally	IT Charges	26	88
Discover the World Marketing (Pvt) Ltd.	Mr. I Esufally	Dividend Income	528	6
Hemas Power PLC	Mr. H Esufally	Dividend Income	187,800	122,070
	Mr. I Esufally	IT Charges	884	717
		Consultancy Fees	306	308
		Corporate Services Income	63	-
		Bank Guarantee Charges	51	51
		Interest Income	-	175
		Interest Expense	(368)	-
Heladhanavi Ltd.	Mr. A Esufally Mr. H Esufally	Bank Guarantee Charges	-	(1,505)
Giddawa Hydro Power (Pvt) Ltd.	Mr. H Esufally	Dividend Income	9,073	2,048
		IT Charges	35	35
		Interest Income	-	53
Peace Haven Resorts Ltd.	Mr. H Esufally	Dividend Income	224	5,630
	Mr. A Esufally	Corporate Services Income	122	-
		Interest Expense	(6,932)	(8,248)
Hemas Developments (Pvt) Ltd.	Mr. A Esufally	Dividend Income	19,636	18,000
		Consultancy Fees	245	463
		Corporate Services Income	122	-
		IT Charges	89	69
		Car parking expenses	(932)	-
		Service Charges	(2,060)	-
		Interest Expense	(3,539)	(6,059)
		Rental Expense	(11,537)	-
Vishwa BPO (Pvt) Ltd.	Mr. H Esufally	Dividend Income	22,500	434
		IT Charges	777	756
		Consultancy Fees	735	370
		Corporate Services Income	449	-
		Interest Expense	(524)	(482)
		Shared Services Expenses	(7,626)	(9,031)
Hemas Corporate Services Income (Pvt) Ltd.	Mr. H Esufally	Corporate Services Income	54	-
		Bank Guarantee Charges	13	26
		Corporate Services Expenses	(2,478)	(4,207)
N-able (Pvt) Ltd.	Mr. I Esufally	Interest Income	5,053	4,517
		Rental Income	918	925
		Bank Guarantee Charges	816	-
		Consultancy Fees	122	123
		Corporate Services Income	85	-
		Interest Expense	-	3
		IT equipment and services	(28,169)	

BOARD PROFILES

DESHAMANYA J C L DE MEL

Non-executive Chairman

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

MR. H N ESUFALLY

Chief Executive Officer

Mr. Husein Esufally serves as the Chief Executive Officer of Hemas Holdings PLC. He was appointed as the Chairman of Hemas Power PLC in 2009 and stepped down from that Office in March 2012.

Mr. Esufally was appointed a member of the Board of Management of the Postgraduate Institute of Management in March this year.
Mr. Esufally has over 28 years of management experience and holds a BSc (Honours) Degree in Electronics from the University of Sussex, UK.

MR. A N ESUFALLY

Non-executive Director

Mr. Abbas Esufally is a Fellow of 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 Dolphin 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.

MR. I A H ESUFALLY

Executive Director

Mr. Imtiaz Esufally holds a Bachelor of Arts (Honours) degree in Accounting and Economics from the University of Kent , UK. He has over 25 years management experience and has been in the forefront of the aviation industry. Mr. Esufally is Chairman of the Transportation Sector and is on the board of Mercantile Shipping PLC. He was elected as Chairman of Hemas Power PLC in April 2012.

MR. M E WICKREMESINGHE

Independent Director

Mr. Maithri Wickremesinghe is an Honours Graduate in Law of the University of Colombo, an Attorney-at-Law of the Supreme Court of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. He is a practicing Attorney-at-Law specializing in Commercial, Corporate & Banking Law.
He has previously lectured and examined at the Faculty of Law of the University of Colombo, at the University of Moratuwa and at the Kotalawela Defense Academy.

MR. M A H ESUFALLY

Executive Director

Mr. Murtaza 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 and Hemas Pharmaceuticals (Pvt) Ltd, subsidiaries of Hemas Holdings PLC.

MR. P K MOHAPATRA

Independent Director

Mr. Pradipta Mohapatra sits on the Board of 15 publicly quoted as well as private companies in India, South Asia, USA and Europe.
He had a long career, working as a director on the main Board of US $4 Billion RPG Enterprises in India, providing oversight to a number of businesses. Pradipta has coached CEOs & CXOs level executives in organisations such as Accenture, Deutsche Bank, HSBC, Ericsson, Cummins, Levis Strauss, Raymond etc. He is a Graduate in Chemical Engineering and Studied Management at the Harvard Business School. He was also invited to be a fellow of the Chartered Management Institute, UK.

Pradipta has been Chairman Confederation of Indian Industries, Southern Region and President Madras Management Association.
He is co-founder and Chairman of Executive and Business Coaching Foundation India Limited and Chennai Business School Limited.

MR. R GOPALAKRISHNAN

Independent Director

Mr. Ramabadran Gopalakrishnan currently serves as Director, Tata Sons Ltd. He is also the Chairman of four Tata companies; ie Tata Auto-Component Systems Ltd., Rallis India Limited, Metahelix Life Sciences Private Ltd, and Advinus Therapeutics Private Ltd.

He has worked for 44 years as a professional manager from 1967 onwards: 31 years in Hindustan Unilever and 13 years in TATA.

He serves as the Vice Chairman of Tata Chemicals, a director of Tata Power and Tata Technologies and as an independent director on the boards of the Indian subsidiaries of Akzo Nobel and Castrol India.

Mr. Gopalakrishnan studied physics at Calcutta University and engineering at IIT Kharagpur before joining Hindustan Unilever as a trainee. He has served Unilever as Chairman of Unilever Arabia, as Managing Director of Brooke Bond Lipton India, and finally as Vice Chairman of Hindustan Lever Limited.

He is a Past President of the All India Management Association.

BOARD OF MANAGEMENT

The role of the Board of Management is to develop overall group strategy and annual business plans, review business plans against budgets, design and review policies and controls, and provide a platform to the chief executive to raise ideas and issues and obtain input. The executive directors, together with the Group Business heads, meet each month as the Executive Committee under the chairmanship of the Chief Executive Officer.

The members of the Board of Management include:

MALINGA ARSAKULARATNE

Chief Financial Officer

Mr. Malinga Arsakularatne functions as the Chief Financial Officer of Hemas Holdings PLC. He is also a member of the Board of Management of Hemas Holdings PLC. He has been part of the Hemas Group for the past 8 years and has over 8 years of experience in the Fund Management Industry. Mr. Arsakularatne is a CFA Charterholder and Fellow of the Chartered Institute of Management Accountants, UK. He also holds an MSc in Investment Management from the Cass Business School, UK, a BSc in Computer Science & Engineering from the University of Moratuwa, Sri Lanka, and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (CIM), UK.

KISHAN NANAYAKKARA

Managing Director, Hemas Power PLC

Mr. Kishan Nanayakkara is the Managing Director of Hemas Power PLC and has been holding this position since the inception of the Company in 2003. He is also a member of the Board of Management of Hemas Holdings PLC. Mr. Nanayakkara is a Fellow of the Chartered Institute of Management Accountants, UK and an Associate of the Institute of Chartered Accountants in England and Wales. He also holds an MSc in Finance from the Birmingham Business School, University of Birmingham, UK. He has held several senior management positions and directorships in companies ranging from manufacturing to financial services during a career spanning over 20 years.
Mr. Nanayakkara has served as an advisor to the National Council for Economic Development and as a Consultant to the PERC in the past and at present serves on the Board of the Sri Lanka Sustainable Energy Authority.

SANJEEWA SAMARANAYAKE

Managing Director of Hemas Pharmaceuticals

Mr. Sanjeewa Samaranayake is the Managing Director of Hemas Pharmaceuticals (Pvt) Ltd and Hemas Surgicals & Diagnostics (Pvt) Ltd counts over 20 years of managerial experience holding senior positions in manufacturing and trading companies in Sri Lanka.He has a Bachelor of Commerce Degree from the University of Colombo and is a Chartered Management Accountant with an MBA from the Post Graduate Institute of Management, University of Sri Jayawardenapura. He is also a Fellow of the Institute of Certified Management Accountants of Sri Lanka. He joined Hemas Pharmaceuticals as Director - Finance and Supply Chain in 2003 and was appointed as Managing Director in 2007. He was awarded with the prestigious "Platinum Honours Award" by the Postgraduate Institute of Management Alumni at the inaugural event in 2010.

KASTURI WILSON

Managing Director of Transportation Sector

Ms. Kasturi Wilson is the Managing Director of the Groups' Transportation sector and is a Fellow of the Chartered Institute of Management Accountants, UK. She has a wide range of experience in multiple industries and functions spanning from auditing, consulting, logistics, leisure and travel. Ms. Wilson joined Hemas in 2002 as the Finance Director of HemTours (Presently, Diethelm Travels) and in 2005 she was appointed the Head of Shared Services for the Group and subsequently the Chief Process Officer of the Group in 2007. In 2011 Ms. Wilson took up the position of Managing Director of the Transportation Sector.

D T R DE SILVA

Managing Director of Serendib Hotels PLC

Mr. Ranil De Silva was appointed as the Managing Director of Serendib Hotels PLC in 2010. He is a Fellow of the Chartered Institute of Management Accountants UK, Associate of the Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing UK. He began his career at Ernst & Young and then worked overseas with a Multi-National for 10 years. Mr. De Silva has wide experience locally in the apparel industry and retailing prior to assuming office as Group CEO of DCSL Group.

GROUP OPERATING COMMITTEE

The Group Operating Committee acts as a common platform for senior management for sharing business information between business and functional heads, updating members on group performance, new initiatives, corrective actions and best practice sharing across businesses, implementing decisions delegated by the board, generating ideas and proposals to the Board and providing a forum for learning.

The members of the Group Operating Committee include:

ROY JOSEPH

Finance Director of Hemas Consumer Brands

Mr. Roy Joseph is the Finance Director of Hemas Manufacturing (Pvt) Ltd. and is an Associate of the Chartered Institute of Management Accountants, UK, a Fellow of the Institute of Certified Management Accountants of Sri Lanka and holds a Postgraduate Diploma in Finance & Business Administration from the Institute of Chartered Accountants. He counts over 20 years management experience spanning the fields of Finance, IT, Supply Chain, Channels/Customer Development and General Management. He has held key positions in FMCG, Plantations, Construction and logistics companies.

HARITH PERERA

Managing Director of Diethelm Travels

Mr. Harith Perera is the Managing Director of Diethelm Travel Sri Lanka (DTSL) and Diethelm Travel The Maldives (DTTM). He has been with Hemas for the last 15 years. He joined Hemas FMCG in 1996 and was involved in Sales and Brand Management until 2006. He joined Hemtours in 2006 and subsequently was part of the team launching Diethelm Travel in Sri Lanka and Maldives. He is an Executive Committee member of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and also the Vice President of the PATA Sri Lankan chapter. He is a member of the Chartered Institute of Marketing, UK and has a MBA from the University of Southern Queensland, Australia.

INDRESH PUVIMANASINGHE FERNANDO

Finance Director of Serendib Hotels PLC

Ms. Indresh Puvimanasinghe Fernando is the Finance Director of Serendib Hotels and is an accountant by profession. She joined the transportation sector in 2006 and was promoted as Finance Director of the sector before taking over her current assignment on 1st May 2011. A Fellow of the Chartered Institute of Management Accountants, UK Ms. Puvimanasinghe Fernando counts 16 years' experience in the management accounting profession in diverse sectors such as financial services, travel, telecommunications and outbound transportation. Having commenced her career as an Accountant at Lanka Orix Factors (Pvt) Ltd in 1993, she went on to join Aitken Spence in 1995 and served for five years in the Travel sector.

DIMUTH DE ALWIS

Group Human Resource Director

Mr. Dimuth De Alwis functions as the Group Human Resource Director. He joined the Hemas FMCG sector in 1999 and was subsequently promoted as the Head of Human Resources in 2006. In 2008 he headed the Human Resources function of the Hospital sector and was appointed as the Head of Group Human Resources in 2010. Mr. De Alwis hold a Degree in Commerce and Management (specialized in International Trade) from the University of Sri Jayewardenepura and a National Diploma in Human Resources Management from Institute of Personnel Management. He is also a member of the Executive Committee of The Association of Human Resources Professionals, Sri Lanka.

RIAD AMEEN

Legal Consultant

Mr. Riad Ameen functions as the Legal Consultant to Hemas Holdings PLC. He holds a Bachelor's Degree in Law (LLB) from the University of London and a Master of Laws Degree (LLM) from the University of Colombo. He is a Barrister of the Lincoln's Inn, UK, and an Attorney-at-Law. He has been associated with the Hemas Group for the past 6 years. Prior to that, Mr. Ameen was a state counsel in the Attorney General's Department for 7 years. Mr. Ameen has been an active civil law practitioner for the past 14 years.

The Group Operating Committee also includes Husein Esufally, Malinga Arsakularatne, Kishan Nanayakkara, Sanjeewa Samaranayake and Kasturi Wilson.

ANNUAL REPORT OF THE DIRECTORS

Your Board of Directors takes pleasure in presenting the Ninth Annual Report of the Board on the affairs of the Company and the Group together with the Consolidated Financial Statements as at 31st March 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company, which are to invest in and provide administrative services to the numerous companies representing the Hemas Group, remain in place.

A detailed review of the Group's activities and the development of its business, together with an indication of likely future developments, the main trends and factors likely to affect future performance and a description of the principal risks and uncertainties it faces, are set out on pages 14 to 50 which constitute the Sector reviews and Risk Management review and form part of this Report. Information about environmental matters, employees, social and community issues is provided in the Company's Sustainability Report available at 24 to 37.

SUBSIDIARIES AND JOINT VENTURES

Subsidiaries and Associates within the group are engaged in diverse activities as described on page 119 of this Annual Report.

PROFIT AND APPROPRIATIONS

Details of the results and appropriations are given below:

DIVIDENDS

The Directors recommend that a final dividend of Rs. 128,822,655, equivalent to Rs. 0.25 per ordinary share (2010/11 Rs. 128,010,155, equivalent to Rs 0.25 per ordinary share) be paid on 10th July 2012 to those shareholders on the register of members at the close of business on ex-dividend date. An interim dividend of Rs. 128,822,655/-, equivalent to Rs. 0.25 per ordinary share was paid on 22nd November 2011, making a total for the year of Rs. 257,645,310 (2010/11 Rs. 255,457,810).

Prior to recommending the dividend and In accordance with Section 56(2) and (3) of the Companies' Act No. 7 of 2007, the Board of Directors signed a Certificate stating that, in their opinion, based on available information, the Company will satisfy the solvency test immediately after the distribution is made and have obtained a certificate from the Auditors in terms of Section 57 of the Companies' Act. Shareholder approval will be sought on the day of the AGM, to declare and pay the dividend of Rs. 0.25 per share.

POST BALANCE SHEET EVENTS

No material events have taken place subsequent to the date of the Balance Sheet which require an adjustment to or disclosure in the Financial statements other than those described in note 33 to the Accounts.

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Turnover	21,409,596	18,067,489	373,654	304,851
Profit and Appropriations				
Profit earned before Interest and taxes	1,824,631	1,867,082	565,940	399,825
Interest paid	(249,718)	(297,737)	(75,085)	(52,136)
Profit before tax	1,574,913	1,569,345	490,855	347,689
Taxation	(260,307)	(214,154)	(22,271)	(9,369)
Profit after tax	1,314,606	1,355,191	468,584	338,320
Profit attributable to minority share holders	(105,548)	(145,032)		
Profit attributable to parent	1,209,058	1,210,159	468,584	338,320
Other adjustments	(116,643)	(10,613)	(629)	
Amount available for appropriations	1,092,415	1,199,546	467,955	338,320
Appropriations				
Final dividend -2010/2011	(128,010)	(229,406)	(128,010)	(229,406)
Interim dividend -2011/2012	(128,823)	(127,448)	(128,823)	(127,448)
Final Dividend recommended	(128,823)	(128,010)	(128,823)	(128,010)
Balance brought forward from previous years	6,359,604	5,516,911	4,077,851	4,096,385
Balance carried forward to next year	7,066,363	6,231,594	4,160,150	3,949,841

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those applied during the previous year.

A summary of the significant accounting policies adopted by the Company and the Group are given in the Notes to the financial statements on page 75.

In the process of applying accounting policies , the Company has made assessments and assumptions apart from those involving estimations, which have a significant effect on the amounts recognized in the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Total carrying amount of Property, Plant and Equipment of the Group as at the date of the Balance sheet was Rs. 10,288,807 (2011 Rs. 7,457,601)

During the year under review, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 1,580,502 (2011 Rs. 1,095,346)

INVESTMENT PROPERTIES

The fair value of investment property of the Company and the Group as at the year end was Rs. 331,500 and Rs. 474,685 respectively. (2011 Rs. 309,965 and Rs. 1,309,965)

INVESTMENTS

Details of investments of the Company in its subsidiaries, joint ventures and in equity securities are set out on pages 91 to 94 of this Report.

RESERVES

Total Reserves of the Company and the Group as at the Balance Sheet date amounted to Rs. 257,032 and Rs. 1,995,770 respectively. (2011 Rs. 257,032 and Rs. 1,045,976)

Movement in Reserves during the year is given in detail in the "Statement of Changes in Equity" on pages 72 to 73.

DIRECTORS

Names and biographical details of the Directors who held Office at the date of this report appear on pages 56 to 57.

APPOINTMENTS/RESIGNATIONS

Mr. R Gopalakrishnan was appointed to the directorate on 1st April 2012, to replace Mr. Divyaroop Bhatnagar, who resigned with effect from 31st March 2012. An announcement in this regard was made to the Colombo Stock Exchange in accordance with the requirements of the Exchange and a press notice released to the public thereafter.

Rules about the appointment and replacement of directors are set out in the Articles. Changes to the Articles must be approved by shareholders by passing a special resolution.

RETIREMENT AND RE-ELECTION

In accordance with the 2008 Code of Best Practice, Messrs Imtiaz Esufally and Pradipta Mohapatra, being the directors longest in office will retire at the forthcoming Annual General Meeting of the Company and offer themselves for re-election. A formal evaluation process has been carried out during the course of the year in respect of the directors offering themselves for re-election and their performance continues to be effective and they continue to demonstrate commitment to their roles.

As the Chairman is over 70 years of age, his reappointment is required to be confirmed by the shareholders annually. A resolution seeking his re appointment is set out in the 'Notice of Meeting".

Mr. R Gopalakrishnan who was appointed in April this year, will retire in terms of Article 72 of the Articles of Association and seek re election, with the unanimous support of the Board.

INDEMNITY

During the financial year ended 31st March 2012, the Company provided indemnities to each of its Directors in accordance with the provisions of the Company's Articles of Association, providing for the indemnification of Directors out of the assets of the Company to the extent permitted by law. These indemnities constitute qualifying third-party indemnities for the purposes of the Companies Act No. 7 of 2007 and remain in force at the date of approval of this Report.

REMUNERATION OF DIRECTORS

The Group's remuneration framework is explained in detail in the Remuneration Committee report appearing on page 51.

The total remuneration of the Directors during the year under review amounted to Rs. 41,973,858 (2010/11 Rs. 36,474,240) Other benefits received are indicated in detail in the notes to the Financial Statements.

ANNUAL REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND THE INTEREST REGISTER

The relevant interest of each Director in the share capital of the Company has been notified by the Directors to the Colombo Stock Exchange in accordance with section 7.8 of the Listing Rules and the relevant entries made in the Interest Register accordingly.

Directors' share ownership details appear on page 122 under the caption "Share Information".

BOARD COMMITTEES

The composition of Board and other Committees as at 31st March 2012, are given below:

Audit Committee

Mr. Maithri Wickremesinghe (Chairman)
Mr. Pradipta Mohapatra
Mr. Husein Esufally (by invitation)
Mr. Imtiaz Esufally (by invitation)
Mr. Malinga Arsakularatne (by invitation)

Remuneration Committee

Mr. Lalith De Mel (Chairman)
Mr. Maithri Wickremesinghe
Mr. Husein Esufally (by invitation)

Nominations Committee

Mr. Lalith De Mel (Chairman)
Mr. Pradipta Mohapatra
Mr. Husein Esufally

Other Committees

Board of Management

Mr. Husein Esufally (Chairman)
Mr. Murtaza Esufally
Mr. Imtiaz Esufally
Mr. Malinga Arsakularatne
Mr. Kishan Nanayakkara
Mr. Sanjeewa Samaranayake
Ms. Kasturi Chellaraja Wilson
Mr. Ranil De Silva

Group Operations Committee

Ms. Kasturi Chellaraja Wilson (Chair Person)
Mr. Husein Esufally
Mr. Malinga Arsakularatne
Mr. Kishan Nanayakkara
Mr. Sanjeewa Samaranayake
Mr. Ranil De Silva
Mr. Roy Joseph
Mr. Harith Perera
Ms. Indresh Fernando
Mr. Riad Ameen
Mr. Dimuth De Alwis

SHARE CAPITAL AND CONTROL

Details of the changes in the issued ordinary share capital of the Company during the year are set out in note 15 to the Consolidated Financial Statements. The Issued share capital as at 31st March 2012 was Rs. 1,600,602,534 divided into 515,290,620 shares. (2011 Rs.1,468,425,034/- divided into 512,040 620 shares)

The rights attached to the Company's ordinary shares in addition to those conferred on their holders by law, are set out in the Company's Articles of Association (the "Articles"), a copy of which can be obtained on request from the Company Secretaries. The Articles contain certain restrictions on the transfer of ordinary shares and on the exercise of voting rights attached to them, including where the Company has exercised its right to prohibit transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with the Companies Act No. 7 of 2007.

SHARE INFORMATION

Information relating to the composition and distribution of shareholders of the Company as at 31st March 2012 is given on pages 120 to 122 of this Report.

The percentage of shares held by the public was 28.51% (2011 - 28.05%).

SUBSTANTIAL SHAREHOLDINGS

At 31st March 2012, the Company had been notified, pursuant to the Disclosure and Transparency Rules of the Colombo Stock Exchange, of the following significant voting rights in its ordinary share capital:

Shareholder	No of Shares
A Z Holdings (Pvt) Ltd	90,762,875
Saraz Investments (Pvt) Ltd	86,396,035
Blueberry Investments (Pvt) Ltd	85,781,250
Amagroup (Pvt) Ltd	85,780,665
Mr. I A H Esufally	6,132,500
Mr. H N Esufally	5,795,205
Mr. M A H Esufally	5,655,000
Mr. A N Esufally	1,992,085

RELATED PARTY TRANSACTIONS

Disclosures pertaining to related party transactions appear on page 116 whilst Directors' interest in Contracts with the Company are disclosed on pages 54 to 55.

No other transaction of significance had taken place that requires disclosure in the report.

EMPLOYEE SHARE INCENTIVE SCHEMES

The Company's employee share incentive schemes contain provisions whereby, upon a change of control of the Company, outstanding options and awards would vest and become exercisable either in part or in full, at the discretion of the Grantee. Where shares are held in trust, under a Trust Deed, the Trustees have the discretion to vote or abstain from voting.

SHARE-BASED PLANS

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

EMPLOYEE SHARE PLAN

Details pertaining to the share options granted between the years 2003 and 2008, options exercised, shares cancelled and outstanding as at the date of this report are tabulated below.

In the years 2003 and 2006, two employee share option schemes were set up by the Company wherein 4,168,699 ordinary shares in the Company were made available to the employees. However, in view of the depressed stock market conditions, these schemes failed to achieve the desired results.

A share ownership scheme was established by the Company in 2008, with the intention that maintaining a proprietary interest and a long term commitment amongst the senior directors and executives of the Company and its subsidiaries on a continuing basis would facilitate retention of key personnel and increase shareholder value.

During the year under review, a 3rd and final tranche of 3,250,000 in the Employee Share Ownership scheme established in 2008 (Scheme 111) was issued to the Trustees, Messrs. Jacey Trust Services (Pvt) Ltd, to be held in trust on behalf of the Grantees for a period of 3 years from grant of options. The shares will be transferred to the eligible employees at the end of the vesting period on 24th September 2014.

The vesting period pertaining to the 3,250,000 shares allocated under the ESOS 2008 - Tranche 1, lapsed on 5th February 2012. The Grantees

	Date of Grant	Share Options granted	Share price Rs.	Expiry date	Shares adjusted*	Shares exercised	Shares lapsed	Shares outstanding
Scheme 1				Share Option Scheme 2003.				
Tranche 1	01.04.04	1,558,850	50/-	31.03.06	68737	1,521,974	105,613	
Tranche 2	01.07.04	732,500		31.03.07	126,175	831,175	27,500	
Tranche 3	01.07.05	781,150		31.03.08	195,287	71050	905,387	
Total		3,072,500			390,199	2,424,199	1.038,500	
Scheme 11				Share Option Scheme-2006				
Tranche 1	01.10.06	1,006,000	105/-	31.03.09		86,500	919,500	
Scheme111				Share Ownership Scheme-2008				
Tranche 1	06.02.09	650,000	62/-	05.08.12	2,600,000*	-		3,250,000
Tranche11	27.12.10	2,250,000	44/09	26.06.13				2,250,000
Tranche 111	26.09.11	3,250,000	40/67	25.09.14				3,250,000

**Increase in shares consequent to a sub division.*

have time until 5th August 2012 to deal with the shares allocated to them in accordance with the Agreement signed with the Trustees.

FINANCIAL INSTRUMENTS

Information on the Group's financial risk management objectives and policies and on the exposure of the Group to relevant risks in respect of financial instruments is set out under 'Risk Management" on page 48 and in the notes to the Consolidated Financial Statements.

SUPPLIER PAYMENT POLICY

The Group's operating companies are responsible for agreeing terms and conditions under which business transactions with their suppliers are conducted. Payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. The Company is a holding company and does not have any trade creditors.

CHARITABLE DONATIONS

During the year, the Group, through its subsidiaries, made charitable donations in cash of Rs. 6,108,007 (2010/11 Rs. 9,665,268) Further details of the Group's charitable activities appear in the Sustainability Report on pages 24 to 37.

COLLEAGUES

The Board seeks to instill high standards of customer care and service in the Group and the commitment of every colleague to this business requirement is considered to be critical. The Group has established a framework of communication for colleagues concerning business performance and Company benefits. Group-wide training reinforces the Group's commitment to colleague involvement and development.

The Group is committed to the principle of equal opportunity in employment and to ensuring that no applicant or colleague receives less favourable treatment on the grounds of gender, marital status, race, ethnic origin, religion, disability, sexuality, age, or is disadvantaged by conditions or requirements which cannot be shown to be justified.

The Group applies employment policies which are fair and equitable and which seek to promote entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability and competency.

The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, wherever suitable opportunities exist and training and career development support are provided, where appropriate. Should a colleague become disabled when working for the Group, efforts are made to continue their employment and retraining is provided, if necessary.

A "whistle-blowing" policy and procedure is in place and has been notified to all colleagues in the group. The policy enables them to report any concerns on matters affecting the Group or their employment, without fear of recrimination, and reduces the risk of things going wrong or of malpractice taking place and remaining unreported. In addition, the Group takes a zero-tolerance approach to matters of discrimination, harassment and bullying in all aspects of its business operations, whether they relate to sex, race, national origin, disability, age, religion or sexual orientation and policies and procedures are also in place for reporting and dealing with these matters.

ENVIRONMENT

The Group recognises the importance of responsible environmental management and its obligation to protect the environment. The Group therefore gives high priority to all environmental matters. Further information appears in the summary Sustainability Report section of the Business Review. More detail is provided in the Company's Sustainability Report available on pages 24 to 37.

CORPORATE GOVERNANCE

The Company has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Company' statement on Corporate Governance is included from page 38 to 47 of this Report.

STATUTORY PAYMENTS

The Directors are satisfied that to the best of their knowledge and belief, all dues to the Government and other Statutory Institutions including employee related payments have been either paid or adequately provided for in the financial statements.

INDEPENDENT AUDITORS

Ernst & Young, External Auditors, have expressed their willingness to continue in office in the ensuing year. A Resolution to re appoint them and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting of the Company.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors confirms that so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that he has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company for the financial year ended 31st March 2012 will be held on Friday 29th June 2012 at the Auditorium of the Chamber of Commerce, No 50 , Navam Mawatha, Colombo 2 at 3.30 pm. The notice convening the Annual General Meeting appears on page 125 of the Annual Report.

DECLARATION BY DIRECTORS

The Directors declare as follows:

- That the Company has not engaged in any activity which contravenes laws and regulations
- That all material interests in contracts involving the Company have been declared and they have refrained from voting on matters in which they were materially interested
- That the Company has made every endeavor to ensure the equitable treatment of shareholders,
- That they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith.

GOING CONCERN

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

LIKELY DEVELOPMENTS

The Group's objective during the next financial year will be to maximise earnings and investment returns across all the business units in its diversified portfolio.

Signed on behalf of the Board

Lalith de Mel
Chairman

Husein Esufally
CEO

Hemas Corporate Services (Pvt) Ltd
Secretaries
May 25, 2012

FINANCIAL STATEMENTS

GROWING IN STRENGTH ADDING VALUE.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In keeping with the provisions contained in the Companies' Act No. 7 of 2007, the Directors of Hemas Holdings PLC acknowledge their responsibility to prepare and present the financial statements of both the Company and the Group.

The financial statements for the year ended 31st March 2012, presented in this Report, have been prepared in compliance with the requirements of the Sri Lanka Accounting Standards, the Companies' Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange. The Directors consider that appropriate Accounting Policies and Standards have been applied and reasonable estimations made when preparing the statements appearing on pages 75 to 119. A material deviation, if any, from these Standards has been disclosed where necessary.

The Directors confirm their responsibility for ensuring the maintenance of proper books of account of the Company and its subsidiaries which give a true and fair view of the state of affairs of the Company and of the Group as at the balance sheet date and that of the profit for the accounting period ending on the balance sheet date. The financial reporting structure is assessed at regular intervals by the Board and through the Audit Committee. The views expressed by the Audit Committee on the financial reporting system is disclosed on page 52.

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

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

The External Auditors, Messrs Ernst & Young, were given every opportunity to conduct evaluations and inspections of data and financial records that were considered expedient for the performance of their duties. Their opinion, appears on page 69 of this Report.

COMPLIANCE REPORT

The directors confirm that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group taken as a whole and this directors' report contains a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Hemas Corporate Services (Private) Limited
Secretaries

No. 75, Braybrooke Place,
Colombo 2.
May 25, 2012

INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Hemas Holdings PLC, the consolidated financial statements of the Company and its subsidiaries which comprise the Balance Sheets as at 31 March 2012, 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 misstatements, 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 misstatements.

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 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 31 March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

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

May 25, 2012
Colombo

BALANCE SHEET

As At 31 March	Note	Group 2012 Rs. '000	Group 2011 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	3	10,288,807	7,457,601	106,461	105,305
Investment Properties	4	474,685	1,309,965	331,500	309,965
Leasehold Properties	5	55,713	58,779	-	-
Intangible Assets	6	300,409	323,895	-	-
Investment in Subsidiaries	7	-	-	6,194,296	5,696,001
Investment in Joint Ventures	8	-	-	38,519	38,519
Other Investments	9	384,148	433,676	114,008	114,008
Deferred Tax Assets	19	25,031	25,489	-	-
Loans Due from Related Parties	13	-	-	15,000	15,000
Other Long Term Receivables	10	399,346	254,223	111,765	63,160
		11,928,139	9,863,628	6,911,549	6,341,958
Current Assets					
Inventories	11	2,004,990	1,680,772	-	-
Trade and Other Receivables	12	6,038,471	4,365,024	295,246	113,028
Loans Due from Related Parties	13	-	-	329,474	519,272
Other Investments	9	53	53	49	49
Tax Recoverable		134,306	148,020	585	-
Amounts Due from Related Parties	14	-	-	126,280	130,726
Short Term Cash Investments	23	1,614,034	2,025,097	8,800	210
Cash and Cash Equivalents	23	1,088,979	1,133,280	34,119	23,679
		10,880,833	9,352,246	794,553	786,964
Total Assets		22,808,972	19,215,874	7,706,102	7,128,922
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	15	1,600,603	1,468,426	1,600,603	1,468,426
Reserves	16	1,995,771	1,045,976	257,032	257,032
Retained Earnings		7,195,185	6,359,604	4,288,973	4,077,851
Shareholders' Funds		10,791,559	8,874,006	6,146,608	5,803,309
Minority Interests		2,145,976	1,701,635	-	-
Total Shareholders' Funds and Minority Interests		12,937,535	10,575,641	6,146,608	5,803,309
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	18	1,384,827	1,700,040	965,472	686,502
Deferred Tax Liabilities	19	161,309	123,609	40,056	42,022
Retirement Benefit Liability	20	248,342	230,298	30,551	18,676
Other Non Current Liabilities	17	13,506	10,243	10,599	-
		1,807,984	2,064,190	1,046,678	747,200
Current Liabilities					
Trade and Other Payables	21	5,171,603	4,093,092	82,241	40,139
Dividends Payable		6,071	12,798	2,553	1,932
Income Tax Liabilities		63,742	89,890	-	13,385
Amounts Due to Related Parties	22	-	-	137,432	167,812
Interest Bearing Loans and Borrowings	18	936,458	991,266	290,590	321,640
Bank Overdraft	23	1,885,579	1,388,997	-	33,505
		8,063,453	6,576,043	512,816	578,413
Total Shareholders' Funds, Minority Interests and Liabilities		22,808,972	19,215,874	7,706,102	7,128,922

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 75 through 119 form an integral part of these financial statements.

Colombo
May 25, 2012

INCOME STATEMENT

		Group		Company	
Year ended 31 March	Note	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue	24	21,409,596	18,067,489	373,654	304,851
Cost of Sales		(14,836,030)	(12,228,702)	-	-
Gross Profit		6,573,566	5,838,787	373,654	304,851
Dividend Income	25	106	781	433,104	303,383
Change in Fair Value of Investment Properties		32,127	24,405	14,559	(20,445)
Other Income and Gains	26	144,358	108,830	7,923	5,575
Gain/ (Loss) on Disposal of Investments	27	(1,716)	3,317	(8,175)	234
Selling and Distribution Costs		(1,793,789)	(1,443,189)	-	-
Administrative Expenses		(3,292,373)	(2,792,086)	(298,377)	(241,136)
Finance Cost	28	(249,718)	(297,737)	(75,085)	(52,136)
Finance Income	28	162,352	126,237	43,252	47,363
Profit Before Tax	29	1,574,913	1,569,345	490,855	347,689
Income Tax Expenses	30	(260,307)	(214,154)	(22,271)	(9,369)
Profit for the Year		1,314,606	1,355,191	468,584	338,320
Attributable to:					
Equity Holders of the Parent		1,209,058	1,210,159		
Minority Interests		105,548	145,032		
		1,314,606	1,355,191		
		Rs.	Rs.		
Earnings Per Share	31	2.33	2.36		
Dividends Per Share	32	0.50	0.70		

The Accounting Policies and Notes on pages 75 through 119 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (GROUP)

	Attributable to Equity Holders of the Parent						
	Stated Capital Rs. '000	Exchange Reserve Rs. '000	Revaluation and Other Capital Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Minority Interests Rs. '000	Total Equity Rs. '000
As at 01 April 2010	1,369,223	(29,971)	835,953	5,516,911	7,692,116	1,488,104	9,180,220
Profit for the Year	-	-	-	1,210,159	1,210,159	145,032	1,355,191
Issue of ordinary shares under Employee Share Options Scheme	99,203	-	-	-	99,203	-	99,203
Issue of Preference shares	-	-	101,250	-	101,250	33,750	135,000
Redemption of Preference Shares of Joint Venture Company	-	-	-	(15,687)	(15,687)	-	(15,687)
Dividends Paid - Ordinary Shares (2010)	-	-	-	(356,853)	(356,853)	(44,322)	(401,175)
- Preference Shares of Joint Venture Company	-	-	-	(4,183)	(4,183)	(1,394)	(5,577)
Transfer to/from during the Year							
- Overhaul, Heat Rate and Lube Oil Reserves	-	-	42,140	(42,140)	-	-	-
- Revaluation Reserve	-	-	(51,397)	51,397	-	-	-
Surplus on revaluation	-	-	109,133	-	109,133	11,318	120,451
Shares Issued to Minority Shareholders	-	-	-	-	-	15,204	15,204
Adjustment in respect of changes in Group Holding	-	-	-	-	-	53,717	53,717
Net Gain/(Loss) Recognised Directly in Equity							
- Deferred Income Tax	-	-	10,076	-	10,076	226	10,302
- Exchange Reserve	-	28,792	-	-	28,792	-	28,792
As at 31 March 2011	1,468,426	(1,179)	1,047,155	6,359,604	8,874,006	1,701,635	10,575,641
Profit for the Year	-	-	-	1,209,058	1,209,058	105,548	1,314,606
Issue of ordinary shares under Employee Share Options Scheme	132,177	-	-	-	132,177	-	132,177
Redemption of Preference Shares of Joint Venture Company	-	-	-	(7,843)	(7,843)	-	(7,843)
Dividends Paid - Ordinary Shares	-	-	-	(256,833)	(256,833)	(68,313)	(325,146)
- Preference Shares of Joint Venture Company	-	-	-	(11,680)	(11,680)	(3,777)	(15,457)
Transfer to/from during the Year							
- Overhaul Reserve, Heat Rate and Lube Oil	-	-	95,396	(95,396)	-	-	-
- Revaluation Reserve	-	-	(805)	805	-	-	-
Surplus on revaluation	-	-	955,101	-	955,101	128,395	1,083,496
Shares Issued to Minority Shareholders	-	-	-	-	-	277,573	277,573
Transaction cost on Issue of shares	-	-	-	(2,530)	(2,530)	(1,852)	(4,382)
Adjustment in respect of changes in Group Holding	-	(272)	-	-	(272)	6,767	6,495
Net Gain/(Loss) Recognised Directly in Equity							
- Deferred Income Tax	-	-	(41,414)	-	(41,414)	-	(41,414)
- Exchange Reserve	-	(58,211)	-	-	(58,211)	-	(58,211)
As at 31 March 2012	1,600,603	(59,662)	2,055,433	7,195,185	10,791,559	2,145,976	12,937,535

The Accounting Policies and Notes on pages 75 through 119 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (COMPANY)

	Stated Capital Rs. '000	Capital & Revenue Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
As at 1 April 2010	1,369,223	257,032	4,096,385	5,722,640
Profit for the Year	-	-	338,320	338,320
Final Dividends Paid - 2009/2010	-	-	(229,406)	(229,406)
Interim Dividends Paid - 2010/2011	-	-	(127,448)	(127,448)
Issue of ordinary shares under Employee Share Options Scheme	99,203	-	-	99,203
As at 31 March 2011	1,468,426	257,032	4,077,851	5,803,309
Profit for the Year	-	-	468,584	468,584
Final Dividends Paid - 2010/2011	-	-	(128,010)	(128,010)
Interim Dividends Paid - 2011/2012	-	-	(128,823)	(128,823)
Issue of ordinary shares under Employee Share Options Scheme	132,177	-	-	132,177
Transaction cost of issue of shares	-	-	(629)	(629)
As at 31 March 2012	1,600,603	257,032	4,288,973	6,146,608

The Accounting Policies and Notes on pages 75 through 119 form an integral part of these financial statements.

CASH FLOW STATEMENT

Year ended 31 March	Note	Group 2012 Rs.'000	Group 2011 Rs.'000	Company 2012 Rs.'000	Company 2011 Rs.'000
Operating Activities					
Profit Before Taxation		1,574,913	1,569,345	490,855	347,689
Adjustments for Non Cash items					
Depreciation	3	635,469	619,976	24,638	17,460
Profit/(Loss) on Disposal of Property, Plant and Equipment		(37,651)	(30,651)	2,666	(3,560)
Unrealised profits		7,427	-	-	-
Change in Fair Value of Investment Properties	4	(32,127)	(24,405)	(14,559)	20,445
Amortisation/Impairment of Intangible assets	6	31,399	10,119	-	-
Amortisation of Leasehold Property	5	3,066	3,066	-	-
(Profit)/Loss on Sale of Non Current Investments		1,716	(3,495)	8,175	(234)
Impairment of Non Current Investments		-	-	10,676	-
Finance Cost	28	249,718	297,737	75,085	52,136
Investment Income	25	(106)	(781)	(433,104)	(303,383)
Retirement Benefit Plan	20	32,837	65,554	12,006	3,523
Exchange (Gain)/Loss on Foreign Currency Loans		90,649	18,656	-	-
Working Capital Adjustments					
(Increase)/Decrease in Trade and Other Receivables		(1,678,951)	(565,446)	(182,218)	(26,293)
(Increase)/Decrease in Inventories		(324,218)	(136,212)	-	-
(Increase)/Decrease in Amounts Due from Related Parties		-	-	4,446	83,365
(Increase)/ Decrease in Other Long Term Receivables		(145,123)	(77,158)	(48,605)	(33,068)
Increase/(Decrease) in Amounts Due to Related Parties		-	-	(30,380)	50,870
Increase/(Decrease) in Trade and Other Payables		1,080,696	805,027	53,322	(882)
Finance Cost Paid	28	(249,718)	(297,737)	(75,085)	(52,136)
Income Tax Paid		(276,877)	(238,714)	(38,208)	(17,533)
Gratuity Paid	20	(14,286)	(20,219)	(131)	(1,873)
Net Cash from/(Used in) Operating Activities		948,833	1,994,663	(140,421)	136,527
Investing Activities					
Purchase of Property, Plant and Equipment	3	(1,580,502)	(1,095,346)	(43,668)	(71,468)
Investment in Subsidiaries		-	-	(520,083)	(121,220)
Investment in Intangible Assets	6	(1,146)	(941)	-	-
Other Investments (Net)		49,528	(369,403)	-	-
Proceeds from Disposal of Property, Plant and Equipment		93,565	178,336	8,233	11,946
Proceeds from Disposal of Investments		3,174	57,452	2,937	474
Redemption of Preference Shares		(7,843)	(15,687)	-	-
Investment Income Received	25	106	781	433,104	303,383
Net Cash from/(Used in) Investing Activities		(1,443,118)	(1,244,808)	(119,477)	123,115
Financing Activities					
Interest Bearing Loans and Borrowings (Net)					
- Rupee Loan		(963,870)	259,074	437,718	(88,189)
- Foreign Currency Loans		449,060	228,837	-	-
Proceeds from Issue of Preference Shares		-	135,000	-	-
Proceeds from Issue of Ordinary shares under ESOS		132,177	99,203	132,177	99,203
Transaction cost of Issue of ESOS shares		(4,382)	-	(629)	-
Proceeds from Minority Shareholders		277,573	15,204	-	-
Dividends Paid - Ordinary Shares		(335,649)	(393,977)	(256,833)	(356,853)
- Preference Shares of Joint Venture Company		(11,680)	(4,183)	-	-
Net Cash from/(Used in) Financing Activities		(456,771)	339,158	312,433	(345,839)
Net Increase/(Decrease) in Cash and Cash Equivalents		(951,056)	1,089,013	52,535	(86,198)
Exchange Loss		(890)	(1,903)	-	-
Cash and Cash Equivalents at the beginning of the Year	23	1,769,380	682,270	(9,616)	76,582
Cash and Cash Equivalents at the end of the Year	23	817,434	1,769,380	42,919	(9,616)

The Accounting Policies and Notes on pages 75 through 119 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Consolidated Financial Statements

The Consolidated financial statements of the Company for the year ended 31 March 2012 comprise the Hemas Holdings PLC (the 'Company') and all its Subsidiaries and Joint Ventures whose accounts have been consolidated therein (the 'Group').

1.3 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were carrying out investment activities, and providing management and administration services to other Companies in the group and the principal activities of the Subsidiaries and Joint Ventures are disclosed in Note 38 to the financial statements.

1.4 Date of Authorisation for Issue

The Consolidated financial statements of Hemas Holdings PLC for the year ended 31 March 2012 were authorised for issue, in accordance with a resolution of the Board of Directors on 25 May 2012.

2. GENERAL POLICIES

2.1 Basis of Preparation

The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention basis unless stated otherwise. The financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency and all values are rounded to the nearest rupees thousand (Rs '000) except when otherwise indicated.

2.1.1 Statement of Compliance

The financial statements of the Group have been prepared in compliance with Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No.7 of 2007.

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 Basis of Consolidation

The financial statements of the Group represent the consolidation of the financial statements of Hemas Holdings PLC and all its subsidiaries and Joint ventures as at 31 March 2012.

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

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

(a) Subsidiaries

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

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

Diethelm Travel The Maldives (Pvt) Ltd has been consolidated as a subsidiary based on the power to govern the financial and operating policies by the parent.

The following subsidiaries have been incorporated outside Sri Lanka.

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

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.

(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 (Private) Ltd where the financial statements are prepared for 31 December 2011. All the material transactions are adjusted for the 3 months period ended 31 March 2012. Accounting policies of the joint ventures are consistent with the parent company.

The following Joint venture has been incorporated outside Sri Lanka.

Country of incorporation	Reporting Currency
HIF Logistics (Pvt) Ltd	
Pakistan	Pakistan Rupee (PKR)

(c) *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.

2.1.4 Comparative Information

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

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

2.3.1 Judgments

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

Deferred Tax Assets

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

Impairment of Goodwill

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

Fair Value of Unquoted Equity Investments

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

2.3.2 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 adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

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, futures salary increases morality 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 Translation and Hedging

(a) Foreign currency transaction and balances.

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are translated to functional currency equivalents at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the income statement.

(b) Foreign Operations

The Balance sheet and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lankan rupees at the rate of exchange prevailing as at the balance sheet date and at the average annual rate of exchange for the period respectively.

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 recognized in equity relating to that particular foreign operation is recognized 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.

b) Deferred Taxation

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

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

- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

The movement in the deferred tax assets and liabilities due to change in applicable rate have been charged to the income statements in the current year.

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

c) Tax on dividend income

Tax on dividend income from subsidiaries is recognized 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 capitalized as part of that asset.

2.4.4 Intangible Assets (Other than Goodwill)

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

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

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

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

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

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

Research and Development Costs

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

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

2.4.5 *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 are accounted 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%
Civil Construction at Plant -Thermal	10%
Civil Construction at Plant -Hydro	2%
Plant and Machinery	6% - 25%
Power Plant - Thermal	6.67%
Power Plant - Hydro	3%
Furniture and Fittings	7% - 25%
Office and Factory Equipments	10% - 33.33%
Computer Hardware and Software	25% - 33.33 %
Motor Vehicles	16.66% - 25%
Crockery and Cutlery	50% - 100%
Soil Erosion Prevention	5% - 10%

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

d) De-recognition

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 Leased Property

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

2.4.10 Leases

(a) Finance Leases

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

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

(b) Operating Leases

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

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

2.4.11 Investments

Initial Recognition

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

Measurement

a) *Current Investments*

Current investments are stated at lower of cost and market value determined on an aggregate portfolio basis. The cost of an investment is the cost of acquisition inclusive of brokerage fees and stamp duty.

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

b) *Long Term Investments*

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

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

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

In the Group'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 at the carrying value as 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.

c) *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.

d) *Disposal of Investments*

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

2.4.12 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 off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

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

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.

2.4.13 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.

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.

2.4.14 Provisions

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

2.4.15 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 benefit valuation method. 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.

2.4.16 Income Statement

Revenue Recognition

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

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

b) *Rendering of Services*
Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

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

d) *Apartment and Food and Beverages Sales*
Apartment revenue is recognised on the rooms occupied on a daily basis, and food and beverages sales are accounted for at the time of sales.

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

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

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

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

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

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

2.7 Sri Lanka Accounting Standards effective from 01 January 2012

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Group has a 31 March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2011.This will form the basis of accounting for the new SLASs in the future, and is required when the Group prepares its first new SLAS compliant financial statements for the year ending 31 March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Group. The Group is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

(a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Group to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Group shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements.

(b) LKAS 1 – Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Group to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

(c) LKAS 16 – Property Plant and Equipment requires a Group to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.
All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

(d) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or group of financial assets . As such the current method of assessing for impairment will have to be changed to meet the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the company/group does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and also does not recognise certain derivative instruments on the balance sheet.

(e) SLFRS 2 – Share Based Payments, will require the Group to reflect in its profit or loss and financial position the effects of share based payment transactions, including expenses associated with share options granted to employees. An entity is required to recognize share based payment transactions when goods are received or services obtained based on the fair value of goods or services or the fair value of equity instruments granted. Hence the company will be required to determine the fair value of options issued to employees as remuneration and recognize an expense in the statement of financial performance. This standard is not limited to options and extends to all forms of equity based remuneration and payments.

(f) SLFRS 3 – Business combinations will require the Group to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets(inputs) and activities(processes)

which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquiree and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.

(g) LKAS 23 – Borrowing Cost, the Group must capitalize borrowing costs in relation to a qualifying asset.

(h) LKAS 12 – Income Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.

(i) LKAS 18 – Revenue requires the Group to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

(j) IFRIC 4 – Determining whether an arrangement contains a lease provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with LKAS 17 based on the assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, provided the fulfilment of the arrangement is dependent on the use of a specific asset.

(k) IFRIC 12 – Service Concession Arrangements gives guidance on the accounting by operators for public-to-private service concession arrangements where the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price and the grantor controls -through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangement.

(l) LKAS 17- Leases applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets. A finance lease is a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to the ownership.

(m) IFRIC 15 Agreements for Construction of Real Estate - This interpretation clarifies whether LKAS 18, 'Revenue' or LKAS 11 'Construction contracts' should be applied to particular transactions. It also explains the point at which revenue and related expenses from a sale of real estate unit should be recognized, if an agreement between a developer and a buyer is reached before the construction of the real estate unit is completed. The company's/ group's current accounting policy for all residential property sales is to recognize revenue on the percentage completion of construction, which practice is most likely to be changed by the application of IFRIC 15. As per this interpretation, contracts which do not fall within the definition of construction contracts in accordance with LKAS 11, can only be accounted for under the percentage of completion method if the company/group continuously transfer to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state of construction progresses.

(n) SIC 27 – Evaluating the substance of transactions involving the legal form of a lease

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 – Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

3 PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.04.2011 Rs.'000	Additions/ Charge Rs.'000	Revaluations Rs.'000	Transfers Rs.'000	Disposals Rs.'000	Balance As at 31.03.2012 Rs.'000
3.1 Group						
Gross Carrying Amount						
At Cost/Cost incurred since last Revaluation						
Freehold Land	194,436	152,019	-	(186,638)	-	159,817
Freehold Buildings	1,834,934	32,090	-	(1,861,681)	-	5,343
Civil construction	336,062	199,890	-	-	-	535,952
Buildings on Leasehold Land	104,570	426,301	-	(529,419)	(1,452)	-
Plant and Machinery	3,783,765	334,532	-	-	(24,819)	4,093,478
Furniture and Fittings	504,514	267,701	-	2,083	(82,621)	691,677
Office and Factory Equipment	795,845	110,255	-	(292)	(30,616)	875,192
Computer Hardware and Software	405,531	58,350	-	(1,497)	(45,934)	416,450
Motor Vehicles	475,003	99,455	-	(6,600)	(88,753)	479,105
Revertment	19,109	3,096	-	-	-	22,205
Capital Work-In-Progress	242,298	735,790	-	(834,255)	(3,903)	139,930
	8,696,067	2,419,479	-	(3,418,299)	(278,098)	7,419,149
At Valuation						
Freehold Land	473,681	-	721,938	420,118	-	1,615,737
Freehold Buildings	991,108	-	309,147	1,346,411	-	2,646,666
Buildings on Leasehold Land	240,327	-	52,411	1,393,549	-	1,686,287
Capital Work-In-Progress	36,112	-	-	(36,112)	-	-
	1,741,228	-	1,083,496	3,123,966	-	5,948,690
Assets on Finance Lease						
Motor Vehicles	14,060	3,500	-	6,600	(4,063)	20,097
Total Gross Carrying Amount	10,451,355	2,422,979	1,083,496	(287,733)	(282,161)	13,387,936
Accumulated Depreciation						
At Cost/Cost incurred since last Revaluation						
Freehold Buildings	147,464	54,950	-	(199,774)	-	2,640
Civil construction	10,252	6,484	-	-	-	16,736
Plant and Machinery	1,632,123	263,501	-	-	(19,592)	1,876,032
Furniture and Fittings	247,306	66,769	-	2,115	(59,310)	256,880
Office and Factory Equipment	259,337	97,011	-	(338)	(24,138)	331,872
Computer Hardware and Software	346,308	40,205	-	(1,483)	(36,554)	348,476
Motor Vehicles	254,085	55,397	-	(2,017)	(65,738)	241,727
Revertment	12,177	851	-	-	-	13,028
	2,909,052	585,168	-	(201,497)	(205,332)	3,087,391
At Valuation						
Freehold Buildings	18,433	34,707	-	(53,140)	-	-
Buildings on Leasehold Land	54,320	13,950	-	(68,270)	-	-
	72,753	48,657	-	(121,410)	-	-
Assets on Finance Lease						
Motor Vehicles	11,949	1,821	-	2,017	(4,049)	11,738
Total Accumulated Depreciation	**2,993,753**	**635,646**	-	**(320,890)**	**(209,381)**	**3,099,129**
Net Carrying Amount						
At Cost	5,787,015	-	-	-	-	4,331,758
At Valuation	1,668,475	-	-	-	-	5,948,690
Assets on Finance Lease	2,111	-	-	-	-	8,359
	7,457,601	-	-	-	-	10,288,807

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

Property	Extent	Valuation Rs'000	Date of the valuation	Valuer	Valuation Details
Hemas Manufacturing (Pvt) Ltd					
Buildings at Dankotuwa	174,446 sq.ft.	534,702	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
Land at Dankotuwa	9A-2R-24.5P	83,403		Incorporated Valuers	existing use basis
Buildings on leasehold land	11,171.5 sq.ft.	6,000	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
at Ambakumbura				Incorporated Valuers	existing use basis
Land of industrial property at Welisara	1A-0R-33.1P	74,351	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
Buildings of industrial property at Welisara	802 sq.ft.	137,249		Incorporated Valuers	existing use basis
Hemas Hospitals (Pvt) Ltd					
Buildings on leasedhold land at Wattala	102,219 sq.ft.	949,200	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
				Incorporated Valuers	existing use basis
Hemas Southern Hospitals (Pvt) Ltd					
Land at Galle	2R-23.8P	127,000	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
Building at Galle	38,778 sq.ft.	268,000		Incorporated Valuers	existing use basis
Hemas Corporate Services (Pvt) Ltd					
Buildings in Colombo	1,786 sq.ft.	24,000	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
				Incorporated Valuers	existing use basis
Peace Haven Resorts Limited					
Land at Tangalle	41A-1R-15.4P	721,500	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
Buildings at Tangalle	4,957 sq.ft.	7,500		Incorporated Valuers	existing use basis
Mowbray Hotels Limited					
Land at Kandy	32A-1R-29.0P	155,670	31-Mar-2012	Perera Sivaskantha & Co	Open market value for
Buildings at Kandy	11,134 sq.ft.	16,330		Incorporated Valuers	existing use basis
Serendib Hotels PLC					
Buildings on leasehold land at Bentota	95,112 sq.ft.	588,167	31-Mar-2012	A.R Ajith Fernando	Profit Basis
				Incorporated Valuers	
Miami Beach Hotel Limited					
Land at Waikkal	7A-3R-31.0P	103,269	31-Mar-2012	A.R Ajith Fernando	Profit Basis
Buildings at Waikkal	74,270 sq.ft.	396,742		Incorporated Valuers	
Dolphin Hotels PLC					
Land at Waikkal	5A-5R-24.8P	102,001	31-Mar-2012	A.R Ajith Fernando	Profit Basis
Buildings at Waikkal	139,529 sq.ft.	537,950		Incorporated Valuers	
Hotel Sigiriya PLC					
Buildings on leasehold land at Sigiriya	70,172 sq.ft.	156,356	31-Mar-2012	A.R Ajith Fernando	Profit Basis
				Incorporated Valuers	

3.1.2 *Exchange gain*

Additions/ Depreciation charge for the year to property, plant and equipment include exchange differences arising from the translation of foreign currency balances to Sri Lankan rupees.

	Additions Rs.'000	Charge for the year Rs.'000
Plant and machinery	17	4
Equipment, furniture and fittings	778	173
	795	177

		Balance As At 01.04.2011 Rs.'000	Additions/ Charge Rs.'000	Transfers Rs.'000	Disposal Rs.'000	Balance As at 31.03.2012 Rs.'000
3.2	Company					
	At Cost					
	Roadways	6,976	-	(6,976)	-	-
	Furniture and Fittings	17,193	16,233	-	(10,038)	23,388
	Office Equipment	11,050	5,692	-	(4,132)	12,610
	Computer Hardware and Software	84,214	6,502	-	-	90,716
	Motor Vehicles	91,772	15,241	-	(6,290)	100,723
	Total Value of Assets	211,205	43,668	(6,976)	(20,460)	227,437
	Depreciation					
	At Cost					
	Furniture and Fittings	7,397	2,588	-	(3,575)	6,410
	Office Equipment	8,050	789	-	(2,604)	6,235
	Computer Hardware and Software	74,766	7,114	-	-	81,880
	Motor Vehicles	15,687	14,147	-	(3,383)	26,451
	Total Depreciation	105,900	24,638	-	(9,562)	120,976

	01.04.2011 Rs.'000	31.03.2012 Rs.'000
Net Book Values		
At Cost	105,305	106,461

4 INVESTMENT PROPERTIES

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Investment Properties at Fair Value at the Beginning of the Year	1,309,965	1,261,410	309,965	330,410
Change in Fair Value of Investment Properties during the Year	32,127	48,555	14,559	(20,445)
Transfers	(867,407)	-	6,976	-
Investment Properties at Fair Value at the End of the Year	474,685	1,309,965	331,500	309,965

4.1 Details of Investment Properties

Property	Extent	Valuation Rs'000	Date of the valuation	Valuer	Valuation Details
Hemas Holdings PLC					
Freehold property at Welisara		285,000	31-Mar-2012	Perera Sivaskantha & Co Incorporated Valuers	Open market value for existing use basis
Land	1A-3R-8P				
Building	66,340 sq.ft.				
Freehold property at Handala		46,500	31-Mar-2012	Perera Sivaskantha & Co Incorporated Valuers	Open market value for existing use basis
Land	2R-4.13P				
Building	2,960 sq.ft.				
Hemas Developments (Pvt) Ltd.					
Freehold property at Baybrook Place		1,139,000	31-Mar-2012	Perera Sivaskantha & Co Incorporated Valuers	Income basis
Land	1R-10P				
Building	99,372 sq.ft.				
The significant assumptions used by the valuer are as follows					
Growth in future rentals	12%				
Anticipated maintenance cost	55%				
Discount rate	6%				

4.2 Hemas Holdings PLC and Hemas Developments (Pvt) Ltd have stated their properties at fair value. The gain arising from the fair valuation was recognised in the Consolidated Income Statement, except for 87% of the Investment Property of Hemas Development (Pvt) Ltd which was reclassified to Property, Plant & Equipment in the Consolidated Balance Sheet following the commencement of owner occupation by the group subsidiaries from 01 April 2011 which is the date of the change in use of the property. Hence the respective gain was transfered to revaluation reserve.

5 LEASEHOLD PROPERTIES

	Group 2012 Rs. '000	Group 2011 Rs. '000
Cost/Valuation		
Balance at the Beginning of the Year	76,838	76,838
Balance at the End of the Year	76,838	76,838
Amortisation		
Balance at the beginning of the Year	18,059	14,993
Amortised during the Year	3,066	3,066
Balance at the end of the Year	21,125	18,059
Carrying Value at the End of the Year	55,713	58,779

5.1 Details of Investment Properties

Property	Extent	Lease period	Value Rs'000
Hemas Manufacturing (Pvt) Ltd			
Land at Attmbakumbura	5A - 1R - 23.47P	21 Years	17,333
Serendib Hotels PLC			
Land at Bentota	2A - 0R - 6P	50 Years	35,736
	1A - 0R - 37P	30 Years	
Hotel Sigiriya PLC			
Land at Sigiriya	8A - 0R - 16P	30 Years	2,644

6 INTANGIBLE ASSETS

		Group	
		2012 Rs.'000	2011 Rs.'000
6.1	**Non Current**		
	Goodwill	187,296	201,194
	Brands	111,686	119,864
	Development Expenses	1,427	2,837
		300,409	323,895
6.1.1	*Goodwill*		
	Balance at the Beginning of the Year	201,194	201,194
	Addition on changing in percentage holding	6,767	-
	Impairment during the Year	(20,665)	-
	Balance at the End of the Year	187,296	201,194
6.1.2	*Brands*		
	Balance at the Beginning of the Year	119,864	126,658
	Impairment/Written Off during the Year	(8,178)	(6,794)
	Balance at the End of the Year	111,686	119,864
6.1.3	*Development Expenses*		
	Balance at the Beginning of the Year	2,837	5,221
	Acquired during the year	1,146	941
	Amortiztion during the Year	(2,556)	(3,325)
	Balance at the End of the Year	1,427	2,837

6.2 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 of completing the project/ product and the business case for future economic benefits are reassessed each year.

6.3 Acquisition goodwill on ACX International (Pvt) Ltd was fully impaired taking into the Consideration the remaining recoverable amount after the disposal of 51% group stake during year.

7 INVESTMENT IN SUBSIDIARIES

	Company Holding		Company	
	2012 %	2011 %	2012 Rs. '000	2011 Rs. '000
7.1 Non-Quoted Investments				
ACX International (Pvt) Ltd.	-	100%	-	21,788
Butama Hydro Electricity Company Ltd.	1%	-	-	-
Discover the World Marketing (Pvt) Ltd.	100%	100%	4,666	4,666
Exchange & Finance Investments (Pvt) Ltd.	100%	100%	9,412	9,412
Far Shipping Lanka (Pvt) Ltd.	100%	100%	3,000	3,000
Forbes Air Services (Pvt) Ltd.	100%	100%	62,452	62,452
Hemas Air Services (Pvt) Ltd.	100%	100%	64,687	64,688
Hemas Aviation (Pvt) Ltd.	100%	100%	1,910	1,910
Hemas Corporate Services (Pvt) Ltd.	100%	100%	39,891	39,891
Hemas Developments (Pvt) Ltd.	73%	73%	632,316	632,316
Hemas Foods (Pvt) Ltd.	100%	100%	24,845	24,846
Hemas Hospitals (Pvt) Ltd.	74%	74%	1,128,785	877,564
Hemas Manufacturing (Pvt) Ltd.	100%	100%	509,904	509,905
Hemas Marketing (Pvt) Ltd.	100%	100%	192,600	192,600
Hemas Pharmaceuticals (Pvt) Ltd.	100%	100%	213,331	213,331
Hemas Surgicals and Diagnostics (Pvt) Ltd.	100%	100%	23,956	23,957
Hemas Transportation (Pvt) Ltd.	100%	100%	300	300
Hemas Travels (Pvt) Ltd.	100%	100%	91,359	91,359
Hemtours (Pvt) Ltd.	100%	100%	209,912	209,912
Leisure Asia Investments Ltd.	100%	100%	398,795	257,559
Mowbray Hotels Ltd.	89%	89%	46,201	46,201
Peace Haven Resorts Ltd.	95%	95%	336,455	336,455
Vishwa BPO (Pvt) Ltd.	100%	100%	10,000	10,000
			4,004,777	3,634,109
7.2 Quoted Investments				
Hemas Power PLC	75%	75%	1,941,137	1,941,137
Serendib Hotels PLC	22.4%	22.4%	248,101	120,755
Dolphin Hotels PLC	-	-	281	-
Total			6,194,296	5,696,001

8 INVESTMENT IN JOINT VENTURES

	Company Holding		Company	
	2012 %	2011 %	2012 Rs. '000	2011 Rs. '000
Hellmann Worldwide Logistics (Pvt) Ltd.	49%	49%	8,475	8,475
HIF Logistics (Pvt) Ltd.	49%	49%	30,044	30,044
ACX International (Pvt) Ltd.	49%	-	10,676	-
			49,195	38,519
Less: Impairment of investments			(10,676)	-
			38,519	38,519

The Company disposed 51% of shares in ACX International (Pvt) Ltd on 12 August 2011 and will be treated as a joint venture.
The Group divested its stake in Solas Lanka (Pvt) Ltd on 30 June 2011.

8.1 Proportionate Interest In Joint Ventures

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

	Group	
	2012 Rs. '000	2011 Rs. '000
Balance Sheet		
a) Current Assets	2,096,507	1,247,403
b) Non Current Assets	1,399,577	1,578,192
c) Current Liabilities	2,142,078	1,325,816
d) Non Current Liabilities	179,778	360,759
Income Statement		
e) Revenue	4,477,903	3,238,914
f) Net Profit	185,610	244,925

9 OTHER INVESTMENTS

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Non-current				
Investments in Equity Securities (Note: 9.1.1/9.2.1)	384,114	384,127	114,008	114,008
Investment In Treasury Bonds	34	49,549	-	-
	384,148	433,676	114,008	114,008
Current				
Investment in Equity Securities (Note: 9.1.2/9.2.2)	53	53	49	49
Total Carrying Value of Other Investments	384,201	433,729	114,057	114,057

		No. of Shares		Carrying Value		Market Value	
		2012	2011	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
9.1	Group						
9.1.1	*Investments in Equity Securities*						
	Non-current						
a)	*Quoted*						
	Blue Diamond Jewellers PLC	1,300	1,300	4	4	8	2
	Eden Hotels Lanka PLC	127	127	1	1	4	4
	Galadari Hotels PLC	2,000	2,000	19	19	39	44
	Kotmale Holdings PLC	40,000	40,000	400	400	1,580	990
	Lankem Ceylon PLC	1,500	1,500	14	14	270	602
	Mercantile Shipping PLC	424,323	424,323	53,603	53,603	72,559	48,797
	Overseas Realty (Ceylon) PLC	1,000	1,000	10	10	13	16
	Royal Palm Beach Hotels PLC	85	85	1	1	5	6
	Total Investment in Quoted Equity Securities			54,052	54,052	74,478	50,461

		Carrying Value		Directors' Value	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
b)	*Non-quoted*				
	Rainforest Ecology (Pvt) Ltd.	10,000	10,000	10,000	10,000
	SLFFA Cargo Services Ltd.	188	201	188	201
	Jada Resort & Spa (Pvt) Ltd	319,874	319,874	319,874	319,874
	Total Investment in Non-Quoted Equity Securities	330,062	330,075	330,062	330,075
	Total Equity Investments (Group - Non Current)	384,114	384,127	404,540	380,536

		No. of Shares		Carrying Value		Market Value	
		2012	2011	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
9.1.2	*Investments in Equity Securities - Current*						
a)	*Quoted*						
	John Keells Holdings PLC	726	726	49	49	150	207
	Total Investments in Quoted Equity Securities			49	49	150	207

		No. of Shares		Carrying Value		Directors' Value	
		2012	2011	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
b)	*Non-quoted*						
	Coca Cola Beverages Sri Lanka Ltd.	100	100	5	5	5	5
	Glaxo Ceylon Ltd.	150	150	4	4	4	4
	Carsons Marketing Ltd.	100	100	2	2	2	2
	Millars Ltd	500	500	24	24	24	24
	Less: Provision for fall in Value			(31)	(31)	(31)	(31)
	Total Investments in Non-Quoted Equity Securities			4	4	4	4
	Total Equity Investments (Group- Current)			53	53	154	211

		No. of Shares		Carrying Value		Market Value	
		2012	2011	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
9.2	Company						
9.2.1	*Investment in Equity Securities - Non Current*						
a)	*Quoted*						
	Overseas Realty (Ceylon) PLC	500	500	5	5	7	8
	Kotmale Holdings PLC	40,000	40,000	400	400	1,580	2,140
	Mercantile Shipping PLC	424,323	424,323	53,603	53,603	72,559	80,621
				54,008	54,008	74,146	82,769

		No. of Shares		Carrying Value		Directors' Value	
		2012	2011	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
9.2.1	*Investment in Equity Securities - Non Current Contd.*						
b)	*Non-quoted*						
	Giddawa Hydro Power (Pvt) Ltd.	600,001	600,001	60,000	60,000	60,000	60,000
				60,000	60,000	60,000	60,000
	Total Equity Investment (Company-Non Current)			114,008	114,008		

		No. of Shares		Carrying Value		Market Value	
		2012	2011	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
9.2.2	*Investment in Equity Securities - Current*						
a)	*Quoted*						
	John Keells Holdings PLC	726	726	49	49	150	207
	Total Equity Investment (Company-Current)			49	49	150	207

The market value of the 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 temprorary fluctuations in market prices of long term investments.

10 OTHER LONG TERM RECEIVABLES

		Group		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
	Refundable deposit	68,318	43,318	-	-
	Receivable from ESOS Trust (Note 10.1)	331,028	210,905	111,765	63,160
		399,346	254,223	111,765	63,160
10.1	**Receivable from ESOS Trust**				
	Balance at the Beginning of the year	210,905	133,748	63,160	30,093
	Payment made during the year	157,323	77,157	61,005	33,067
	Balance at the End of the year	368,228	210,905	124,165	63,160
	Repayable within 1 year	37,200	-	12,400	-
	Repayable after 1 year	331,028	210,905	111,765	63,160

11 INVENTORIES

	Group	
	2012 Rs. '000	2011 Rs. '000
Raw Materials	254,309	312,798
Work in Progress	40,170	37,801
Finished Goods and Other Stocks	1,701,876	1,406,401
Goods in Transit	65,590	-
	2,061,945	1,757,000
Less: Provision for Obsolete Stocks	(56,955)	(76,228)
	2,004,990	1,680,772

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Trade Debtors				
Related Parties (12.1)	-	-	117,456	81,786
Others	3,338,060	2,901,322	1,685	2,171
Ceylon Electricity Board	1,532,730	603,958	-	-
Less: Provision for Doubtful Debts	(103,227)	(50,449)	(500)	(500)
	4,767,563	3,454,831	118,641	83,457
Other Debtors				
Related Parties (12.2)	-	-	60,025	8,152
Others	589,611	594,853	5,888	2,752
Receivable from ESOS Trust (Note 10.1)	37,200	-	12,400	-
Advances and Prepayments	585,970	299,869	89,726	11,476
Less: Provision for Doubtful Debts	(4,986)	(45,301)	-	-
	5,975,358	4,304,252	286,680	105,837
Loans to Company Officers (12.3)	63,113	60,772	8,566	7,191
	6,038,471	4,365,024	295,246	113,028

12.1 Trade Dues from Related Parties

		Company	
	Relationship	2012 Rs.'000	2011 Rs.'000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	23,040	19,567
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	469	466
Vishwa BPO (Pvt) Ltd.	Subsidiary	34	-
Hemas Travels (Pvt) Ltd.	Subsidiary	1,681	1,578
Hemas Power PLC	Subsidiary	127	805
Hemas Air Services (Pvt) Ltd.	Subsidiary	4,814	467
Hemas Aviation (Pvt) Ltd.	Subsidiary	46	44
Exchange & Finance Investments (Pvt) Ltd.	Subsidiary	6	-
Hemtours (Pvt) Ltd.	Subsidiary	27	27
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	4,958	3,576
Hemas Hospitals (Pvt) Ltd.	Subsidiary	1,893	4,191
Hemas Surgicals & Diagnostics (Pvt) Ltd	Subsidiary	178	-
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	29,161	7,283
Forbes Air Services (Pvt) Ltd.	Subsidiary	41,038	34,761
ACX International (Pvt) Ltd.	Joint Venture	219	68
Hemas Developments (Pvt) Ltd.	Subsidiary	43	90
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	458	386
Heladhanavi Ltd.	Joint Venture	90	90
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	3	3
Peace Haven Resorts (Pvt) Ltd.	Subsidiary	11	-
Serendib Leisure Management (Pvt) Ltd.	Subsidiary	821	3,718
Serendib Hotels PLC	Subsidiary	2,223	88
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	114	114
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	763	878
N-able (Pvt) Ltd.	Subsidiary	5,167	3,533
Sky Net Worldwide Express (Pvt) Ltd.	Joint Venture	72	53
		117,456	81,786

12.2 Other Dues from Related Parties

		Company	
	Relationship	2012 Rs. '000	2011 Rs. 000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	6,913	972
Vishwa BPO (Pvt) Ltd.	Subsidiary	1,722	251
Hemtours (Pvt) Ltd.	Subsidiary	5,091	1
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	11	328
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	12,492	812
Forbes Air Services (Pvt) Ltd.	Subsidiary	86	511
Hemas Travels (Pvt) Ltd.	Subsidiary	395	1,035
Hemas Aviation (Pvt) Ltd.	Subsidiary	17	-
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	2,192	-
Serendib Leisure Management (Pvt) Ltd.	Subsidiary	1,223	-
Serendib Hotels PLC	Subsidiary	386	-
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	8	8
Hemas Hospitals (Pvt) Ltd.	Subsidiary	6,083	728
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	236	-
Hemas Power PLC	Subsidiary	781	745
Peace Haven Resorts (Pvt) Ltd.	Subsidiary	4,921	-
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	3	-
N-able (Pvt) Ltd.	Subsidiary	16,638	2,761
Hemas Air Services (Pvt) Ltd.	Subsidiary	77	-
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	750	-
		60,025	8,152

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
12.3 Loans to Company Officers:				
Balance at the Beginning of the Year	60,772	63,552	7,191	7,726
Loans Granted During the Year	53,965	47,689	5,754	6,363
Less: Repayments	(51,624)	(50,469)	(4,379)	(6,898)
	63,113	60,772	8,566	7,191

13 LOANS DUE FROM RELATED PARTIES

		Company	
	Relationship	2012 Rs.'000	2011 Rs.'000
Non-Current			
Hemas Corporate Services (Pvt) Ltd .	Subsidiary	15,000	15,000
		15,000	15,000
Current			
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	27,717	98,717
Hemas Corporate Services (Pvt) Ltd .	Subsidiary	5,340	-
HIF Logistics (Pvt) Ltd.	Joint Venture	123	6,000
Hemas Surgical and Diagnostics (Pvt) Ltd.	Subsidiary	-	1,000
Hemas Hospitals (Pvt) Ltd.	Subsidiary	175,895	237,895
Diethelm Travels (Pvt) Ltd	Subsidiary	-	10,000
Hemtours (Pvt) Ltd.	Subsidiary	65,000	65,000
N-able (Pvt) Ltd.	Subsidiary	55,000	47,000
Serendib Hotels PLC	Subsidiary	19	53,510
Leisure Asia Investments Ltd.	Subsidiary	380	150
		329,474	519,272

14 AMOUNTS DUE FROM RELATED PARTIES

		Company	
	Relationship	2012 Rs.'000	2011 Rs.'000
Hemtours (Pvt) Ltd.	Subsidiary	11,903	16,852
Diethelm Travels (Pvt) Ltd	Subsidiary	-	74
HIF Logistics (Pvt) Ltd.	Joint Venture	-	40
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	5,334	795
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	-	20
Hemas Air Services (Pvt) Ltd.	Subsidiary	12,539	12,539
Hemas Travels (Pvt) Ltd.	Subsidiary	6,281	-
Forbes Air Services (Pvt) Ltd.	Subsidiary	48,010	48,010
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	-	3
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	-	2,130
Hemas Clinical Research Services (Pvt) Ltd.	Subsidiary	3,496	3,496
Hemas Hospitals (Pvt) Ltd.	Subsidiary	37,642	42,532
N-able (Pvt) Ltd.	Subsidiary	-	3,356
Mowbray Hotels Ltd.	Subsidiary	4,571	3,586
Serendib Hotels PLC	Subsidiary	-	789
Less: Provision for Doubtful Debts		(3,496)	(3,496)
		126,280	130,726

15 STATED CAPITAL - GROUP/COMPANY

		2012 Number	2012 Rs.'000	2011 Number	2011 Rs.'000
15.1	Fully Paid Ordinary Shares (15.1.1)	515,290,620	1,600,603	512,040,620	1,468,426

	2012		2011	
	Number	Rs.'000	Number	Rs.'000
15.1.1 Fully Paid Ordinary Shares				
Balance at the Beginning of the Year	512,040,620	1,468,426	101,958,124	1,369,223
Sub division of shares	-	-	407,832,496	-
Issue of shares under Employee Shares Ownership Plan	3,250,000	132,177	2,250,000	99,203
Balance at the End of the Year	515,290,620	1,600,603	512,040,620	1,468,426

The company exercised a sub division of ordinary shares in the proportion of 5:1 on 2nd July 2010.

15.2 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.

16 RESERVES

		Group		Company	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
(a)	*Revaluation and Other Capital Reserve*				
	Balance at the Beginning of the Year	1,047,155	835,953	257,032	257,032
	Preference share issue/Adjustment on Share Transfers	-	101,250	-	-
	Transfer during the Year	95,395	(9,256)	-	-
	Net Gain/(Loss) Recognised Directly in Equity	912,882	119,209	-	-
	Balance at the End of the Year	2,055,432	1,047,156	257,032	257,032
(b)	*Exchange Reserve*				
	Balance at the Beginning of the Year	(1,179)	(29,971)	-	-
	Transfer from/(to) Retained Earnings	(58,483)	28,792	-	-
	Balance at the End of the Year	(59,662)	(1,179)	-	-
	Total Reserves	1,995,771	1,045,977	257,032	257,032

17 OTHER NON CURRENT LIABILITIES

	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Rent Deposits/Advanses	13,506	10,243	10,599	-
	13,506	10,243	10,599	-

18 INTEREST BEARING LOANS AND BORROWINGS

	2012 Amount Repayable Within 1 Year Rs. '000	2012 Amount Repayable After 1 Year Rs. '000	2012 Total Rs. '000	2011 Amount Repayable Within 1 Year Rs. '000	2011 Amount Repayable After 1 Year Rs. '000	2011 Total Rs. '000
18.1 Group						
Finance Leases	2,260	5,229	7,489	1,172	3,551	4,723
Bank Loans						
- Rupee Loans (18.1.1)	702,702	461,171	1,163,873	790,085	1,344,494	2,134,579
- Foreign Currency Loans (18.1.2)	231,496	918,427	1,149,923	200,009	351,996	552,004
	936,458	1,384,827	2,321,285	991,266	1,700,040	2,691,306

	As at 01.04.2011 Rs. '000	Loans Obtained Rs. '000	Repayments Rs. '000	As at 31.03.2012 Rs. '000
18.1.1 Rupee Loans				
Bank Loans	2,134,579	319,895	(1,290,601)	1,163,873

	As at 01.04.2011 Rs. '000	Loans Obtained Rs. '000	Repayments Rs. '000	Exchange Gain/(Loss) Rs. '000	As at 31.03.2012 Rs. '000
18.1.2 Foriegn Currency Loans					
HSBC - USD	277,240	-	(114,052)	29,344	192,532
SCB - USD	274,765	-	(91,485)	31,599	214,878
HNB - EURO	-	155,860	-	18,954	174814
HNB - GBP	-	146,712	-	20,911	167,623
Commercial Bank - EURO	-	118,052	-	17,530	135,582
Commercial Bank - GBP	-	233,972	-	30,522	264,494
	552,004	654,596	(205,537)	148,859	1,149,923

Loan Facility	Re-payment Term	Intrest Rate
Heladhanavi Ltd.		
HSBC - USD 6,400,000	36 Installments	1 Month LIBOR + 3% p.a.
SCB - USD 6,000,000	42 Installments	1 Month LIBOR + 3% p.a. reprice Quarterly
Serendib Hotels PLC		
HNB - EURO 1,315,000	60 Installments	3 Month EURIBOR + 3.5% p.a.
HNB - GBP 615,000	60 Installments	3 Month LIBOR + 3.5% p.a.
Dolphin Hotels PLC		
Commercial Bank - EURO 812,300	72 Installments	1 Month EURIBOR + 3.75% p.a.
Miami Beach Hotels Ltd.		
Commercial Bank - GBP 1,323,000	72 Installments	3 Month LIBOR + 3.75% p.a.

		2012 Amount Repayable Within 1 Year Rs. '000	2012 Amount Repayable After 1 Year Rs. '000	2012 Total Rs. '000	2011 Amount Repayable Within 1 Year Rs. '000	2011 Amount Repayable After 1 Year Rs. '000	2011 Total Rs. '000
18.2	Company						
	Loans from Related Parties (18.2.1)	290,590	965,472	1,256,062	321,640	686,502	1,008,142
		290,590	965,472	1,256,062	321,640	686,502	1,008,142

	Relationship	As at 01.04.2011 Rs. '000	Loans Obtained During the Year Rs. '000	Repayment/ Transfer During the year Rs. '000	As at 31.03.2012 Rs. '000
18.2.1 Loans from Related Parties					
Hemas Air Services (Pvt) Ltd.	Subsidiary	77,169	-	-	77,169
Hemas Developments (Pvt) Ltd.	Subsidiary	132,168	21,400	(57,595)	95,973
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	145,274	1,096,253	(914,182)	327,345
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	-	150,000	-	150,000
Hemas Power PLC	Subsidiary	-	80,000	-	80,000
Peace Haven Resorts Ltd.	Subsidiary	214,194	7,850	(24,756)	197,288
Vishwa BPO (Pvt) Ltd.	Subsidiary	8,000	-	-	8,000
Forbes Air Services (Pvt) Ltd.	Subsidiary	300,717	135,000	(246,050)	189,667
Hemtours (Pvt) Ltd.	Subsidiary	130,620	-	-	130,620
		1,008,142	1,490,503	(996,533)	1,256,062

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 4 Years (29/04/2008 - 30/04/2012) and thereafter repayable over 3 years
Interest - Grace Period of 4 Years (29/04/2008 - 30/04/2012) and thereafter interest chargeable based on Market Rates

19 DEFERRED INCOME TAX

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
19.1 Deferred Tax Assets				
Balance as at Beginning of the Year	25,489	22,805	-	-
Income/(Expense) arising during the Year	(458)	2,684	-	-
Balance at the End of the Year	25,031	25,489	-	-
19.2 Deferred Tax Liabilities				
Balance as at Beginning of the Year	123,609	145,147	42,022	60,198
Provision/(Release) made during the Year				
- Directly to Income Statement	(3,382)	(11,236)	(1,966)	(18,176)
- Directly to Equity	41,414	(10,302)	-	-
Disposed	(332)	-	-	-
Balance at the End of the Year	161,309	123,609	40,056	42,022

20 RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Balance as at Beginning of the Year	230,298	184,963	18,676	17,026
Interest cost	22,922	18,684	1,867	1,873
Current service cost	31,603	31,210	1,983	1,586
Benefits paid	(14,793)	(20,219)	(131)	(1,873)
Transfer	-	-	6,281	-
Acturial (gain) or loss	(21,688)	15,660	1,875	64
Balance as at the End of the Year	248,342	230,298	30,551	18,676

20.1 Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31/03/2012. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2012	2011
Discount rate assumed (%)	11%	10%
Further salary increase (%)	9%	9%
Retirement age	55 Years	50 - 60 Years

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Trade Payables				
Related Parties	-	-	-	-
Others	3,656,741	2,815,496	-	585
Other Payables				
Related Parties (21.1)	-	-	39,420	5,464
Others	434,270	558,596	19,638	10,507
Sundry Creditors including Accrued Expenses	1,080,592	719,000	23,183	23,583
	5,171,603	4,093,092	82,241	40,139

		Relationship	Company 2012 Rs.'000	Company 2011 Rs.'000
21.1	Non Trade Dues to Related Parties			
	Hemas Corporate Services (Pvt) Ltd.	Subsidiary	1,415	458
	Hemas Air Services (Pvt) Ltd.	Subsidiary	861	-
	Forbes Air Services (Pvt) Ltd.	Subsidiary	1,458	70
	Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	3,730	2,806
	ACX International (Pvt) Ltd.	Joint Venture	74	-
	Hemas Manufacturing (Pvt) Ltd.	Subsidiary	2,638	-
	Hemtours (Pvt) Ltd.	Subsidiary	72	104
	Vishwa BPO (Pvt) Ltd.	Subsidiary	3,213	45
	Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	509	167
	Hemas Hospitals (Pvt) Ltd.	Subsidiary	450	-
	Hemas Developments (Pvt) Ltd.	Subsidiary	12,789	-
	Peace Haven Resorts (Pvt) Ltd.	Subsidiary	509	-
	N-able (Pvt) Ltd.	Subsidiary	11,053	1,355
	HIF Logistics (Pvt) Ltd.	Joint Venture	11	39
	Hemas Power PLC	Subsidiary	170	-
	Hemas Travels (Pvt) Ltd.	Subsidiary	468	420
			39,420	5,464

22 AMOUNTS DUE TO RELATED PARTIES

	Relationship	Company 2012 Rs.'000	Company 2011 Rs.'000
Hemas Power PLC	Subsidiary	9,602	9,602
Vishwa BPO (Pvt) Ltd.	Subsidiary	14,680	14,680
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	-	25,111
Hemtours (Pvt) Ltd.	Subsidiary	14,495	14,225
Hemas Aviation (Pvt) Ltd.	Subsidiary	5,398	5,398
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	3,752	3,752
Discover the World Marketing (Pvt) Ltd.	Subsidiary	3,320	3,320
Hemas Air Services (Pvt) Ltd.	Subsidiary	50,074	50,453
Hemas Travels (Pvt) Ltd.	Subsidiary	7,840	7,840
Hemas Developments (Pvt) Ltd.	Subsidiary	22,671	22,671
ACX International (Pvt) Ltd.	Joint Venture	-	5,160
Far Shipping Lanka (Pvt) Ltd	Subsidiary	5,600	5,600
		137,432	167,812

23 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

		Group		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
	Components of Cash and Cash Equivalents				
23.1	**Favourable Cash and Cash Equivalent Balances**				
	Cash & Bank Balances	1,088,979	1,133,280	34,119	23,679
	Fixed Deposits, Treasury Bills and Repo Investments	1,614,034	2,025,097	8,800	210
23.2	**Unfavourable Cash and Cash Equivalent Balances**	**2,703,013**	**3,158,377**	**42,919**	**23,889**
	Bank Overdraft	(1,885,579)	(1,388,997)	-	(33,505)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	817,434	1,769,380	42,919	(9,616)

23.3 Disposal of subsidiaries

Cash consideration received on disposal of subsidiaries during the year were as follows,

	100% of Solas Lanka (Pvt) Ltd Rs. '000	51% of ACX International (Pvt) Ltd Rs. '000	Total Rs. '000
Property, Plant and Equipment	-	2,008	2,008
Other investments	-	13	13
Trade and Other Receivables	2,977	2,527	5,504
Interest Bearing Borrowings	-	807	807
Retirement Benefit Liability	10	497	507
Deferred Tax Liabilities	-	332	332
Trade and Other Payables	1,723	462	2,185
Income Tax Liabilities	235	(1,444)	(1,209)
Total net assets	1,009	3,894	4,903
Profit/(Loss) on disposal of subsidiaries	(759)	(957)	(1,716)
	250	2,937	3,187

24 REVENUE

	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Summary				
Sale of Goods	12,999,829	11,444,147	-	-
Rendering of Services	8,409,767	6,623,342	373,654	304,851
	21,409,596	18,067,489	373,654	304,851

Segment information is given in Note 37 to these financial statements.

25 DIVIDEND INCOME

	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Income from Investments				
- Related Parties	-	-	433,098	303,297
- Others	106	781	6	86
	106	781	433,104	303,383

26 OTHER INCOME AND GAINS

	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Gain/(Loss) on Disposal of Property Plant & Equipment	30,224	30,651	(2,666)	3,560
Rental Income	1,686	9,369	6,430	1,390
Commission Income	12,950	9,307	-	-
Exchange Gain	48,832	30,750	-	-
Sundry Income	50,666	28,753	4,159	625
	144,358	108,830	7,923	5,575

27 GAIN/(LOSS) ON DISPOSAL OF INVESTMENTS

	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Profit/(Loss) on Disposal of Investment	(1,716)	3,317	(8,175)	234
	(1,716)	3,317	(8,175)	234

28 FINANCE COST AND INCOME

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
28.1 Finance Cost				
Interest Expense on Overdrafts	56,695	64,757	198	243
Interest Expense on Loans and Borrowings				
- Rupee	164,335	219,093	74,887	51,893
- Foreign Currency	27,970	13,462	-	-
Debenture Interest	-	393	-	-
Finance Charges on Lease Liabilities	718	32	-	-
	249,718	297,737	75,085	52,136
28.2 Finance Income				
Interest Income				
- Related Parties	-	-	42,055	43,937
- Others	162,352	126,237	1,197	3,426
	162,352	126,237	43,252	47,363

29 PROFIT BEFORE TAX

Stated after Charging/(Crediting)

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Included in Cost of Sales				
Depreciation	313,326	335,425	-	-
Provision for Obsolete stocks	(19,273)	31,125	-	-
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Cost - Gratuity	32,837	65,554	5,725	3,523
Defined Contribution Plan Cost - MSPS/EPF/ETF	125,686	107,779	11,735	8,202
Depreciation	322,143	284,551	24,638	24,638
Exchange Loss	81,922	22,968	-	-
Amortisation/ Impairment of Intangibles	31,399	10,119	-	-
Profit/ (Loss) on Disposal of Property, Plant and Equipment	(37,651)	-	2,666	-
Auditors' Fees and Expenses	8,024	7,760	1,076	980
Legal Fees	1,365	1,491	3	9
Donations	6,108	9,665	772	117
Bad Debts Written - off	19,063	322	-	-
Provision for Doubtful Debts	12,463	33,789	-	(1,646)
Included in Selling & Distribution Cost				
Transport Cost	99,525	75,355	-	-
Advertising Cost	413,637	299,967	-	144

30 INCOME TAX EXPENSE

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (30.1)	228,645	200,412	23,709	27,545
Under/(Over) Provision of Current Taxes in respect of prior years	1,078	6,152	528	-
Tax on Dividends	33,508	21,510	-	-
Deferred Tax Expense/(Income) arising due to				
- Origination and Reversal of Timing Differences	(2,924)	(13,920)	(1,966)	(18,176)
	260,307	214,154	22,271	9,369

30.1 Reconciliation between Income Tax Expenses and the Accounting Profit

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Accounting Profit Before Tax	1,574,913	1,569,345	490,855	347,689
Intra Group Adjustment/Share of Profits of Subsidiaries	664,836	910,604	-	-
Income not subject to Income Tax	(678,987)	(943,206)	(447,663)	(283,172)
Excempt profit	(470,750)	(794,364)	-	-
Aggregate Disallowed Expenses	188,194	257,741	69,446	35,382
Aggregate Allowable Expenses	(152,410)	(251,783)	(27,964)	(17,942)
Aggregate disallowable income	(60,166)	85,663	-	-
Adjustment for tax losses	(11,279)	(5,290)	-	(4,652)
Taxable Profit	1,054,351	828,710	84,674	77,305
Income tax at 28% (2011 - 35%)	184,895	164,739	23,709	27,138
Income tax at 15%	599	26,381	-	-
Income tax at 12%	20,653	-	-	-
Income tax at 10%	20,392	4,710	-	-
Income Tax at other rates	2,106	1,721	-	-
	228,645	197,550	23,709	27,138
Social Responsibility levy	-	2,862	-	407
Current Income Tax Expense	228,645	200,412	23,709	27,545

30.2 Applicable Tax Rates

As per the Inland Revenue Act No.10 of 2006 and amendments thereto, all group companies which are resident in Sri Lanka are liable to Income Tax at 28% (2010/11- 35%) on taxable profit during the year 2011/2012 with the exception of the Companies stated below.

Company	Nature	Exemption or Concession	Period
Exemptions/Concessions Granted Under the Board of Investment Law			
Hemas Developments (Pvt) Ltd	Enjoys a concessionary tax rate	2% on Revenue	15 years ending 2019/2020
Heladhanavi Limited	Exempt from Income Tax	Exempt	10 years ending 2014/2015
Okanda Power Grid (Pvt) Ltd	Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter	Exempt	5 years from 1st year of profit or 2 years from operations
Upper Agra Oya Hydro Power (Pvt) Ltd	Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter	Exempt	5 years ending 2012/2013
Giddawa Hydro Power (Pvt) Ltd	Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter	Exempt	5 years ending 2012/2013
Hemas Hospitals (Pvt) Ltd	Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter	Exempt	5 years from 1st year of profit or 2 years from operations
Hemas Southern Hospitals (Pvt) Ltd	Profit of the Company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter	Exempt	5 years from 1st year of profit or 2 years from operations
Vishwa BPO (Pvt) Ltd	Exempt from income tax for a period of 3 years, at 10% for the next 2 years and 20% thereafter	10%	Ending March 2012
Hemas Manufacturing (Pvt) Ltd	For manufacturing and/or marketing of soap, personal care items and other fast moving consumer goods at its relocated factory in Dankotuwa under "300 Enterprises Programme", Inland Revenue Act shall not apply for a period of 5 years. After the exemption, the profits are taxed at 10% for a period of 2 years and 20% thereafter	Exempt	5 years ending 2012/2013
Exemptions/Concessions Granted Under the Inland Revenue Act No. 10 of 2006			
Hemas Power PLC	Classified as a venture capital Company and enjoys a concessionary tax rate	12%	open
N-able (Pvt) Ltd	Exempt from income tax for a period of 3 years, after the excemption at 5% for the first year, 10% in the second year and 15% thereafter	Exempt	3 years ending 2012/2013

30.2 Applicable Tax Rates Contd.

Business income of Hotel Sigiriya PLC, Miami Beach Hotels Ltd, Serendib Leisure Management (Pvt) Ltd, Far Shipping Lanka (Pvt) Ltd, Forbes Air Services (Pvt)Ltd, Hemas Air Services (Pvt) Ltd, Hemas Travels (Pvt) Ltd, Hemas Corporate Services (Pvt) Ltd, Hemas Aviation (Pvt) Ltd, Exchange & Finance Investment (Pvt) Ltd, Discover the World Marketing (Pvt) Ltd, Hellman Worldwide Logistics (Pvt) Ltd, Skynet Worldwide Express (Pvt) Ltd and Diethelm Travel Lanka (Pvt) Ltd is taxed at 10%.

Business income of Dolphin Hotels PLC and Serendib Hotels PLC Ltd is taxed at 12%. As per "Business Profit Tax Act" in Maldives, taxable profits of Diethelm Travel The Maldives (Pvt) Ltd is charged at 15%.

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

31 EARNINGS PER SHARE

31.1 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.

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

	Group	
	2012 Rs. 000	2011 Rs. '000
Amount Used as the Numerator:		
Profit for the Year	1,209,058	1,210,159
Less: Preference Dividends	(11,680)	(4,183)
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	1,197,378	1,205,976
In '000s	2012	2011
Number of Ordinary Shareholders Used as Denominator:		
Number of shares at the beginning of the year	512,041	101,958
Sub division of shares	-	407,832
	512,041	509,790
Effect of Issue of shares under ESOS	1,625	563
Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	513,666	510,353

31.3 There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

32 DIVIDENDS PER SHARE

		Company	
		2012 Rs. 000	2011 Rs. '000
32.1	**Dividends Paid**		
	Final out of 2010/2011 (2011-2009/2010) profits		
	Net Dividends paid to Ordinary shareholders	128,010	216,703
	Withholding tax deducted at Source from Dividends out of Profits	-	12,703
	Gross Ordinary Dividend paid	128,010	229,406
	Interim out of 2011/2012 profits		
	Net Dividends paid to Ordinary Shareholders	128,823	127,448
		256,833	356,854
	Withholding tax deducted at Source from Dividends out of Dividends received	28,537	25,536
	Dividend paid to Ordinary Shareholders	285,370	382,390

32.2 Dividends Per Share

	2012 Rs. '000	2011 Rs. '000
Final out of 2010/2011 profits	0.25	0.45
Interim out of 2011/2012 profits	0.25	0.25

32.3 The Final Dividends for 2010/11 has been paid on 11 July 2011 and Interim Dividends for 2011/12 has been paid on 22 November 2011.

33 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors of the company has declared a final dividend of Rs. 0.25 per share for the financial year ended 31 March 2012 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 10 July 2012.

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 2012.

34 COMMITMENTS & CONTINGENCIES

34.1 Capital Commitments

	Group	
	2012 Rs.'000	2011 Rs.'000
Serendib Hotels PLC		
Authorised by the Board, but not contracted for	-	650,000
	-	650,000

34.2 Contingencies

(a) *Hemas Holdings PLC*

The contingent liability as at 31 March 2012 on guarantees given by Hemas Holdings PLC, to banks on behalf of subsidiaries & joint venture relating to facilities obtained, are as follows

	2012 Rs.'000	2011 Rs.'000
Hemas Travels (Pvt) Ltd.	-	22,000
Hemas Corporate Services (Pvt) Ltd.	-	5,000
Hemas Southern Hospitals (Pvt) Ltd.	110,000	110,000
Exchange & Finance Investments (Pvt) Ltd.	-	2,500
Hemas Manufacturing (Pvt) Ltd.	-	85,000
Heladhanavi Ltd.	300,000	300,000
Hemas Power PLC	10,000	10,000
Forbes Air Services (Pvt) Ltd.	150,000	150,000
Hemas Hospitals (Pvt) Ltd.	200,000	200,000
Serendib Hotels PLC	628,504	200,000
N-able (Pvt) Ltd.	320,000	-
	1,721,004	1,084,500

(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 a guarantee 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 BSP and non BSP Airlines amounting to Rs.144,960,000/-

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

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

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

5. The Company has obtained guarantees from Standard Chartered Bank favouring Desiya Online Travel Distribution amounting to USD 10,000/-

6. The Company has obtained guarantees from Standard Chartered Bank favouring Ascot International Management amounting to USD 5,000/-

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

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

(e) *Hemas Air Services (Pvt) Ltd.*

1. The Company has obtained guarantees from Standard Chartered Bank favouring Malaysian Airlines for the purpose of GSA agreement for cargo and Passenger amounting to USD 550,000 and USD 60,000 respectively.

2. The Company has obtained a guarantee from Standard Chartered Bank favouring Airport & Aviation Services (Sri Lanka) Ltd amounting to Rs. 5,201,450/-

3. The Company has obtained guarantees from Standard Chartered Bank on behalf of Hemas Aviation (Pvt) Ltd favouring Sri Lankan Airline Ltd, Drukair Corporation Ltd and Discover Momentum LLC, amounting to US$ 15,000, US$ 20,000 and US$ 50,000 respectively.

(f) *Forbes Air Services (Pvt) Ltd.*

1. The Company has obtained a guarantee 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 Airport and Aviation Services (Sri Lanka) Ltd amounting to Rs. 201,566/-

3. The Company has obtained a guarantee from Standard Chartered Bank favouring Director General of Civil Aviation amounting to Rs. 24,024,000/-

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

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

34.3 Lease Commitments

(a) *Hemas Hospitals (Pvt) Ltd.*

Operating Lease Commitments - Company as Lessee

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

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

	2012 Rs. '000	2011 Rs. '000
Within 01 Year	15,750	18,750
After 01 Year but not more than 05 Years	90,000	84,750
More than 05 Years	488,244	502,494
	593,994	605,994

34.4 Commitments and Contingencies of the Jointly Controlled Entities

(a) *Heladhanavi Ltd.*

1. Operations and Maintenance Agreement with Lakdhanavi Ltd.
   According to this agreement, the fixed fee payable after the final completion date is US$ 625,000 per annum paid in equal monthly installments and Heladhanavi Ltd is liable to pay Lakdhanavi Ltd an additional sum of US $ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement

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

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

   According to the clause 3.5 (C) of fuel supply agreement, company has established two Letter of Credits in favour of Ceylon Petroleum Corporation At Nations Develeopment Bank - to the value of Rs. 300Mn and at Sampath Bank- to the value of Rs. 300Mn

4. Heladhanavi Limited ('Heladhanavi') is of the opinion, based on legal advice, that CEB has breached the PPA by; (a) failing to pay a sum of Rs 57Mn on account of delayed interest income due to Heladhanavi; and (b) attempting to deduct dividend tax of Rs 215Mn. Heladhanavi has commenced Arbitration proceedings with regard to the aforementioned disputes, and the Board of Directors of Heladhanavi is confident that Heladhanavi would succeed in such Arbitration.

5 Power Purchase Agreement with Ceylon Electricity Board
If the company fails to supply Minimum Guaranteed Energy Amount (MGEA), which is 698,417,280 kwh per year, the Company would be liable for liquidated damages.

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

6 Eligibility to apply for a Generation Licence
As per the Sri Lanka Electricity Act No.20 of 2009, for a company to be eligible to obtain generation license for generation capacity over and above 25MW, the company must be incorporated under the Companies Act No. 7 of 2007, in which the government, a public corporation, a company in which the government holds more than fifty per centum of the shares or a subsidiary of such a company, holds such number of shares as may be determined by the Secretary to the Treasury with the concurrence of the Minister in charge of the subject of Finance.

However no such determination of shares was made by the Secretery to the Treasury at the point of application of the generation license . It was revealed that the Government of Sri Lanka is in the process of amending the Electricity Act to exempt the existing independent power procedures (including the Company) from this requirement. The Company is currently supplying power to the Ceylon Electricity Board based on a generation license validly obtained on 26 September 2003.

A legal opinion was sought by the company in this regard which states that in the absence of the determination of the fixed number shares by the secretary to the treasury as required under section 9 (1) (c) of the Sri Lanka Electricity Act No 20 of 2009, the company is entitled to apply for a generation license and hence will not be liable for any fines as the company does not contravene the Act.

(b) *Hellman Worldwide Logistics (Pvt) Ltd*
The Company has obtained corporate guarantees from Hellmann Worldwide Logistics Ltd (Hong Kong) for Hong Kong Dollars 1,500,000.

35. 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 2012 Rs.'000	2011 Rs.'000	Included Under
Hemas Manufacturing (Pvt) Ltd.	Inventories and Trade Receivables	Concurrent Mortgage to the extent of bank facility obtained from HNB and HSBC	12,000	22,500	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	Property, Plant and Equipment
Heladhanavi Ltd. (The Group has its proportionate share of the assets pledged)	Immovable Assets	US$ 4,000,000 & US$ 12,600,000 (Term Loan Facility)	-	10,884	Property, Plant and Equipment
	Land,Building, Plant and Machinery (Term Loan with HSBC)	US $ 6,400,000	2,949,165	-	Property , Plant and Equipment and Trade Debtors
	Land,Building, Plant and Machinery & Property , Plant Trade Debtors and Equipment	US $ 11,600,000	6,206,135	-	Property, Plant and Equipment
	Land,Building, Plant and Machinery	US $ 6,000,000 (Term Loan with Standard Chartered Bank)	2,949,165	-	Property, Plant and Equipment
Serendib Hotels PLC	Leasehold Land and Buildings	Primary Mortgage up to the value of Rs. 48 Mn. to Seylan Bank PLC Secondary Mortgage up to the value of Rs.20 Mn. to Seylan Bank PLC Corporate Guarantee from Hemas Holdings PLC for Rs. 200 Mn and Indemnity of the Company, in favour of Hatton National Bank PLC	-	205,513	Property, Plant and Equipment

35. ASSETS PLEDGED CONTD.

Name of The Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged 2012 Rs.'000	2011 Rs.'000	Included Under
Dolphin Hotels PLC	Freehold Land and Buildings	Primary Mortgage upto the value of Rs. 126.3 Mn to Commercial Bank of Ceylon PLC of Ceylon (EIB Loan)	639,951	565,125	Property, Plant and Equipment
		Primary Mortgage upto the value of Rs. 20 Mn to Commercial Bank of Ceylon PLC (Overdraft facility of Rs.20Mn)			
Miami Beach Hotels Ltd	Freehold Land and Buildings	Primary Mortgage upto the value of Rs. 234.6 Mn to Commercial Bank of Ceylon PLC (EIB Loan)	500,011	464,775	Property, Plant and Equipment
		Primary Mortgage upto the value of Rs. 10 Mn to Commercial Bank of Ceylon PLC			
		Corporate Gurantee of Dolphin Hotels PLC for Rs. 50 M			
Hotel Sigiriya PLC	Plant, Machinery and Equipment	Primary Mortgage up to the value of Rs.1.75 Mn to Commercial Bank of Ceylon PLC	2,691	2,925	Property, Plant and Equipment
	Leasehold Land and Buildings	Primary Mortgage upto the value of Rs.30 Mn to Commercial Bank of Ceylon PLC	-	110,894	
Hemas Hospitals (Pvt) Ltd.	Leasehold right to the Leasehold Land	Primary Mortgage up to the value of Rs 750,000,000 to DFCC Bank	1,364,269	1,364,269	Property, Plant and Equipment
Hemas Southern Hospitals (Pvt) Ltd.	Land and Building	Concurrent mortgage to the extent of Bank facility obtained from Sampath Bank	395,000	353,200	Property, Plant and Equipment

36. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

36.1 Transaction with related entities

	Subsidiaries		Others		Total	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Nature of Transaction						
Consultancy Fees Receivable	280,862	229,222	-	-	280,862	229,222
Bank Guarantee Fees Receivable	5,315	2,292	-	(1,505)	5,315	786
IT Charges Receivable	64,395	64,904	26	88	64,421	64,992
Rent Receivable	7,171	1,152	-	-	7,171	1,152
Loan Interest Income Receivable	42,055	42,854	-	1,082	42,055	43,937
Dividend Income	433,098	303,297	-	-	433,098	303,297
Treasury Loans Granted	(966,787)	(605,154)	-	-	(966,787)	(605,154)
Loan Interest Expense Payable	(50,674)	(49,113)	-	-	(50,674)	(49,113)
Receipt of Services	(34,834)	(5,696)	-	-	(34,834)	(5,696)
Shared Service Fee Payable	(7,626)	(9,031)	-	-	(7,626)	(9,031)
Purchase of Air Tickets/ Foreign Currency	(7,648)	(7,711)	-	-	(7,648)	(7,711)
Treasury Loans Obtained	1,490,503	496,996	-	-	1,490,503	496,996
Repayment of Loans (Net)	150,282	15,329	-	-	150,282	15,329
Others	3,742	-	-	-	3,742	-
	1,409,853	479,340	26	(335)	1,409,879	479,005

Off Balance Sheet items

Guarantees given by the Company to banks on behalf of related parties are disclosed in Note 34.2 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 18.2.1 to these financial statements.

36.2 Transactions with Key Management Personnel

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

	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
a) *Key Management Personnel Compensation*				
Short Term Benefits	142,349	144,243	41,974	36,474

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

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

37. SEGMENTAL INFORMATION

Information based on the Primary Segments (Business Segment)

For the year ended 31 March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Assets and Liabilities														
Non Current Assets														
Property, Plant and Equipment	1,181,770	960,597	2,092,681	1,926,873	2,503,099	1,716,172	70,836	43,863	2,546,691	2,469,577	920,136	353,340	9,315,213	7,470,422
Investment Property	-	-	-	-	-	-	-	-	-	-	1,470,500	1,309,965	1,470,500	1,309,965
Other Non Current Assets	632,994	442,238	1,461,897	583,314	495,905	628,838	86,553	83,702	1,733,831	1,331,661	6,796,850	6,303,065	11,208,030	9,372,818
Segmental Non Current Assets	1,814,764	1,402,835	3,554,578	2,510,187	2,999,004	2,345,010	157,389	127,565	4,280,522	3,801,238	9,187,486	7,966,370	21,993,743	18,153,205
Deferred Tax Assets													25,031	25,489
Eliminations/Adjustments													(10,090,635)	(8,315,066)
Total Non Current Assets													11,928,139	9,863,628
Current Assets														
Segmental Current Assets	2,596,170	2,388,283	3,132,255	2,692,919	1,154,769	949,795	2,112,445	1,933,063	2,725,097	2,402,865	1,437,687	1,319,597	13,158,423	11,686,522
Tax Refunds	-	-	-	-	-	-	-	-	-	-	-	-	134,306	148,020
Eliminations/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,411,896)	(2,482,296)
Total Current Assets													10,880,833	9,352,246
Total Assets													22,808,972	19,215,874
Non Current Liabilities														
Segmental Non Current Liabilities	58,821	199,937	1,109,464	1,210,827	774,951	501,291	32,205	44,230	314,380	489,620	1,039,286	743,157	3,329,108	3,189,062
Deferred Tax Liability													161,309	123,609
Eliminations/Adjustments													(1,682,432)	(1,248,481)
Total Non Current Liabilities													1,807,984	2,064,190
Current Liabilities														
Segmental Current Liabilities	1,498,446	1,322,365	2,559,918	2,183,422	1,029,196	1,152,051	1,520,606	1,426,492	2,389,587	1,747,002	902,930	908,023	9,900,683	8,739,355
Income Tax Liability													63,742	89,890
Eliminations/Adjustments													(1,900,972)	(2,253,202)
Total Current Liabilities													8,063,453	6,576,043
Total Liabilities													9,871,437	8,640,233
Total Segment Assets	4,410,934	3,791,118	6,686,833	5,203,106	4,153,773	3,294,805	2,269,834	2,060,628	7,005,619	6,204,103	10,625,173	9,285,967	35,152,166	29,839,727
Total Segment Liabilities	1,557,267	1,522,302	3,669,382	3,394,249	1,804,148	1,653,342	1,552,811	1,470,722	2,703,967	2,236,622	1,942,216	1,651,180	13,229,790	11,928,419
Other Segmental Information														
Acquisition Cost of Property, Plant and Equipment	115,035	99,711	273,662	76,797	765,863	588,711	49,075	8,399	288,689	242,998	88,178	78,730	1,580,502	1,095,346
Depreciation of segmental assets	118,668	147,976	149,534	146,287	91,572	78,751	14,297	13,214	207,672	203,701	53,726	30,047	635,469	619,976
Other Non Cash expenses	-	-	-	-	-	-	-	-	-	-	-	-		
Provision for Retiring Gratuity	4,776	16,981	12,542	20,440	4,203	10,479	2,980	8,672	842	1,070	7,494	7,912	32,837	65,554
Impairment/Amortization of Intangibles	8,178	6,794	-	-	2,556	3,325	-	-	-	-	20,665	-	31,399	10,119

37. SEGMENTAL INFORMATION CONTD.

For the year ended 31 March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue														
Segmental Revenue - Gross	6,595,929	5,799,255	7,548,710	6,572,180	1,182,750	1,035,089	721,987	734,279	4,471,370	3,370,395	1,489,177	1,081,209	22,009,923	18,592,408
Intra Segmental Revenue	-	-	(68,317)	(56,832)	-	-	-	-	-	-	(40,084)	(43,098)	(108,401)	(99,929)
Segment Revenue	6,595,929	5,799,255	7,480,393	6,515,348	1,182,750	1,035,089	721,987	734,279	4,471,370	3,370,395	1,449,093	1,038,111	21,901,522	18,492,478
Inter Segmental revenue	-	-	-	(1,164)	-	-	-	-	-	-	(491,926)	(423,824)	(491,926)	(424,989)
Total Revenue	6,595,929	5,799,255	7,480,393	6,514,184	1,182,750	1,035,089	721,987	734,279	4,471,370	3,370,395	957,167	614,287	21,409,596	18,067,489
Results														
Segmental Results	550,085	507,705	585,120	471,625	143,263	181,107	250,029	248,520	268,809	457,192	(167,154)	(149,709)	1,630,152	1,716,439
Finance Cost	(2,712)	(33,791)	(111,200)	(131,231)	(48,886)	(35,485)	(5,595)	(11,449)	(52,863)	(81,375)	(28,462)	(4,406)	(249,718)	(297,737)
Finance Income	51,044	45,940	6,102	4,824	17,630	1,348	25,685	14,401	57,041	52,340	4,850	7,384	162,352	126,237
Change in Fair Value of Investment Properties	-	-	-	-	-	-	-	-	-	-	32,127	24,405	32,127	24,405
Profit/(Loss) before Tax	598,417	519,854	480,022	345,218	112,007	146,970	270,119	251,472	272,987	428,157	(158,639)	(122,326)	1,574,913	1,569,345
Income Tax	(23,735)	(660)	(123,821)	(112,829)	(17,824)	(25,350)	(27,899)	(27,562)	(1,977)	(2,516)	(65,051)	(45,237)	(260,307)	(214,154)
Profit/(Loss) for the Year	574,682	519,194	356,201	232,389	94,183	121,620	242,220	223,910	271,010	425,641	(223,690)	(167,563)	1,314,606	1,355,191
Attributable to:														
Equity Holders of the Parent	574,682	519,194	375,692	264,874	36,846	50,578	242,220	223,910	203,326	319,300	(223,708)	(167,697)	1,209,058	1,210,159
Minority Interests	-	-	(19,491)	(32,485)	57,337	71,042	-	-	67,684	106,341	18	134	105,548	145,032
	574,682	519,194	356,201	232,389	94,183	121,620	242,220	223,910	271,010	425,641	(223,790)	(167,563)	1,314,606	1,355,191

38 GROUP COMPANIES

	Effective Holding		Voting Power		Principal Activities
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	
FMCG					
Hemas Manufacturing (Pvt) Ltd.	100%	100%	100%	100%	Manufacture of FMCG Products
Hemas Marketing (Pvt) Ltd.	100%	100%	100%	100%	Trading & Distribution of FMCG Products
Hemas Trading (Pvt) Ltd.	100%	100%	100%	100%	Import and sale of Food Products
Hemas Consumer Brands (Pvt) Ltd.	100%	100%	100%	100%	Trading of FMCG Products
HEALTHCARE					
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.	81%	81%	81%	81%	Hospital Services
Hemas Southern Hospitals (Pvt) Ltd.	81%	81%	81%	81%	Hospital Services
Hemas Capital Hospitals (Pvt) Ltd.	81%	-	81%	-	Hospital Services
Hemas South Colombo Hospitals (Pvt) Ltd.	81%	-	81%	-	Hospital Services
Hemas Clinical Research Services (Pvt) Ltd.	100%	100%	100%	100%	Support Services of Clinical Trials
LEISURE					
Leisure Asia Investments Ltd.	100%	100%	100%	100%	Investment Holding Company
Serendib Hotels PLC	51%	51%	51%	51%	Operating a Tourist Hotel and Investment Holding Company
Hotel Sigiriya PLC	32%	32%	51%	51%	Operating a Tourist Hotel
Dolphin Hotels PLC	39%	39%	51%	51%	Operating a Tourist Hotel
Miami Beach Hotels Ltd	33%	33%	51%	51%	Operating a Tourist Hotel
Serendib Leisure Management Ltd	51%	51%	51%	51%	Hotel Management Services
Diethelm Travel Lanka (Pvt) Ltd.	80%	80%	80%	80%	Destination Management Services
Diethelm Travel The Maldives (Pvt) Ltd.	-	-	66%	66%	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%	Property
TRANSPORTATION					
Forbes Air Services (Pvt) Ltd.	100%	100%	100%	100%	GSA Emirates Airline
Hemas Air Services (Pvt) Ltd.	100%	100%	100%	100%	GSA Malaysian Airline
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
Far Shipping Lanka (Pvt) Ltd.	100%	100%	100%	100%	Shipping Agents
Hemas Transportation (Pvt) Ltd.	100%	100%	100%	100%	Investment Holding Company
Solas Lanka (Pvt) Ltd.	-	100%	-	100%	Shipping Agents
Hellman Worldwide Logistics (Pvt) Ltd*	49%	49%	49%	49%	Freight Forwarders
HIF Logistics (Pvt) Ltd.*	49%	49%	49%	49%	Freight Forwarders
Skynet Worldwide Express (Pvt) Ltd.*	49%	49%	49%	49%	Courier Services
ACX International (Pvt) Ltd.*	49%	100%	49%	100%	Courier Services
POWER					
Hemas Power PLC.	75%	75%	75%	75%	Venture Capital Company
Giddawa Hydro Power (Pvt) Ltd.	75%	75%	75%	75%	Mini Hydro Power Plant
Okanda Power Grid (Pvt) Ltd.	75%	75%	75%	75%	Mini Hydro Power Plant
Upper Agra Oya Hydro Power (Pvt) Ltd	75%	75%	75%	75%	Mini Hydro Power Plant
Butama Hydro Electricity Company	75%	-	75%	-	Mini Hydro Power Plant
Ella Dendro Electric (Pvt) Ltd	75%	-	75%	-	Mini Hydro Power Plant
Heladhanavi Ltd.*	35%	35%	50%	50%	Thermal Power Plant
OTHER					
Hemas Corporate Services (Pvt) Ltd.	100%	100%	100%	100%	Corporate Secretaries
Hemas Developments (Pvt) Ltd.	100%	100%	100%	100%	Property Development
Peace Haven Resorts Ltd.	95%	95%	95%	95%	Property
Vishwa BPO (Pvt) Ltd	100%	100%	100%	100%	Financial & Accounting BPO
N-able (Pvt) Ltd.	100%	100%	100%	100%	Enabling Information & Technology Solutions

*Jointly Controlled Entities

SHARE INFORMATION

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 MARCH 2012

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 to1,000 Shares	4,077	1,986,188	0.39	22	12,830	0.00	4,099	1,999,018	0.39
1,001 to 10,000 Shares	1,914	6,781,693	1.32	32	152,050	0.03	1,946	6,933,743	1.35
10,001 to 100,000 Shares	397	11,817,980	2.29	21	785,650	0.15	418	12,603,630	2.44
100,001 to 1000,000 Shares	70	20,778,850	4.03	14	4,953,100	0.96	84	25,731,950	4.99
Over 1,000,000 Shares	23	437,836,740	84.97	8	30,185,539	5.86	31	468,022,279	90.83
	6,481	479,201,451	93.00	97	36,089,169	7.00	6,578	515,290,620	100.00

	No.of Shareholders	No. of Shares
Catagories of Shareholders		
Individual	6,209	50,952,630
Institutional	369	464,337,990
	6,578	515,290,620

COMPUTATION OF PUBLIC SHAREHOLDING

As at 31 March	2012 No of shares	2011 No of shares
Over 10% holding		
Saraz Investments (Private) Limited	86,396,035	86,396,035
A Z Holdings (Private) Limited	90,762,875	90,762,875
Amagroup (Private) Limited	85,780,665	85,780,665
Blueberry Investments (Private) Limited	85,781,250	85,781,250
Directors' shareholding		
Mr. J C L De Mel	87,500	87,500
Mr. H N Esufally	5,795,205	5,795,205
Mr. A N Esufally	1,992,085	1,992,085
Mr. I A H Esufally	6,132,500	6,132,500
Mr. M E Wickremesinghe	11,250	11,250
Mr. M A H Esufally	5,655,000	5,655,000
Mr. P K Mohapatra	-	-
Mr. D Bhatnagar	150	150
	368,394,515	368,394,515
Issued share capital	515,290,620	512,040,620
Less : directors' shareholding and shareholders over 10%	368,394,515	368,394,515
Public holding	146,896,105	143,646,105
public holding as a % of issued share capital	28.51%	28.05%

SHARE TRADING

	2012		2011	
Market Price				
Highest (Rs.)	51	24/05/11	53.5	23/09/10
Lowest (Rs.)	23	14/02/12	23.6	06/04/10
As at year ended (Rs.)	26.3	30/03/12	46	31/03/11
No. of Trades	6,919		38,097	
No. of Shares Traded	18,049,445		116,074,600	
Value of Shares Traded (Rs. Mn)	746		5,973	
Market Capitalisation (Rs. Mn)	13,552		23,554	

MAJOR SHAREHOLDERS

List of 20 Major Shareholders as at 31st March

		2012 No of Shares	%	2011 No of Shares
1	A Z Holdings (Private) Limited	90,762,875	17.61	90,762,875
2	Saraz Investment (Private) Limited	86,396,035	16.77	86,396,035
3	Blueberry Investments (Private) Ltd	85,781,250	16.65	85,781,250
4	Amagroup (Private) Ltd	85,780,665	16.65	85,780,665
5	Employees Provident Fund	26,650,875	5.17	27,125,875
6	HSBC Intl Nom Ltd-SSBT-National Westminster Bank PLC As Depository of First State Indian Subcontinent	9,732,370	1.89	9,732,370
7	Jacey Trust Services (Private) Limited-Account No-02	8,750,000	1.70	5,500,000
8	Sri Lanka Insurance Corporation Ltd-Life Fund	6,635,700	1.29	6,635,700
9	HSBC Intl Nom Ltd-SSBT-National Westminster Bank PLC As Depository of First State Asia Pacific Susta	6,272,899	1.22	6,272,899
10	Mr. I A H Esufally	6,132,500	1.19	6,132,500
11	Mr. H N Esufally	5,795,205	1.12	5,795,205
12	Mr. M A H Esufally	5,655,000	1.10	5,655,000
13	HSBC Intl Nominees Ltd-HSBC Bank PLC-CMG First State Global Umbrella Fund PLC-CMG First State Indian	5,149,500	1.00	5,825,500
14	Lexinton Holdings (Private) Limited	4,740,600	0.92	4,738,200
15	Jacey Trust Services (Private)Limited	4,613,750	0.90	4,613,750
16	Anverally and Sons (Private) Ltd A/C No 01	3,534,400	0.69	2,646,200
17	HSBC Intl Nom Ltd-JPMBC-Pacific Assets Trust PLC	3,051,800	0.59	3,051,800
18	Employees Trust Fund Board	2,795,100	0.54	Nil
19	Cocoshell Activated Carbon Company Limited	2,793,575	0.54	2,940,875
20	Mr. M M Udeshi	2,150,825	0.42	2,150,825
	Total	453,174,924	87.95	

SHARE INFORMATION

DIRECTORS' SHAREHOLDING

	31 March 2012	1 April 2011	31 March 2011
Mr. J C L De Mel	87,500	87,500	87,500
Mr. H N Esufally	5,795,205	5,795,205	5,795,205
Mr. A N Esufally	1,992,085	1,992,085	1,992,085
Mr. I A H Esufally	6,132,500	6,132,500	6,132,500
Mr. M E Wickremesinghe	11,250	11,250	11,250
Mr. M A H Esufally	5,655,000	5,655,000	5,655,000
Mr. P K Mohapatra	-	-	-
Mr. D Bhatnagar	150	150	150
	368,394,515	368,394,515	368,394,515

FIVE YEAR SUMMARY

Year Ended 31st March Rs.'000	2012	2011	2010	2009	2008
Operating Results					
Group Revenue	21,409,596	18,067,489	14,997,405	15,169,509	14,163,805
Profit Before Taxtaion	1,574,913	1,569,345	1,094,719	856,932	1,259,455
Taxation	260,307	214,154	160,075	137,854	108,625
Profit After Taxation	1,314,606	1,355,191	934,644	719,078	1,150,830
Profit Attributable to Hemas Group	1,209,058	1,210,159	901,730	775,128	1,135,419
Equity & Liabilities					
Stated Capital and Preference Shares	1,600,603	1,468,426	1,369,223	1,369,223	1,329,013
Reserves	1,995,771	1,045,976	805,983	837,675	856,452
Retained Earnings	7,195,185	6,359,604	5,516,910	4,821,392	4,248,232
Minority Interest	2,145,976	1,701,635	1,488,104	837,062	604,967
Non-Current Liabilities	1,807,984	2,064,190	1,570,430	2,000,989	1,155,771
Current Liabilities	8,063,453	6,576,043	5,316,281	4,969,471	4,936,190
	22,808,972	19,215,874	16,066,931	14,835,812	13,130,625
Assets					
Property, Plant & Equipment	10,288,807	7,457,601	7,033,615	7,180,680	5,182,389
Investment Property	474,685	1,309,965	1,261,410	1,178,710	1,178,710
Leasehold Property	55,713	58,779	61,845	64,911	67,976
Intangible Assets	300,409	323,895	333,074	191,214	173,622
Investments (Associate & Others)	783,494	687,899	241,564	257,924	375,106
Deferred Tax Assets	25,031	25,489	22,805	21,832	18,482
Current Assets	10,880,833	9,352,246	7,112,618	5,940,541	6,134,340
	22,808,972	19,215,874	16,066,931	14,835,812	13,130,625
Key Indicators					
Earnings Per Share (Rs.)*	2.33	2.36	1.76	1.51	2.23
Dividends Per Share (Rs.)*	0.50	0.70	0.36	0.25	0.25
Dividend Cover (No. of Times)	4.7	3.4	4.9	6.0	8.9
Interest Cover (No. of Times)	7.3	6.2	3.3	2.8	4.2
Net Asset Per Share (Rs.)*	20.9	17.3	15.1	13.8	12.7
Cash from Operating Activities (Rs.' 000)	948,833	1,994,663	1,407,985	1,458,434	929,277
Current Ratio (No. of Times)	1.3	1.4	1.3	1.2	1.2
Gearing (%)	24.5	27.8	25.8	32.9	31.4
ROE (%)	12.3	14.6	12.3	11.5	19.4

* Comparative figures adjusted for sub division of ordinary shares in the proportion of 5:1

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
Operating profit 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 Ninth 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 29th day of June 2012 at 3.30 pm for the following purpose:-

AGENDA

1. To receive and consider the Statements of Accounts of the Company and of the Group for the year ended 31st March 2012 , together with the Reports of the Directors and Auditors thereon.

2. To re-elect as Director, Mr. I A H Esufally retiring in terms of Article 84 of the Articles of Association of the Company.

3. To re-elect as Director, Mr. P K Mohapatra retiring in terms of Article 84 of the Articles of Association of the Company.

4. To re-elect as Director, Mr. R Gopalakrishnan retiring in terms of Article 72 of the Articles of Association of the Company.

5. To pass the ordinary resolution set out below to re-appoint as director Mr. J C L De Mel who is over 70 years of age 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 Mr. J C L De Mel who has reached the age of 75 years on 6th May 2012 be and is hereby re-appointed 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 Mr. J C L De Mel."

6. To declare a final dividend of Rs. 0.25 per Ordinary share as recommended by the Board.

7. To re- appoint Messrs. Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorize the Directors to determine their remuneration.

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

By Order of the Board of
HEMAS HOLDINGS PLC

Hemas Corporate Services (Private) Limited
Secretaries
8th June 2012

Note:
A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote in his/her place.
A Proxy need not be a Member of the Company.
A Form of Proxy accompanies this Notice.

NOTES

FORM OF PROXY

I/We ....

of ....

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

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

Mr./Mrs. ....

of ....

as *my/our Proxy to *speak and /to vote for *me/us on *my/our behalf at the Ninth Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Friday the 29th day of June 2012 at the Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 2 and at any adjournment thereof.

		For	Against
1.	To receive and consider the Statements of Accounts of the Company and of the Group for the year ended 31.03.2012 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect as Director, Mr. Imtiaz Esufally retiring by rotation in terms of the Articles of Association of the Company.		
3.	To re-elect as Director, Mr. Pradipta Mohapatra retiring by rotation in terms of the Articles of Association of the Company.		
4.	To re-elect as Director, Mr. Ramabadran Gopalakrishnan retiring by rotation in terms of the Articles of Association of the Company.		
5.	To re-appoint Mr. J C L De Mel as a Director of the Company in terms of Section 211 (1) of the Companies' Act No.7 of 2007.		
6.	To declare a final dividend of Rs. 0.25 per share as recommended by the Board.		
7.	To re-appoint M/s Ernst & Young, Chartered Accountants, as auditors of the Company and to authorize the directors to determine their remuneration.		
8.	To authorize the Directors to determine and make donations to Charity.		

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

. ... Date:...

Signature/s

Note:

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

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

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

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

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

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

5. the completed Form of Proxy, addressed to the Secretaries should be deposited at Hemas House, No. 75, Braybrooke Place. Colombo 2 not less than Forty Eight (48) hours before the time appointed for the Meeting.

CORPORATE INFORMATION

LEGAL FORM
Quoted Public Company with Limited
Liability listed on the Colombo Stock
Exchange on 15th October 2003

DATE OF INCORPORATION
10th December 1948

DATE OF RE-REGISTRATION
30th May 2007

NEW REGISTRATION NUMBER
P Q 6

ACCOUNTING YEAR END
31st March

REGISTERED OFFICE
Hemas House
No. 75, Braybrooke Place,
Colombo 2.

WEBSITE
www.hemas.com

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

DIRECTORS
Lalith De Mel (Chairman)
Husein Esufally (CEO)
Abbas Esufally
Imtiaz Esufally
Murtaza Esufally
Maithri Wickremesinghe
Praditpa Mohapatra
Divyaroop Bhatnagar (Resigned 31.03.2012)
Ramabadran Gopalakrishnan (Appointed 01.04.2012)

SECRETARIES & REGISTRARS
Hemas Corporate Services (Pvt) Ltd
No. 75, Braybrooke Place,
Colombo 2.
Telephone: 4731731 (hunting)
Facsimile: 4731777

LAWYERS TO THE COMPANY
D.L.& F De Saram
No. 47, Alexandra Place,
Colombo 7.

BANKERS
Bank of Ceylon
Commercial Bank of Ceylon PLC
CITI Bank N.A
Deutsche Bank AG
DFCC Bank PLC
Hong Kong & Shanghai Banking Corp. Ltd
Hatton National Bank PLC
Nations Trust Bank PLC
National Development Bank PLC
Peoples Bank
Standard Chartered Bank
Sampath Bank PLC

HEMAS HOLDINGS PLC

Hemas House
75, Braybrooke Place,
Colombo 02,
Sri Lanka.
www.hemas.com

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