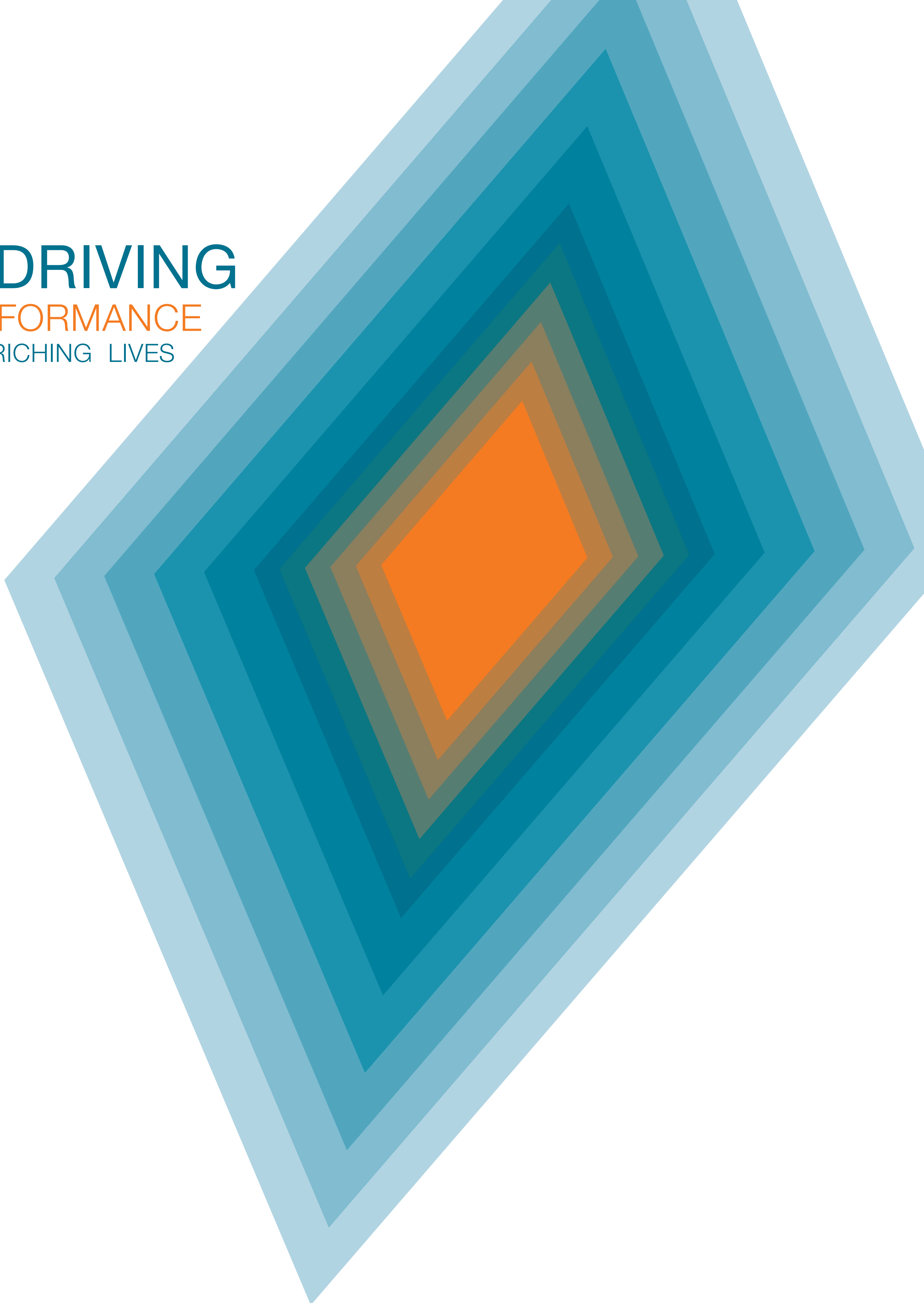
# DRIVING
## PERFORMANCE
### ENRICHING LIVES



HEMAS

**Hemas Holdings PLC**
Annual Report 2012/13

## Contents

Financial Highlights **004**
Chairman's Report **006**
Chief Executive Officer's Review **008**
Financial Review **012**

**Sector Reviews**
FMCG **016**
Healthcare **018**
Leisure **020**
Transportation **022**
Power **024**

Sustainability Report **026**
Corporate Governance **034**
Risk Management **041**
Remuneration Committee Report **044**
Audit Committee Report **045**
Nominations Committee Report **046**
Directors' Interest in Contracts With the Company **047**
Board Profiles **050**
Board of Management **052**
Group Operating Committee **054**
Annual Report of the Directors **056**

**Financial Statements**
Statement of Directors' Responsibilities **062**
Independent Auditor's Report **063**
Income Statement **064**
Statement of Comprehensive Income **065**
Statement of Financial Position **066**
Statement of Changes in Equity (Group) **067**
Statement of Changes in Equity (Company) **068**
Statement of Cash Flows **069**
Notes to the Financial Statements **070**

Share Information **134**
Five Year Summary **136**
Glossary **137**
Notice of Meeting **138**
Form of Proxy **139**

# DRIVING
## PERFORMANCE
### ENRICHING LIVES

As one of the country's most respected conglomerates with a history spanning 65 years, we have built a solid foundation in value driven diversified businesses which are committed towards enriching lives of our stakeholders by driving performance through excellence in everything we do. We will continue to grow and shine in an ever changing environment to reach greater heights.

HEMAS

## OUR PURPOSE

To passionately deliver outstanding products and services thus enriching the lives of our customers and creating superior value to our shareholders.

We will do this by:

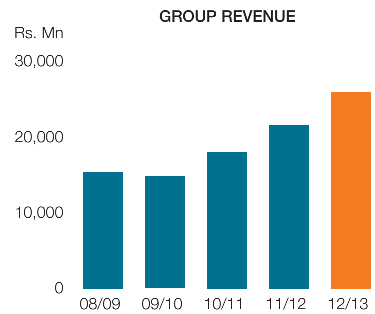
- Being a national leader in personal care and healthcare solutions
- Investing in growth industries with potential for superior value creation
- Establishing a regional footprint through a team of passionate, capable and empowered people.

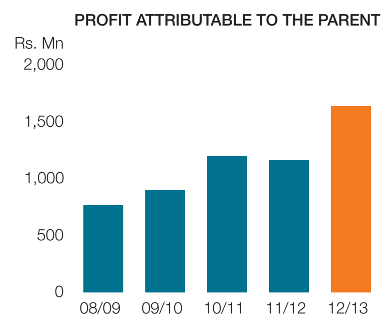
## OUR VALUES

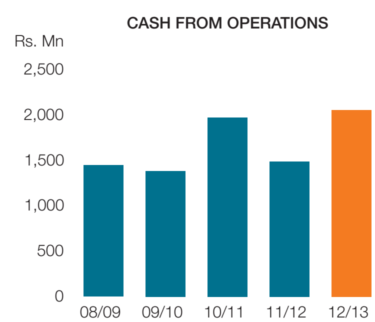
- Passion for Customer
- Obsession for Performance
- Driven by Innovation
- Concern for People

# FINANCIAL HIGHLIGHTS

| Year Ended 31 March | | 2013 | 2012 | Change % |
|---|---|---|---|---|
| **Operating Results** | | | | |
| Group Revenue | Rs '000s | **26,098,362** | 21,532,503 | 21.2 |
| Operating Profit | Rs '000s | **2,433,608** | 1,783,950 | 36.4 |
| Profit Before Taxation | Rs '000s | **2,406,155** | 1,521,080 | 58.2 |
| Profit After Taxation | Rs '000s | **1,933,733** | 1,261,308 | 53.3 |
| Profit Attributable to the Parent | Rs '000s | **1,657,655** | 1,164,525 | 42.3 |
| Gross Dividend Paid | Rs '000s | **314,900** | 285,370 | 10.3 |
| Cash from Operations | Rs '000s | **2,143,437** | 1,507,983 | 42.1 |
| **Financial Position** | | | | |
| Total Assets | Rs '000s | **26,007,658** | 22,655,686 | 14.8 |
| Equity Attributable to Equity Holders of the Parent | Rs '000s | **12,153,342** | 10,650,279 | 14.1 |
| No. of Shares | '000s | **515,291** | 515,291 | - |
| Gearing | % | **25.5** | 25.0 | 2.0 |
| **Shareholder Information** | | | | |
| Return on Equity | % | **14.5** | 12.0 | 21.0 |
| Earnings Per Share | Rs. | **3.22** | 2.27 | 41.9 |
| Dividend Per Share | Rs. | **0.55** | 0.50 | 10.0 |
| Dividend Payout | % | **17.1** | 22.1 | (22.5) |
| Net Assets Per Share | Rs. | **23.6** | 20.7 | 14.1 |
| Market Capitalisation | Rs '000s | **13,912,847** | 13,552,143 | 2.7 |
| Price Earnings Ratio | Times | **8.4** | 11.6 | (27.7) |
| Market Price as at 31 March | Rs. | **27.00** | 26.30 | 2.7 |



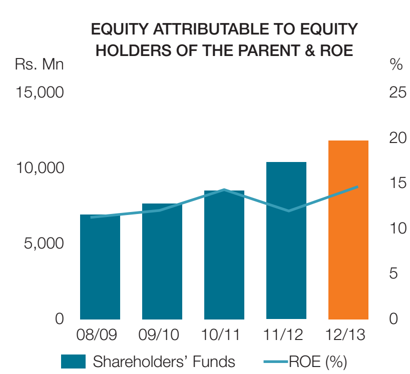




Rs. **26.1** Bn
**GROUP REVENUE**

Rs. **1.9** Bn
**PROFIT AFTER TAX**

Rs. **1.7** Bn
**EARNINGS**

Rs. **2.1** Bn
**CASH FROM OPERATIONS**

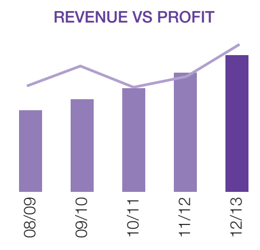


## FMCG

**Personal Care**
**Personal Wash**
**Home Care**

**Rs. 7,691Mn**
Revenue

**Rs. 745Mn**
Profit After Tax

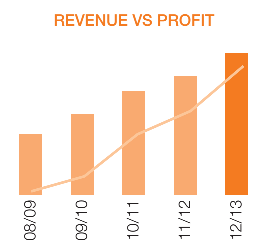



## HEALTHCARE

**Pharmaceuticals**
**Diagnostics & Surgical**
**Hospitals**

**Rs. 8,976Mn**
Revenue

**Rs. 493Mn**
Profit After Tax

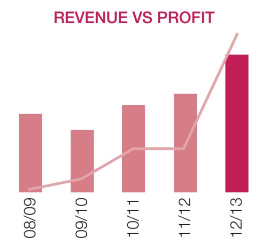



## LEISURE

**Hotels**
**Destination Management**

**Rs. 1,643Mn**
Revenue

**Rs. 464Mn**
Profit After Tax

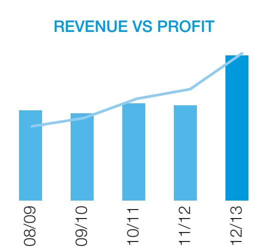



## TRANSPORTATION

**Aviation**
**Maritime**
**Freight & Logistics**
**Courier Services**

**Rs. 1,101Mn**
Revenue

**Rs. 328Mn**
Profit After Tax

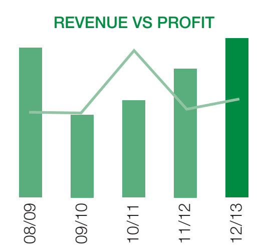



## POWER

**Thermal**
**Mini Hydro**

**Rs. 5,509Mn**
Revenue

**Rs. 286Mn**
Profit After Tax



# CHAIRMAN'S REPORT

" I am delighted to be able to tell you that we have had a very good year. Revenue has increased by 21.2% to Rs. 26.1Bn. EBITDA has increased by 29.8% to Rs. 3.2Bn. Profit before tax has increased by 58.2% to Rs. 2.4Bn and earnings have increased by 42.3% to Rs. 1.7Bn. "

The strategy for the future has to be formulated in the context of what we see in the crystal ball. We see cause for optimism. The economic fundamentals appear to be sound. GDP growth is good. The ratios of debt and the current account deficit are not at alarming levels, and it is good to learn that the Treasury is committed to improving them. Foreign reserves underpinned by the reliable inflow of foreign remittances are good. The other encouraging feature has been the Government's ability to sell its bonds in the international market. The non-government issues have also fared well.

The only worrying question is whether the human rights kerfuffle created by the diaspora,will spoil the picture. Unlikely! Our society is such that there are no secrets. Whispers and rumours bring everything into the public domain. Every war has civilian casualties. The question is have civilians been targeted outside the areas of conflict. There has not been any credible evidence that the Armed forces have done this.

After 30 years of war with the Tigers who had no qualms about killing civilians, to provide reconciliation, rehabilitation, and resettlement, is arguably magnanimous. Much has been done and it is work in progress. Even the recent visiting Australian parliamentarians have acknowledged and commended what has been done.

I believe that there is no cause for concern that the efforts of the foreign diaspora will impede our economic growth.

Your Board has formulated a strategy in the context of this rather positive view of the future. It is committed to driving shareholder value by sustaining a growth in earnings and ROCE. At the same time it will continue to invest in new activities to build for the future. We have active plans for expanding our pharmaceuticals and personal care sectors. As part of this strategy, we successfully completed the acquisition of J L Morison Son & Jones (Ceylon) PLC. We plan to commence construction of a major new Hotel property and are also exploring other options. The construction of the new Hospital at Thalawathugoda was completed in May 2013. We have plans for further growth in renewable power and we have a number of projects in the transportation area. The challenge is to balance the two objectives of new activities and earnings growth. We are confident that by sustaining our cash generation and by using a judicious mix of equity and debt, that we can manage the finance costs and sustain a growth in earnings.

I have, in my previous reports, often referred to our journey from a family business to a sound public company with good governance. Good processes and governance are well entrenched in the business. This journey is in its penultimate stage. We will have outstanding professional management in all our sectors. At the same time, the great entrepreneurial spirit of the founding family who created this business will be retained by a symbiotic relationship through their roles on the Boards of the operating companies.

As we expand our activities, the Board is very conscious that it is good people that will make the difference. The Remuneration Committee has been pursuing a structured programme to recruit, develop, motivate and retain senior management.

The CEO in his report has dealt with the performance in detail. I will, therefore, not repeat all this and will confine my comments to the overall results.

I am delighted to be able to tell you that we have had a very good year. Revenue has increased by 21.2% to Rs. 26.1Bn. EBITDA has increased by 29.8% to Rs. 3.2Bn. Profit before tax has increased by 58.2% to Rs. 2.4Bn and earnings have increased by 42.3% to Rs. 1.7Bn. Good cash generation is one of the strengths of this business. In the year under review cash generation from operations was Rs. 2.1Bn. We are pleased with the good performance from all sectors.

Your Directors have declared a dividend of Rs. 0.55 per share and this is an increase of 10% on the dividend in the previous year.

We are fortunate to have an excellent group of Non- Executive Directors with vast experience. They have made huge contribution to the development of the business. I am grateful to them and to our Executive Directors whose long experience with the business has been most valuable when charting our plans for the future.

The CEO has done a magnificent job in providing leadership to the Group and should take great pride in the results. He has also been the champion of restructuring our Group to make it a dynamic organisation that will be well placed to pursue our plans for the future. Last but by no means least I must thank all our staff for our good results which is their collective achievement.

**Lalith De Mel**
*Chairman*

31 May 2013

# CHIEF EXECUTIVE OFFICER'S REVIEW

" Whilst Sri Lanka will no doubt face her own share of challenges, we remain optimistic about the medium and long term prospects for growth. The Company has strong positions in high growth industries, and our task is to focus on building competitive advantage in order that we remain relevant in a fast changing environment "

It gives me great pleasure to present you the performance of your Company for the year ended 31 March 2013. For the period under review, the Company has witnessed strong growth with most businesses delivering strong results. Group revenue registered Rs. 26,098Mn, representing an increase of 21.2% over the previous period. In terms of consolidated profits, it was an exceptional year, with the Group registering a profit after tax of Rs. 1,934Mn, representing a growth of 53.3%. The Group posted a notable growth in Group earnings to close at Rs. 1,658Mn posting a remarkable growth of 42.3%. The Groups' operating profits recorded a growth of 36.4% to post Rs. 2,434Mn from Rs. 1,784Mn, while operating cash flows increased to Rs. 2,143Mn from Rs. 1,508Mn. The increased profit margins help drive the return on capital employed to increase to 15.4% from 13.4% and the return on equity to improve to 14.5% from 12.0%.

The economy grew at a pace of 6.4% during 2012 vis-à-vis 8.2% in 2011 whereas inflation picked up, closing with an annual average inflation of 7.6% for 2012 versus 6.7% for the previous year. Whilst the 12-month Treasury-bill rate increased from 9.3% to 11.7% during 2012, average prime lending rates offered by banks increased faster, from 10.8% to 14.4%. The Rupee depreciated by 15.4% against the US Dollar during 2012, from an exchange rate of Rs.110.6 to Rs. 127.6. From an overall macroeconomic perspective, long-term business confidence remains positive, but the past year presented environmental challenges as evident by some of the economic indicators mentioned above.

During the year under review, the All Share Price Index increased by 6.2% whilst the stock price of Hemas Holdings increased by 2.7%. With Group earnings of Rs. 1.7Bn for the year ended 31 March 2013, your stock is trading at a trailing multiple of 10.9 given its current market price of Rs. 35.00.

**A year of exceptional operational performance...**

Our FMCG business enjoyed a successful year with its revenues growing by 14.5% and profits growing by 28.8%, to close at Rs. 7.7Bn and Rs. 745Mn respectively.

This was in the context of a difficult year for the industry, with growth coming largely from price inflation. The depreciation of the Rupee impacted profit margins during the early part of the year, although price revisions during the latter part helped recover most of the margin losses. The 2013 budget introduced VAT on large scale wholesalers and supermarkets, and this resulted in a temporary disruption of supplies to the modern trade, together with a decline in realisations due to the additional margins foregone to the channel.

Despite these challenges, the business was able to improve its market standing in overall terms. In personal care, growth was driven by strong performances in baby, oral, hair and feminine hygiene categories. During the year under review, our flagship brand *Baby Cheramy* completed its 50th anniversary, which was celebrated by launching the 'Big Heart Project' which brought our 1996 World cup champions back on the cricket field to raise funds for orphaned children. We were especially honoured that the event was graced by His Excellency, President Mahinda Rajapakse. *Kumarika* continues to make its mark on the international stage with the hair oil now accounting for 10% share in the non-coconut/herbal hair oil segment in Bangladesh. Our shares in personal wash continue to grow, where we are now a clear second, with *Velvet* displacing the long standing leader to become the No.1 player in the beauty soap segment. *Diva* continues to hold share despite intense MNC competition, demonstrating the appeal of its value for money proposition. During the year under review, we exited from the foods & confectionery categories by selling our *Mr Pop* and *Yummee* brands.

Our Healthcare sector performed exceptionally well during the year with a revenue growth of 20.0% and profit growth of 53.8% to close at Rs. 9.0Bn and Rs. 493Mn respectively. Our Pharmaceuticals business was the largest contributor to Group revenues during the year, with revenues of Rs. 7.7Bn. Hemas Pharmaceuticals continued to strengthen its market leadership position in pharmaceuticals distribution with a share of 17.9% (source: IMS), whilst the overall market experienced a growth of 15.9%(source: IMS). During the year, Hemas Pharmaceuticals successfully attracted business from Sun Pharma Limited which is the 3rd largest pharmaceutical company in India. Our existing hospitals posted encouraging results with revenue growth of 22.7% and EBITDA growth of 22.3%. Business build up of our flagship hospital in Wattala continued to be impressive with with increasing average occupancy levels.

Our Leisure sector enjoyed one of its best years, as it posted a revenue growth of 38.6% and a profit growth of 275.4% for the year under review. The sector closed the year with revenues of Rs. 1.6Bn and a profit of Rs. 464Mn. On the back of tourist arrivals in 2012 surpassing the one million mark, both our Destination Management business, as well as our hotels, posted significant growth in terms of revenues and profits. Average occupancy across our hotel portfolio was above 75%, and Club Hotel Dolphin and Avani Bentota in particular performed exceptionally well. Kani Lanka Resort, which is 20% owned by the Serendib Group and managed by Serendib Leisure Management Ltd, underwent a Rs. 550Mn refurbishment during the year, and was reopened, newly branded as Avani Kalutara, in November 2012. For its service excellence, our hotel group was awarded several accolades during the year, such as the Holiday Check Award for Club Hotel Dolphin for being one of the 99 most popular hotels worldwide in the family category, and the Agoda Gold

## CHIEF EXECUTIVE OFFICER'S REVIEW

Circle Award won by Avani Bentota for excellence in online distribution.

Driven by strong growth in the Aviation and Maritime business segments, our Transportation sector completed an excellent year. Sector revenues grew by 52.5% to reach Rs. 1.1Bn, whilst profits increased to Rs. 328Mn reflecting a 33.6% growth. Our GSA business maintained its market leadership position and our travel agency increased its market share. Our GSA for Malaysia Airlines opened a new branch office in Matara during the year, adding to its first one in Kandy. Another key achievement for the sector during the year was securing the GSA for China Southern Airlines. High throughput levels at the Colombo port helped our ship agency business perform well during the period under review.

The lack of rainfall in the catchment areas and depreciation of the Rupee has negatively impacted the performance of our Power sector. Despite this, sector revenue has increased 23.2% to Rs. 5.5Bn, whilst sector profits have grown 12.8% to Rs. 286Mn. During the year the sector has generated 650 GWh units of energy to the national grid, representing a 6% contribution to the country's electricity generation.

**Whilst our investment for the future continues unabated...**

Whilst we focus on driving operational results, we remain bullish about the future of Sri Lanka, and the region. With this in mind, each of our sectors is encouraged to come up with ambitious growth plans.

In the Healthcare services sector, we see good long term potential with our model of building high quality general hospitals in areas with high density middle class population. In line with this vision, we took the significant step of embarking on our third hospital project. The 55-bed state-of-the-art facility at Thalawathugoda was a Rs. 1.4Bn investment, and the construction of the hospital was completed in May 2013.

Sri Lanka's strongest strength is our beautiful country and smiling faces, and we see good long term prospects for the Leisure industry. Accordingly, in partnership with the Minor Group, we have embarked on three new Hotel development projects with a development cost of USD 70Mn in properties located in Tangalle, Kalutara and Ambalangoda. These properties are expected to be branded under our partners Anantara and Avani brands, which will leverage on the capabilities of our hotel management team to deliver an outstanding proposition.

The Maritime sector will no doubt receive a boost with the expanding Ports infrastructure. In order to benefit from this growth, the sector entered in to two new ventures - MercMas, a joint venture with Mercantile Shipping PLC to provide crew boat services for the transport of crew, sea marshals and spares; and Hemas Logistics, a strategic investment in a haulage company specialising in repositioning containers for shipping lines.

Our experience in the mini-hydro sector has overall been a good one, and Hemas Power completed the acquisition of a 29.3% stake in Panasian Power PLC in April 2013. As the largest shareholder, we will drive the operations of the Company which, once it completes the development of its Padiyapalelle project in the next few months, would have a total of 8MW of generation capacity.

**Reinforced by our confidence in our people...**

One of Hemas' real strengths is the passion and commitment of our people at all levels. We devote significant attention to ensure that the basics are in place in terms of competitive compensation, work environment, employee engagement and other initiatives that are in line with best practice.

Over the past few years leadership development has remained a key focus area of the Board, and this effort was further strengthened during the year under review, in which we have made significant investments in leadership coaching, executive education and training as well as hiring critical talent for future growth. These investments are made not only to develop the leadership capabilities of our top team, but also to establish a sound succession planning process for key roles.

During the past year, we contributed towards two of our leadership team members attending world renowned business management programmes at INSEAD and Oxford University. More than 50 other team members attended overseas training including executive education programmes in reputed institutes. Our own Hemas Academy trained more than 515 employees in soft skills while 12 employees completed its management development programme, the Group invested Rs. 73Mn in training and developing our people, with 73% of our staff receiving at least one development initiative. On average an employee at Hemas received 39 hours of training over the year under review.

During the year we launched our second edition of 'Hemas Way', a code of conduct that provides guidelines for ethical business conduct for all employees. Whilst we encourage our employees to take pride in our Sri Lankan identity, we respect diversity whilst emphasising on non- discrimination based on age, gender, race, colour, religion and differently abled personnel.

**Always remembering to give back to the community and our nation...**

Whilst we are driven to win and deliver results in our businesses, we are also conscious of our responsibility to multiple stakeholders in order to ensure the sustainability of our enterprise. Our key businesses now have a structured sustainability programme where opinions of multiple stakeholders are considered and efforts taken to address concerns. Our sustainability process is guided by Global Reporting Initiatives where guidelines and policies are being rolled out throughout the Group. Whilst encouraging our staff to actively take part in various programmes / projects we motivate them to be innovative in making sustainability a way of life at Hemas.

We are a proud supporter of national initiatives, key amongst them being our 'Piyawara' programme, which in partnership with the Ministry of Child Development & Women's Affairs, has now a national programme with 37 preschools providing education for over 3,000 children in Sri Lanka. As per the national requirement, our work related to early childhood development for the year in review was focused in the resettled areas of the Northern Province providing community preschools and teacher training in Mullaittivu, Kilinochchi and Jaffna.

Several of our businesses have customised community projects to suit the needs of the local community, whilst taking utmost care to protect the environment. Details are available in the sustainability review.

**So our optimism for the future remains undiminished...**

Whilst Sri Lanka will no doubt face her own share of challenges, we remain optimistic about the medium and long term prospects for growth. The Company has strong positions in high growth industries, and our task is to focus on building competitive advantage in order that we remain relevant in a fast changing environment

Whilst we work at operational excellence in our core businesses of FMCG and Healthcare, we are constantly looking to partner or acquire businesses that have a strategic fit with our operations. We are confident that our newly built hospital at Thalawathugoda will further demonstrate the viability of our business model, which in turn would pave the way for an accelerated growth plan. Whilst the coming year would be impacted by the closure of two of our hotels for refurbishment, our attempts to raise the bar in the industry will continue and in the next few years, we would have a very significant presence in this exciting space.

We see the scarcity of talent as being the single biggest impediment to growth, and a proactive leadership development plan is being put in place.

In terms of financial performance, whilst we anticipate strong growth in underlying earnings to continue in the coming year, startup operational losses in our new hospital and costs of funding our new projects will impact our net earnings, although these investments would lead to long-term growth and sustainable value creation.

**In conclusion...**

My first task in concluding what has been an exceptional year, is to thank our customers, business partners and other stakeholders for all the confidence and trust they continue to place in the Company. My special thanks also to our Chairman and the Board of Directors for their unstinted cooperation and support. Their wisdom and experience is available to us not only in the Board room, but, at any time where we have called upon them, and this is indeed a source of great support which I value immensely.
Of course, I owe a special debt of gratitude to the entire Hemas team, who have worked under difficult circumstances to deliver outstanding results. It is their commitment and support that gives me the greatest confidence about future prospects for our business.

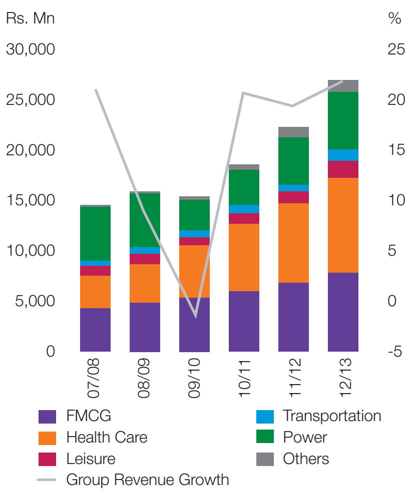
Finally, my sincere thanks go out to all our shareholders for the trust and confidence you have placed in us, and let me assure you of our best efforts to take Hemas to the next level, and create superior value for us all.

**Husein Esufally**
*Chief Executive Officer*

22 May 2013

# FINANCIAL REVIEW

GROUP REVENUE




The financial statements have been prepared as per the new Sri Lanka Accounting Standards (SLFRS/LKAS) issued in line with the International Financial Reporting Standards becoming effective from 1 January 2012, and includes Statement of Financial Position as at the end of the period (formerly Balance Sheet), Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended and notes, comprising a summary of significant accounting policies and other explanatory information.

## GROUP REVENUE

The Group posted a revenue growth of 21.2% to record Rs.26.1Bn (as per SLFRS) for the year ended 31 March 2013, as compared to Rs.21.5Bn in the previous year. Transportation, Leisure and Power sectors posted the highest level of growth with year-on-year growth rates of 52.5%, 38.6% and 23.2% respectively. The biggest contribution to revenue growth came from Healthcare, Power and FMCG which grew by 20.0%, 23.2% and 14.5% respectively. In terms of contribution to Group revenue, Healthcare and FMCG sectors reported the highest, which account for 34.4% and 29.5% respectively, of consolidated revenue, followed by the Power sector which accounted for 21.1%.

Healthcare sector posted a revenue growth of 20.0% to record Rs.9.0Bn driven by the growth in Pharmaceutical distribution which continued to strengthen its market leadership position, taking its market share to 17.9% (source: IMS). Our Hospital business also posted a 22.7% growth in turnover during the year under review experiencing a good year with high in-patient occupancy compared to the previous year. The FMCG sector recorded a revenue growth of 14.5% compared to last year led by the strong performance of our personal care and personal wash categories. Power sector revenue was mainly boosted by the revenue growth of our thermal power plant due to the pass through effect of escalating fuel prices. The Transportation sector experienced strong revenue growth of 52.5% driven by its underlying businesses, aviation and maritime, whilst our new logistics business further augmented its top line. The Leisure sector's revenue, which increased by of 38.6%, was enhanced by the high occupancies and ADRs enjoyed by our hotels and the increase in volumes of our inbound tour operations.

**Table 1: Revenue Analysis - SLFRS**

| | Revenue Mix 11/12 | Growth 12/13 | Contribution to Growth | | Revenue Mix 12/13 |
|---|---|---|---|---|---|
| | | | Absolute 12/13 | 12/13 | |
| FMCG | 31.2% | 14.5% | 4.5% | 21.4% | 29.5% |
| Healthcare | 34.7% | 20.0% | 6.9% | 32.7% | 34.4% |
| Leisure | 5.5% | 38.6% | 2.1% | 10.0% | 6.3% |
| Transportation | 3.4% | 52.5% | 1.8% | 8.3% | 4.2% |
| Power | 20.8% | 23.2% | 4.8% | 22.7% | 21.1% |
| Other | 4.4% | 23.1% | 1.0% | 4.8% | 4.5% |
| Group | 100.0% | 21.2% | 21.2% | 100.0% | 100.0% |

## OPERATING PROFIT

The operating profit of the group for the year ended 31 March 2013 was Rs.2.4Bn, an increase of 36.4% leading to an operating margin of 9.3% in comparison to 8.3% of previous year. The Leisure sector reported the highest growth in operating profit of 113.0% while Sector margins increased from 20.4% to 31.4%, largely driven by the strong performance of Club Dolphin Hotel and first full year impact of Avani Bentota. Operating profits of the Healthcare sector which contributed 33.1% to the group operating profits grew by 39.9%, largely driven by the operational efficiencies of the Pharmaceutical business and the revenue build-up at hospitals. This led to an Improvement in sector operating margins from 7.7% to 9.0%. The FMCG sector recorded an operating profit growth of 24.2% year-on-year with an improvement in margins from 8.2% to 8.9%. Margins of the Sector were impacted by the imposition of VAT on large scale wholesalers and supermarkets introduced in the 2013 Budget. The Transportation sector also reported a strong growth in operating profits of 51.3% closing at Rs.379Mn for the year due to the impressive performance in the aviation and maritime segments. Power sector reported a decline in operating margins from 7.3% to 5.7% due to the challenges faced during the year, mainly due to high O & M charges and low rainfall experienced in the catchment areas. Other sector which comprises our systems integration business, property management and corporate overheads has seen its margins decline from -17.0% to -22.4%. However overall operating margins of the Group has improved from 8.3% to 9.3%.

OPERATING PROFIT

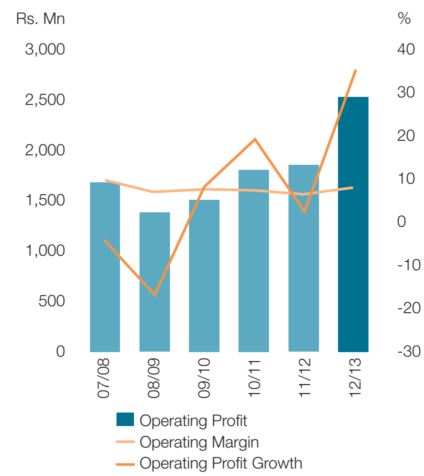
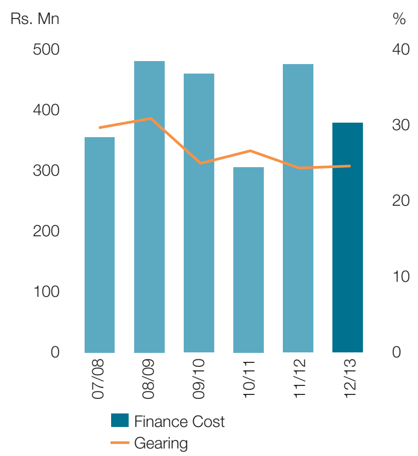



Table 2: Operating Margin Analysis - SLFRS

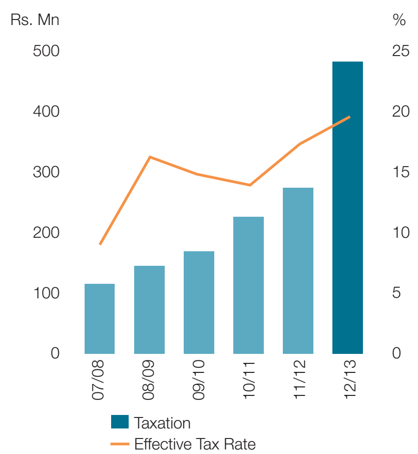
| | Revenue Mix | | Operating Margins | | Margin Impact | | |
|---|---|---|---|---|---|---|---|
| | 11/12 % | 12/13 % | 11/12 % | 12/13 % | Mix % | Profitability % | Total % |
| FMCG | 31.2% | 29.5% | 8.2% | 8.9% | 0.0% | 0.2% | 0.2% |
| Healthcare | 34.7% | 34.4% | 7.7% | 9.0% | 0.0% | 0.4% | 0.4% |
| Leisure | 5.5% | 6.3% | 20.4% | 31.4% | 0.2% | 0.6% | 0.8% |
| Transportation | 3.4% | 4.2% | 34.7% | 34.4% | 0.2% | 0.0% | 0.2% |
| Power | 20.8% | 21.1% | 7.3% | 5.7% | 0.0% | -0.3% | -0.3% |
| Other | 4.4% | 4.5% | -17.0% | -22.4% | 0.0% | -0.02% | -0.3% |
| Group | 100.0% | 100.0% | 8.3% | 9.3% | 0.4% | 0.7% | 1.0% |

# FINANCIAL REVIEW

COST OF BORROWING




TAXATION




## COST OF BORROWING

Finance cost for the year ended 31st March 2013 was Rs.370Mn, a 20.5% reduction compared to last year. This was mainly due to the lower interest rates enjoyed due to foreign currency loans in the Leisure sector in the presence of a relatively steady Rupee and IFRS adjustment for Employee Share Option Scheme (ESOS) receivable amounting to Rs.67Mn. During the year under review, a healthy cash generation by the businesses led to improved internal funding, further reducing finance cost of the group. Whilst long term borrowings increased from Rs.1.38Bn to Rs.2.18Bn, an increase of 57.6%, short-term borrowings have decreased by 24%, from Rs.936Mn to Rs.715Mn.The Group's gearing increased from 25.0% to 25.5% as compared to that of last year.

## TAXATION

Taxation for the year under review has increased by 81.8% from Rs.260Mn to Rs.472Mn. The effective tax rate for the year was 19.6% as against 17.1% in the previous year. The key reason for the increased effective tax rate is that the highest pre-tax profits were generated by the highest tax paying business in the Group. Further the new tax law has excluded holding, subsidiary or associate companies applying the concessionary tax rate of 10% granted for undertakings engaged in manufacturing or provision of services where the turnover is less than Rs.300Mn, resulting in some of our businesses paying taxes at the standard rate of 28%.

Table 3: Net Margin Analysis - SLFRS

| | Revenue Mix | | PAT Margins | | Margin | | |
|---|---|---|---|---|---|---|---|
| | 11/12 % | 12/13 % | 11/12 % | 12/13 % | Mix % | Profitability % | Total % |
| FMCG | 31.2% | 29.5% | 8.6% | 9.7% | -0.1% | 0.3% | 0.3% |
| Healthcare | 34.7% | 34.4% | 4.3% | 5.5% | 0.0% | 0.4% | 0.4% |
| Leisure | 5.5% | 6.3% | 10.4% | 28.3% | 0.2% | 1.0% | 1.2% |
| Transportation | 3.4% | 4.2% | 34.0% | 29.8% | 0.2% | -0.1% | 0.1% |
| Power | 20.8% | 21.1% | 5.7% | 5.2% | 0.0% | -0.1% | -0.1% |
| Other | 4.4% | 4.5% | -27.2% | -32.5% | 0.0% | -0.2% | -0.3% |
| Group | 100.0% | 100.0% | 5.9% | 7.4% | 0.3% | 1.3% | 1.6% |

## PROFIT AFTER TAX AND EARNINGS

Group's profit after tax for the year ended 31 March 2013 was Rs.1,934Mn, a 53.3% increase compared to previous year's Rs.1, 261Mn. In addition to the 36.4% growth in operating profits, increase in Group's finance income by 69.3% and decrease in finance costs by 20.5% largely contributed to this growth. Sector wise, the growth in profit after tax was largely driven by the Leisure sector which reported a growth of 275.4% compared to the previous year. The highest contribution to profit after tax came from the FMCG sector which amounted to 38.5% of the Group profit after tax.

The Group ended with net earnings of Rs.1,658Mn for the year recording a 42.3% growth over previous year's Rs.1,165Mn. Net margin of the group increased from 5.9% to 7.4%. Significant increases were seen in the Leisure sector where the net margin increased from 10.4% to 28.3%, and the FMCG sector where margins grew from 8.6% to 9.7%. (Table 3).

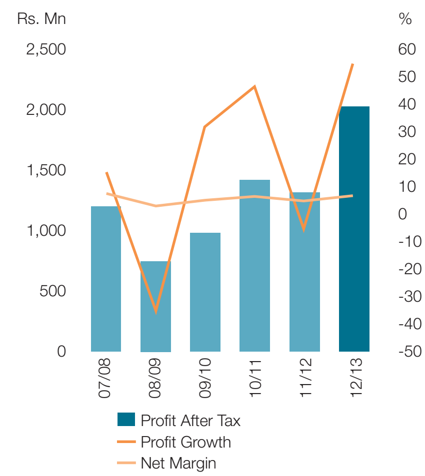
## CASH FLOW

Net cash flow from operating activities increased by 42.1% from Rs.1,508Mn to Rs.2,143Mn, largely driven by the improved profitability of the businesses and to a lesser extent, the management of working capital. Net cash generated from financing activities for the year was Rs.131Mn, which is a 130.0% swing compared to previous year's Rs.438Mn outflow. This is mainly due to the net increase in interest bearing loans and borrowings for the investment in our new hospital project in Thalawathugoda.

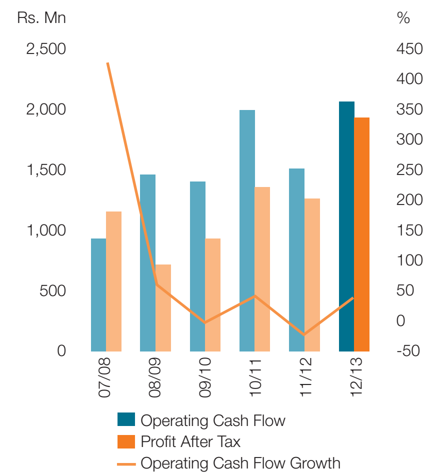
## RETURN ON INVESTMENT

Return on capital employed (ROCE) increased from 13.4% to 15.4% due to the increase in EBIT margin from 9.8% to 10.7% while asset utilisation rate improved marginally from 1.03 to 1.07. Although the effective tax rate has increased from 17.1% to 19.6%, improved margins and the marginal increase in asset turnover has ensured a healthy improvement in our return on equity (ROE) from 12.0% last year to 14.5% for the year ended 31 March 2013.

PROFIT AFTER TAX




CASH FLOW




### Table 4: Return on Capital

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---|---|---|---|---|---|
| EBIT Margin | 8.8% | 10.0% | 10.1% | 9.8% | 10.7% |
| Asset Turnover | 1.08 | 0.97 | 1.02 | 1.03 | 1.07 |
| Asset/Capital Employed | 1.27 | 1.29 | 1.31 | 1.33 | 1.34 |
| ROCE | 12.1% | 12.5% | 13.5% | 13.4% | 15.4% |
| Interest Cover | 2.8 | 3.3 | 6.2 | 4.3 | 7.5 |
| Effective Tax Rate | 16.1% | 14.6% | 13.6% | 17.1% | 19.6% |
| Gearing | 32.9% | 25.8% | 27.8% | 25.0% | 25.5% |
| ROE | 11.5% | 12.3% | 14.6% | 12.0% | 14.5% |

*2011/12 and 2012/13 figures are based on SLFRS*

# FMCG

For over 50 years, we have been developing innovative products using safe and trusted ingredients to serve the evolving needs of Sri Lankan consumers...

...We continue to leverage our consumer understanding, using global propositions and blending them with Sri Lankan insights to provide our consumers with preferred, affordable, quality products.

**Rs. 7,691Mn** Revenue

**Rs. 745Mn** Profit After Tax


For over 50 years, we have been developing innovative products using safe and trusted ingredients to serve the evolving needs of Sri Lankan consumers. Our portfolio which began with the Baby Cheramy brand now extends to a range of established brands which span the categories of skin care, hair care, fragrances, oral care and home care. We continue to leverage our consumer understanding, using global propositions and blending them with Sri Lankan insights to provide our consumers with preferred, affordable, quality products.

In 2012/13 the FMCG sector performed well in challenging market conditions which saw the overall personal care segment grow at a much slower pace. The industry experienced inflationary pressures caused by rising input costs, augmented by significant rupee devaluation early in the year. Overall price corrections across all sectors led to tightening of disposable incomes and dampening demand, resulting in market growth mainly originating from price. Despite these conditions, our business delivered strong double digit growth in both revenue and profit. For the year under review, the Sector posted revenues and profits of Rs. 7.7Bn and Rs. 745Mn respectively. Compared to the previous year, sector revenue and profits have grown by 14.5% and 28.8% respectively.

***Baby Cheramy,*** our flagship brand saw its brand equity index steadily improve, strengthening its position as the market leader in baby care. Soap did exceptionally well and now stands as a clear market leader in the category. Accessories such as feeding bottles, nappy wash detergents, diapers, teats and cotton buds have also seen growth during the year. Competitive advertising, promotional and trade activities with constant connectivity with our consumers have led to an impressive sales growth of 17.4%.

The brand celebrated fifty years of ‘pure love’ serving Sri Lankan mothers with high quality, trusted products. Baby Cheramy reached out to the Sri Lankan underprivileged children by launching the *Yet Young and Growing* Project and the

*Big Heart* Project. The *Yet Young and Growing* Project set up 'Baby Cheramy Mother Clinics' in collaboration with the Ministry of Child Development & Women's Affairs to educate pregnant mothers on issues relating to mother and child during pregnancy and post natal care.

The *Big Heart* Project was another collaboration with the Ministry of Child Development & Women's Affairs. This project focused on giving children 'at risk' the ability to continue with their education. The *Big Heart* Project was initiated under the 'Nena Diriya'programme of the Department of Probation and Childcare Services. Baby Cheramy will help fund the education of children across the country from grade one to grade five, the most important period of their education.

In support of the *Big Heart* Project, the 1996 Cricket World Cup winning team came together to play an exhibition Twenty20 match against Sri Lanka's cricket legends. The match took place on 12th January 2013, at the NCC grounds in Colombo. All proceeds from ticket sales, well-wisher donations and auction of memorabilia went to the *Big Heart* Project Fund for education, set up by the Department of Probation and Child Care Services.

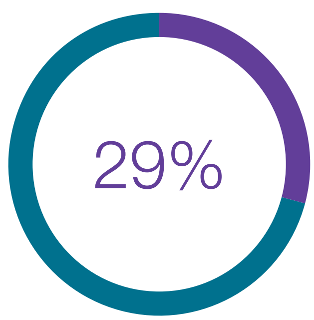
***Kumarika*** hair oil and shampoo have seen excellent growth in both the Sri Lankan and Bangladeshi market. The market share for its oil category now stands at its highest since the launch of Kumarika in 1995. The business in Bangladesh recorded a very impressive turnover growth of 142.8%, whilst margins improved as a result of driving supply chain and other operational efficiencies.

***Clogard***, the oral care brand consists of toothpaste, toothbrushes and mouthwash. The *'Back to Roots'* campaign, enhanced Clogard's connectivity with our local consumer. Our core proposition in the goodness of clove blended with the developments in oral science have helped Clogard maintain its market share in the midst of heightened competition. We continue to maintain strong partnerships with the Sri Lankan Dental Association and local universities, enabling the brand to adapt to the evolving dental needs of our consumers.

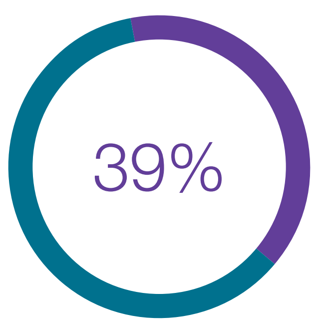
***Fems*** sanitary napkins maintained its market share during the year under review with higher revenues. Given the performance of the brand and the opportunities in this category, the fastest growing in the personal care space, we will be investing in the brand to continue to drive growth.

***Diva*** detergents continued to perform exceptionally well with substantial volume and value growth, leading to an increase in market share. The effective campaign *'Raumata Idamak'* along with improvements in product quality contributed to this success.

SECTOR VS GROUP REVENUE




SECTOR VS GROUP PROFIT




***Velvet*** soap experienced exponential growth in volume and value. The product now stands as the number one beauty soap in Sri Lanka, displacing and moving ahead from the long standing market leader. The brand has been growing from strength to strength and its popularity has widened in the market.

In addition to their excellent financial performance, our brands received various awards during the year. Both *'Diva Detergent Powder'* and *'Dandex'* were recognised at the Effie Awards 2012 for their communication campaigns. *'Diva Detergent Powder'* won a Bronze Award, for the effective *'Raumata Idamak'* consumer promotion under the Household Supplies and Services category while *'Dandex'* won the Silver Award for the *'Dandex vs. Dandruff'* campaign in the Beauty Products and Services category. Our brands were also recognised at the 11th SLIM Brand Excellence Award Ceremony where *'Fems'* won the Silver Award for the Best Turnaround Brand of the Year and *'Velvet'* secured the Bronze Award for the Product Brand of the Year.

In the year ahead, we hope to grow our personal care portfolio. We believe that our country's growth prospects together with a growing consumer focus on personal well being will drive demand for personal care products. We will continually address the evolving needs of our consumers and provide them with safe and trusted quality propositions that will enhance their lifestyles and enrich their lives.

# HEALTHCARE

As a responsible entity and a leading healthcare provider, we strive to excel in quality, innovation, ethical standards and cost effectiveness and thereby enrich the lives of the community we aim to serve.

**Rs. 8,976Mn**
Revenue

**Rs. 493Mn**
Profit After Tax

Hemas, the largest private organisation in the healthcare industry, is the dominant distributor of pharmaceuticals, surgical and diagnostic products in Sri Lanka. We own and manage internationally accredited hospitals and continue to invest in new hospitals and in a chain of diagnostic laboratories. As a responsible entity and a leading healthcare provider, we strive to excel in quality, innovation, ethical standards and cost effectiveness and thereby enrich the lives of the community we aim to serve.

The financial growth this year has exceeded expectations posting an exceptional revenue growth of 20.0% and profit growth of 53.8%. Increased demand for healthcare products and services due to higher Per Capita GDP, rising health awareness and the growing ageing population contributed to this trend. The impressive growth trajectory experienced over the year resulted in a revenue of Rs. 9.0Bn and a profit of Rs. 493Mn for the sector.

***Hemas Pharmaceuticals*** contributed 86.1% to the Healthcare sector revenue resulting in a growth of 19.4% This enabled the Sector to capture a greater level of market share and further strengthen its market leadership position. Hemas Pharmaceuticals continues to be the largest distributor of Pharmaceutical, Surgical and Diagnostic products in Sri Lanka. We were successful in attracting a new principal, Sun Pharma Limited which is the third largest pharmaceutical company in India, a promising step for the coming year. Sales and distribution channels were also strengthened creating a strong supply chain across the country.

During the year, Hemas Pharmaceuticals received an award from Seven Seas UK for the highest recorded growth in one year. In addition to this, our effort to work towards excellence in supply chain management was rewarded with two of our agencies, Ranbaxy Laboratories Ltd and Terumo Singapore Pte Ltd, winning the Best Supplier Awards at the SPC supplier convention in 2012. With the growth of the private healthcare sector, new hospitals were opened and existing ones expanded fueling demand for surgical and diagnostic products. Hemas Pharmaceuticals was proud to be a preferred partner of a large number of these new and existing ventures.

***Hemas Hospitals*** operates two private hospitals in Wattala and Galle with a third hospital to be opened in June 2013 in Thalawathugoda. The hospitals sector generated a revenue of Rs. 1.3Bn during the year under review resulting in a growth of 22.7% in comparison to last year.

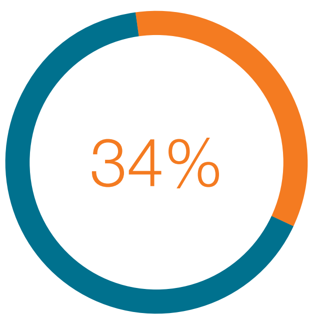
In order to deliver on our proposition of patient oriented service, Hemas Hospitals is focusing on strengthening nurse training capabilities with a partnership with the Kerala Institute of Medical Sciences (KIMS). Some of our nurses are sent to India to better equip them to provide quality care to patients whilst others receive local training from a high caliber nurse educator from KIMS. Dr. Panna Gunaratne, a renowned cardiac surgeon, joined the team as Group Medical Advisor to improve clinical governance across the chain. As part of our initiative to strengthen the skills of our staff, workshops were held by Dr. Shailesh Puntambekar a world renowned laparoscopic and robotic surgeon from Pune, India to demonstrate technical skills in laparoscopic surgery.

In order to complement the clinical and operational areas of the hospitals, we are in the process of implementing a superior Hospital Information System which automates the clinical, administrative and supply-chain functions of the hospital to improve operations while enhancing quality of care. The software solutions provider is a world leader in healthcare IT solutions and is used in over 100 prominent hospitals in India, Middle-East and Asia Pacific. The Hemas Hospitals laboratory chain introduced a fully automated, diagnostic facility which uses bar coded, automated and interfaced system, providing patients with accurate and timely reports.

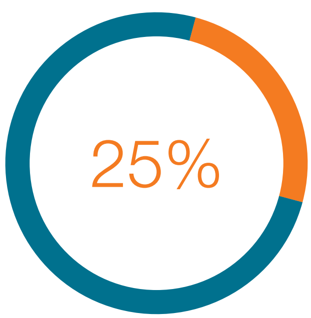
The new Hemas Hospital in Thalawathugoda will commence operations in June 2013. With an investment of Rs. 1.4Bn, the new hospital is making great strides to introduce modern, state of the art technology that will benefit patients, the community and the medical profession.

We expect increasing life expectancy and product innovation to continue to drive demand for prescription medicines and healthcare services. At the same time, we believe that a growing customer focus on personal well being will drive demand for health products and services. With the expansion of the hospital chain and lab network in tandem with the strong presence in the pharmaceutical distribution sector, Hemas Healthcare hopes to continue to grow its presence in the Sri Lankan healthcare arena.

SECTOR VS GROUP REVENUE

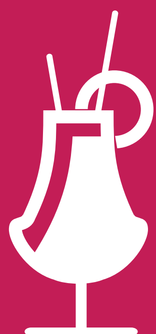



SECTOR VS GROUP PROFIT




Group Sector

# LEISURE



We are the only Sri Lankan hotel chain that manages an international brand. The 'Avani' brand is owned by Minor International, one of the largest hospitality and leisure companies in the Asia Pacific region.

**Rs. 1,643Mn**
Revenue

**Rs. 464Mn**
Profit After Tax

Over a million tourists arrived in Sri Lanka in 2012 to enjoy the diverse beauty of the island from the tranquil beach resorts and stunning hill country landscapes to the historical wonders in the Cultural Triangle. The influx of tourists post-war has continued to grow resulting in a 17.5% growth in foreign arrivals in 2012. (source: SLTDA) With mounting accolades, Sri Lanka is attracting the world's attention as a prime travel destination, with the largest segment of tourists arriving from UK, Germany and Eastern Europe. Global outbound tourism grew marginally by 4% as it was hampered by lower business and consumer confidence, unemployment and austerity measures in Europe. (Source: UNWTO)

The Hemas Leisure sector comprises of Serendib Group of Hotels and Diethelm Travels. The Serendib Group of Hotels consists of 4 award winning properties renowned for its scenic locations and unique architecture. Diethelm Travels is an inbound tour operator in Sri Lanka which is part of the Diethelm Travel Group, which has over 50 years' experience providing full travel services within the region. The Leisure sector recorded a revenue of Rs. 1.6Bn during 2012/13 resulting in a growth of 38.6%.

The Hotels sector experienced another year of excellent earnings growth with revenue of Rs. 1.4Bn and EBITDA of Rs. 513Mn, an increase of 38.1% and 85.5% respectively over 2011/12. Our portfolio of properties include Club Hotel Dolphin, Hotel Sigiriya, Avani Bentota Resort and Spa, and Avani Kalutara Resort with a total room strength of 410. These distinctive properties offer our guests a unique ambiance by blending the environment into our guest experience whether it is through a view of the spectacular rock fortress of Sigiriya at the heart of the Cultural Triangle or the serene seascapes at Avani Bentota Resort and Spa. We are the only Sri Lankan hotel chain that manages an international brand. The 'Avani' brand is owned by Minor International, one of the largest hospitality and leisure companies in the Asia Pacific region.

Club Hotel Dolphin's revenue grew by 18.9% and profit by 113.3% during the year under review, once again providing an exceptional performance. Positioned as a family beach holiday destination, Club Hotel Dolphin creates memorable experiences for its guests whether it is through a dive in Sri Lanka's longest pool or relaxation in the spa. Club Hotel Dolphin was bestowed with the prestigious Holiday Check Award for being one of 99 most popular hotels worldwide in the 'Family' category in January 2013.

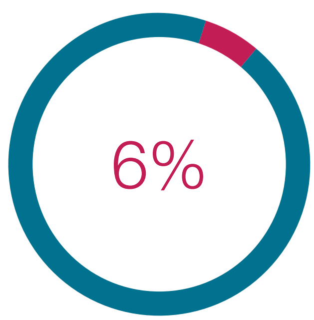
'Avani' stems from the Sanskrit word for 'Earth' – a meaning which perfectly mirrors each Avani hotel's refreshingly understated personality. Formerly known as Kani Lanka Resort and Spa, Avani Kalutara was re-branded and re-launched in November 2012 subsequent to a Rs. 550Mn refurbishment. Avani Bentota, formerly Hotel Serendib, is an example of master architect Geoffrey Bawa's signature style. The hotel performed well subsequent to re-branding and extensive renovation undertaken last year and was awarded the Agoda Gold Circle Award for excellence in online distribution.

Diethelm Travels had an exceptional year, posting a revenue of Rs. 241Mn and profit of Rs. 56Mn. A close liaison with agents and tour companies was one of the key elements to this success. Diethelm Travel's market position was strengthened during the year, as it strengthened its reputation as one of the leading tour operators in Sri Lanka. The sector focused attention on high-end clientele during the year which translates to one fourth of the tourists entering the island, mainly from Scandinavia and other European countries. The targeted focus on this segment enabled Diethelm Travels to cater specifically to their needs and improve service levels. As arrivals to Sri Lanka grow steadily, Diethelm Travel's business is flourishing alongside.

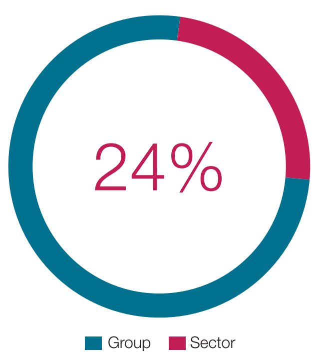
In 2012/13, Diethelm Travels made changes to improve existing tours and include several new tours. These changes were done to cater to the ever changing needs of customers from all parts of the world. The coming year will see an expansion throughout its offerings. This coupled with an increase in arrivals would have a promising year for Diethelm Travels.

As tourism in Sri Lanka grows, the importance of sustainable tourism is becoming acute in order to preserve the nation's natural and heritage assets. The sector will continue to integrate sustainable practices to all facets of our operations by adopting best practices in environmental and social governance while balancing commercial objectives with sustainable practice. As part of our commitment to sustainability, each hotel aims to enrich the community in which it operates.

SECTOR VS GROUP REVENUE




SECTOR VS GROUP PROFIT




The leisure industry has promising years ahead as tourism in Sri Lanka expands. With this expectation, we will continue to invest in improving and growing the Leisure sector. We are looking to develop three new properties in the Southern coastal belt in Ambalangoda, Kalutara and Tangalle. These properties are expected to be branded under the 'Anantara' and 'Avani' brands, further strengthening our portfolio.

# TRANSPORTATION

Looking ahead, the Sector has strategic plans to aggressively broaden our presence in the logistics and maritime sectors capitalising on the national vision of creating logistics and maritime hubs. We are bullish of our prospects and given the strength of our team, are confident of reaching our goals.

**Rs. 1,101Mn**
Revenue

**Rs. 328Mn**
Profit After Tax


Hemas Transportation sector comprises aviation, maritime and logistics business segments which contributed 16.9% to our overall Group profitability during the year under review. Turnover increased by 52.5% to Rs. 1.1Bn and profit after tax grew by 33.6% over last year to Rs. 328Mn.

The transportation industry achieved significant progress in the past year with the expansion of the existing road and rail networks resulting in improved regional connectivity and contribution to national growth. The government continues to invest in the development of the seaports, airports, roads and rail networks, creating multiple opportunities for the industry.

From a global perspective, passenger traffic recovered well from the continuing financial crisis. IATA forecasts a subdued year ahead, while cargo traffic is forecasted to witness a modest rebound from two years of negative growth globally. (source: IATA)

The passenger segment of our business performed moderately throughout the year due to the impact of fuel surcharges and as a result, passenger volume growth was in the mid-single digits. The domestic appetite for corporate and incentive travel continued to be robust, driven by the demand in service-oriented export industries. We were able to increase our overall market share in the travel agency space by recording high double-digit growth ahead of the market which grew by 10% over the previous year. Our strong partnerships with leading brands Cosmos, Globus and Royal Caribbean Lines further strengthened our presence in the fast growing leisure travel segment.

The performance of our aviation services was also well supported through the air cargo GSA businesses. Malaysian Airlines commenced a weekly freighter service to Kuala Lumpur in July 2012 to augment its daily service. The Emirates Airline network continued to provide our customers' access to a strong delivery partner, especially for time-critical logistics. We continue to lead the local GSA space with a strong talent-base, delivering superior value to our principals and customers alike.

In the fourth quarter, 'Discover The World Marketing', represented in Sri Lanka by Hemas was appointed as the General Sales Agent for China Southern Airlines. This is a landmark appointment for our sector; China Southern Airlines being the largest airline of China. It operates the largest fleet of aircraft in Asia and ranks third amongst 240 airlines in IATA's global network.

The global maritime industry continues to endure freight rate volatility due to excess vessel capacity and recessionary conditions. From a local perspective Sri Lanka's container handling throughput at the Colombo Port reduced by 2% during 2012, while transhipment volumes witnessed a 1.5% decline during the same period. (source: SLPA)

Our maritime segment volumes recorded a robust growth aided by higher throughput in our feeder vessel agency 'Far Shipping' mainly on the Asia-Africa trade route. During the year we also expanded our maritime services beyond the traditional agency operation to handling break-bulk vessels through Hemas Maritime (Pvt) Ltd. We also commenced operations on a joint venture with Mercantile Shipping Company in the port of Galle for the transportation of sea marshals using fuel efficient crew boats which has added a new dimension to this competitive industry segment.

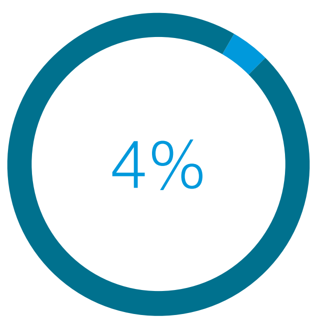
We feel that the capacity expansion project at the Colombo Port and the infrastructure development at the regional ports will result in multiple opportunities for our business from a maritime and logistics perspective.

The logistics business segment was boosted by the strategic investment we made in Forwardair Logistics (Pvt) Ltd (later renamed Hemas Logistics (Pvt) Ltd), strengthening our presence in the local logistics space in addition to our freight forwarding and courier businesses. Through Hemas Logistics we offer container and vehicle logistics, project cargo management and contract warehousing. The Company has a strong customer-focused team, which has built a reputation among Main Line Operators for the efficient handling of containers and cargo, maximising throughput for its customers.

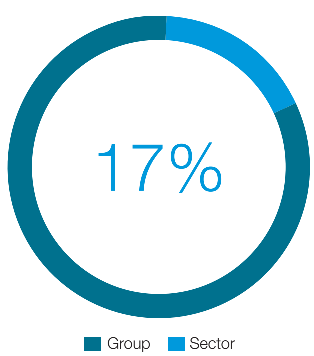
Our joint venture businesses had a mixed year with our courier business, 'Skynet' performing exceptionally well due to new business generated through its expanded branch network and the provision of domestic courier solutions. However, our freight forwarding venture with Hellmann Worldwide Logistics endured a difficult year due to aggressive competition. The Company has taken measures to expand its services beyond freight-forwarding and is expected to generate better returns in the coming year.

Looking ahead, the Sector has strategic plans to aggressively broaden our presence in the logistics and maritime sectors capitalising on the national vision of creating logistics and maritime hubs. We are bullish of our prospects and given the strength of our team, are confident of reaching our goals.

SECTOR VS GROUP REVENUE




SECTOR VS GROUP PROFIT



# POWER

In the coming year, we hope to demonstrate leadership in the industry through growing our portfolio, thus serving our stakeholders and our nation. We are committed to contributing to our nation's progress by supplying clean energy and being a leader in renewable energy.

**Rs. 5,509Mn**
Revenue

**Rs. 286Mn**
Profit After Tax


Our world runs on energy and it is essential to our way of life; fundamental for everything from powering our industries to powering the electronic devices we depend on daily. Post-war, our nation has experienced rapid economic growth and the improved living standards it enables, have created a pressing demand for more power generation. The evident rise in energy-consumption, changing regulations, new technology developments and greater awareness of sustainability issues are all transforming the power industry. Amidst this changing landscape, the Hemas Power sector is committed to long-term growth and value creation.

The Hemas Power sector includes Heladhanvi Ltd a 100MW thermal power plant and three mini hydro plants located in Giddawa, Lindula and Magal Ganga with a total contribution capacity of 7MW. The Sector contributed 650GWh to the national grid this year. During 2012/13, the Sector posted revenue of Rs. 5.5Bn resulting in a growth of 23.2% over last year. The pass-through effect of furnace oil which increased from Rs. 40 per litre to Rs. 65 per litre in February 2012 partially contributed to this growth.

Our thermal power plant Heladhanavi operated at an average plant capacity of 72% throughout the year notwithstanding closures attributed to scheduled maintenance. The plant contributed 630 GWh to the national grid during the year. While Heladhanavi revenues surged upward with increasing fuel prices, the plant's profitability was adversely impacted by high O&M charges, increasing working capital costs and translation losses on foreign exchange borrowings, most of which were unrealised.

The prolonged drought which occurred in 2012 hampered power generation at our mini hydro power plants. The marginal improvement in rainfall during the latter half of the year aided recovery, enabling the plants to record an average plant factor of 38%. We were also challenged with a few technical issues related to the CEB due to constant grid failure causing heavy downtime losses during the year. Moreover, the revenues of two mini hydro plants were undermined by the reduction of the Avoided Cost Tariff by 7% over the previous year. This is the second rate cut the sector has experienced since it's entry in to the renewable energy space. The three-fold set back of the drought, technical issues at the CEB and reduction of tariff hindered earnings this year. Nevertheless the mini hydro segment revenue grew from Rs. 146Mn to Rs. 222Mn, a growth of 51.8%.

The Giddawa plant faced formidable challenges this year due to heavy floods in December 2012 causing the plant to suspend operations. The engineering team worked tirelessly and was able to restore operations within a fortnight at a marginal cost. Despite the suspension in generation, the 2MW plant generated 6.7Mn units (KWh) at a plant-utilization-level of 38%, compared to the 35% recorded last year. High rainfall levels received in the catchment areas during the latter half of the year helped the plant recover.

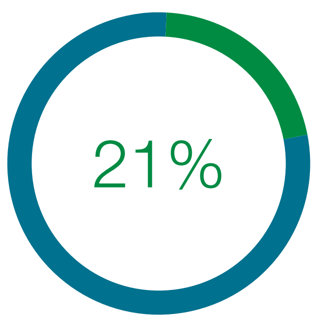
Our second 2.6MW mini hydro power plant, Agra Oya generated 7.9Mn KWh at 35% plant factor. This 28% improvement over the last year was chiefly driven by the improved rainfall levels enjoyed toward the latter half of the year.

Magal Ganga was impacted by slightly lower rainfall than the estimated hydrology forecast. Significantly, the plant was impaired by technical problems in machinery and transmission line which have been resolved, but caused a considerable impact on generation.

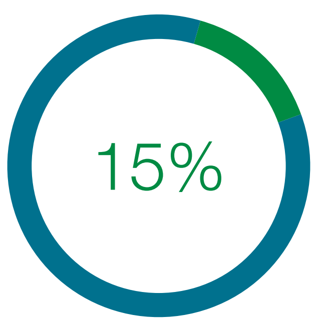
On the growth front, we have earmarked mini hydro power sites in Sri Lanka and East Africa. Expansion into the African region may help counter and balance the economic and natural hindrances faced in Sri Lanka. The team expects to continue pre-development work on new projects in Sri Lanka and the East-African region in the years to come, while looking out for opportunities in other renewable energy spaces. During the course of the year we also acquired 29.3% of Panasian Power PLC which currently owns two mini hydro plants.

With Sri Lanka's energy demand expected to double by 2020, diverse and reliable sources of power generation will be necessary to facilitate economic growth. While making strides towards renewable energy sources, Sri Lanka continues to depend heavily on conventional energy sources. As such there has been a focus by the CEB on achieving fuel efficiency in thermal generation to improve energy conservation. Hemas Power sector has corresponding aims; we aim to continue our focus on renewable energy sources while improving the efficiencies of our thermal plant. In the coming year, we hope to demonstrate leadership in the industry through growing our portfolio, thus serving our stakeholders and our nation. We are committed to contributing to our nation's progress by supplying clean energy and being a leader in renewable energy.

SECTOR VS GROUP REVENUE




SECTOR VS GROUP PROFIT




Group Sector

# SUSTAINABILITY REPORT

At Hemas, we believe that long-lasting success is created by building sustainable value for all our stakeholders. We are building sustainability practices into every aspect of our business from sourcing raw materials and new product development to power generation and tourism. We consider sustainability goals along with operational and financial goals. Thus our sustainability initiatives are embedded across the organisation's functions by taking a 360-degree view of the impact of business operations on our community, our employees, and our environment.

**Our Community -** Hemas understands that the prosperity of our business and our community is indelibly linked. Meaningful engagement of our community is central to our social responsibility. We invest generously in the development of our community through our 'Piyawara' programme and other initiatives.

**Our Employees -** At Hemas, we foster a diverse and vibrant workplace culture steeped in Sri Lankan values. We are dedicated to the professional growth of all our employees and strive to be an employer of choice.

**Our Environment -** Preserving and promoting the natural environment is paramount for Hemas. We actively engage in factory/plant- specific and sector wide initiatives to reduce our ecological footprint.

## Our Community

***'Piyawara'***

Early childhood is the most important phase for overall development throughout the lifespan; however, every year over 200 million children under the age of five years fail to reach their full cognitive and social potential. Most of these children live in South Asia and sub-Saharan Africa. Over a decade ago, we at Hemas made a commitment to changing the fate of at-risk children in our nation as they take their first steps through our 'Piyawara' programme for Early Childhood Care and Development.

The Hemas Outreach Foundation has implemented community based initiatives impacting thousands of lives in partnership with the Children's Secretariat of the Ministry of Child Development and Women's Affairs. At present we foster 37 'Piyawara' pre-schools across the nation from Jaffna to Hambantota. The key objective of Piyawara is to enhance and improve the psycho-social and cognitive development of young children. This is achieved primarily through the addition of new pre-schools to the existing national network and upgrading established pre-schools to reach minimum standards. These schools are linked to the local councils of the area for sustainability. Through these initiatives, the 'Piyawara' programme enriches the lives of over 3000 children daily.

Upon the request of the Ministry of Child Development, there was a focus to establish more community pre-schools in the resettlement areas of the Northern Province this year. Hemas opened the first pre-school in Ambalnagar serving over 90 children and a pre-school in Silawathei, Mullaittivu serving over 50 children. We are grateful to the Sri Lanka Army for assisting us in locating the communities with the greatest needs and with the construction process. The pre-schools are monitored by the Northern Province Ministry of Education. Hemas is in the process of building the first model pre-school in Kilinochchi as a joint venture with the Maithri Trust UK, the charity arm of First State Investment UK. The investment for

this worthy project is Rs.10 million.

Hemas employees are dedicated to these pre-schools and their students. This dedication was exhibited by the 'Angel' Christmas tree that was set up at the Hemas House lobby to collect Christmas gifts for children in the Northern Province. The target was to collect 450 gifts. However, the staff went beyond the target and helped collect a total of 800 gifts. The Sri Lanka Army transported the gifts to the Northern Province and distributed them to delighted children during Christmas parties organised in Kilinochchi, Ambalnagar, Mullaittivu, Pudukuduiruppu and Dharmapuram.

Two key groups influence the early development of children: teachers and parents. The Hemas Outreach Foundation engages both these key groups by providing skills and practical strategies for addressing children's specific needs in building their cognitive and social skills during every day routines and play. We conducted parental awareness programmes in major cities nationwide. The interest in these events were immense with over 500 parents attending each programme.

The Annual 'Piyawara' teacher training programme was held in August 2012. A founding member of 'Piyawara', Mr. Jayantha Peris, Deputy Director of the Children's Secretariat passed away on the same day.

The Hemas Outreach Foundation also sponsored a special training for teachers in the Northern Province,organised by the Ministry of Education of Northern Province. This three day residential programme held in Jaffna was aimed at equipping teachers to become more effective in the classroom.

Hemas is committed to improving and promoting the health and well-being of children with special needs. Hambantota is home to a special needs school set up by Hemas Outreach Foundation focusing on children who have chronic physical, developmental, behavioral or emotional conditions. The school is managed by the Southern Youth Development Foundation in partnership with the Hambantota Municipal Council. Throughout the year we sponsored several sports events and nutritional supplies. This year, the gifted children at the school were given an opportunity to showcase their creative abilities through an art exhibition held at the Hemas House. Their artwork was sold to staff and dignitaries that attended the exhibition, accumulating Rs. 200,000 towards the school.

**'Yet Young and Growing' project**

*Baby Cheramy*, Sri Lanka's No. 1 provider in baby care products celebrated 50 years of enriching lives of mothers and children in 2012. *Baby Cheramy* reached out to the Sri Lankan underprivileged children by launching the 'Yet Young and Growing' project and the 'Big Heart' project.

*Baby Cheramy* began the 'Yet Young and Growing' project to assist the process of parental guidance. Having understood that parenting can be both rewarding and strenuous, *Baby Cheramy* came forward to help parents make the right choices along the way. This was to be done through *Baby Cheramy* Mother Clinics, in collaboration with the Ministry of Child Development & Women's Affairs. The Clinics serve as an ideal platform for Doctors and Healthcare Professionals to educate pregnant mothers on psycho-social issues relating to mother and child during pregnancy and post natal care. Another effective medium

## SUSTAINABILITY REPORT

of communication that *Baby Cheramy* is harnessing is the "Nuga Sevana" TV forum, mainly targeting young mothers.

**'Big Heart' project**

The 'Big Heart' project was another collaboration with the Ministry of Child Development & Women's Affairs initiated under the 'Nena Diriya' programme of the Department of Probation and Childcare Services. The project concentrated on funding the education of disadvantaged children from across the country during the crucial first five years of schooling. Currently there are 40,000 children registered with the Department of Probation and Child Care Services about to drop out of school due to extreme poverty. *Baby Cheramy* will help fund the education of such children from grade one to grade five by contributing Rs. 2000 per month per child. Supporting this cause, former national cricketer Roshan Mahanama was invited to be the Ambassador for 'Big Heart' project.

Inspired by Roshan Mahanama, the 1996 Cricket World Cup winning team came together to play an exhibition Twenty20 match against a Sri Lanka cricket legends team in support of the 'Big Heart' project. The match took place on the 12th January 2013, at the NCC grounds Colombo. The 1996 Cricket team was led by none other than Arjuna Ranatunga himself and the Sri Lanka Cricket Legends by Sidath Wettamuni. The match ended with five wickets victory for the 1996 World Cup Champion team. All ticket proceeds from the match went to the 'Big Heart' project Fund for education, set up by the Department of Probation and Child Care Services.

The 'Big Heart' project will further encourage like minded Sri Lankan's to open their hearts in support of this cause with an extensive all island awareness drive. A dedicated bank account for the public has been opened as *Baby Cheramy* plans to encourage additional donations for the 'Big Heart' project.

The public played a key role with their generous donations. 'Big Heart' project mobile donation truck was parked outside the Kithu Sevana adjoining BMICH. When visiting the Book Fair anyone could also donate books or any Stationery Gifts by dropping them off in the bins placed there. As this method proved successful the 'Big Heart' project mobile donation truck went on to visit towns and various destinations allowing people to donate stationary. All donated educational supplies were distributed to needy schools selected from the local community itself.

The 'Big Heart' project not only changed the lives of underprivileged children in Sri Lanka but helped bring to light the need for education. With a rich heritage serving the nation for 50 years, *Baby Cheramy* aspires to continue in its quest of enriching Sri Lankan lives.

**Our Employees**

We aim to be an employer of choice for an engaged, inclusive workforce, and we are committed to preserving a safe, healthy and respectful work environment. We are dedicated to the professional growth of all our employees and strive to be an employer of choice. As such, we provide training and career development opportunities to our employees, enabling them to strive to exceed expectations in their daily roles.

At Hemas we foster a diverse and vibrant workplace culture steeped in Sri Lankan values. During the year, an Organisational Culture Management programme was


introduced, launching the second edition of the Employee Code of Conduct Booklet.

During the year we undertook the responsibility to help our senior leadership excel in their roles and pave the way for advancement to greater and more rewarding challenges. Heidrick and Struggles, a globally renowned leadership advisory firm, undertook executive coaching to sharpen their competencies in order to establish the leadership they need to deliver on future strategy.

We continuously invest in developing and engaging our people. Our training and development programmes focus on developing both technical knowledge and skills and leadership skills- developing the leaders of our business for tomorrow. We maintained consistent levels of employee participation in 2012/13 in targeted training and development programmes. Additionally, personal development programmes such as the Management Development programme and English courses were implemented.

In addition to group-wide initiatives, each sector engaged in initiatives to train, motivate and recognise their employees. Each Sector firmly believes that the foundation of their success is building a team with unparalleled dedication and talent.

At Hemas Pharmaceuticals over 400 medical representatives received training by Mr. Dhammika Kalapuge who conducted a customised training programme on customer care with the assistance of the management team. The entire back office staff were trained on Service Excellence, in order to increase knowledge and productivity. Recruitment programmes have been planned for both school and university students to create awareness about working in the pharmaceutical sector.

Hemas Pharmaceuticals hosts an Annual Awards night to recognise outstanding employees and distributors. Additionally, in order to build team spirit and collaboration efforts, quarterly staff engagement events are organised. These events were some of the fulcrum points where employees were able to build strong and healthy relationships amongst themselves. Furthermore in order to help strengthen the relationship between the senior management and staff, events such as "Coffee with MD" and "Coffee with CEO" were organised giving employees an opportunity to interact with the Managing Director and CEO to share their viewpoints and innovative ideas.

Hemas Hospitals focused on strengthening nurse training capabilities through a partnership with the Kerala Institute of Medical Sciences (KIMS). Some of our nurses were sent to India to better equip them to provide quality care to patients while the others received training from a high caliber nurse educator from KIMS locally. Improved nursing quality is enabling Hemas Hospitals to deliver on our proposition of patient oriented service. As part of our initiative to strengthen the skills of our staff, workshops were held by Dr. Shailesh Puntambekar, a world renowned laparoscopic and robotic surgeon from Pune, India, to demonstrate technical skills in laparoscopic surgery.

The FMCG Sector provided the opportunity for over 23 people to receive foreign training which included participation in beauty and skin care exhibitions, workshops on packaging development, supply chain management

## SUSTAINABILITY REPORT

and channel management. The Sector provided over 25,000 productive hours of training, a 68% increase from last year.

The Sector held an out-bound training for the entire sales force and distributor representatives at Kukuleganga where there were over 300 participants. Another out-bound training was held for the supply chain team in Thulhiriya for 70 participants. Through our significant investments in employee development we have encouraged and empowered employees to perform at their highest potential.

The Power sector operates in the growing renewable energy industry where the provision of continual technical training is necessary. During the year out bound training took place for the employees of the mini hydro power plants focusing on team building, leadership, communication, decision making and adaptability. In addition to this, the Power sector employees received training on operating in a sustainable manner and workshops were held on best practices in the industry.

The Leisure sector held an out-bound training for the Executives of two Hotels at the premises of Kukuleganga Army Resort. During this time all levels of management were able to interact and focus on objectives and goals for the coming year. In order to better understand employees' thoughts, ideas and well-being, Employee Satisfaction Surveys were carried out at this time. During the year under review, Avani Bentora and Avani Kalutara hotel staff received over 14,000 hours of productive training hours by internal trainers and 36,000 hours of productive training by external trainers.

At Diethelm Travels, educational tours were held for the Sri Lanka division to improve knowledge and expertise on the product portfolio. The Maldives division held an out-bound training at the Chaya Island Dhonveli in Maldives which was highly praised by all participants who showed a marked improvement in their day to day activities.

We at Hemas Group believe that by building a talented and high performance team, we create a winning culture which will be the foundation of our long-term success. Thus the CEO's Awards are presented annually to senior managers and managers who have made an exceptional contribution to the success of the Company. The 'Living Hemas Values' Awards, based on nominations of staff members who feel that a fellow employee embodies the core values by which Hemas operates, were awarded on a quarterly basis with a 'Grand Winner' announced annually. The 'Enriching Lives' Award was awarded to the team that contributed in a significant manner to enrich our customers' lives. The Hemas Group is excited about its challenges for the coming year with expectations to perform with great success.

**Our Environment**

In 2010, Hemas set out on a mission to address sustainability throughout all of our business practices. Our goal was to develop a sustainability strategy that addressed the activities of our five sectors and addressed our customers', suppliers' and communities' major concerns and challenges. We are committed to operating our Company in a way that will minimise environmental impacts, manage energy consumptions and embrace sustainability practices.

At Hemas, each individual takes responsibility for making environmentally conscious decisions by taking the Hemas

Green Pledge. The pledge states that we take responsibility individually and collectively as part of the Hemas Group to minimise harmful practices and embrace emerging trends that will help us leave a gentler environmental footprint.

A Sustainable Energy Manager has been allocated to each sector appointed under the Sri Lankan Sustainability Energy Authority. Each manager forms an Energy Management team which works to reduce energy wastage through awareness programmes.

Minimising water and electricity has been a focus during the year and has been advantageous not only on an environmental perspective but also as a cost minimising exercise as well. A key focus has been to reduce overall amount of energy used in our supply chain and operations. To that end, a set of initiatives and action plans were presented to the Board of Management. These initiatives which were conducted during the year and assisted all staff to understand the importance of conservation.

During the year we introduced several key initiatives such as collection of e-waste which is highly toxic to our environment and the collection of paper for recycling. We believe that behavioral change in each employee is necessary stemming from a sense of responsibility for the earth we live in. Our goal is not simply to comply with all relevant environmental legislation but to take a proactive approach to sustainability. Through our products, services, processes, and policies, it is our aspiration to leave a positive legacy for future generations.

We are committed to operating our hospitals in a way that will minimize environmental impacts, manage energy consumption and embrace sustainability practices. To identify smarter, environmentally friendly solutions, Hemas Hospitals established an energy management programme. In collaboration with the Sri Lanka Sustainable Energy Authority, awareness programmes were conducted for all hospital staff. As part of the orientation programme, it is mandatory that all new employees are inculcated with good energy management practices.

Each hospital is committed to lessening their environmental footprint by conserving energy and reducing wastage. The Wattala Hospital has a Building Management System to control & monitor HVAC system of the hospital building. As 60% of electrical energy is used for air conditioning, this system enables us to monitor and adjust temperature and other related components remotely based on ambient conditions, thereby optimising energy costs. The main electrical panels of the Wattala hospital have power analysers and data from these devices are collected & analysed on a daily basis enabling engineers to identify unusual patterns in the consumption of electricity & rectify them immediately.

The Thalawathugoda Hospital contains Low-E glass panels which mitigate the quantum of heat coming into the building whilst permitting day light to enter the system. This substantially reduces the load on the HVAC system whilst also reducing the amount of lighting required within the building. In addition to this the hospital at Thalawathugoda includes a sewage treatment plant with a tertiary treatment facility which ensures a higher level of purity of the treated water which is discharged to the immediate environment.

## SUSTAINABILITY REPORT

Power plants are subject to extensive environmental regulations and we have taken every effort to ensure our compliance with these, while proactively taking action to also go beyond compliance. The Sector initiated a series of workshops to provide employees with training on energy conservation. By educating our employees and establishing green practices, we are helping to build a sustainable future and a better environment for future generations.

The Power sector has a structured platform for sustainability commitments headed by an Environmental Officer dedicated to implementing conservation initiatives. The environmental officer acts as an independent party who ensures the protection of the environment.

Power plant workers have regular awareness programmes and practical activities on environmental education and best practices. In addition to this composting is done regularly at power plant sites. At Magal Ganga, our newest mini hydro plant, replantation has occurred. Plants for re-plantation were chosen carefully – plants that are replanted are ones that are endemic and suitable for the region.

Each plant works under different environmental conditions therefore each plant needs individual attention and focus. A standardised system has been implemented to continuously monitor and evaluate the environmental initiatives in place. This standardised system also helps the management understand the needs of each individual plant in comparison to another. Environmental initiatives and standards at the Sector are self-regulated, where the standards go above and beyond that set by the Central Environmental Authority (CEA).

As Sri Lanka becomes more prominent as a tourist destination, the need for sustainable tourism has become more pressing. This acute need for sustainable tourism caused the Hotels Sector to take a discerning examination of the Sector's sustainability performance. Our commitment to green concepts necessitates that we strategically plan out, implement, collate and document all the activities of our hotels. To this end, the Hotel Sector engaged in an extensive and comprehensive stakeholder engagement which was conducted by Sting Consultants. Stakeholders selected based on importance and influence were interviewed and surveyed by independent professionals. The resulting in-depth report identified points for improvement in our sustainability process which we are currently implementing. The FMCG Sector is in the midst of a similar stakeholder engagement process due to be completed soon.

In our efforts to abate the disturbing child prostitution problem present in our nation, the Hemas Hotel Sector collaborated with the German Travel Association (Deutscher ReiseVerband) and Rewe Touristik to conduct a seminar on curtailing child prostitution in the tourism industry. The seminar which was held at Club Hotel Dolphin was attended by experts in the field including federal police officers from Germany who educated hoteliers on how to address this issue and save innocent lives.

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 green policy. At Hotel Sigiriya both water and electricity consumption is monitored on a daily basis through sub-metering. To further conserve water, recycled water is

used for all garden related activity such as the watering of plants. Due to such initiatives, the hotel received a Certificate of Merit for Energy & Water Conservation and Waste Management in 2012.

With electricity prices steepening, it was necessary to maximise efficiency of energy use. Thus all Fluorescent 2 Ft - 4Ft and Halogen bulbs were replaced with LED and CFL bulbs. This change saw a notable reduction in electricity costs and emissions reductions, thereby lowering the environmental footprint. In addition all water heating systems were replaced with solar thermal panels to capitalise on solar energy.

Conducting green practices in the hotel is a commitment made by all levels of staff. This has motivated movements such as garbage being disposed in an ecological fashion. Biodegradable wastage has been processed in an orderly method with waste being used for composting. Wet garbage goes through sorting and is sent out to piggeries and dry garbage sent out to recycle centres. The hotel strives hard to retain high standards as it operates in Sigiriya which is a UNESCO World Heritage Centre.

Club Hotel Dolphin follows similar initiatives with regards to environmental sustainability, waste management and cost reduction. Additionally Club Hotel Dolphin however has an ongoing focus of working closely with the community. The hotel looks to the local villages for supporting services as they feel it is important to integrate and help sustain the local people. Giving back to the community bridges the gap between the local people and the hotel employees.

Bentota and Kalutara are well known for their rich cultural and religious activities. To maintain and sustain this heritage Avani Bentota Resort and Spa and Avani Kalutara Resort have been instrumental in supporting places of worship. The hotels go a step further and work with the local people to embrace and carry on their cultural legacy. The hotel staff join together to help the local community by giving donations during the year.

Beach pollution is a key concern in these areas. The hotels maintain a regular beach cleanup programme, not simply to maintain the beauty of the location but to have a pollution free home for the marine life. Avani Bentota Resort and Spa also helps maintain the local railway station in Bentota. Moreover the hotel has undertaken an annual cleaning and maintaining of the Bentota Government Hospital.

We hope to continue to be a leader in environmental responsibility as we believe the continued success of our Company and our sustainable business practices will be a valuable benefit to the customers and communities we serve.

# CORPORATE GOVERNANCE

*The principles set out in the Code on Corporate Governance remain the primary standards and guidance for governance within Hemas. The Board, its Committees and individual directors apply those principles in all aspects of their work.*

The Board's Committees play an essential role in good governance under the chairmanship of Lalith De Mel and Maithri Wickremesinghe respectively, the Remuneration Committee and the Audit Committee carry significant workloads and discharge their responsibilities on behalf of the Board with rigor and diligence. More information about their work is set out in the report that follows and in the Committee Reports. The Nominations and Remuneration Committees, we believe, have made good progress in recent years in succession planning at Board and senior executive level. Their work includes paying attention to the composition of the Board and its Committees, consideration of both planned and unplanned succession scenarios and recognition of the importance of diversity in good governance. For reasons of confidentiality, it is often not possible to report in detail on much of this work.

In this part of the Annual Report, we explain our approach to corporate governance and describe, in general terms, how our business is organised and managed.

***Corporate Governance***

We have prepared this Annual Report with reference to 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. This Report (together with other sections of this Annual Report) describes how we apply the main principles of good governance in the Corporate Governance Code. We confirm that we have complied throughout the accounting period with the provisions of the Code and with the rules and regulations of the Colombo Stock Exchange on Corporate Governance.

***Leadership***

The roles of Chairman and CEO are split. Lalith De Mel, our Non-Executive Chairman, is responsible for leadership of the Board. Our CEO, Husein Esufally, leads the Board of Management (BOM) and has executive responsibility for running our business. The Board comprises six Non-Executive Directors, four of whom including the Chairman are considered independent and two Executive Directors.

All Directors are collectively responsible for our long-term success. In addition, the Non-Executive Directors are responsible for exercising independent, objective judgment in respect of Board decisions and for scrutinising and challenging the actions of executive management.

The Board runs an annual strategy review process. The CEO, the CFO and the BOM take the lead in developing our strategy, which is then reviewed, constructively challenged and approved by the Board.

There are three principal Board Committees: the Audit Committee; the Remuneration Committee and the Nominations Committee. The membership and work of these Committees are described below. The Board provides adequate resources to enable each Committee to undertake its duties efficiently and effectively.

***Reserved matters and delegation of authority***

The Board maintains and periodically reviews a list of matters that are reserved to and can only be approved by the Board. These include: the appointment, termination and remuneration of any director; approval of the Annual budget; any item of fixed capital expenditure or any proposal for the acquisition or disposal of an investment or business which exceeds Rs. 100 million; the raising of capital or loans by the Company (subject to certain exceptions); the giving of any guarantee in respect of any borrowing of the Company or its subsidiaries and allotting shares of the Company. Matters that have not been expressly reserved for the Board's consensus are either delegated by the Board to its Committees or to the CEO.

The CEO is responsible to the Board for the management, development and performance of our businesses in relation to those matters in respect of which he has been delegated authority from the Board. Although the CEO retains full responsibility for the authority delegated to him by the Board, he has established and chairs the BOM, which is the vehicle through which he exercises certain of that authority in respect of our businesses. The roles of the Board, the Board Committees, the Chairman, the CEO and the BOM are documented, as are the Board's delegated authorities and reserved powers.

***Operation of the Board***

The Board is responsible for setting our strategy and policies, oversight of risk and corporate governance and also monitors progress towards meeting our objectives and annual plans. The Board discharges these responsibilities through a programme of meetings that includes regular reviews of financial performance and critical business issues, and the formal annual strategy review. The Board also aims to ensure that a good dialogue with our stakeholders takes place and that their issues and concerns are understood and considered.

The Board held six meetings in 2012/13, which includes its annual strategy review day. As part of the business of each Board meeting, the CEO typically submits a progress report on each key business area, giving details of progress against the goals the Board has approved. To ensure that the Board has good visibility of the key operating decisions of the business, members of the BOM routinely attend Board meetings on a rotational basis and Board members meet other senior executives throughout the year. The Board also receives accounting and other management information about our resources and presentations from internal and external speakers on legal, governance and regulatory developments. The Non-Executive Directors meet without the Executive Directors present to review and discuss any matters that have arisen during the meeting and/or such other matters as may appear to the Non-Executive Directors to be relevant in properly discharging their duty to act independently.

The Nominations Committee and where appropriate, the full Board, regularly review the composition of the Board and the status of succession to both senior executive management and Board-level positions. Directors have regular contact with and access to succession candidates for senior executive management positions.

The Board aims to maintain a balance in terms of the range of experience and skills of individual Board members, which includes relevant international business, financial experience, as well as appropriate regulatory knowledge.

The biographies of Board members set out on pages 50 and 51 give more information about current directors in this respect.

The Board views nationality and cultural diversity among Board members as important considerations when reviewing the composition of the Board and seek Board members of the highest calibre and with the necessary experience and skills to meet the needs of the Company and its shareholders.

***Independence of the Non-Executive Directors***

During 2012/13, the Board considered the independence of each Non-Executive Director for the purposes of the Code on Corporate Governance and the Corporate Governance Listing Standards of the CSE (Listing Rules). The Board considers that two of the Non-Executive Directors are independent.

The Board has reached consensus that the chairman Mr. Lalith De Mel and Mr. Maithri Wickremesinghe shall be treated as independent, although having served on the directorate of the Company for over 9 years.

***Conflicts of interest***

The Articles enable the directors to authorize any situation in which a director has an interest that conflicts or has the potential to conflict with the Company's interests and which would otherwise be a breach of the director's duty, under section 192 of the Companies Act 2007. The Board has a formal system in place for directors to declare such situations to be considered for authorization by those directors who have no interest in the matter being considered. In deciding whether to authorize a situation, the non-conflicted directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Situations considered by the Board and authorisations given are recorded in the Board minutes and in a register of Interest in contracts maintained by the Company Secretary and reviewed annually by the Board. The Board considers that this system continues to operate effectively.

***Appointments to the Board***

The Nominations Committee section on page 46 gives information about the appointment process for new directors. Newly appointed directors are provided with comprehensive documentation containing information about the Group and their role as Non-Executive Directors. They also typically attend tailored induction programmes that take account of their individual skills and experience.

***Directors' induction and ongoing development***

To ensure that directors have the requisite knowledge and understanding to enable them to challenge effectively, we provide them a personalised approach to induction, training and development.

Our Board receives regular updates on the views of our institutional shareholders and stakeholders. Our Board openly seeks the views of our shareholders.

***Time commitment***

Our expectation is that Non-Executive Directors should be prepared to commit the necessary time to the Group's business.

On occasions when a director is unavoidably absent from a Board or Board Committee meeting, for example, through illness, or where a meeting clashes with his existing commitments, he still receives and reviews the papers for the meeting and is typically expected to provide verbal or written input ahead of the meeting, usually through the Chairman of the Board or the Chairman of the Board Committee, so that his views are made known and considered at the meeting.

The Company Secretary is responsible to the Chairman for ensuring that all Board and Board Committee meetings are properly conducted, that the directors receive appropriate information prior to meetings to enable them to make an effective contribution and that governance requirements are considered and implemented. The Directors are also able to obtain independent legal advice at the expense of the Company, as necessary, in their capacity as directors.

The Company Maintained a Directors' and Officers' liability insurance cover

## CORPORATE GOVERNANCE

throughout 2012/13.The Company has also entered into a deed of indemnity in favour of each Board member. These deeds of indemnity are still in force and provide that the Company shall indemnify the Directors to the fullest extent permitted by law and the Articles, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company or any of its subsidiaries. This is in line with current market practice and helps us attract and retain high-quality, skilled directors.

***Board and Board Committee meeting attendance in 2012/13***

| | Board | Audit Committee | Remuneration Committee | Nominations Committee |
|---|---|---|---|---|
| Mr. J.C.L. De Mel | 6/6 | | 6/6 | 4/4 |
| Mr. H.E. Esufally | 6/6 | 4/4* | 6/6 | 4/4 |
| Mr. A.N. Esufally | 6/6 | | | |
| Mr. I.A.H. Esufally | 6/6 | 4/4 | | |
| Mr. M.E. Wickremesinghe | 6/6 | 4/4 | 5/6 | |
| Mr. M.A.H. Esufally | 5/6 | | | |
| Mr. P.K. Mohapatra | 6/6 | 4/4 | | 4/4 |
| Mr. R. Gopalakrishnan | 4/6 | | | |

*By invitation

***Performance evaluation***

During the year, the Board conducted the annual evaluation of its own performance and that of its Committees. The 2012/13 evaluation involved a series of questionnaires to be completed by each Board member. A draft report on the findings prepared by the Company Secretary was discussed with the Chairman. The final report was circulated to the full Board and discussed at the Board meeting held in February. The evaluation covered a range of topics, including: the composition of the Board; the effectiveness of its strategic oversight; Board members' involvement in the affairs of the Company; decision making and time management; the nature and quality of the information and general support provided to the Board; its approach to risk management and oversight of internal controls; and succession planning and how effectively it prioritises matters. The review concluded that the Board operates effectively and in an open manner. Board members have a good level of involvement in matters between Board meetings. The points to be addressed arising from the review include further improvements in the use of the Board's time in terms of Board meeting arrangements and how agenda items are scheduled and approached; consideration of a short strategic update during the year between the annual strategy day in March and minor improvements to the information provided to Board members in terms of content and format.

***Re-election of Directors***

In accordance with Article 84 of the Articles of Association of the Company and in compliance with the Code, one third of the directors retire at each AGM and may offer themselves for re-election by shareholders. The names of the directors retiring this year are set out in the Report of the Directors on page 56.

### Accountability

***Risk management and internal control***

The Non-Executive Directors have various responsibilities concerning the integrity of financial information, internal controls and risk management. The Board has overall responsibility for our system of internal controls and risk management policies and is also responsible for reviewing their effectiveness. During the year, the directors have continued to review the effectiveness of our system of controls, risk management and our high-level internal control processes. These reviews have included an assessment of internal controls, and in particular, financial,operational and compliance controls and risk management and their effectiveness, supported by management assurance of the maintenance of controls reports as well as the external auditor on matters identified in the course of its statutory audit work.

Underpinning these reviews is a 'Quarterly affirmation statement on Risk Management, Internal Controls and Compliance' process by which responsible managers confirm the adequacy of their systems of internal financial and non-financial controls, their compliance with Group policies and relevant laws and regulations (including the industry's regulatory requirements), and that they have reported any control weaknesses. The internal control framework has been set in place and continues to operate up to the date of the approval of this Annual Report. The directors believe that the Group maintains an effective, embedded system of internal controls and in the view of the directors, no significant deficiencies have been identified in the system. Further information about the ways in which we manage our business risks is set out in the Risk section from page 41 to 43 which also contains a list of the principal risks and uncertainties that we face.

***Code of Conduct***

Our Code of Conduct (the Code), aptly titled "Hemas Way" which is available on our website, www.hemas.com, applies to all directors, officers, full-time, part-time, and temporary staff at all levels.

Mandatory guidelines set out by Group Finance complements the Code. It applies to the CEO, the CFO, the Group's principal accounting officers and all finance function employees. This reinforces the importance of the integrity of the Group's Financial Statements, the reliability of the accounting records on which they are based and the robustness of the relevant controls and processes.

***Trading in Company Shares***

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

***Relations with shareholders***

In our financial and business reporting to shareholders and other interested parties by means of quarterly, half-yearly and annual reports, we aim to present a balanced and understandable assessment of our strategy, financial position and prospects. We make information about the Group available to shareholders through a range of media, including a fully integrated corporate website, www.hemas.com, containing a wide range of data of interest to institutional and private investors. We consider our website to be an important means of communication with our shareholders.

We have frequent discussions with institutional shareholders on a range of issues. These include individual meetings with some of our largest institutional shareholders to seek their views. Board members are kept informed of any issues and receive regular reports and presentations from executive management in order to assist them to develop an understanding of major shareholders' views about the Group.

We also respond to individual ***ad hoc*** requests for discussions from institutional shareholders and analysts. Our Investor Relations team acts as the main point of contact for investors throughout the year. All shareholders, including private investors, have an opportunity at the AGM to put questions to members of the Board about our operation and performance. Formal notification of the AGM is sent to shareholders at least15 working days in advance. The Chairmen of the Board Committees ordinarily attend the AGM to answer questions raised by shareholders.

***Audit Committee***

The members of the Audit Committee are Maithri Wickremesinghe (Chairman), Pradipta Mohapatra and Imtiaz Esufally. They are all Non-Executive Directors. The Board considers both Maithri Wickremesinghe and Pradipta Mohapatra to be independent under the Code of best Practice on Corporate Governance and under the general guidance and specific criteria of the Listing Rules concerning the composition of Audit Committees. For the purposes of the Corporate Governance Code, the Board remains satisfied that at least one member of the Audit Committee has recent and relevant financial experience.

The core terms of reference of the Audit Committee include reviewing and reporting to the Board on:

- Matters relating to the audit plans of the external auditor.
- Our overall framework for internal control over financial reporting and for other internal controls and processes.
- Our overall framework for risk management, particularly financial risks.
- Our accounting policies and practices.
- Our annual and quarterly financial reporting, including the critical estimates and judgments contained in our reporting.

The Audit Committee is responsible for notifying the Board of any significant concerns of the external auditor, arising from their audit work, any matters that may materially affect or impair the independence of the external auditor, any significant deficiencies or material weaknesses in the design or operation of our internal control over financial reporting or other internal controls, and any serious issues of non-compliance. It oversees the establishment, implementation and maintenance of our Code of Conduct and other related policies. It monitors the Company's response to letters requesting information and investigations initiated by regulatory and governmental authorities such as the SEC and the CSE pertaining to matters within the remit of the Audit Committee's work. It has established procedures for the receipt and handling of complaints concerning accounting or audit matters. It recommends to the Board the appointment of the external auditor, subject to the approval of the Company's shareholders at a general meeting.

Shareholders in a general meeting authorise the Directors to fix the remuneration of the External Auditor. The Audit Committee reviews and recommends the appointment and dismissal of the External Auditor.

The Audit Committee held four scheduled meetings in the year under review. The individual attendance record of members of the Audit Committee is set out in the Board and Board Committee meeting attendance table on page 36.

# CORPORATE GOVERNANCE

Following each Audit Committee meeting,the Chairman of the Audit Committee reports to the Board on the principal matters covered at the meeting and minutes of the meetings are circulated to all Board members.

There was no change in our internal control over financial reporting that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. More information on the work of the Audit Committee is given on page 45.

***Remuneration Committee***
The principal role of the Remuneration Committee is to consider and set, on behalf of the Board, the remuneration (including compensation payments) of Executive Directors and other senior executives. No director is involved in deciding his own remuneration. Detailed information on the role and responsibilities of the Committee is set out in the Remuneration Committee Report on page 44.

***Nomination Committee***
The role and responsibilities of the Nomination Committee is set out in detail on page 46 of this report.

The Nomination Committee met four times in 2012/13.The individual attendance record of its members is set out in the Board and Board Committee meeting attendance table on page 36.

The Nomination Committee's terms of reference are available on our website, www.hemas.com.

***Corporate Governance requirements***
The Board continues to believe that the Group has a sound Corporate Governance framework, good processes for the accurate and timely reporting of its financial position and results of operations, and an effective and robust system of internal controls.

The Directors' assessment of the effectiveness of the internal control over financial reporting is set out in the 'Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements' section in the Annual Report on page 62.

We are required to disclose any significant ways in which our corporate governance practices differ from those followed by other companies under the Listing Rules. In addition, we must comply fully with the provisions of the Listing Rules relating to the composition, responsibilities and operation of audit committees and remuneration committees. We have reviewed the corporate governance practices required to be followed by companies under the Listing Rules and our corporate governance practices are generally consistent with those standards.

**Business organisation**
***Board of Management (BOM)***
The CEO has established and chairs the BOM. The BOM normally meets once a month to consider and decide major business issues, or as otherwise required by business needs. Typically, it also reviews, in advance of submission to the Board, those matters that are to be submitted to the Board for review and decision.

In addition to the CEO, the BOM's members are: the CFO, the Advisor to CEO, the CPO and the Heads of the Power, Leisure, Transportation and Healthcare Sectors. The Company Secretary acts as secretary to the BOM.

***Disclosure of information to auditors***
The Directors who held office at the date of approval of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

***Going concern accounting basis***
Information on the business environment in which we operate, including the factors underpinning the industry's future growth prospects, are included in the Financial and Sector reviews from page 12 to 25.

The financial position of the Group, our cash flows, liquidity position and borrowing facilities are described in the Financial Review from page 12 to 15. In addition, Note 32 to the Financial Statements from page 127 to 129 include our objectives, policies and processes for managing our capital, our financial risk management objectives, details of our financial instruments and our exposures to credit, market and liquidity risk. Further details of our borrowings and cash balances are included in Notes 22 and 27 to the Financial Statements on pages 112 and 118 respectively.

The Directors have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this Annual Report and the Financial Statements.

**Summary disclosures pertaining to Corporate Governance Practices**

| 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 |
| | 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. | √ | Corporate Governance Report |
| 7.10.4 | Criteria for defining "independence" | Requirements for fulfilling criteria. | √ | Corporate Governance 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.<br><br>The Chairman of the Committee shall be a Non-Executive Director. | √ | Corporate Governance 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. |

## CORPORATE GOVERNANCE

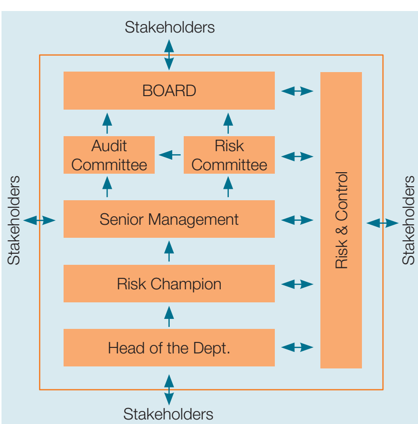
| CSE Rule No. | Applicable Rule | Requirement | Status of compliance | Reference to Annual Report |
|---|---|---|---|---|
| 7.10.5 (c) | Disclosure in the Annual Report | The Report should include the names of the Remuneration committee members, a statement of Remuneration Policy and the aggregate remuneration 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 NEDs, a majority of who shall be independent.<br>The Chairman of the Committee shall be a Non-Executive Director.<br>The Chairman or a member should be a member of a recognised 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.<br>*Overseeing compliance with financial reporting related regulations and requirements.<br>*Overseeing the processes to ensure that internal controls and risk management are adequate.<br>*Assessing the independence and performance of the external auditors.<br>*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.<br>The basis of determination of their independence.<br>A report of the Audit Committee as setting out the manner of compliance with their functions. | √ | Annual Report of the Directors and Audit Committee report. |

# RISK MANAGEMENT

Risk management is integral to Hemas' achievement of long-term goals as a diversified conglomerate. When we identify and exploit the opportunities generated by our businesses and the markets, we take an embedded approach of risk management to provide reasonable assurance that our assets are safeguarded, the risks of the businesses are being assessed and responded.

Hemas adopts a dynamic bottom up approach to risk management which ensures that key risks are pro-actively identified, assessed, responded to and reviewed appropriately. The Group also looks at implementing various policies, procedures and practices that would identify, analyse, evaluate and monitor risks followed by applications and solutions to minimise the probability of occurrence and consequence of the identified risks.

### THE BOARD AND RISK MANAGEMENT




The Hemas Group is involve in a diverse range of business activities, spanning several industries and market segments. Whilst this diversification provides a hedge against the positive correlation of business and environmental risks, it also exposes the group to a wider range of risks and opportunities. Our system of risk management identifies and provides responses to risks of group significance and business significance through the establishment of standards and other controls. These risks have been broadly categorised under seventeen headlines. These headlines are not static; they continue to evolve according to changes in the business environment.

The Hemas Risk Management Framework has been adopted at both Group and SBU levels to enable scarce resources to generate maximum return whilst minimizing the associated risk according to the standard of risk management; ISO 31000.

### HEMAS RISK MANAGEMENT POLICY

Our policy for risk management is to respond to risk pro-actively to ensure continued growth of our business in a highly competitive and uncertain environment while protecting the value created. Accordingly we;

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

### INTERNAL CONTROL AND RISK MANAGEMENT

The group reviews and assess significant risks on a regular basis and has implemented an oversight programme to ensure that there is a system of internal controls in place.

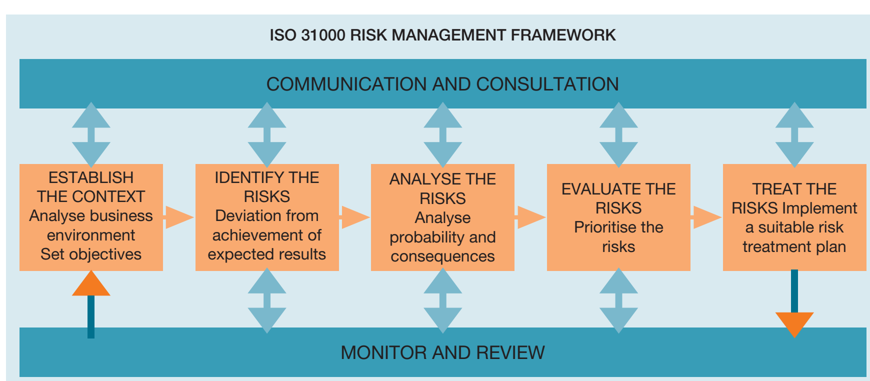
Group Risk Management Committee (GRMC) has been formed to overlook the risk management process. The GRMC reviews the company's risk profile and provides guidance on required risk responses on a quarterly basis.

The agenda for the Group Audit Committee contains standing items on internal controls. These include internal audit reports, quarterly risk reports and compliance statements.

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

The group wide Risk Management programme is being facilitated by the Risk and Control Division with input from Business Strategy, Corporate Finance, Group Treasury and Group HR divisions.

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



# RISK MANAGEMENT

## 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.

| Risk | Risk exposure | Mitigating actions |
|---|---|---|
| Market Risk | Loss of market share or market leadership in relevant segment due to intense competition from existing and potential competitors, changes in customer attitudes due to adverse economic and social conditions. | • Regular monitoring of key customers and consumer trends<br>• Enhancing productivity/efficiency to improve price competitiveness<br>• Continuous focus on innovation<br>• Focus on new markets and growth prospects to diversify the investment portfolio |
| Environment Risk | Probability of business operations creating negative consequences in the environment and creating non compliance or reputational risks. | • Adoption of GRI standards on sustainability reporting throughout the Group.<br>• Development of Group policies in order to facilitate adaption of GRI standards on sustainability. |
| Social Risk | Challenges by stakeholders to companies' business practices due to real or perceived business impact on a broad range of issues related to human welfare | • Implementing CSR projects at group and SBU level E.g. Hemas "Piyawara" Project, Hemas Outreach Foundation |
| Business Partner Risk | Loss of principals/business partners due to global mergers and acquisitions, intense competition, service level gaps. | • Regular assessments of service levels in order to ensure business partner expectations are met.<br>• Developing strategies to maximise value proposition of existing business partners<br>• Seeking new market opportunities and developing new alliances to minimise exposure to a single business partner. |
| Foreign Exchange Risk | Potential losses as a result of high volatility in foreign currency exchange rates against the Sri Lankan Rupee. | • Monitoring exchange rate movements continuously for currencies in which the Group carries out transactions.<br>• Hedging Strategies |
| Interest rate risk | Potential losses as a result of adverse movement of interest rates. | • Interest rate risk is responded through establishing better relationship with financial institutions.<br>• Use of internal fund management techniques |
| Liquidity Risk | Probability of businesses facing cash flow shortages for operations and investments. | • Centralised treasury management<br>• Continuous reviewing of business models and working capital management |
| Credit Risk | Probable income loss arising due to the probability of default by the company's debtors. | • Credit customers are subject to a credit analysis before establishing business relationships<br>• Debtors are continuously assessed and debtor circulation is done by each business |
| Legal and Regulatory Risk | Changes to regulations or new regulations imposed could bring adverse effect on our businesses. | • Compliance with legal and regulatory provisions.<br>• Obtaining assistance and advice of the centralised legal division on legal matters.<br>• Participating in industry forums to lobby against regulations that could have an adverse consequence. |

| Risk | Risk exposure | Mitigating actions |
|---|---|---|
| Human Resource Risk | Risk arising as a result of failure to attract, develop and retain a skilled workforce | • Building strong employer brand image and talent management process to retain critical employees in the long term.<br>• Developing career development programme, monitoring programmes and performance based rewards programmes.<br>• Periodic salary surveys to ensure that remuneration is in line with the market.<br>• Succession Plans |
| System Risk | Potential for system failures, Inaccuracy or delays in decision making due to inaccurate or non-availability of timely information from key computer systems | • Centralised IT division<br>• A contingency plan is in place to mitigate the risk of system failures.<br>• Comprehensive IT policy across the Group to ensure adequate systems and controls are in place. |
| Technological Risk | Probability of occurring technological changes. | • Analysing technological trends and updating business operations and systems in a feasible manner |
| Operational Risk | Internal process failures, frauds, breakdown of internal controls, natural and man-made disasters could result in potential loss of earnings as well as reputation. | • Conversion of existing business models into resilient business models<br>• Adoption of safe working environments by complying with OSHAS and other standards. |
| Product Risk | Probability of products becoming irrelevant in the market | • Product/services innovation is given high priority.<br>• Developing strategies to get closer to customers and be responsive to their needs. |
| Supply Chain Risk | Adverse events such as physical disruptions, environmental and industrial accidents or bankruptcy of key suppliers | • Testing product quality control for effectiveness<br>• Reviewing key suppliers periodically to ensure they meet the rigorous quality standards<br>• Expanding the supplier portfolio and developing closer relationships |
| Business Probity Risk | Unethical behaviour by one or more participants in a particular process, lack of trust in business dealings, disputes | • Stringent Internal Controls<br>• Strong internal audit function<br>• Establishment of independent audit committees |
| Country Risk | Risk of operating in new markets, political risks | • Analysing PEST factors and developing appropriate strategies |

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee is established to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with the requirements of regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population.

**Composition of the Remuneration Committee:**
Mr. Lalith De Mel
(Independent Director and Chairman Company/Remuneration Committee)

Mr. Maithri Wickremesinghe
(Independent Director and Chairman Audit Committee)

**Meetings**
The Remuneration Committee meets regularly; at least four times a year. The Chief Executive Officer of the Group participates at meetings of the Remuneration Committee by invitation.

The Minutes of each Remuneration Committee meeting held are submitted to the Board for their information. The tasks and responsibilities of the Remuneration Committee are defined in its charter, which is approved by the Board.

**Remuneration Policy**
The Committee has given full consideration to the Principles of Good Governance as set out in the Code with reference to directors' remuneration. The main objectives of the policy are to ensure that pay and benefit packages are sufficiently competitive to attract, develop and retain high calibre executives. The Committee will continue in the future to ensure that a competitive and well-balanced package is maintained. It also seeks to align individual rewards and incentives with the performance of the Group and hence, with the interests of the shareholders. When carrying out its role the Committee will consider corporate performance on environmental, social and corporate governance issues.

**In 2012/13**
The Committee met six times during the year based on an Annual Agenda, the following tasks were carried out:-

**Agenda Item**
- *Review comparative data on compensation levels, remuneration trends across the group and align salaries to retain and motivate senior staff.*

**Activity**
The Committee retained Ernst & Young as its independent advisor to advise them on compensation to directors and senior management of the group. A survey has been commissioned through E & Y following which pay bands of key roles will be adjusted and each individual placed in an appropriate grade.

**Agenda Item**
- *Review and recommend increase in fixed pay and benefits to directors.*

**Activity**
Based on a Market survey conducted by Cornucopia in 2012 and Ernst &Young this year, the fixed pay and benefits to directors have been increased.

**Agenda Item**
- *Formally approve salaries and benefits, annual increments and Bonus to top Management.*

**Activity**
The mechanism for granting bonuses to top management and lower grade employees and the process adopted for deciding the percentage of increments to staff which is based on Market indicators were reviewed and agreed upon.

**Agenda Item**
- *Review development and succession plans for top and key Management*

**Activity**
Various overseas training programmes were provided to key personnel during the year, with the sanction of the Committee, which has served as an incentive. A Talent discussion was held in 2012, at which the development needs of key individuals and potential successors to key roles were initially identified for nurturing. The Committee has evaluated the outcome of the discussions held and will further refine the competencies per role before finalising the development and succession plans.

**Agenda Item**
- *Develop and determine targets for performance related pay schemes and recommend share option/purchase schemes to the Board.*

**Activity**
With a view to retain key employees, a new Employee Share scheme along with a cash bonus scheme has been reviewed by the Committee. It is intended to seek Board approval to implement the two schemes in the ensuing year.

**Agenda Item**
- *Review remuneration philosophy, strategy, policies and practices and formulate recommendations to the Board.*

**Activity**
Policies in major companies overseas were reviewed by the Committee following which the Annual Agenda that would encompass all the activities of the REMCO was drawn up.

**Scope**
The scope of the Remuneration Committee shall cover the following responsibilities:-
- Compensation philosophy /policies including stock options and benefits
- Fixed pay (based on grading /evaluation)
- Performance Bonus
- Special Schemes
- Performance Management systems
- Annual Goals and performance targets
- Performance assessment and development plans
- Executive search

**Lalith De Mel**
*Chairman*

22 May 2013

# AUDIT COMMITTEE REPORT

The members of the Audit Committee of your Company are appointed by the Board. The Audit Committee comprises 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 and Mr. Imtiaz Esufally a Non-Executive Director.

The main role and responsibilities of the Audit Committee include:-

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

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

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

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

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

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

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

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

The Audit Committee met four times during the financial year ended 31st March 2013. The Audit Committee invited Mr. Husein Esufally the CEO, 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 of the unlisted subsidiaries which do not have their own dedicated audit committees and monitoring the performance of the internal auditors and their adherence to the internal audit plan.
- Review of the internal audit reports and monitoring follow up action by the management of the Company and its unlisted subsidiaries which do not have their own dedicated audit committees.
- Commissioning follow up reviews and reviewing the reports.
- Review of the minutes of the reports of the audit committees of the subsidiaries of the Company which have their own dedicated audit committees.
- Review of the Compliance Report.
- Establish a format for Risk Reporting for the group and review the Risk Report.

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*

22 May 2013

# NOMINATIONS COMMITTEE REPORT

**General statement**
The role of the Nominations Committee is to lead the process for identifying and to make recommendations to the Board on candidates for appointment as directors of the Company.

The Committee Chairman shall report formally to the Board on its proceedings after each Committee meeting on matters discussed at the meeting.

**Composition and attendance at meetings**
The Nominations Committee shall comprise the Chairman and the Chief Executive and at least one Non-Executive Director appointed by the Board. The majority of its members shall be Non-Executive Directors who are deemed by the Board to be independent of management.

No person other than the members of the Committee is entitled to be present at meetings but non-members may be invited by the Committee to attend.

**Frequency of meetings**
The Committee will meet as required.

**Access to external advice**
The Committee shall have access to such information and advice it requires, at the cost of the Company.

**Responsibilities**

- Identifying, assessing and recommending to the Board candidates for appointment as Executive or Non-Executive Directors of the Company (including appointments as Chairman and Chief Executive), giving full consideration to succession planning and the leadership needs of the Group.

- Making recommendations to the Board as to the policy on the term of appointment of Non-Executive Directors.

- Making recommendations to the Board on the composition and chairmanship of the Audit and Remuneration Committees.

- Reviewing proposals for changes in responsibilities of Board members.

- Making recommendations to the Board as to the appropriate processes for the appointment of Board members and, where appropriate, the re-appointment of Non-Executive Directors.

- Reviewing at least annually succession planning to the Board.

The Nomination Committee is comprised of three members:
Mr. Lalith De Mel (Chairman)
Mr. Pradipta Mohapatra (Independent Director)
Mr. Husein Esufally (Group CEO)

**Lalith de Mel**
*Chairman*

22 May 2013

# DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Related Party disclosures as required by the Sri Lanka Accounting Standard LKAS 24 on Related Party Disclosures is detailed in Note 33 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 | Names of Directors | Nature of Transaction | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|---|---|
| Hemas Manufacturing (Pvt) Ltd. | Mr. H. Esufally | Dividend Income | **154,800** | 165,600 |
| | Mr. Pradipta Mohapatra | Services Rendered | **95,086** | 75,394 |
| | | IT Charges | **16,364** | 16,745 |
| | | Centralised Services | **1,828** | 1,965 |
| | | Corporate Guarantee Charges | **-** | 54 |
| | | Rental Income | **(610)** | 794 |
| | | Interest Expense | **(66,192)** | (18,241) |
| Hemas Pharmaceuticals (Pvt) Ltd. | Mr. H. Esufally | Services Rendered | **189,858** | 123,426 |
| | Mr. M. Esufally | IT Charges | **28,319** | 28,261 |
| | | Dividend Income | **21,600** | 13,410 |
| | | Interest Income | **4,460** | 5,793 |
| | | Rental Income | **1,531** | 2,143 |
| | | Centralised Services | **494** | 350 |
| | | Interest Expense | **(7,097)** | (1,115) |
| Hemas Hospitals (Pvt) Ltd. | Mr. M. Esufally | Interest Income | **54,991** | 19,204 |
| | Mr. H. Esufally | IT Charges | **5,704** | 4,086 |
| | | Corporate Guarantee Charges | **1,020** | 1,020 |
| | | Services Rendered | **245** | 245 |
| | | Centralised Services | **169** | 96 |
| | | Rental expenses | **(540)** | (540) |
| Hemas Southern Hospitals (Pvt) Ltd. | Mr. M. Esufally | IT Charges | **973** | 952 |
| | | Corporate Guarantee Charges | **561** | 561 |
| | | Centralised Services | **189** | - |
| Hemas Capital Hospital (Pvt) Ltd. | Mr. M. Esufally | Services Rendered | **1,024** | - |
| | | Centralised Services | **7** | - |
| Hemtours (Pvt) Ltd. | Mr. H. Esufally | Interest Income | **6,337** | 6,146 |
| | Mr. A. Esufally | Dividend Income | **2,000** | - |
| | | Rental Expense | **-** | (302) |
| | | Interest Expense | **(28,222)** | (18,964) |
| Diethelm Travel Lanka (Pvt) Ltd. | Mr. A. Esufally | IT Charges | **5,085** | 4,166 |
| | Mr. H. Esufally | Centralised Services | **327** | 119 |
| | | Services Rendered | **245** | 245 |
| | | Interest Income | **-** | 79 |
| | | Transport and Accommodation Charges | **(1,154)** | (2,062) |
| | | Interest Expense | **(4,798)** | - |
| Serendib Hotels PLC | Deshamanya Lalith De Mel | Corporate Guarantee Charges | **3,108** | 1,985 |
| | Mr. H. Esufally | Interest Income | **-** | 5,430 |
| | Mr. A. Esufally | Interest Expense | **(14,147)** | (589) |
| Serendib Leisure Management Ltd | Mr. A. Esufally | IT Charges | **666** | 633 |
| | | Centralised Services | **367** | 16 |
| | | Interest Expense | **(10,318)** | - |
| Dolphin Hotels PLC | Mr. A. Esufally | Dividend Income | **76** | - |
| | | Interest Expense | **(7,650)** | - |

# DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

| Company | Names of Directors | Nature of Transaction | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|---|---|
| Hotel Sigiriya PLC | Mr. A. Esufally | Interest Expense | **(1,487)** | - |
| Forbes Air Services (Pvt) Ltd. | Mr. H. Esufally | Services Rendered | **94,953** | 63,960 |
| | Mr. A. Esufally | Dividend Income | **31,500** | 3,902 |
| | Mr. I. Esufally | Rental Income | **4,592** | 3,316 |
| | Mr. M. Esufally | Corporate Guarantee Charges | **765** | 765 |
| | | IT Charges | **667** | 675 |
| | | Centralised Services | **34** | 31 |
| | | Interest Expense | **(26,638)** | (22,288) |
| Hemas Air Services (Pvt) Ltd. | Mr. H. Esufally | Services Rendered | **38,067** | 9,593 |
| | Mr. I. Esufally | Dividend Income | **18,536** | 502 |
| | | IT Charges | **1,647** | 1,602 |
| | | Centralised Services | **93** | 16 |
| | | Interest Expense | **(13,357)** | (6,387) |
| Hemas Travels (Pvt) Ltd. | Mr. H. Esufally | IT Charges | **3,482** | 3,647 |
| | Mr. I. Esufally | Dividend Income | **2,968** | 1,648 |
| | | Centralised Services | **171** | 71 |
| | | Corporate Guarantee Charges | **-** | 36 |
| | | Services Rendered | **-** | 990 |
| | | Air Line Ticket Sales | **(8,330)** | (7,648) |
| HIF Logistics (Pvt) Ltd.. | Mr. I. Esufally | Interest Income | - | 350 |
| Far Shipping Lanka (Pvt) Ltd. | Mr. I. Esufally | Dividend Income | **30,420** | 4,764 |
| | | Services Rendered | **20,726** | 1,565 |
| | | IT Charges | **944** | 943 |
| | | Centralised Services | **29** | 79 |
| | | Interest Expense | **(214)** | - |
| Exchange & Finance Investments Ltd. | Mr. I. Esufally | Dividend Income | **202** | - |
| | Mr. H. Esufally | Corporate Guarantee Charges | **-** | 13 |
| Hemas Aviation (Pvt) Ltd. | Mr. I. Esufally | IT Charges | **473** | 481 |
| ACX International (Pvt) Ltd. | Mr. I. Esufally | IT Charges | **-** | 393 |
| | | Courier charges | **-** | (7) |
| | | Centralised Services | **-** | 29 |
| Solas Lanka (Pvt) Ltd | Mr. I. Esufally | Services Rendered | **-** | 2,134 |
| Skynet Worldwide Express (Pvt) Ltd | Mr. I. Esufally | IT Charges | **242** | 26 |
| | | Centralised Services | **15** | - |
| | | Courier charges | **-** | (22) |
| Hellman Worldwide Logistics (Pvt) Ltd. | Mr. I. Esufally | Dividend Income | **1,136** | - |
| | | IT Charges | **34** | 26 |
| Hemas Logistics (Pvt) Ltd | Mr. I. Esufally | Rental Income | **7,584** | - |
| | | Centralised Services | **8** | - |
| | | Interest Expense | **(539)** | - |
| Discover the World Marketing (Pvt) Ltd. | Mr. I. Esufally | Dividend Income | **-** | 528 |
| Hemas Power PLC | Mr. H. Esufally | Dividend Income | **131,460** | 187,800 |
| | Mr. I. Esufally | IT Charges | **1,112** | 884 |
| | | Services Rendered | **306** | 306 |
| | | Interest Income | **207** | - |
| | | Corporate Guarantee Charges | **51** | 51 |
| | | Centralised Services | **16** | 63 |
| | | Interest Expense | **(2,308)** | (368) |

| Company | Names of Directors | Nature of Transaction | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|---|---|
| Giddawa Hydro Power (Pvt) Ltd. | Mr. H. Esufally | Interest Income | **4,950** | 4,950 |
| | | IT Charges | **35** | 35 |
| Peace Haven Resorts Ltd. | Mr. H. Esufally | Interest Income | **372** | - |
| | Mr. A. Esufally | Centralised Services | **122** | 122 |
| | | Dividend Income | **32** | 224 |
| | | Interest Expense | **(6,017)** | (6,932) |
| Hemas Developments (Pvt) Ltd. | Mr. A. Esufally | Dividend Income | **19,636** | 19,636 |
| | | Rental Income | **612** | - |
| | | Services Rendered | **245** | 245 |
| | | Centralised Services | **127** | 122 |
| | | IT Charges | **89** | 89 |
| | | Car parking expenses | **(1,133)** | (932) |
| | | Interest Expense | **(8,993)** | (3,539) |
| | | Rental Expense and Service Charges | **(24,657)** | (13,597) |
| Vishwa BPO (Pvt) Ltd. | Mr. H. Esufally | Dividend Income | **60,000** | 22,500 |
| | | IT Charges | **890** | 777 |
| | | Consultancy Fees | **735** | 735 |
| | | Centralised Services | **75** | 449 |
| | | Interest Expense | **(3,724)** | (524) |
| | | Shared Services Expenses | **(6,928)** | (7,626) |
| Hemas Corporate Services (Pvt) Ltd. | Mr. H. Esufally | Interest Income | **2,057** | - |
| | | Centralised Services | **2** | 54 |
| | | Corporate Guarantee Charges | **-** | 13 |
| | | Centralised Corporate Services | **(9,026)** | (2,478) |
| N-able (Pvt) Ltd. | Mr. H. Esufally | Interest Income | **10,921** | 5,053 |
| | Mr. I. Esufally | Corporate Guarantee Charges | **1,633** | 816 |
| | | Rental Income | **918** | 918 |
| | | Services Rendered | **122** | 122 |
| | | IT Charges | **29** | - |
| | | Centralised Services | **-** | 85 |
| | | IT equipment and services | **(21,488)** | (28,169) |

# BOARD PROFILES

**MR. J.C.L. DE MEL**
*Chairman/Independent Director*

Mr. Lalith 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. Presently he serves as Chairman of Hemas Holdings PLC and First Capital PLC.

He has served most of his career at Reckitt Benckiser PlC. UK (a FT 100 company) and was a main board director. He was also a director CDC PLC, the UK government arm for investing in developing countries. In Sri Lanka, 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 is also 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 in 2012. He 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 both the Institute of Chartered Accountants of England and Wales and the Institute of Chartered Accountants of Sri Lanka and is an all Island Justice of the Peace. He serves as Chairman of Serendib Hotels PLC, Hotel Sigiriya 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**
*Non-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 the Chairman of the Transportation Sector and serves on the board of Mercantile Shipping PLC. He was elected Chairman of Hemas Power PLC in April 2012 and also serves as a member of the Audit Committee.

**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 specialising 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.

**MR. P.K. MOHAPATRA**
*Independent Director*

Mr. Pradipta Mohapatra sits on the boards of 15 publicly quoted as well as private companies in India, South Asia, USA and Europe. He had a long career, working as Director on the main Board of US $4 Billion RPG Enterprises in India, providing oversight to a number of businesses. Pradipta has coached CEO & CXO 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, 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 9 years and has over 8 years of experience in the Fund Management Industry. Mr. Arsakularatne is a CFA Charterholder and a Fellow Member of the Chartered Institute of Management Accountants, UK. He also holds an MSc in Investment Management from Cass Business School, UK, a BSc in Computer Science & Engineering from University of Moratuwa, Sri Lanka, and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (CIM), UK.

**Kishan Nanayakkara**
*Managing Director, Power Sector*

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 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, 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 Member 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.

**Kasturi Wilson**
*Managing Director, Transportation Sector*

Ms. Kasturi Wilson is the Managing Director of the Groups' Transportation sector and is a Fellow Member 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) 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.

**Ranil de Silva**
*Managing Director, Leisure Sector*

Mr. Ranil De Silva was appointed as the Managing Director of Serendib Hotels PLC in 2010. He is a Fellow Member of the Chartered Institute of Management Accountants UK, Associate member 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 has worked overseas with a Multi-National for 10 years. Mr. De Silva has wide experience locally in diverse industries having previously held the position of Group CEO of the DCSL Group. He is also a Director of Dolphin Hotels PLC and Hotel Sigiriya PLC.

**Roy Joseph**
*Managing Director, Hemas Consumer Brands*

Mr. Roy Joseph is the Managing Director of the FMCG Sector, and is a Fellow Member of the Chartered Institute of Management Accountants, UK, a Fellow member 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.

**Chandima Cooray**
*Chief Process Officer*

Mr. Chandima Cooray functions as the Chief Process Officer at Hemas Holdings PLC leading the Information Technology, Shared Services & Process Improvement teams transforming businesses to embrace more profitable and growth oriented business models.

Mr. Cooray has accumulated 18 years of experience in applying Information Technology across multiple industries improving business performance.

Prior to joining Hemas, Mr. Cooray was with MAS Holdings, Sri Lanka for Fourteen years lastly as the CEO for Sabre Technologies a fully owned subsidiary of MAS. Mr. Cooray started his career at Unilever as a management trainee and later was involved in a global project for Unilever tea business.

Mr. Cooray has a degree in Information Systems from Manchester Metropolitan University, UK and has followed strategic management courses from renowned business schools Ashridge, Henley, INSEAD and Kellogg's.

**Steven Enderby**
*Advisor to CEO - M&A / Growth Strategy*

Mr. Steven Enderby recently joined Hemas as the Advisor to CEO - M&A/Growth Strategy to head the Group efforts in the area of mergers and acquisitions. He was appointed to the Board of Management of Hemas Holdings PLC in May 2013. Mr. Enderby has a long and successful track record in the private equity space with Actis, a leading global emerging markets fund. During his career, he has worked for Actis in UK, Uganda, Swaziland, Sri Lanka and most recently in India, finally retiring as an Actis Partner in 2011. He has led multiple successful private equity transactions in Sri Lanka, including South Asia Gateway Terminals, Ceylon Oxygen and Millennium Information Technologies. He has served on the Boards of many leading businesses in India and Sri Lanka including John Keells Holdings, Lion Brewery and Punjab Tractors.

He holds a Masters of Development Studies from the University of Melbourne, BSc (Econ) Hons, in Economics and Accounting from Queens University, Belfast and is also a Member of Chartered Institute of Management Accountants.

# GROUP OPERATING COMMITTEE

The Group Operating Committee acts as a common platform for the senior management team to generate ideas, drive growth initiatives, share business information, best practises and implement decisions delegated by the board. This also creates a learning platform for the senior management team.

The members of the Group Operating Committee include:

**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 16 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. Fernando counts over 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 (specialised in International Trade) from the University of Sri Jayewardenepura and a National Diploma in Human Resources Management from the Institute of Personnel Management. He is also a member of The Association of Human Resources Professionals, Sri Lanka.

**Riad Ameen**
*Legal Consultant*

Mr. Riad Ameen is a 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 7 years. Mr. Ameen has been a civil law practitioner for the past 15 years. He is also a Non-Executive Director of Hemas Power PLC and Panasian Power PLC.

**Trihan Perera**
*Director Business Strategy*

Mr. Trihan Perera functions as the Director Business Strategy of the Group. He is an Associate of the Chartered Institute of Management Accountants, UK and holds a MBA with distinction from Keele University, UK. Mr. Perera has been with the Hemas Group since 2010. He began his career at NDB and moved to management consulting and academia. He has worked in a wide range of industries including banking, shipping and logistics, aviation, plantations and FMCG in Sri Lanka and overseas.

**Linus Jeganathan**
*Projects and Business Development Director of the Hospitals*

Mr Linus Jeganathan holds a Bachelor's Degree in Electronics and Telecommunications Engineering from the University of Moratuwa. He is also a Fellow Member of the Association of Chartered Certified Accountants UK, Associate Member of the Chartered Institute of Management Accountants UK, and a Post Graduate Diploma holder from the Chartered Institute of Marketing UK. He counts over 10 years management experience spanning the fields of Finance, IT, Supply Chain, Sales and General Management. He held key positions in the FMCG sector as the Sales Director and was the Finance Director of the Hospitals sector prior to his current appointment as Projects and Business Development Director for the Hospital Chain.

**Peter D'Almeida**
*Managing Director / Chief Executive of N*able (Pvt) Ltd*

Peter D'Almeida is the Managing Director and Chief Executive of N*able (Pvt) Ltd, an IT venture he founded in 2008 with the Hemas Group, and counts for 25 years in the IT industry. Starting his career at East West Information Systems, he moved to ComputerLand to launch Sun Microsystems in Sri Lanka and led the pioneering efforts to introduce open systems and client server computing to the country. Prior to joining Hemas, he served as the Chief Executive of Millennium ESP, the Enterprise and Service Provider business of Millennium Information Technologies. He is also a member of the Cisco Asia Pacific Japan (APJ) Channel Advisory Board and the APJ Advisory Board of Palo Alto Networks.

The Group Operating Committee also includes Husein Esufally, Malinga Arsakularatne, Steven Enderby, Kishan Nanayakkara, Sanjeewa Samaranayake,Kasturi Wilson, Chandima Cooray, Ranil De Silva and Roy Joseph.

# ANNUAL REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2013. The Business and Financial Reviews and the Corporate Governance Statement form part of this Report.

**Principal Activity** *(Section 168 (1) (a)*
The principal activity of the Company is that of a holding company. Its subsidiaries and related companies provide a broad range of services, details of which can be found in the Sector reviews from pages 16 to 25.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in Note 14,15 and 16 to the parent company financial statements.

**Review of business and future developments**
A review of the business and likely future developments of the Group are given in the Chief Executive Officer's Review, the Business Reviews and the Financial Review. These sections form part of and are incorporated by reference within this Directors' report.

**Results and dividends** *(Section168 (b)*
The Financial Statements of the Company and the Group are presented from pages 64 to 133. They have been completed and signed in accordance with the Statutes.

The consolidated income statement shows a profit for the financial year of Rs. 1,934Mn (2011/12: Rs. 1,261Mn).

An interim dividend of Rs.0.30 per ordinary share was paid on 3rd December 2012 to shareholders. The directors recommend a final dividend for the year of Rs.0.45 per ordinary share which will be payable on 9th July 2013 to shareholders registered as at 1st July 2013. The total dividend for the financial year will then amount to Rs.0.75 per ordinary share (2011/12: Rs.0.50).

Prior to recommending the final 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 final dividend of Rs.0.45 per share.

**Financial instruments**
Information about the use of financial instruments by the Company and its subsidiaries is given in Note 17 to the financial statements and in the Risk Management section.

**Post-balance sheet events**
The directors are not aware of any significant post-balance sheet event that requires disclosure in the financial statements other than those disclosed in Note 29 to the financial statements.

**Donations** *(Section 168 (g))*
The Group's approach with respect to charitable donations and the amounts donated are detailed in Note 06 to the Financial Statements.

**Supplier payment policy**
The Company does not impose a formal code of payment practice on its subsidiaries. However, the Group's policy is to try to create relationships with its suppliers such that they trust us and want to do business with us. In selecting external suppliers we use competitive processes that are fair and transparent, and designed to maximize value and quality of service for our clients and ourselves.

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

**Directors** *(Section 168 (h)*
The names of the directors at the date of this report and their biographical details are given in the Board of Directors section on page 50.

There were no changes to the Board during the year.

**Interests Register** *(Section 168 (e)*
The Company maintains an Interests Register and a general notice of disclosures made by the directors has been entered in it during the year under review. The directors confirm that they have declared their interest in transactions with the Company as required by Section 192 (1)and (2) of the Companies Act No. 7 of 2007.

The interests of the directors in the shares of the Company are disclosed on page 48 of the Annual Report.

**Conflicts of Interest**
In accordance with the Companies Act No. 7 of 2007, we have established a robust process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment.

**Confirmation of independence**
The Company has received from each of the Non-Executive Independent Directors an annual confirmation of independence pursuant to Rule 7.10.2 of the CSE's Listing Rules.

**Directors' indemnities**
A qualifying third party indemnity (QTPI) as permitted by the Articles of Association and section 218 of the Companies Act No. 7 of 2007, has been granted by the Company to each of its directors. Under the QTPI, the Company undertakes to indemnify each director against liability to third parties (excluding criminal and regulatory penalties) and to pay directors' costs as incurred, provided that they are reimbursed to the Company if the director is convicted or, in an action that is brought by the Company, judgment is given against the director. Directors resigning from the Board continue to have the benefit of the QTPI for potential liability to third parties that occurred prior to their resignation.

**Appointment and replacement of directors**
The appointment of directors of the Company is governed by its Articles of Association, the Corporate Governance Code, the Companies Act and related legislation.

The Company is required to have no fewer than two and no more than 10 directors. Directors may be appointed by the Company by ordinary resolution or by a resolution of the Board. A director appointed by the Board holds office until the following annual general meeting but is then eligible for re-appointment.

The Articles of Association provide that, at every annual general meeting, any director who held office at the time of two preceding annual general meetings and who did not retire at either of them must retire and may offer himself for re-election. At the annual general meeting at which a director retires, shareholders can pass an ordinary resolution to re-elect the director or to elect some other eligible person in his place. The Corporate Governance Code provides for the re-election of directors once every three years.

The only people who can be elected as directors at an annual general meeting are: (i) directors retiring at the meeting; (ii) anyone recommended by the directors; and (iii) anyone nominated by a shareholder. The nominating shareholder must be entitled to vote at the meeting. He must deliver to the Company special Notice stating that he intends to nominate another person for election along with the written consent of that person to be elected. These documents must be delivered to the Company not less than twenty eight days before the day of the meeting.

The Company may, by ordinary resolution, remove any director before the expiration of his term of office. A director automatically stops being a director if: (i) he resigns; (ii) he offers to resign and the Company accepts his offer; (iii) all of the other directors pass a resolution or sign a written notice requiring his resignation; (iv) he is or has been suffering from mental or physical ill health and the directors pass a resolution removing him from office; (v) he is absent without the permission of the Board for a continuous period of six months and the directors pass a resolution removing him from office; (vi) he becomes bankrupt or makes a composition with his creditors generally; (vii) he is prohibited by law from being a director; or (viii) he ceases to be a director under legislation or is removed pursuant to the Articles.

**Re-election of directors**
In accordance with the Articles of Association of the Company and in compliance with the Code on Corporate Governance, Messrs. Husein Esufally and Murtaza Esufally who have been longest in office,will retire and being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

The Chairman, Mr. Lalith De Mel, who is over 70 years of age retires as per section 210 of the Companies' Act No. 7 of 2007 and will seek re-appointment with the unanimous consent of the directors.

**Directors' remuneration and benefits** *(Section 168 (f) )*
Details of the aggregate remuneration and benefits received by the directors during the year under review are disclosed in Note 33.2 to the financial statements.

**Board Sub-Committees**
The Board of Directors have formed three mandatory sub committees in accordance with the Code on Corporate Governance and the rules of the Colombo Stock Exchange, namely the Audit, Remuneration and Nominations Committees. The roles and responsibilities of these committees are given elsewhere in the Annual Report.

In addition to the above mandatory board sub-committees, the following committees have also been set up which reviews group performance and provides over sight of Group affairs:-

**Board of Management**
Husein Esufally - *CEO*
Murtaza Esufally - *Chairman of Hemas Hospitals (Pvt) Ltd and Hemas Pharmaceuticals (Pvt) Ltd*
Malinga Arsakularatne - *CFO*
Steven Enderby - *Advisor to CEO - M&A / Growth Strategy*
Kishan Nanayakkara - *MD Power Sector*
Sanjeewa Samaranayake - *MD Hemas Pharmaceuticals (Pvt) Ltd*
Kasturi Chellaraja Wilson - *MD Transportation Sector*
Ranil De Silva- *MD Leisure Sector*
Roy Joseph - *MD FMCG Sector*
Chandima Cooray - *CPO*

**Group Operating Committee**
Harith Perera - *MD Diethelm Travel Lanka Ltd*
Riad Ameen - *Legal Consultant*
Dimuth de Alwis - *Group HR Director*
Indresh Puvimanasinghe Fernando - *Director Finance Leisure Sector*
Linus Jeganathan - *Director Projects Hospitals Sector*
Trihan Perera - *Director Business Strategy*
Peter D'Almeida - *MD N*able (Pvt) Ltd*

# ANNUAL REPORT OF THE DIRECTORS

*The Group Operating Committee also includes Husein Esufally, Malinga Arsakularatne, Steven Enderby, Kishan Nanayakkara, Sanjeewa Samaranayake, Kasturi Chellaraja Wilson, Ranil De Silva Roy Joseph and Chandima Cooray.*

### Share capital and share-based plans

Details of the Stated capital of the Company, together with details of movements in the Company's issued share capital during the year, are shown in Note 20 to the financial statements.

The Company has one class of share capital, divided into ordinary shares that carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a shareholding, the transfer of shares or voting rights, which are governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights, with the exception of an ESOS Agreement entered into with Jacey Trust Services (Pvt) Ltd, in 2008, whereby 5,500,000 scheme shares are held in trust for and on behalf of eligible employees.

The Company did not implement an employee share scheme during the year under review.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The Company has not purchased, or created any charges over its own shares in the year under review.

### Substantial Shareholdings

At 31 March 2013 the Company had been notified of the following substantial interests of 3% or more in its ordinary shares, in accordance with Rule 7.6 of the CSE Rules:-

| Shareholder | Number of shares | % |
|---|---|---|
| A Z Holdings (Pvt) Ltd | 90,762,875 | 17.61 |
| Saraz Investments (Pvt) Ltd | 86,396,035 | 16.67 |
| Blueberry Investments (Pvt) Ltd | 85,781,250 | 16.65 |
| Amagroup (Pvt) Ltd | 85,780,665 | 16.65 |
| Employees Provident Fund | 27,259,122 | 5.29 |

Details of the 20 largest shareholders of the Company, their percentage holding and the percentage of shares held by the public can be found on page 135 of the Annual Report.

### Sufficiency of Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange based on the information publicly available to the Company and within the knowledge of the directors.

### Loan Capital

Details of the loan capital of the Company and its subsidiaries are set out in Note 22 to the financial statements.

### Fixed Assets

Details of additions/disposals to fixed assets are presented in Note 10 to the financial statements.

### Significant contracts and agreements

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings. The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company.

### Accounting Policies *(Section 168(d) )*

The Company and the Group have adopted the new Sri Lanka Accounting Standards (SLFRS/LKAS) and have prepared the financial statements in accordance with the SLFRS/LKAS effective 1st April 2012. For consistency in reporting however, the comparative figures have been presented.

The significant policies adopted in the preparation of the financial statements of the Company and the Group are set out in Note 02 to the financial statements on page 70 of this Report

### Internal Control

The effectiveness of our internal control system is reviewed regularly by the Board, its committees, the Board of Management and Group Internal Audit. The Audit

**Details of the Employee Share Ownership Scheme 2008:**

| | Date of Grant | Shares allotted | Price per share | Date of expiry | Shares adjusted | Adjusted price | Shares exercised | Shares forfeited | Shares outstanding |
|---|---|---|---|---|---|---|---|---|---|
| Tranche 1 | 06.02.09 | 650,000 | 62.00 | 05.02.12 | 2,600,000 | 12.40 | 3,000,000 | 250,000 | nil |
| Tranche 11 | 27.12.10 | 2,250,000 | 44.09 | 26.12.13 | | | | | 2,250,000 |
| Tranche 111 | 26.09.11 | 3,250,000 | 40.67 | 25.09.14 | | | | | 3,250,000 |

Committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 March 2013 and reported on its review to the Board. The Committee's review was supported by an annual business self-certification process, which was managed by Group Internal Audit.

Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of business audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

Group Internal Audit reports regularly to the Audit Committee and to the Group Chief Executive Officer. The findings of all adverse audits are reported to the Audit Committee, the Chairman and to the Group Chief Executive Officer where immediate corrective action is required.

The Board Audit Committee has responsibility for overseeing the management of the Company's fundamental prudential risks as well as reviewing the effectiveness of the Company's risk management framework. The Audit Committee monitors the integrity of the Company's financial reporting, compliance and internal control environment.

The Risk review describes the Group's risk management structure. Our business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk, including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The performance of the Group's businesses is reported regularly to senior line management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

### Employment policies

The Group has developed employment policies that meet local conditions and requirements. These policies are based on the best traditions and practices. See further Risk Management and Sustainability Reports.

### Human rights, diversity and disability

The Group has a series of human resources policies that require its employees to act respectfully and responsibly at all times. We are committed to treating each employee and applicant fairly and equitably. Employment decisions are based on merit, experience and potential, without regard to race, nationality, sex, marital status, age, religion or sexual orientation. We are committed to following the applicable labour and employment laws of the State.

### Employee involvement

We have employee consultation processes throughout our business in accordance with local laws. In addition, we update all of our employees on a regular basis with Group developments and progress through, internal publications, and face-to-face meetings.

### Annual General Meeting

The Annual General Meeting will be held in the Auditorium of the Chamber of Commerce, 50, Navam Mawatha, Colombo 2 on Friday 28th June 2013, at 3.30 pm.

Attached to this report is the formal notice convening the Annual General Meeting.

### External Auditor *(Sections 168 (c) (i) and (j))*

The Report of the Auditors on the financial statements of the Company and the Group appears on page 63 of the Annual Report.

Ernst & Young have expressed their willingness to continue in office and a resolution to re-appoint them as External Auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The external auditor has undertaken various non-audit work for us during 2012/13. More information about this work and the audit and non-audit fees that we have paid are set out in Note 06 to the Financial Statements on page 93 The external auditor is not engaged by us to carry out any non-audit work in respect of which it might, in the future, be required to express an audit opinion. As explained more fully in the Audit Committee section from page 45, the Audit Committee has established pre-approval policies and procedures for audit and non-audit work permitted to be carried out by the external auditor and has carefully monitored the objectivity and independence of the external auditor throughout the financial year under review.

# ANNUAL REPORT OF THE DIRECTORS

## Directors' confirmation

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware
- the director has taken all the 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.

## Going Concern

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements and borrowing facilities are set out in the Financial Review.

During 2012/13 the Group has continued to generate positive operating cash inflows from operations before tax, acquisitions and capital expenditure.

The main factor contributing to these cash inflows is the continuing management of working capital within the Group. The Board has concluded that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group has sufficient funding to operate within the terms of its available facilities.

The Board has considered various alternative operating and funding strategies should these be necessary and is satisfied that a range of actions including cost reduction activities could be adopted if and when necessary.

After making these enquiries, the Board is satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for 2012/13. Furthermore, no material uncertainties related to events or conditions that may cast a significant doubt about the ability of the Group to continue as a going concern have been identified by the directors.

Signed on behalf of the Board,

**Lalith De Mel**
*Chairman*

**Husein Esufally**
*CEO*

**Hemas Corporate Services (Pvt) Ltd**
*Secretaries*

22 May 2013

## Financial Statements

Statement of Directors' Responsibilities 062
Independent Auditor's Report **063**
Income Statement **064**
Statement of Comprehensive Income **065**
Statement of Financial Position **066**
Statement of Changes in Equity (Group) **067**
Statement of Changes in Equity (Company) **068**
Statement of Cash Flows **069**
Notes to the Financial Statements **070**
Share Information **134**
Five Year Summary **136**
Glossary **137**
Notice of Meeting **138**
Form of Proxy **139**

# STATEMENT OF DIRECTORS' RESPONSIBILITIES and approval of the Annual Financial Statements

**The Directors are responsible for preparing the Annual Report and the Annual Financial Statements in accordance with the Companies Act No.7 of 2007 and the Rules of the Colombo Stock Exchange.**

The Directors are also required to prepare financial statements for the Company and the Group in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS). The Directors have chosen to prepare financial statements for the Company and the Group accordingly.

The Directors are responsible for the maintenance of proper accounting records and the preparation, integrity and fair presentation of the financial statements of Hemas Holdings PLC (Company) and its subsidiaries (Group).

The Directors also prepared the other information included in the Annual Report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have general responsibility for selecting suitable accounting policies and applying them consistently and for taking such steps as are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities. The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the Group and Company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the Company and the Group is supported by the financial statements.

The financial statements have been audited by the independent accounting firm, Ernst & Young (E&Y), which was given unrestricted access to all financial records and related data, including Minutes of all meetings of shareholders, the Board of Directors and Committees of the board. The Directors believe that all representations made to the independent auditors during their audit were valid and appropriate. E&Y's audit report is presented on page 63.

The maintenance and integrity of the company's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the report since it was initially presented on the website.

### Directors' responsibility statement

The Directors confirm to the best of their knowledge that:

- The financial statements, presented on pages 63 to 133, have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) as endorsed by the Rules of the Colombo Stock Exchange and the requirements of Companies Act No. 7 of 2007 and give a true and fair view of the profit of the Group for the year ended 31 March 2013 and of the assets, liabilities, financial position of the Group and Parent Company as at 31 March 2013.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

The financial statements were approved by the Board of Directors on 22 May 2013 and are signed on its behalf by:

**Malinga Arsakularatne**
*Chief Financial Officer*

**Husein Esufally**
*Chief Executive Officer*

**Lalith De Mel**
*Chairman*

# INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka
Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

**Report on the financial statements**

We have audited the accompanying financial statements of Hemas Holdings PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statements of financial position as at 31 March 2013, and the income statements, statements of comprehensive income,statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the financial statements**

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

**Scope of audit and basis of opinion**

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting 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 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance 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 financial position as at 31 March 2013 and its financial performance 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**

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

22 May 2013
Colombo.

# INCOME STATEMENT

| | | Group | | Company | |
|---|---|---|---|---|---|
| **Year ended 31 March** | **Notes** | **2013 Rs.'000** | **2012 Rs.'000** | **2013 Rs.'000** | **2012 Rs.'000** |
| **Revenue** | 3 | **26,098,362** | 21,532,503 | **561,558** | 373,654 |
| Cost of Sales | | **(18,075,091)** | (14,957,725) | **-** | - |
| **Gross Profit** | | **8,023,271** | 6,574,778 | **561,558** | 373,654 |
| Other Operating Income | 4 | **296,674** | 174,875 | **633,763** | 438,338 |
| Selling and Distribution Expenses | | **(2,087,198)** | (1,789,554) | **-** | - |
| Administrative Expenses | | **(3,800,693)** | (3,188,074) | **(391,490)** | (317,252) |
| Share of Profit of an Associate | 16 | **1,554** | 11,925 | **-** | - |
| Operating Profit | | **2,433,608** | 1,783,950 | **803,831** | 494,740 |
| Finance Cost | 5 | **(370,103)** | (465,269) | **(252,417)** | (123,745) |
| Finance Income | 5 | **342,650** | 202,399 | **100,136** | 58,877 |
| **Profit Before Tax** | 6 | **2,406,155** | 1,521,080 | **651,550** | 429,872 |
| Income Tax Expense | 7 | **(472,422)** | (259,772) | **(26,083)** | (22,271) |
| **Profit for the Year** | | **1,933,733** | 1,261,308 | **625,467** | 407,601 |

| | | | |
|---|---|---|---|
| **Attributable to:** | | | |
| Equity Holders of the Parent | | **1,657,655** | 1,164,525 |
| Non-Controlling Interests | | **276,078** | 96,783 |
| | | **1,933,733** | 1,261,308 |

| | | **Rs** | **Rs** |
|---|---|---|---|
| Earnings Per Share | 8 | **3.22** | 2.27 |
| Dividends Per Share | 9 | **0.55** | 0.50 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| Year ended 31 March | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| **Profit for the Year** | **1,933,733** | 1,261,308 | **625,467** | 407,601 |
| **Other Comprehensive Income** | | | | |
| Exchange Differences on Translation of Foreign Operations | **(279)** | (272) | **-** | - |
| Net Movement on Cash Flow Hedges | **37,458** | (58,211) | **-** | - |
| Net Gain/(Loss) on Available-For-Sale Financial Assets | **12,314** | (8,576) | **(2,450)** | (8,680) |
| Revaluation of Land and Buildings | **129,042** | 1,083,496 | **-** | - |
| Income tax effect | - | (41,414) | **-** | - |
| **Other Comprehensive Income for the Year, Net of Tax** | **178,535** | 975,023 | **(2,450)** | (8,680) |
| **Total Comprehensive Income for the Year, Net of Tax** | **2,112,268** | 2,236,331 | **623,017** | 398,921 |

| | | |
|---|---|---|
| **Attributable to:** | | |
| Equity Holders of the Parent | **1,810,879** | 2,025,706 |
| Non-Controlling Interests | **301,389** | 210,625 |
| | **2,112,268** | 2,236,331 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31 March | Notes | Group 2013 Rs.'000 | Group 2012 Rs.'000 | Group 1 April 2011 Rs.'000 | Company 2013 Rs.'000 | Company 2012 Rs.'000 | Company 1 April 2011 Rs.'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non Current Assets** | | | | | | | |
| Property, Plant and Equipment | 10 | **11,293,957** | 10,283,616 | 7,446,650 | **153,730** | 105,186 | 102,340 |
| Investment Properties | 11 | **578,453** | 474,685 | 1,309,965 | **566,289** | 331,500 | 309,965 |
| Leasehold Right | 12 | **90,592** | 94,455 | 98,386 | **-** | - | - |
| Intangible Assets | 13 | **436,701** | 461,499 | 491,318 | **398** | 1,275 | 2,965 |
| Investment in Subsidiaries | 14 | **-** | - | - | **6,344,133** | 6,194,296 | 5,696,001 |
| Investment in Joint Ventures | 15 | **-** | - | - | **38,519** | 38,519 | 38,519 |
| Investment in Associates | 16 | **221,325** | 179,399 | 168,002 | **-** | - | - |
| Other Non Current Financial Assets | 17 | **399,147** | 324,069 | 277,255 | **224,924** | 229,941 | 200,231 |
| Deferred Tax Assets | 24 | **39,762** | 35,621 | 35,014 | **-** | - | - |
| | | **13,059,937** | 11,853,344 | 9,826,590 | **7,327,993** | 6,900,717 | 6,350,021 |
| **Current Assets** | | | | | | | |
| Inventories | 18 | **2,425,137** | 2,004,989 | 1,680,772 | **-** | - | - |
| Trade and Other Receivables | 19 | **7,047,695** | 5,854,420 | 4,227,619 | **1,026,351** | 366,158 | 224,755 |
| Tax Recoverables | | **78,590** | 134,306 | 148,019 | **5,323** | 585 | - |
| Other Current Financial Assets | 17 | **172,919** | 361,515 | 733,190 | **647,913** | 350,717 | 526,622 |
| Cash and Short Term Deposits | 27 | **3,223,380** | 2,447,112 | 2,490,005 | **85,301** | 42,919 | 23,889 |
| | | **12,947,721** | 10,802,342 | 9,279,605 | **1,764,888** | 760,379 | 775,266 |
| **TOTAL ASSETS** | | **26,007,658** | 22,655,686 | 19,106,195 | **9,092,881** | 7,661,096 | 7,125,287 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| Stated Capital | 20 | **1,600,603** | 1,600,603 | 1,468,426 | **1,600,603** | 1,600,603 | 1,468,426 |
| Other Capital & Revenue Reserves | 21 | **409,751** | 440,601 | 345,206 | **257,032** | 257,032 | 257,032 |
| Other Components of Equity | | **1,314,477** | 1,161,253 | 300,877 | **17,789** | 20,239 | 28,919 |
| Retained Earnings | | **8,828,511** | 7,447,822 | 6,613,376 | **4,590,472** | 4,248,415 | 4,098,276 |
| **Equity Attributable to Equity Holders of the Parent** | | **12,153,342** | 10,650,279 | 8,727,885 | **6,465,896** | 6,126,289 | 5,852,653 |
| Non-Controlling Interests | | **2,259,037** | 1,990,665 | 1,589,630 | **-** | - | - |
| **Total Equity** | | **14,412,379** | 12,640,944 | 10,317,515 | **6,465,896** | 6,126,289 | 5,852,653 |
| **Non Current Liabilities** | | | | | | | |
| Interest Bearing Loans and Borrowings | 22 | **2,182,887** | 1,384,827 | 1,700,040 | **1,288,566** | 940,785 | 633,523 |
| Other Non Current Financial Liabilities | 23 | **140,343** | 144,518 | 149,523 | **4,383** | 10,599 | - |
| Deferred Tax Liabilities | 24 | **193,313** | 161,309 | 123,609 | **51,196** | 40,056 | 42,022 |
| Employee Benefit Liability | 25 | **287,427** | 248,342 | 230,298 | **26,431** | 30,551 | 18,676 |
| | | **2,803,970** | 1,938,996 | 2,203,470 | **1,370,576** | 1,021,991 | 694,221 |
| **Current Liabilities** | | | | | | | |
| Trade & Other Payables | 26 | **5,906,044** | 5,189,966 | 4,115,056 | **159,802** | 222,226 | 209,883 |
| Income Tax Payable | | **141,591** | 63,743 | 89,891 | **-** | - | 13,385 |
| Interest Bearing Loans and Borrowings | 22 | **715,230** | 936,458 | 991,266 | **1,055,324** | 290,590 | 321,640 |
| Bank Overdraft | 27 | **2,028,444** | 1,885,579 | 1,388,997 | **41,283** | - | 33,505 |
| | | **8,791,309** | 8,075,746 | 6,585,210 | **1,256,409** | 512,816 | 578,413 |
| **TOTAL EQUITY AND LIABILITIES** | | **26,007,658** | 22,655,686 | 19,106,195 | **9,092,881** | 7,661,096 | 7,125,287 |

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 70 through 133 form an integral part of these financial statements.

Colombo
May 22, 2013

# STATEMENT OF CHANGES IN EQUITY (GROUP)

| | Attributable to Equity Holders of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stated Capital | Other Capital & Revenue Reserve | Other Component of Equity | | | | Retained Earnings | Total | Non Controlling Interests | Total Equity |
| | | | Revaluation Reserve | Exchange Reserve | Available For Sale Reserve | Cash Flow Hedge Reserve | | | | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| **As at 1 April 2011 (SLFRS)** | 1,468,426 | 345,206 | 273,077 | (1,179) | 28,979 | - | 6,613,376 | 8,727,885 | 1,589,630 | 10,317,515 |
| Profit for the Year | - | - | - | - | - | - | 1,164,525 | 1,164,525 | 96,783 | 1,261,308 |
| Other Comprehensive Income | - | - | 913,687 | (272) | (8,576) | (43,658) | - | 861,181 | 113,842 | 975,023 |
| **Total Comprehensive Income** | - | - | 913,687 | (272) | (8,576) | (43,658) | 1,164,525 | 2,025,706 | 210,625 | 2,236,331 |
| Issue of Ordinary Shares under ESOS | 132,177 | - | - | - | - | - | - | 132,177 | - | 132,177 |
| Dividends Paid - Ordinary Shares | - | - | - | - | - | - | (256,833) | (256,833) | - | (256,833) |
| Transfer to/from During the Year | | | | | | | | | | |
| - Overhaul Reserve | - | 95,395 | - | - | - | - | (71,546) | 23,849 | (23,849) | - |
| - Revaluation Reserve | - | - | (805) | - | - | - | 805 | - | - | - |
| Shares Issued to Non Controlling Interests | - | - | - | - | - | - | - | - | 277,540 | 277,540 |
| Transaction Cost on Issue of Shares | - | - | - | - | - | - | (2,505) | (2,505) | (1,852) | (4,357) |
| Dividends to Non Controlling Interests | - | - | - | - | - | - | - | - | (68,195) | (68,195) |
| Adjustment in Respect of Changes in Group Holding | - | - | - | - | - | - | - | - | 6,766 | 6,766 |
| **As at 31 March 2012** | 1,600,603 | 440,601 | 1,185,959 | (1,451) | 20,403 | (43,658) | 7,447,822 | 10,650,279 | 1,990,665 | 12,640,944 |
| Profit for the Year | - | - | - | - | - | - | 1,657,655 | 1,657,655 | 276,078 | 1,933,733 |
| Other Comprehensive Income | - | - | 116,771 | (279) | 8,639 | 28,093 | - | 153,224 | 25,311 | 178,535 |
| **Total Comprehensive Income** | - | - | 116,771 | (279) | 8,639 | 28,093 | 1,657,655 | 1,810,879 | 301,389 | 2,112,268 |
| Dividends Paid - Ordinary Shares | - | - | - | - | - | - | (283,410) | (283,410) | - | (283,410) |
| Transfer to/from During the Year | | | | | | | | | | |
| - Overhaul Reserve | - | (30,850) | - | - | - | - | 17,397 | (13,453) | 5,800 | (7,653) |
| Transaction Cost on Issue of Shares | - | - | - | - | - | - | (10,953) | (10,953) | (1,770) | (12,723) |
| Dividends to Non Controlling Interests | - | - | - | - | - | - | - | - | (77,232) | (77,232) |
| Adjustment in Respect of Changes in Group Holding | - | - | - | - | - | - | - | - | 40,185 | 40,185 |
| **As at 31 March 2013** | 1,600,603 | 409,751 | 1,302,730 | (1,730) | 29,042 | (15,565) | 8,828,511 | 12,153,342 | 2,259,037 | 14,412,379 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY (COMPANY)

| | Stated Capital Rs.'000 | Other Capital Reserve Rs.'000 | Other Components of Equity Available for Sale Reserve Rs.'000 | Retained Earnings Rs.'000 | Total Equity Rs.'000 |
|---|---|---|---|---|---|
| **Balance as at 1 April 2011** | 1,468,426 | 257,032 | 28,919 | 4,098,276 | 5,852,653 |
| Profit for the Year | - | - | - | 407,601 | 407,601 |
| Other Comprehensive Income | - | - | (8,680) | - | (8,680) |
| **Total Comprehensive Income** | - | - | (8,680) | 407,601 | 398,921 |
| Issue of Ordinary Shares under ESOS | 132,177 | - | - | - | 132,177 |
| Transaction Cost on Issue of Shares | - | - | - | (629) | (629) |
| Final Dividend Paid | - | - | - | (128,010) | (128,010) |
| Interim Dividend Paid | - | - | - | (128,823) | (128,823) |
| **Balance as at 31 March 2012** | 1,600,603 | 257,032 | 20,239 | 4,248,415 | 6,126,289 |
| Profit for the Year | - | - | - | 625,467 | 625,467 |
| Other Comprehensive Income | - | - | (2,450) | - | (2,450) |
| **Total Comprehensive Income** | - | - | (2,450) | 625,467 | 623,017 |
| Final Dividend Paid | - | - | - | (128,823) | (128,823) |
| Interim Dividend Paid | - | - | - | (154,587) | (154,587) |
| **Balance as at 31 March 2013** | 1,600,603 | 257,032 | 17,789 | 4,590,472 | 6,465,896 |

The Accounting Policies and Notes on pages 70 through 133 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

| Year ended 31 March | Notes | Group 2013 Rs.'000 | Group 2012 Rs.'000 | Company 2013 Rs.'000 | Company 2012 Rs.'000 |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Profit Before Taxation | | **2,406,155** | 1,521,080 | **651,550** | 429,872 |
| **Adjustments for** | | | | | |
| Depreciation | 10 | **707,593** | 629,422 | **29,980** | 22,682 |
| (Gain)/Loss on Disposal of Property, Plant and Equipment | | **(40,876)** | (37,651) | **(1,548)** | 2,666 |
| Unrealised Profit | | **-** | 7,427 | **-** | - |
| Reversal of Heat & Lube oil Provision | | **(7,653)** | - | **-** | - |
| Gain on Fair Value Adjustment of Investment Properties | 11 | **(65,322)** | (32,127) | **(66,908)** | (14,559) |
| Amortisation/Impairment of Intangible Assets | 13 | **42,004** | 37,971 | **975** | 1,956 |
| Amortisation of Leasehold Rights | 12 | **3,863** | 3,931 | **-** | - |
| (Gain)/Loss on Sale of Non-Current Investments | | **(576)** | 1,716 | **(78,908)** | 8,175 |
| Impairement of Investment of Subsidiaries | | **-** | - | **-** | 10,676 |
| Exchange Gain or Loss on Foreign Currency Borrowings | | **16,768** | 90,648 | **-** | - |
| Finance Cost | 5 | **370,103** | 465,269 | **252,417** | 123,745 |
| Finance Income | 5 | **(342,650)** | (202,399) | **(100,136)** | (58,877) |
| Investment Income | | **-** | - | **(478,819)** | (424,031) |
| Share of Profit of an Associate | 16 | **(1,554)** | (11,925) | - | - |
| Movement in Employee Benefit Liability | 25 | **64,938** | 32,837 | **5,804** | 12,007 |
| **Working Capital Adjustments** | | | | | |
| (Increase)/Decrease in Inventories | | **(417,181)** | (324,217) | **-** | - |
| (Increase)/Decrease in Trade and Other Receivables | | **(1,165,832)** | (1,632,305) | **(655,242)** | (141,403) |
| (Increase)/Decrease in Other Current Financial Assets | | **279,821** | 411,722 | **(6,446)** | (13,893) |
| Increase/(Decrease) in Trade and Other Payables | | **709,437** | 1,070,628 | **(62,424)** | 12,341 |
| Increase/(Decrease) in Other Non Current Financial Liabilities | | **2,639** | 2,050 | **(6,216)** | 10,599 |
| Finance Cost Paid | | **(376,509)** | (398,244) | **(227,730)** | (75,085) |
| Finance Income Received | | **301,184** | 162,352 | **82,029** | 52,325 |
| Income Tax Paid | | **(316,715)** | (275,916) | **(19,682)** | (38,206) |
| Employee Benefit Liability Paid | 25 | **(26,200)** | (14,286) | **(9,924)** | (131) |
| **Net Cash flows from/(Used in) Operating Activities** | | **2,143,437** | 1,507,983 | **(691,228)** | (79,141) |
| **Investing Activities** | | | | | |
| Purchase of Property, Plant and Equipment | 10 | **(1,363,622)** | (1,588,724) | **(80,443)** | (43,400) |
| Purchase of Investment Property | | **(167,881)** | - | **(167,881)** | - |
| Increase in Investment in Associate | | **(41,338)** | - | **-** | - |
| Investment in Intangible Assets | 13 | **(1,743)** | (2,275) | **(98)** | (266) |
| (Acquisition)/Disposal of Subsidiaries | | **(23,308)** | 3,186 | **(198,541)** | (520,083) |
| Investment in Non Current Financial Assets | | **(124,769)** | (122,428) | **15,211** | (52,209) |
| Redemption of Preference Shares | | **-** | (7,056) | **-** | - |
| Proceeds from Disposal of Investments | | **-** | - | **127,612** | 2,937 |
| Proceeds from Disposal of Property, Plant and Equipment | | **81,357** | 108,474 | **3,465** | 8,233 |
| Investment Income Received | | **-** | - | **478,819** | 424,031 |
| **Net Cash flows from/(Used in) Investing Activities** | | **(1,641,304)** | (1,608,823) | **178,144** | (180,757) |
| **Financing Activities** | | | | | |
| Interest Bearing Loans and Borrowings (Net) | | **464,528** | (518,074) | **797,593** | 437,718 |
| Transaction Cost on Subsidiary Share Issue | | **(12,722)** | (4,358) | **-** | (629) |
| Proceeds from Non-Controlling Interests | | **40,185** | 277,540 | **-** | - |
| Proceeds from Issue of Shares | | **-** | 132,177 | **-** | 132,177 |
| Dividends Paid to Equity Holders of the Parent | | **(283,410)** | (256,833) | **(283,410)** | (256,833) |
| Dividends Paid - Non-Controlling Interests | | **(77,232)** | (68,196) | **-** | - |
| **Net Cash flows from/(Used in) Financing Activities** | | **131,349** | (437,744) | **514,183** | 312,433 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | **633,482** | (538,584) | **1,099** | 52,535 |
| Net Foreign Exchange Difference | | **(79)** | (891) | **-** | - |
| Cash and Cash Equivalents at the Beginning of the Year | 27 | **561,533** | 1,101,008 | **42,919** | (9,616) |
| **Cash and Cash Equivalents at the End of the Year** | 27 | **1,194,936** | 561,533 | **44,018** | 42,919 |

The Accounting Policies and Notes on pages 70 through 133 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 the 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 2013 comprise Hemas Holdings PLC (the 'Company') and all its Subsidiaries, Joint Ventures and Associates 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 advisory services to other Companies in the Group and the principal activities of the Subsidiaries, Joint Ventures and Associates are disclosed in Note 35 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 2013 were authorised for issue, in accordance with a resolution of the Board of Directors on 22 May 2013.

## 2. GENERAL POLICIES

### 2.1 Basis of Preparation and adoption of SLAS (SLFRS and LKAS) effective for the period beginning on or after 01 April 2012
The Consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards, comprising SLFRSs/LKASs (here after "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

For all periods up to and including the year ended 31 March 2012 the Group prepared its financial statements in accordance with Sri Lanka Accounting Standard (SLAS). These financial statements for the year ended 31 March 2013 are the first the Group has prepared in accordance with SLFRS.

The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention unless otherwise stated. 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 rupee thousand (Rs '000) except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

Subject to certain transition elections and exceptions disclosed in Note 2.3, the Group has consistently applied the accounting policies used in preparation of its opening SLFRS statement of financial position at 1 April 2011 through all periods presented, as if these policies had always been in effect.

Note 2.4 discloses the impact of the transition to SLFRS on the Group's reported financial position, performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Group's Consolidated financial statements for the year ended 31 March 2012 prepared under SLASs.

#### *2.1.1 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.

#### *2.1.2 Basis of Consolidation*
The financial statements of the Group represent the consolidation of the financial statements of Hemas Holdings PLC and all its Subsidiaries, Joint Ventures and Associates as at 31 March 2013.

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% of voting rights or otherwise has a controlling interest.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loss control over a subsidiary, it;

a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
b) Derecognises the carrying amount of any non-controlling interests
c) Derecognises the cumulative translation differences, recorded in equity
d) Recognises the fair value of the consideration received
e) Recognises the fair value of any investment retained
f) Recognises any surplus or deficit in profit or loss
g) Reclassifies the parent' share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Diethelm Travel The Maldives (Pvt) Ltd and Hemas Logistics (Pvt) Ltd have been consolidated as subsidiaries 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 Shillings |

Non-Controlling 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 Statement of Financial Position separately from parent shareholders' equity.

**(b) Joint Ventures**
The Group has an interest in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. 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.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is rcognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

The financial statements of the joint ventures are prepared for the same reporting year as the parent company except for Hellman Worldwide Logistics (Pvt) Ltd. where the financial statements are prepared for 31 December 2012. All the material transactions are adjusted for the 3 months period ended 31 March 2013. 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) Investment in Associate**
The Group's investments in Associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of Associate since acquisition date.

Goodwill relating to the Associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of results of operations of the Associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of the profit or loss of an Associate is shown on the face of the income statement and represents profit or loss before tax.

The financial statements of the Associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its Associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount in 'share of losses of an Associate' in the income statement. Upon loss of significant influence over the Associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

**(d) Business Combinations and Goodwill**
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

# NOTES TO THE FINANCIAL STATEMENTS

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in the income statement or as a change to the other comprehensive income (OCI).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination transferred; irrespective of whether other assets or liabilities of the acquiree are assigned to thoses units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 2.2 Summary of Significant Accounting Policies

### *2.2.1 Revenue Recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and value added taxes.

The following specific recognition criteria must also be met before revenue is recognised:

**(a) Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**(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 income**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

**(f) Dividends**

Revenue is recognised when the Group's/ Company's right to receive the payment is established.

**(g) Rental income**

Rental income arising from operating leases 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.

### *2.2.2 Foreign Currencies*

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss arising from this method.

**(a) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to the income statements. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

**(b) Foreign Operations**
The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

*2.2.3 Taxation*

**a) Current Tax**
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 on the reporting date in the country where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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 No 10 of 2006 and the amendments thereto.

**b) Deferred Taxation**
Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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;

**i)** 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

**ii)** 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:

**i)** 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

**ii)** 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 reporting 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.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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 reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income stement. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

## NOTES TO THE FINANCIAL STATEMENTS

**c) Tax on dividend income**
Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement.

*2.2.4 Property, Plant and Equipment*
Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Group derecognises net book value of the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

When items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on straight line basis over the estimated useful lives of all Property, Plant and Equipment.

The principal annual rates of depreciation, used by 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 Equipment | 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.

An item of Property, Plant and Equipment and any significant part initially recognised 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 when the asset is derecognised.

*2.2.5 Leases*
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

**Group/Company as a lessee**
Finance leases that transfer to the Group/Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group/Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

*2.2.6 Borrowing Costs*
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

*2.2.7 Investment Properties*
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

*2.2.8 Intangible Assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. 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 as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives 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 the end of each reporting period. 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 are 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 of the intangible assets.

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

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

**Research and Development Costs**

Research costs are expensed as incurred. Intangible assets arising from development expenditure on an individual project is recognised only when the Group 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 benefit. During the period where the asset is not yet in uses it is tested for impairment annually.

*2.2.9 Inventories*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

*2.2.10 Financial Instruments - Initial Recognition and Subsequent Measurement*

**i) Financial Assets**

*Initial Recognition and Measurement*

Financial assets within the scope of LKAS 39 are classified as financial assets at Fair Value Through Profit or Loss, Loans and Receivables, Held-To-Maturity investments and Available-For-Sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs of assets in the case of investments not at fair value through profit or loss.

The financial assets include cash and short-term deposits, trade and other receivables, other financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

*Subsequent Measurement*
The subsequent measurement of financial assets depends on their classification as follows:

*Financial Assets at Fair Value Through Profit or Loss*
Financial assets at Fair Value Through Profit or Loss include financial assets held-for-trading and financial assets designated upon initial recognition at Fair Value Through Profit or Loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at Fair Value Through Profit and Loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

*Loans and Receivables*
Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

*Held to Maturity Investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held To-Maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, Held-To-Maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised as finance cost in the income statement.

*Available for Sale Financial Investments*
Available-For-Sale financial investments include equity and debt securities. Equity investments classified as Available-For- Sale are those, which are neither classified as held for trading nor designated at Fair Value Through Profit or Loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, Available-For-Sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the Available-For-Sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the Available-For-Sale reserve. Interest income on Available-For-Sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its Available-For-Sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to Loans and Receivables is permitted when the financial assets meet the definition of Loans and Receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the Held-To-Maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the Available-For-Sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

*Derecognition*
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when,

**i)** The rights to receive cash flows from the asset have expired

**ii)** The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

-The Group has transferred substantially all the risks and rewards of the asset, or
-The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**ii) Impairment of Financial Assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial Assets Carried at Amortised Cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

*Available for Sale Financial Investments*

For Available-For-Sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as Available-For-Sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as Available-For-Sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

**iii) Financial Liabilities**

*Initial Recognition and Measurement*

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at Fair Value Through Profit or Loss, loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and other financial liabilities.

*Subsequent Measurement*

The measurement of financial liabilities depends on their classification as follows;

## NOTES TO THE FINANCIAL STATEMENTS

*Financial Liabilities at Fair Value Through Profit or Loss*
Financial liabilities at Fair Value Through Profit or Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as Fair Value Through Profit or Loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at Fair Value Through Profit or Loss.

*Loans and Borrowings / Other Financial Liabilities*
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

*Derecognition*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**iv) Offsetting of Financial Instruments**
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**v) Fair Value of Financial Instruments**
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. (bid price for long position and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details of measurement is provided in note 13.

*2.2.11 Derivative Financial Instruments and Hedge Accounting*

*Initial Recognition and Subsequent Measurement*
The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

*Cash Flow Hedges*
The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

*2.2.12 Impairment of Non - Financial Assets*
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an

asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU 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, recent market transactions are taken into account, if available. If no such transactions can be identified, 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, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income 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 estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 a revalued amount, in which case the reversal is treated as a revaluation increase.

*Goodwill*
Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

*2.2.13 Cash and Short term deposits*
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

*2.2.14 Provisions*
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*2.2.15 Retirement Benefit Liability*

**(a) 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 such employees.

**(b) 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 for defined benefit plans are recognised in full in the period in which they occur in the income statement.

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

The gratuity liability is not externally funded.

*2.2.16 Operating Segment*
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the

# NOTES TO THE FINANCIAL STATEMENTS

segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

*2.2.17 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. 62.00 per share, on behalf of the Senior Management. These shares will be held in trust for the eligible employees until such time as the shares are transferred to them in terms of the ESOS Trust – 2008.

The 2nd tranche of 2,250,000 shares were issued to the trustees on 27 December 2010 at 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.

*2.2.18 Share Based Payment Transactions*

Employees (senior management) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share based payment transaction and the fair value of any identifiable goods or services received at the grant date.

**(a) Equity-Settled Transactions**

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Groups best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

**(b) Cash-Settled Transactions**

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

**2.3 First Time Adoption of SLFRS**

These financial statements, for the year ended 31 March 2013, are the first the Group has prepared in accordance with SLFRS. For periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2011, the Group's date of transition to SLFRS. This note explains the principal adjustments made by the Group in restating its SLAS statement of financial position as at 1 April 2011 and its previously published SLAS financial statements as at and for the year ended 31 March 2012.

*Exemptions Applied*

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions and exceptions from the retrospective application of certain SLFRS. Set out below are the applicable exemptions and exceptions under SLFRS 1 applied by the Group in preparing the first financial statements for the year ended 31 March 2013 under SLFRS/LKAS.

**Optional Exemptions which the Group has opted to apply**

*Business Combinations*

SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in associates and joint ventures that occurred before 1 April 2011.

Use of this exemption means that the local SLAS carrying amounts of assets and liabilities, which are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SLFRS recognition requirements.

SLFRS 1 also requires that the local SLAS carrying amount of goodwill must be used in the opening SLFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS. No goodwill impairment was deemed necessary at 1 April 2011.

The Group has not applied LKAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SLFRS.

*Share Based Payment Transactions*
SLFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted on or before 1 January 2012.

*Fair value as deemed cost*
Certain items of property plant and equipment have been measured at fair value and used that fair value s the deemed cost at the date of transition to SLFRS/LKAS.

*Leases*
The Group has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition. Accordingly the Group has determined whether an arrangement existing at the date of transition to SLFRS contains a lease on the basis of facts and circumstances existing at that date.

*Investments in Subsidiaries, Jointly Controlled Entities and Associates*
The basis of measurement of an investment in a subsidiary, jointly controlled entity or associate is at its deemed cost in the separate SLFRS financial statements of the subsidiary, jointly controlled entity or associate. The Group has applied the previous carrying value under SLAS on 1 April 2011 as the deemed cost of such investments.

*Assets and Liabilities of Subsidiaries, Jointly Controlled Entities and Associates*
When the parent becomes a first-time-adopter later than its subsidiary, associate or joint venture, in the parent's consolidated financial statements the assets and liabilities of the subsidiary's associate's or joint venture's financial statements (after adjusting for consolidation and equity accounting adjustments and for the effects for the effects of the business combination in which the entity acquired the subsidiary).

*Designations of Previously Recognised Financial Instruments*
The Group has designated unquoted equity instruments held at 1 April 2011 as available-for-sale investments.

**Exceptions the Group has not applied retrospectively**

*Estimates*
The estimates at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with SLAS (after adjustments to reflect any differences in accounting policies).

*De-recognition of Financial Assets and Financial Liabilities*

The Group has applied the derecognition requirements in LKAS 39 prospectively to transactions occurring after 1 April 2011. Therefore the non-derivative financial assets or non-derivative financial liabilities which were previously de-recognised under SLAS as a result of a transaction that occurred before the transition date 1 April 2011 has not been re-recognised in the SLFRS financial statements.

*Hedge Accounting*
Transactions entered into before the date of transition to SLFRS have not been retrospectively designated as hedges. Further, the application of hedge accounting has been discontinued if an instrument is designated as a hedge before the date of transition, but does not meet the conditions for hedge accounting in LKAS 39.

*Non-controlling interests*
The following requirements of LKAS 27 are applied prospectively from the date of transition to SLFRS.

(i) to attribute total comprehensive income to non controlling interest irrespective of whether this results in a deficit balance.
(ii) to treat changes in a parent's ownership interest that does not result in a loss of control as equity transactions.
(iii) to apply LKAS 27 to loss of control of a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012

FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of equity as at 1 April 2011 ( Date of transition to SLFRS )

| | Notes | SLAS Rs.'000 | Remeasurement Rs.'000 | SLFRS as at 1 April 2011 Rs.'000 |
|---|---|---|---|---|
| **Non Current Assets** | | | | |
| Property, Plant and Equipment | A | 7,457,601 | (10,950) | 7,446,650 |
| Investment Properties | | 1,309,965 | - | 1,309,965 |
| Leasehold Properties | B | 58,779 | 39,608 | 98,386 |
| Intangible Assets | A,C | 323,895 | 167,423 | 491,318 |
| Investment in Associates | C | - | 168,002 | 168,002 |
| Other Investments | C | 433,676 | (433,676) | - |
| Other Long Term Receivables | B,D | 254,223 | (254,223) | - |
| Other Non Current Financial Assets | D | | 277,255 | 277,255 |
| Deferred Tax Assets | E | 25,489 | 9,524 | 35,014 |
| | | 9,863,628 | (37,038) | 9,826,590 |
| **Current Assets** | | | | |
| Inventories | | 1,680,772 | (0) | 1,680,772 |
| Trade and Other Receivables | F | 4,365,024 | (137,406) | 4,227,619 |
| Other Investments | | 53 | (53) | - |
| Tax Recoverable | | 148,020 | - | 148,019 |
| Other Current Financial Assets | G | - | 733,190 | 733,190 |
| Short Term Cash Investments | G | 2,025,097 | (668,372) | 1,356,725 |
| Cash and Cash at Bank | | 1,133,280 | - | 1,133,280 |
| | | 9,352,246 | (72,641) | 9,279,605 |
| **TOTAL ASSETS** | | 19,215,874 | (109,679) | 19,106,195 |
| **Equity** | | | | |
| Stated Capital | | 1,468,426 | - | 1,468,426 |
| Other Capital & Revenue Reserves | | 1,045,976 | (778,152) | 345,206 |
| Other Components of Equity | | - | 300,877 | 300,877 |
| Retained Earnings | | 6,359,604 | 176,392 | 6,613,376 |
| **Equity Attributable to Owners of the Parent** | | 8,874,006 | (300,883) | 8,727,885 |
| Non-Controlling Interest | | 1,701,635 | 42,757 | 1,589,630 |
| **Total Equity** | | 10,575,641 | (258,126) | 10,317,515 |
| **Non Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | | 1,700,040 | - | 1,700,040 |
| Other Non-Current Financial Liabilities | H | - | 149,523 | 149,523 |
| Deferred Tax Liabilities | | 123,609 | - | 123,609 |
| Retirement Benefit Liability | | 230,298 | - | 230,298 |
| Other Non-Current Liabilities | H | 10,243 | (10,243) | - |
| | | 2,064,190 | 139,280 | 2,203,470 |
| **Current Liabilities** | | | | |
| Trade and Other Payables | I,J | 4,093,091 | 21,965 | 4,115,056 |
| Dividends Payable | J | 12,798 | (12,798) | - |
| Income Tax Liabilities | | 89,891 | - | 89,891 |
| Interest Bearing Loans and Borrowings | | 991,266 | - | 991,266 |
| Bank Overdraft | | 1,388,997 | - | 1,388,997 |
| | | 6,576,043 | 9,167 | 6,585,210 |
| **TOTAL EQUITY AND LIABILITIES** | | 19,215,874 | (109,679) | 19,106,195 |

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of equity as at 31 March 2012

| | Notes | SLAS Rs.'000 | Remeasurement Rs.'000 | SLFRS as at 31 March 2012 Rs.'000 |
|---|---|---|---|---|
| **Non Current Assets** | | | | |
| Property, Plant and Equipment | A | 10,288,807 | (5,191) | 10,283,616 |
| Investment Properties | | 474,685 | - | 474,685 |
| Leasehold Properties | B | 55,713 | 38,742 | 94,455 |
| Intangible Assets | A,C | 300,409 | 161,090 | 461,499 |
| Investment in Associates | C | - | 179,399 | 179,399 |
| Other Investments | C | 384,148 | (384,148) | - |
| Other Long Term Receivables | B,D | 399,346 | (399,346) | - |
| Other Non Current Financial Assets | D | - | 324,069 | 324,069 |
| Deferred Tax Assets | E | 25,031 | 10,590 | 35,621 |
| | | 11,928,139 | (74,795) | 11,853,344 |
| **Current Assets** | | | | |
| Inventories | | 2,004,990 | - | 2,004,989 |
| Trade and Other Receivables | F | 6,038,471 | (184,051) | 5,854,420 |
| Other Investments | | 53 | (53) | - |
| Tax Recoverable | | 134,306 | - | 134,306 |
| Other Current Financial Assets | G | - | 361,515 | 361,515 |
| Short Term Cash Investments | G | 1,614,035 | (255,902) | 1,358,133 |
| Cash and Cash at Bank | | 1,088,979 | - | 1,088,979 |
| | | 10,880,833 | (78,491) | 10,802,342 |
| **TOTAL ASSETS** | | 22,808,972 | (153,286) | 22,655,686 |
| **Equity** | | | | |
| Stated Capital | | 1,600,603 | - | 1,600,603 |
| Reserves | | 1,995,771 | (1,632,552) | 440,601 |
| Other Components of Equity | | | 1,161,252 | 1,161,253 |
| Retained Earnings | | 7,195,185 | 175,256 | 7,447,822 |
| **Equity Attributable to Owners of the Parent** | | 10,791,559 | (296,043) | 10,650,279 |
| Non-Controlling Interest | | 2,145,976 | (549) | 1,990,665 |
| **Total Equity** | | 12,937,535 | (296,591) | 12,640,944 |
| **Non Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | | 1,384,827 | - | 1,384,827 |
| Other Non-Current Financial Liabilities | H | | 144,518 | 144,518 |
| Deferred Tax Liabilities | | 161,309 | - | 161,309 |
| Retirement Benefit Liability | | 248,342 | - | 248,342 |
| Other Non-Current Liabilities | H | 13,506 | (13,506) | - |
| | | 1,807,984 | 131,012 | 1,938,996 |
| **Current Liabilities** | | | | |
| Trade and Other Payables | I,J | 5,171,602 | 18,364 | 5,189,966 |
| Dividends Payable | J | 6,071 | (6,071) | - |
| Income Tax Liabilities | | 63,743 | - | 63,743 |
| Interest Bearing Loans and Borrowings | | 936,458 | - | 936,458 |
| Bank Overdraft | | 1,885,579 | - | 1,885,579 |
| | | 8,063,453 | 12,293 | 8,075,746 |
| **TOTAL EQUITY AND LIABILITIES** | | 22,808,972 | (153,286) | 22,655,686 |

# NOTES TO THE FINANCIAL STATEMENTS

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of total comprehensive income for the year ended 31 March 2012

| | Notes | SLAS Rs.'000 | Remeasurement Rs.'000 | SLFRS as at 31 March 2012 Rs.'000 |
|---|---|---|---|---|
| **Revenue** | K | 21,409,596 | 122,907 | 21,532,503 |
| Cost of Sales | I,K | (14,836,030) | (121,695) | (14,957,725) |
| **Gross Profit** | | 6,573,566 | 1,212 | 6,574,778 |
| Other Operating Income | | 174,875 | | 174,875 |
| Selling and Distribution Expenses | F | (1,793,789) | 4,235 | (1,789,554) |
| Administrative Expenses | B,D,F,H,L | (3,292,373) | 104,299 | (3,188,074) |
| Share of Profit of an Associate | C | - | 11,925 | 11,925 |
| Operating Profit | | 1,662,279 | 121,671 | 1,783,950 |
| Finance Cost | D,H,L | (249,718) | (215,551) | (465,269) |
| Finance Income | D,G | 162,352 | 40,047 | 202,399 |
| **Profit Before Tax** | | 1,574,913 | (53,833) | 1,521,080 |
| Income Tax Expenses | E | (260,307) | 535 | (259,772) |
| **Profit for the Year** | | 1,314,606 | (53,298) | 1,261,308 |
| | | | | |
| Profit for the Year | | 1,314,606 | (53,298) | 1,261,308 |
| | | | | |
| **Other Comprehensive Income** | | | | |
| Exchange Differences on Translation of Foreign Operations | | (272) | - | (272) |
| Net Movement on Cash Flow Hedges | | (58,211) | - | (58,211) |
| | | | | |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | D | - | (8,576) | (8,576) |
| | | | | |
| Revaluation of Land and Buildings | | 1,083,496 | - | 1,083,496 |
| Income Tax Effect | | (41,414) | - | (41,414) |
| | | | | |
| **Other Comprehensive Income for the Year, Net of Tax** | | 983,601 | (8,576) | 975,024 |
| | | | | |
| **Total Comprehensive Income for the Year, Net of Tax** | | 2,298,206 | 61,875 | 2,236,331 |

## 2.4 FIRST-TIME ADOPTION OF SLFRS

Group reconciliation of equity as at 1 April 2011 ( Date of transition to SLFRS ) and 31 March 2012 and Total Comprehensive income for the year ended 31 March 2012

**A. Property, Plant and Equipment**
*Transfer from PPE to intangible assets*
Computer software that are not integral to operate the hardware were reclassified as a separate intangible asset at the date of transition to SLFRS. Therefore Rs. 15Mn was transferred to Intangible assets as at 1 April 2011 and depreciation of Rs. 6Mn has been reclassified as an amortization in the income statement for the year ended 31 March 2012.

*Fair value as deemed cost*
The Group has elected to measure certain items of fully depreciated property, plant and equipment at fair value at the date of transition to SLFRS.

As a result Rs. 4.6Mn was recognised in property, plant and equipment s at 1 April 2011 through retained earnings.

**B. Leasehold Right**
Under the previous standards, refundable deposits placed for lease right were carried at cost and shown as long term receivables. This is a financial asset and therefore at initial recognition was measured at fair value and difference of Rs. 43.2Mn was recognised as a lease right. Cumulative amortisation as at 1 April 2011 amounting to Rs. 3.6Mn was recognised in retained earnings. For the year ended 31 March 2012, Rs.0 .9Mn was recognised as the lease right amortisation in the income statement.

**C. Investment in Associates**
Investment in Jada Resorts and Spa (Pvt) Ltd, amounting Rs. 320Mn was de-recognised from other non current investment and recognised Rs. 168Mn as an investment in associate by recognising Goodwill arising on acquisition, Rs 152Mn as an intangible asset as at 1 April 2011. During the year ended 31 March 2012, Rs. 12Mn was recognised as a share profit of the associate.

**D. Other Non Current Financial Assets**
*Available for sale investments*
As at 1 April 2011, Investment in quoted equity shares classified as available for sale investments amounting to Rs.114Mn were measured at fair value. The net gain of 29Mn as at 1 April 2011 and Rs. 8.7Mn, net loss for the year ended 31 March 2012, were recognised as an available for sale reserve in equity respectively.

*Refundable deposit*
Refundable deposits amounting to Rs. 5Mn shown under Trade and other receivables were recognised as a financial asset and Rs. 2Mn was recognised as a net amount of fair value difference in retained earnings.

*ESOS Valuation*
ESOS receivables is a financial asset and therefore a net amount of fair value difference at initial recognition and unwinding finance income of Rs.80Mn were recognised in retained earnings. A difference of Rs. 41Mn was recognised with respect to the amounts granted during the year ended 31 March 2012. Unwinding interest of Rs. 21Mn arising from the receivable as at 1 April 2011, was recognised as a finance income for the year ended 31 March 2012.

**E. Deferred Tax Assets**
Group entities enjoying tax holiday period reassessed the deferred tax impact as at 1 April 2011 and recognised Rs. 9.5Mn in retained earnings and for the year ended 31 March 2012, Rs. 10.5Mn was recognised in the income statement.

**F. Trade and Other Receivables**
*Impairment Trade and Other Receivables*
Provision for bad and doubtful debts made under previous standards consisted of both a specific amount for incurred losses and a general amount for expected future losses. SLFRS does not permit recognition of impairment for expected future losses. Hence an amount of Rs. 57Mn adjusted as at 1 April 2011 through retained earnings. by using the collective impairment model. Accordingly the group recognised a provision of Rs. 111Mn through retained earnings as at 1 April 2011 and a provision of 19Mn has been made for the year ended 31 March 2011.

**G. Other Current Financial Assets**

*Staff loans given at concessionary rates of interest*
Under previous standards staff loans were recorded in Trade & Other receivables and initially recognised at cost. Under SLFRS, the Group measured the staff loans granted below the market rate/at zero rate ,at their fair value based on the market rate of interest for similar loans. Rs. 8Mn the difference between the fair value of and loan granted has been recognised as pre-paid staff cost and amortised over the term of the loan as at 01 April 2011. Adjustment for recognition of Interest income at the rate prevailing at the grant date of Rs. 2Mn recognised in the retained earnings as at 1 April 2011 and for the year ended 31 March 2012,Rs. 2Mn was recognised as finance income in the income statement.

*Short term Investments*
Government securities with a maturity of more than 3 months amounting Rs. 49Mn has been reclassified from short term investment. Rs.7.5Mn has been recognised through retain earnings to measure the amortised cost of REPO investment as at 1 April 2011. During the year ended 31 March 2012 Rs. 7.5Mn has been recognised as finance income in the income statement.

Deposits with maturity of more than 3 months amounting to Rs. 619Mn were reclassified from short term Investments as at 1 April 2011 and Rs. 256Mn was reclassified as at 31 March 2012.

# NOTES TO THE FINANCIAL STATEMENTS

**H. Other Non-Current Financial Liabilities**

Redeemable preference shares amounting to Rs.206Mn previously reported as equity were reclassified under other Non current financial liabilities measured at amortised cost.

Preference share issue cost of Rs. 1.8Mn was transferred to Other Non current liabilities- Preference shares as at 1 April 2011.

Accordingly preference share dividend amounting to Rs. 15Mn has been reclassified to finance cost for the year ended 31 March 2012.

Refundable deposits with the maturity & more than 1 year amounting to Rs. 10Mn were reclasified under other Non current financial liabilities as at 1 April 2011 & 31 March 2012.

**I. Trade and other Payables**

Provision for sales returns amounting to Rs. 9Mn was recognised through retained earnings based on the historical average return rate as at 1 April 2011 and Rs. 2Mn was provided for the year ended 31 March 2012.

**J. Dividend Payable**

Unclaimed dividend as at 1 April 2011 and 31 March 2012 were reclassified under Trade & other payables

**K. Revenue & Cost of Sales**

Under previous practice, certain subsidiaries had not grossed revenue for Nations Building Levy. Therefore revenue and cost of sales has been restated by Rs. 120Mn.

**L. Finance Cost**

Exchange difference on foreign currency borrowings amounting to Rs. 132Mn has been reclassified from administration expenses to finance cost for the ended 31 March 2012.

**M. Statement of Cash Flows**

The transition from SLAS to SLFRS has not had a material impact except for the reclassifications stated in note G above.

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Company reconciliation of equity as at 1 April 2011 ( Date of transition to SLFRS )

| | Notes | SLAS Rs.'000 | Remeasurements Rs.'000 | SLFRS as at 1 April 2011 Rs.'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment | A | 105,305 | (2,965) | 102,340 |
| Investment Properties | | 309,965 | - | 309,965 |
| Intangible Assets | A | - | 2,965 | 2,965 |
| Investments in Subsidiaries | | 5,696,001 | - | 5,696,001 |
| Investment in Joint Venture | | 38,519 | - | 38,519 |
| Other Non-Current Financial Assets | D,E | 192,168 | 8,063 | 200,231 |
| | | 6,341,958 | 8,063 | 6,350,021 |
| **Current Assets** | | | | |
| Trade and Other Receivables | B,G | 243,753 | (18,998) | 224,755 |
| Other Current Financial Assets | C | 519,322 | 7,300 | 526,622 |
| Cash and Short Term Deposits | | 23,889 | - | 23,889 |
| | | 786,964 | (11,698) | 775,266 |
| **TOTAL ASSETS** | | 7,128,922 | (3,635) | 7,125,287 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Stated Capital | | 1,468,426 | - | 1,468,426 |
| Other Capital Reserves | | 257,032 | - | 257,032 |
| Other Components of Equity | D | - | 28,919 | 28,919 |
| Retained Earnings | B,C,F,E,G | 4,077,851 | 20,425 | 4,098,276 |
| **Total Equity** | | 5,803,309 | 49,344 | 5,852,653 |
| **Non-Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | F | 686,502 | (52,979) | 633,523 |
| Deferred Tax Liabilities | | 42,022 | - | 42,022 |
| Employee Benefit Liability | | 18,676 | - | 18,676 |
| | | 747,200 | (52,979) | 694,221 |
| **Current Liabilities** | | | | |
| Trade & Other Payables | | 209,883 | - | 209,883 |
| Income Tax Payable | | 13,385 | - | 13,385 |
| Interest Bearing Loans and Borrowings | | 321,640 | - | 321,640 |
| Bank Overdraft | | 33,505 | - | 33,505 |
| | | 578,413 | - | 578,413 |
| **TOTAL EQUITY AND LIABILITIES** | | 7,128,922 | (3,635) | 7,125,287 |

# NOTES TO THE FINANCIAL STATEMENTS

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Company reconciliation of equity as at 31 March 2012

| | Notes | SLAS Rs.'000 | Remeasurements Rs.'000 | SLFRS as at 31 March 2012 Rs.'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment | A | 106,461 | (1,275) | 105,186 |
| Investment Properties | | 331,500 | - | 331,500 |
| Intangible Assets | A | - | 1,275 | 1,275 |
| Investments in Subsidiaries | | 6,194,296 | - | 6,194,296 |
| Investment in Joint Venture | | 38,519 | - | 38,519 |
| Other Non-Current Financial Assets | D,E | 240,773 | (10,832) | 229,941 |
| | | 6,911,549 | (10,832) | 6,900,717 |
| **Current Assets** | | | | |
| Trade and Other Receivables | B,G | 421,526 | (55,368) | 366,158 |
| Tax Recoverable | | 585 | - | 585 |
| Other Current Financial Assets | C | 329,523 | 21,194 | 350,717 |
| Cash and Short Term Deposits | | 42,919 | - | 42,919 |
| | | 794,553 | (34,174) | 760,379 |
| **TOTAL ASSETS** | | 7,706,102 | (45,006) | 7,661,096 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Stated Capital | | 1,600,603 | - | 1,600,603 |
| Other Capital Reserves | | 257,032 | - | 257,032 |
| Other Components of Equity | D | - | 20,239 | 20,239 |
| Retained Earnings | B,C,E,F,G | 4,288,973 | (40,558) | 4,248,415 |
| **Total Equity** | | 6,146,608 | (20,319) | 6,126,289 |
| **Non-Current Liabilities** | | | | |
| Interest Bearing Loans and Borrowings | F | 965,472 | (24,687) | 940,785 |
| Other Non-Current Financial Liabilities | | 10,599 | - | 10,599 |
| Deferred Tax Liabilities | | 40,056 | - | 40,056 |
| Employee Benefit Liability | | 30,551 | - | 30,551 |
| | | 1,046,678 | (24,687) | 1,021,991 |
| **Current Liabilities** | | | | |
| Trade & Other Payables | | 222,226 | - | 222,226 |
| Interest Bearing Loans and Borrowings | | 290,590 | - | 290,590 |
| | | 512,816 | - | 512,816 |
| **TOTAL EQUITY AND LIABILITIES** | | 7,706,102 | (45,006) | 7,661,096 |

2.4 Notes to the Reconciliation of Equity as at 1 April 2011 and 31 March 2012 and Total Comprehensive Income for the year ended 31 March 2012 *(Contd...)*

FIRST-TIME ADOPTION OF SLFRS

Company reconciliation of total comprehensive income for the year ended 31 March 2012

| | Notes | SLAS<br>Rs.'000 | Remeasurements<br>Rs.'000 | SLFRS as at 31 March 2012<br>Rs.'000 |
|---|---|---|---|---|
| **Revenue** | | 373,654 | - | 373,654 |
| Cost of Sales | | - | - | - |
| **Gross Profit** | | 373,654 | - | 373,654 |
| Other Operating Income | H | 447,411 | (9,073) | 438,338 |
| Selling and Distribution Expenses | | - | - | - |
| Administrative Expenses | B,C | (298,377) | (18,875) | (317,252) |
| Operating Profit | | 522,688 | (27,948) | 494,740 |
| Finance Cost | E,F | (75,085) | (48,660) | (123,745) |
| Finance Income | C,E,G,H | 43,252 | 15,625 | 58,877 |
| **Profit Before Tax** | | 490,855 | (60,983) | 429,872 |
| Income Tax Expense | | (22,271) | - | (22,271) |
| **Profit for the Year** | | 468,584 | (60,983) | 407,601 |
| Profit for the Year | | 468,584 | (60,983) | 407,601 |
| **Other Comprehensive Income** | | | | |
| Net Gain/(Loss) on Available-For-Sale Financial Assets | D | - | (8,680) | (8,680) |
| Income Tax Effect | | - | - | - |
| Other Comprehensive Income for the Year, Net of Tax | | - | (8,680) | (8,680) |
| Total Comprehensive Income for the Year, Net of Tax | | 468,584 | (69,663) | 398,921 |

# NOTES TO THE FINANCIAL STATEMENTS

### 2.4 First time adoption of SLFRS- Company

Notes to the reconciliation of equity as at 1 April 2011 and 31 March 2012 and total comprehensive income for the year ended 31 March 2012.

**A. Transfer from PPE to Intangible Assets**

All computer systems are currently categorised in property, plant and equipment. However, as per LKAS 38, computer systems that are not integral to operate the hardware should be recognised as a separate intangible asset and should be amortised. Therefore, as at 1 April 2011 a cost of Rs.20.5Mn and an accumulated depreciation of Rs.17.5Mn recorded in property plant and equipment has been transferred to intangible assets and accumulated amortisation respectively. A cost of Rs.0.3Mn and depreciation expense of Rs.2.0Mn has been transferred from property plant and equipment to Intangible assets and amortisation expense respectively for the year ended 31 March 2012.

**B. Impairment of Trade Receivables**

According to the current practice, the provision for impairment of receivables consists of both a specific amount for incurred losses and a general amount for expected future losses. SLFRS/LKAS do not permit recognition of impairment for expected future losses. Hence this amount (Rs.0.5Mn) has been eliminated against retained earnings as at 1 April 2011. A debtor or a group of debtors are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the debtor (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the debtor or the group of debtors that can be reliably estimated. Debtors are tested for impairment by using the collective impairment model. Accordingly, Company has recognised a impairment allownce of Rs.16.4Mn through retained earnings as at 1 April 2011 an impairment allownce of Rs. 18.5Mn has been made for the year ended 31 March 2012.

**C. Fair Valuation and Subsequent Amortisation of Staff Loans**

Under SLAS, staff loans were initially recognised at cost. As per LKAS 39 staff loans at initial recognition, should be measured at fair value. Since staff loans had been given below market rates fair valuation is required. The difference of Rs. 1.7Mn in fair value and loan granted has been recognised as a prepaid staff cost and amortized over the term of the loan. (Amortised amount as at 01 April 2011 is Rs. 0.4Mn). After the fair valuation, recognised interest income of Rs. 0.6Mn under SLAS is reversed and Rs. 1.2Mn interest income has been accrued by using the market rate (EIR) as at 1 April 2011. Prepaid staff cost of Rs. 0.8Mn has been recognised for the year ended 31 March 2012. Interest income of Rs. 0.6Mn recognised under SLAS has been reversed and an interest income of Rs. 1.1Mn has been recognised under LKAS 39 for the year ended 31 March 2012.

**D. Fair Valuation of Quoted Investments**

Under SLAS, the Company accounted for investments in quoted equity shares as financial instruments measured at cost. Under SLFRS / LKAS, the Company has classified such investments as available-for-sale investments. SLFRS / LKAS require available-for-sale investments to be measured at fair value. At the date of transition to SLFRS / LKAS, the fair value of quoted investment is Rs.83.0Mn and their SLAS carrying amount was Rs. 54.1Mn. The difference of Rs. 28.9Mn between the instruments' fair value and SLAS carrying amount has been recognised as a separate component of equity in the available-for-sale reserve. The fair value loss of Rs. 8.7Mn from available for sale investments has been recognised in other comprehensive income for the year ended 31 March 2012.

**E. ESOS Valuation**

Under the current practice receivables from JC trust is initially recognised at cost. This is a financial asset and therefore as per LKAS 39, receivables from JC Trust at initial recognition should be measured at fair value and subsequently measured at amortised cost. Since, receivables from JC Trust has not accrued any interest, fair valuation is required at initial recognition. A net amount of fair value difference at initial recognition and unwinding finance income of Rs. 20.9Mn has been recognised through retained earnings as at 1 April 2011. A difference of Rs. 20.4Mn in initial cost and fair value has been recognised in the income statement as finance cost and an unwinding finance income of Rs. 10.2Mn is recognised in the income statement as for the year ended 31 March 2012.

**F. Intercompany Loans**

Under the current practice, loans taken from fully owned subsidiaries are initially recognised at cost. This is a financial liability and therefore as per LKAS 39, loans taken from related parties at initial recognition should be measured at fair value and subsequently measured at amortised cost. Since, related party loans has not accrued any interest, fair valuation is required. The difference of Rs.112.6Mn in amortised cost and fair value is recognised through retained earnings as at 1 April 2011 as a dividend receipt from subsidiaries. Amount of Rs. 60.0Mn has been accrued as interest cost and adjusted in retained earnings as at 1 April 2011. An interest cost of Rs. 28.3Mn has been recognised in finance cost for the year ended 31 March 2012.

**G. Preference Share Dividends**

Currently, Company recognises the dividend income on a cash basis. According to the LKAS 18, dividend income should be recognised when the company's right to receive the payment is established. Therefore, company recognised the dividend income of Rs. 4.1Mn for Giddawa preference shares as at 1 April 2011 to retained earnings. During the year ended 31 March 2012, Company has received the divided income relating to previous year. Therefore, company has reversed the previous year dividend income of Rs. 4.1Mn from the income statement for the year ended 31 March 2012. Dividend income relating to 31 March 2012 has been received during the period.

**H. Transfer of Dividend Income**

During the year ended 31 March 2012, Company has reclassified its investment in Giddawa preference shares as a loan. Therefore, the dividends received from these preference shares Rs. 9.1Mn has been transferred from other income to finance income in the income statement for the year ended 31 March 2012.

**I. Statement of Cash Flows**

The transition from SLAS to SLFRS has not had material impact in the statement of cash flows.

### 2.5 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

*Judgments*

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

*Deferred Tax Assets*

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

*Estimates and Assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Fair Valuation of Investment Properties*

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The company engaged independent valuation specialists to determine fair value as at 31 March 2013. For the investment property valuation specialists have used valuation techniques based on an open market value for existing use basis.

The determined fair value of the investment properties is more sensitive to the open market value for existing use basis. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 11.

*Share Based Payment Transactions*

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for the share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of most appropriate inputs to the valuation model including the expected life of the share option, volatility and making assumptions about them.

*Defined Benefit Plans*

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

*Fair Value of Financial Instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values.

### 2.6 Effect of Sri Lanka Accounting Standards Issued but not yet Effective:

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial Statements. Those SLFRS will have an effect on the Accounting policies currently adopted by the group and may have an impact on the future financial statements.

**(i)** SLFRS 9 – Financial Instruments: Classification and measurement
SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applied to classification and measurement of financial assets and liabilities. This standard will be effective for the financial period beginning on or after 1 January 2015.

**(ii)** SLFRS 13 – Fair value measurement
SLFRAS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS. This Standard was originally effective for the financial period beginning on or after 1 January 2013 and early application was allowed. However effective date has been deferred subsequently.

In addition to the above, following standards were also issued with an original effective date of 1 January 2013, which were also deferred subsequently.

SLFRS 10 - Consolidated Financial Statements
SLFRS 11 - Joint Arrangements SLFRS 12 - Disclosure of Interests in Other Entities.

The Group will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>Rs.'000 | 2012<br>Rs.'000 | 2013<br>Rs.'000 | 2012<br>Rs.'000 |
| Sale of Goods | 15,344,843 | 13,120,023 | - | - |
| Rendering of Services | 10,753,519 | 8,412,480 | 561,558 | 373,654 |
| | 26,098,362 | 21,532,503 | 561,558 | 373,654 |

Segmental information is given in Note 34 to these financial statements.

## 4 OTHER OPERATING INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>Rs.'000 | 2012<br>Rs.'000 | 2013<br>Rs.'000 | 2012<br>Rs.'000 |
| Gain/(Loss) on Disposal of Investments | 576 | (1,716) | 78,908 | (8,175) |
| Gain/(Loss) on Disposal of Property Plant & Equipment | 40,876 | 30,224 | 1,548 | (2,666) |
| Change in Fair Value of Investment Properties | 65,322 | 32,127 | 66,908 | 14,559 |
| Rental Income | 3,652 | 1,686 | 7,500 | 6,430 |
| Commission Income | 17,427 | 12,950 | - | - |
| Foreign Exchange Gain | 117,972 | 48,832 | - | - |
| Dividend Income on Financial Assets - Related parties | - | - | 478,811 | 424,025 |
| Dividend Income on AFS Financial Assets - Others | 2,050 | 106 | 8 | 6 |
| Sundry Income | 48,799 | 50,666 | 80 | 4,159 |
| | 296,674 | 174,875 | 633,763 | 438,338 |

## 5 FINANCE COST AND INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>Rs.'000 | 2012<br>Rs.'000 | 2013<br>Rs.'000 | 2012<br>Rs.'000 |
| **5.1 Finance Cost** | | | | |
| Interest Expense on Overdrafts | 125,287 | 56,695 | 8,326 | 198 |
| Interest Expense on Loans and Borrowings | | | | |
| - Related Party | - | - | 201,750 | 78,965 |
| - Others | 229,299 | 325,257 | 42,341 | 24,213 |
| Finance Charges on Lease Liabilities | 6,775 | 718 | - | - |
| Preference Share Dividend | 15,148 | 15,573 | - | - |
| Total Interest Expense | 376,509 | 398,243 | 252,417 | 103,376 |
| Amortised cost adjustment of Preference Shares | (6,814) | - | - | - |
| Fair Value Difference on Financial Assets measured at amotised cost | 408 | 67,026 | - | 20,369 |
| **Total Finance Cost** | 370,103 | 465,269 | 252,417 | 123,745 |

*5 Finance Cost and Income (Contd...)*

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **5.2 Finance Income** | | | | |
| Interest Income from Available For Sale Investments | - | - | - | - |
| Interest Income on Loans and Receivables -Related Party | - | - | 84,475 | 47,005 |
| Interest Income on Loans and Receivable - Others | 301,184 | 162,352 | 3,018 | 1,717 |
| Total Interest Income | 301,184 | 162,352 | 87,493 | 48,722 |
| Unwinding of Fair Value Difference on Financial Assets Measured at Amortised Cost | 41,466 | 40,047 | 12,643 | 10,155 |
| **Total Finance Income** | 342,650 | 202,399 | 100,136 | 58,877 |

## 6 PROFIT BEFORE TAX

| Stated after Charging/(Crediting) | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Included in Cost of Sales** | | | | |
| Depreciation | 255,487 | 313,326 | - | - |
| Provision for Obsolete Stocks | (2,646) | (19,272) | - | - |
| **Included in Administrative Expenses** | | | | |
| Employees Benefits including the following | | | | |
| Defined Benefit Plan Cost - Gratuity | 64,938 | 32,837 | 5,804 | 5,725 |
| Defined Contribution Plan Cost - MSPS/EPF/ETF | 159,168 | 126,386 | 13,876 | 11,735 |
| Depreciation | 452,106 | 316,096 | 29,980 | 22,682 |
| Exchange Loss | 738 | 81,922 | - | - |
| Amortisation/ Impairment of Intangibles | 42,004 | 37,970 | 975 | 1,956 |
| Impairment of Investment in Subsidiaries | - | - | - | 10,676 |
| (Gain)/Loss on Disposal of Property, Plant and Equipment | (40,876) | (37,651) | (1,548) | 2,666 |
| Auditors' Fees and Expenses | 10,911 | 10,764 | 1,248 | 1,076 |
| Legal Fees | 2,059 | 1,365 | 48 | 3 |
| Donations | 5,877 | 6,305 | 499 | 772 |
| Impairment of Trade Receivables | (8,121) | 4,428 | 17,921 | 18,472 |
| **Included in Selling & Distribution Expenses** | | | | |
| Transport Cost | 80,828 | 99,525 | - | - |
| Advertising Cost | 471,302 | 413,637 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 7 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2013 and 2012 are

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **Income Statement** | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Current Income Tax** | | | | |
| Current Income Tax Charge | **345,170** | 225,237 | **15,159** | 23,709 |
| Adjustment in respect of Current Income Tax of Prior Years | **58,658** | 4,486 | **(216)** | 528 |
| Share of Associate Company Income Tax | **965** | 529 | **-** | - |
| Tax on Dividends | **45,614** | 33,509 | **-** | - |
| ESC Written Off | **95** | - | **-** | - |
| **Deferred Income Tax Expense/(Income) arising due to** | | | | |
| - Origination and Reversal of Temporary Differences (Note 24) | **21,920** | (3,989) | **11,140** | (1,966) |
| | **472,422** | 259,772 | **26,083** | 22,271 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **7.1 Reconciliation Between Income Tax Expenses and the Accounting Profit** | | | | |
| Accounting Profit Before Tax | **2,406,155** | 1,521,080 | **651,550** | 429,872 |
| Intra Group Adjustment/Share of Profits of Subsidiaries | **674,953** | 563,472 | **-** | - |
| Income not subject to Income Tax | **(797,100)** | (791,808) | **(642,742)** | (463,288) |
| Exempt Profit | **(666,501)** | (421,642) | **-** | - |
| Aggregate Disallowable Expenses | **413,487** | 457,135 | **95,402** | 146,054 |
| Aggregate Allowable Expenses | **(557,631)** | (194,541) | **(47,568)** | (27,964) |
| Aggregate Disallowable Income | **(33,553)** | (38,587) | **(2,504)** | - |
| Adjustment for Tax Losses | **(49,082)** | (11,280) | **-** | - |
| Taxable Profit | **1,390,728** | 1,083,829 | **54,138** | 84,709 |
| | | | | |
| Income Tax at 28% (2011 - 35%) | **274,432** | 181,487 | **15,159** | 23,709 |
| Income Tax at 20% | **6,491** | - | **-** | - |
| Income Tax at 15% | **5,027** | 599 | **-** | - |
| Income Tax at 12% | **42,828** | 23,841 | **-** | - |
| Income Tax at 2% | **2,040** | 1,557 | **-** | - |
| Income Tax at Other Rates | **14,352** | 17,753 | **-** | - |
| Current Income Tax Charge | **345,170** | 225,237 | **15,159** | 23,709 |

### 7.2 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% (2011/12- 28%) on taxable profit during the year 2012/2013 with the exception of the Companies stated below.

| Company/ Sector | 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 | 20% | Open-ended |
| 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** | | | |
| Hemas Power PLC | Classified as a venture capital Company and enjoys a concessionary tax rate | 12% | Open-ended |
| N-able (Pvt) Ltd | Exempt from income tax for a period of 3 years, after the exemption at 5% for the first year, 10% in the second year and 15% thereafter | Exempt | 3 years ending 2012/2013 |
| Hemas Capital Hospital (Pvt) Ltd | Entitled for a tax exemption period of 9 years as per Sec 17A | Exempt | 9 years from 1st year of profit or 2 years from operations |
| Leisure Sector | Promotion of tourism | 12% | Open-ended |

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 (Pvt) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 EARNINGS PER SHARE

**8.1** 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.

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

| | Group | |
|---|---|---|
| | **2013 Rs.'000** | **2012 Rs.'000** |
| **Amount Used as the Numerator:** | | |
| Profit for the Year | **1,657,655** | 1,164,525 |
| Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share | **1,657,655** | 1,164,525 |

| **In'000s** | **2013** | **2012** |
|---|---|---|
| **Number of Ordinary Shares Used as Denominator:** | | |
| Number of Shares at the Beginning of the Year | **515,291** | 512,041 |
| Sub Division of Shares | **-** | - |
| | **515,291** | 512,041 |
| Effect of Issue of Shares under ESOS | | 1,625 |
| **Weighted Average Number of Ordinary Shares in Issue applicable to Basic Earnings Per Share** | **515,291** | 513,666 |

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

## 9 DIVIDENDS PER SHARE

### 9.1 Dividends Paid

| | **2013 Rs.'000** | **2012 Rs.'000** |
|---|---|---|
| Declared and Paid during the Year | | |
| Dividends on Ordinary Shares | | |
| Final Dividends | **128,823** | 128,010 |
| Interim Dividends | **154,587** | 128,823 |
| | **283,410** | 256,833 |

### 9.2 Dividends Per Share

| | **2013 Rs.** | **2012 Rs.** |
|---|---|---|
| Final Dividend out of 2011/2012 - (2012-2010/2011) Profits | **0.25** | 0.25 |
| Interim Dividend out of 2012/2013 - (2012-2011/2012) Profits | **0.30** | 0.25 |

The final dividends for 2011/2012 has been paid on 12 July 2012 and interim dividends for 2012/2013 has been paid on 3 December 2012.

## 10 PROPERTY, PLANT AND EQUIPMENT

### 10.1 Group

| | Free Hold Land Rs.'000 | Free hold Buildings Rs.'000 | Buildings on LH Land Rs.'000 | Plant and Machinery Rs.'000 | Furniture, Fitting & Equipments Rs.'000 | Motor Vehicles Rs.'000 | Capital Work-in-Progress Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| As at 1 April 2011 | 668,117 | 3,181,212 | 344,897 | 3,780,031 | 1,670,787 | 489,064 | 278,410 | 10,412,518 |
| Additions | 152,019 | 235,076 | 426,301 | 334,515 | 434,399 | 102,954 | 735,790 | 2,421,054 |
| Revaluations | 721,938 | 309,147 | 52,411 | - | - | - | - | 1,083,496 |
| Disposals | - | - | (1,452) | (23,186) | (159,171) | (92,816) | (3,903) | (280,528) |
| Exchange Translation Difference | - | - | - | 17 | 778 | - | - | 795 |
| Transfer | 233,480 | (515,270) | 864,130 | - | 294 | - | (870,367) | (287,733) |
| **As at 31 March 2012** | 1,775,554 | 3,210,165 | 1,686,287 | 4,091,377 | 1,947,087 | 499,202 | 139,930 | 13,349,602 |
| **Accumulated Depreciation** | | | | | | | | |
| As at 1 April 2011 | - | 188,326 | 54,320 | 1,630,960 | 826,228 | 266,034 | - | 2,965,868 |
| Charge | - | 96,992 | 13,950 | 263,497 | 197,765 | 57,218 | - | 629,422 |
| Disposals | - | - | - | (18,850) | (119,953) | (69,787) | - | (208,590) |
| Exchange Translation Difference | - | - | - | 4 | 173 | - | - | 177 |
| Transfer | - | (252,915) | (68,270) | - | 294 | - | - | (320,891) |
| **As at 31 March 2012** | - | 32,403 | - | 1,875,611 | 904,507 | 253,465 | - | 3,065,986 |
| **Carrying Value** | | | | | | | | |
| **As at 31 March 2012** | **1,775,554** | **3,177,762** | **1,686,287** | **2,215,766** | **1,042,580** | **245,737** | **139,930** | **10,283,616** |
| As at 1 April 2011 | 668,117 | 2,992,886 | 290,577 | 2,149,071 | 844,559 | 223,030 | 278,410 | 7,446,650 |

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Property, Plant and Equipment (*Contd...*)

#### 10.2 Group

| | Free Hold Land Rs.'000 | Free hold Buildings Rs.'000 | Buildings on LH Land Rs.'000 | Plant and Machinery Rs.'000 | Furniture, Fitting & Equipments Rs.'000 | Motor Vehicles Rs.'000 | Capital Work-in-Progress Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| As at 1 April 2012 | 1,775,554 | 3,210,165 | 1,686,287 | 4,091,377 | 1,947,087 | 499,202 | 139,930 | 13,349,602 |
| Additions | 1,195 | 12,051 | 11,930 | 91,149 | 243,075 | 187,470 | 816,752 | 1,363,622 |
| Acquisition of Subsidiary | - | - | - | - | 7,234 | 152,811 | - | 160,045 |
| Revaluations | 87,614 | 41,428 | - | - | - | - | - | 129,042 |
| Disposals | - | - | - | (4,326) | (16,047) | (100,227) | (17,162) | (137,762) |
| Exchange Translation Difference | - | (73) | - | 54 | (118) | - | - | (137) |
| Transfer | 43,986 | 81,799 | 3,650 | - | - | - | - | 129,435 |
| **As at 31 March 2013** | 1,908,349 | 3,345,370 | 1,701,867 | 4,178,254 | 2,181,231 | 739,256 | 939,520 | 14,993,847 |
| **Accumulated Depreciation** | | | | | | | | |
| As at 1 April 2012 | - | 32,403 | - | 1,875,611 | 904,507 | 253,465 | - | 3,065,986 |
| Charge | - | 102,800 | 15,823 | 272,202 | 235,344 | 81,425 | - | 707,593 |
| Acquisition of Subsidiary | - | - | - | - | 1,770 | 21,760 | - | 23,530 |
| Disposals | - | - | - | (2,145) | (12,271) | (82,866) | - | (97,281) |
| Exchange Translation Difference | - | - | - | 61 | 1 | - | - | 62 |
| **As at 31 March 2013** | - | 135,203 | 15,823 | 2,145,729 | 1,129,351 | 273,784 | - | 3,699,890 |
| **Carrying Value** | | | | | | | | |
| **As at 31 March 2013** | **1,908,349** | **3,210,167** | **1,686,044** | **2,032,525** | **1,051,880** | **465,472** | **939,520** | **11,293,957** |
| As at 31 March 2012 | 1,775,554 | 3,177,762 | 1,686,287 | 2,215,766 | 1,042,580 | 245,737 | 139,930 | 10,283,616 |

*10 Property, Plant and Equipment (Contd…)*

**10.2.1** 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<br>Land at Dankotuwa | 174,446 sq.ft.<br>9A-2R-24.5P | 534,702<br>83,403 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| Buildings on Leasehold Land at Ambakumbura | 11,171.5 sq.ft. | 6,000 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| Land of Industrial Property at Welisara<br>Buildings of Industrial Property at Welisara | 1A-0R-33.12P<br>53,802 sq.ft. | 74,351<br>137,249 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for 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 Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Hemas Southern Hospitals (Pvt) Ltd** | | | | | |
| Land at Galle<br>Building at Galle | 2R-23.83P<br>38,778 sq.ft. | 127,000<br>268,000 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Hemas Corporate Services (Pvt) Ltd** | | | | | |
| Buildings in Colombo | 1,786 sq.ft. | 24,000 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Peace Haven Resorts Ltd** | | | | | |
| Land at Tangalle<br>Buildings at Tangalle | 41A-1R-15.4P<br>4,957 sq.ft. | 721,500<br>7,500 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for Existing Use Basis |
| **Mowbray Hotels Ltd** | | | | | |
| Land at Kandy<br>Buildings at Kandy | 32A-1R-29P<br>11,134 sq.ft. | 155,670<br>16,330 | 31-Mar-2012 | Perera Sivaskantha & Co Incorporated Valuers | Open Market Value for 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 Incorporated Valuers | Profit Basis |
| **Miami Beach Hotel Ltd** | | | | | |
| Land at Waikkal<br>Buildings at Waikkal | 7A-3R-31P<br>74,270 sq.ft. | 103,269<br>396,742 | 31-Mar-2012 | A.R Ajith Fernando Incorporated Valuers | Profit Basis |
| **Dolphin Hotels PLC** | | | | | |
| Land at Waikkal<br>Buildings at Waikkal | 5A-5R-24.8P<br>139,529 sq.ft. | 102,001<br>537,950 | 31-Mar-2012 | A.R Ajith Fernando Incorporated Valuers | Profit Basis |
| **Hotel Sigiriya PLC** | | | | | |
| Buildings on Leasehold Land at Sigiriya | 70,172 sq.ft. | 156,356 | 31-Mar-2012 | A.R Ajith Fernando Incorporated Valuers | Profit Basis |
| **Giddawa Hydro Power (Pvt) Ltd**<br>Land | 1A-34-30.90 P | 8,549 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Profit Basis |
| **Okanda Power Grid (Pvt) Ltd**<br>Land | 0A-3R-31.83P | 2,650 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Profit Basis |
| **Ella Dendro Electric (Pvt) Ltd**<br>Land | 23A-2R-29.30P | 39,500 | 31-Mar-2013 | Perera Sivaskantha & Co Incorporated Valuers | Profit Basis |

# NOTES TO THE FINANCIAL STATEMENTS

*10 Property, Plant and Equipment (Contd...)*

### 10.2.2 Carrying value

| | 2013 | 2012 | 1 April 2011 |
|---|---|---|---|
| At Cost | 5,074,054 | 4,326,567 | 5,776,065 |
| At Valuation | 6,119,869 | 5,948,690 | 1,668,475 |
| On Finance Lease | 100,034 | 8,359 | 2,111 |
| | 11,293,957 | 10,283,616 | 7,446,651 |

**10.2.3** The carrying amount of revalued Freehold Land & Buildings and Buildings on leasehold land if they were carried at cost less depreciation, would be as follows;

| | Cost | Cumulative Depreciation | Net Carrying Amount 2013 | 2012 | 1 April 2011 |
|---|---|---|---|---|---|
| Freehold Land | 423,071 | - | 423,071 | 422,977 | 404,819 |
| Building on Freehold Land | 2,783,961 | 276,776 | 2,507,183 | 2,522,718 | 2,536,134 |
| Building on Leasehold Land | 662,380 | 111,608 | 550,772 | 572,007 | 89,365 |
| | 3,869,412 | 388,384 | 3,481,026 | 3,517,702 | 3,030,318 |

**10.2.5** Group property, plant and equipment with a cost of Rs. 806Mn have been fully deprecated and continue to be in use by the group.

### 10.3 Company

| | Roadways Rs.'000 | Furniture and Fittings Rs.'000 | Office Equipment Rs.'000 | Computer Hardware Rs.'000 | Motor Vehicles Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at 1 April 2011 | 6,975 | 17,193 | 11,050 | 63,730 | 91,773 | 190,721 |
| Additions | - | 16,233 | 5,692 | 6,235 | 15,240 | 43,400 |
| Disposals | - | (10,038) | (4,132) | - | (6,290) | (20,460) |
| Transfers to Investment Property/Other | (6,975) | - | - | - | - | (6,975) |
| Balance as at 1 April 2012 | - | 23,388 | 12,610 | 69,965 | 100,723 | 206,686 |
| Additions | - | 22,696 | 8,758 | 7,379 | 41,610 | 80,443 |
| Disposals | - | (1,188) | (61) | (1,024) | (5,958) | (8,231) |
| Balance as at 31 March 2013 | - | 44,896 | 21,307 | 76,320 | 136,375 | 278,898 |
| **Accumulated Depreciation** | | | | | | |
| Balance as at 1 April 2011 | - | 7,397 | 8,050 | 57,247 | 15,687 | 88,381 |
| Charge for the Year | - | 2,588 | 789 | 5,157 | 14,148 | 22,682 |
| Disposals | - | (3,575) | (2,604) | - | (3,384) | (9,563) |
| Balance as at 1 April 2012 | - | 6,410 | 6,235 | 62,404 | 26,451 | 101,500 |
| Charge for the Year | - | 4,383 | 989 | 5,312 | 19,296 | 29,980 |
| Disposals | - | (1,047) | (7) | (912) | (4,346) | (6,312) |
| Balance as at 31 March 2013 | - | 9,746 | 7,217 | 66,804 | 41,401 | 125,168 |

*10 Property, Plant and Equipment (Contd...)*

### 10.3.1 Carrying Value

| | Roadways Rs.'000 | Furniture and Fittings Rs.'000 | Office Equipment Rs.'000 | Computer Hardware Rs.'000 | Motor Vehicles Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| 31 March 2013 | - | 35,150 | 14,090 | 9,516 | 94,974 | 153,730 |
| 31 March 2012 | - | 16,978 | 6,375 | 7,561 | 74,272 | 105,186 |
| 1 April 2011 | 6,975 | 9,796 | 3,000 | 6,483 | 76,086 | 102,340 |

**10.3.2** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 40.4Mn (2012-Rs. 43.4Mn & 2011 - Rs. 71.5Mn) by means of cash.

**10.3.3** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 86.9Mn.

## 11 INVESTMENT PROPERTIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| At the Beginning of the Year | **474,685** | 1,309,965 | **331,500** | 309,965 |
| Additions (Subsequent Expenditure) | **167,881** | - | **167,881** | - |
| Net Gain/(Loss) on Fair Value Adjustment | **65,322** | 32,127 | **66,908** | 14,559 |
| Transfers | **(129,435)** | (867,407) | **-** | 6,976 |
| At the End of the Year | **578,453** | 474,685 | **566,289** | 331,500 |
| Rental Income Derived from Investment Properties | **23,617** | 26,270 | **20,909** | 18,142 |
| Direct Operating Expenses (Including Repair and Maintenance) Generating Rental Income | **(7,918)** | (11,574) | **(2,351)** | (6,273) |
| Direct Operating Expenses (Including Repair and Maintenance) that did not Generate Rental Income | **(395)** | (354) | **(477)** | (354) |
| Net Profit Arising from Investment Properties Carried at Fair Value | **15,304** | 14,341 | **18,081** | 11,515 |

# NOTES TO THE FINANCIAL STATEMENTS

### 11.1 Details of Investment Properties

| Property | Extent | Valuation Rs'000 | Date of the valuation | Valuer | Valuation Details |
|---|---|---|---|---|---|
| **Hemas Holdings PLC** | | | | | |
| Freehold Property at Welisara<br>Land<br>Building | 1A-3R-8P<br>66,340 sq.ft. | 307,250 | 31-Mar-2013 | Perera Sivaskantha & Co<br>Incorporated Valuers | Open Market Value |
| Freehold Property at Handala<br>Land<br>Building | 2R-4.13P<br>2,960 sq.ft. | 54,500 | 31-Mar-2013 | Perera Sivaskantha & Co<br>Incorporated Valuers | Open Market Value |
| Freehold Property at Tangalle<br>Land | 1A-0R-30P | 47,500 | 31-Mar-2013 | Sunil Fernando Associates | Open Market Value |
| Freehold Property at Moratuwa<br>Land | 0A-2R-39P | 157,039 | 31-Mar-2013 | Sunil Fernando Associates | Open Market Value |
| **Hemas Developments (Pvt) Ltd.** | | | | | |
| Freehold Property at Braybrooke Place<br>Land<br>Building | 1R-10P<br>99,372 sq.ft. | 1,204,700 | 31-Mar-2013 | Perera Sivaskantha & Co<br>Incorporated Valuers | Income Basis |

The significant assumptions used by the valuer are as follows

| | |
|---|---|
| Growth in Future Rentals | 12% |
| Anticipated Maintenance Cost | 55% |
| Discount Rate | 6% |

### 12 LEASEHOLD RIGHT

| | Group | |
|---|---|---|
| | **2013 Rs.'000** | **2012 Rs.'000** |
| At the Beginning of the Year | **94,455** | 98,386 |
| Additions/Acquisitions | **-** | - |
| Amortisation | **(3,863)** | (3,931) |
| At the End of the Year | **90,592** | 94,455 |

### 12.1 Details of Leasehold Properties

| Property | Extent | Lease period | Value Rs'000 |
|---|---|---|---|
| **Hemas Manufacturing (Pvt) Ltd** | | | |
| Land at Ambakumbura | 5A - 1R - 23.47P | 21 Years | 17,333 |
| Serendib Hotels PLC | | | |
| Land at Bentota | 2A - 0R - 6P<br>1A - 0R - 37P | 50 Years<br>30 Years | 35,736 |
| **Hotel Sigiriya PLC** | | | |
| Land at Sigiriya | 8A - 0R - 16P | 30 Years | 2,644 |
| **Hemas Hospitals (Pvt) Ltd** | | | |
| Land at Wattala | 227.5P | 30 years | 42,673 |

## 13 INTANGIBLE ASSETS

| | Group | | | | | Company | |
|---|---|---|---|---|---|---|---|
| | Software Rs.'000 | Brand Rs.'000 | Development Expenses Rs.'000 | Goodwill on Consolidaion Rs.'000 | Total Rs.'000 | Software Rs.'000 | Total Rs.'000 |
| **13.1 Cost or Valuation** | | | | | | | |
| As at 1 April 2011 | 43,437 | 132,521 | 10,833 | 353,067 | 539,858 | 20,484 | 20,484 |
| Addition/ Change in Percentage Holding | 1,129 | - | 1,146 | 6,767 | 9,042 | 266 | 266 |
| Acquisition of Subsidiary | - | - | - | - | - | - | - |
| Disposals | (1,633) | - | - | - | (1,633) | - | - |
| As at 31 March 2012 | 42,933 | 132,521 | 11,979 | 359,834 | 547,267 | 20,750 | 20,750 |
| **Accumulated Amortisation/Impairment** | | | | | | | |
| As at 1 April 2011 | 27,886 | 12,658 | 7,996 | - | 48,540 | 17,519 | 17,519 |
| Amortisation | 6,572 | 8,178 | 2,556 | - | 17,306 | 1,956 | 1,956 |
| Acquisition of Subsidiary | - | - | - | - | - | - | - |
| Impairment/ Derecognition | - | - | - | 20,664 | 20,664 | - | - |
| Disposals | (742) | - | - | - | (742) | - | - |
| As at 31 March 2012 | 33,716 | 20,836 | 10,552 | 20,664 | 85,768 | 19,475 | 19,475 |
| **Carrying Value** | 9,217 | 111,685 | 1,427 | 339,170 | 461,499 | 1,275 | 1,275 |
| **13.2 Cost or Valuation** | | | | | | | |
| As at 1 April 2012 | 42,933 | 132,521 | 11,979 | 359,834 | 547,267 | 20,750 | 20,750 |
| Addition/ Change in Percentage Holding | 1,743 | - | - | - | 1,743 | 98 | 98 |
| Acquisition of Subsidiary | - | - | - | 15,463 | 15,463 | - | - |
| Disposals | - | - | - | - | - | - | - |
| As at 31 March 2013 | 44,676 | 132,521 | 11,979 | 375,297 | 564,473 | 20,848 | 20,848 |
| **Accumulated Amortisation/Impairment** | | | | | | | |
| As at 1 April 2012 | 33,716 | 20,836 | 10,552 | 20,664 | 85,768 | 19,475 | 19,475 |
| Amortisation | 4,830 | 28,542 | 632 | - | 34,004 | 975 | 975 |
| Acquisition of Subsidiary | - | - | - | - | - | - | - |
| Impairment/ Derecognition | - | 8,000 | - | - | 8,000 | - | - |
| Disposals | - | - | - | - | - | - | - |
| As at 31 March 2013 | 38,546 | 57,378 | 11,184 | 20,664 | 127,772 | 20,450 | 20,450 |
| **Carrying Value** | 6,130 | 75,143 | 795 | 354,633 | 436,701 | 398 | 398 |

The Group and the Company annually carry out an impairment test on 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 14 INVESTMENT IN SUBSIDIARIES

| | Holding | | | | | |
|---|---|---|---|---|---|---|
| | 2013 % | 2012 % | 1 April 2011 % | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Non-Quoted Investments** | | | | | | |
| Hemas Corporate Services (Pvt) Ltd. | **100%** | 100% | 100% | **39,891** | 39,891 | 39,891 |
| Hemas Developments (Pvt) Ltd. | **73%** | 73% | 73% | **632,316** | 632,316 | 632,316 |
| Hemas Manufacturing (Pvt) Ltd. | **100%** | 100% | 100% | **509,905** | 509,905 | 509,905 |
| Hemas Marketing (Pvt) Ltd. | **100%** | 100% | 100% | **192,600** | 192,600 | 192,600 |
| Hemas Foods (Pvt) Ltd. | **100%** | 100% | 100% | **24,846** | 24,846 | 24,846 |
| Hemas Pharmaceuticals (Pvt) Ltd. | **100%** | 100% | 100% | **213,331** | 213,331 | 213,331 |
| Hemas Surgicals and Diagnostics (Pvt) Ltd. | **100%** | 100% | 100% | **23,957** | 23,957 | 23,957 |
| Hemas Travels (Pvt) Ltd. | **100%** | 100% | 100% | **91,359** | 91,359 | 91,359 |
| Hemas Air Services (Pvt) Ltd. | **100%** | 100% | 100% | **64,687** | 64,687 | 64,687 |
| Forbes Air Services (Pvt) Ltd. | **100%** | 100% | 100% | **62,452** | 62,452 | 62,452 |
| Discover the World Marketing (Pvt) Ltd. | **100%** | 100% | 100% | **4,666** | 4,666 | 4,666 |
| Hemas Aviation (Pvt) Ltd. | **100%** | 100% | 100% | **1,910** | 1,910 | 1,910 |
| Exchange & Finance Investments (Pvt) Ltd. | **100%** | 100% | 100% | **9,412** | 9,412 | 9,412 |
| Hemtours (Pvt) Ltd. | **100%** | 100% | 100% | **161,207** | 209,911 | 209,911 |
| Leisure Asia Investments Ltd. | **100%** | 100% | 100% | **398,795** | 398,795 | 257,559 |
| Peace Haven Resorts Ltd. | **95%** | 95% | 95% | **336,455** | 336,455 | 336,455 |
| Hemas Transportation (Pvt) Ltd. | **100%** | 100% | 100% | **85,049** | 300 | 300 |
| ACX International (Pvt) Ltd. | **0%** | 0% | 100% | **-** | - | 21,788 |
| Mowbray Hotels Ltd. | **89%** | 89% | 89% | **46,200** | 46,200 | 46,200 |
| Far Shipping Lanka (Pvt) Ltd. | **100%** | 100% | 100% | **3,000** | 3,000 | 3,000 |
| Hemas Hospitals (Pvt) Ltd. | **81%** | 81% | 74% | **1,241,225** | 1,128,783 | 877,564 |
| Vishwa BPO (Pvt) Ltd. | **100%** | 100% | 100% | **10,000** | 10,000 | 10,000 |
| | | | | **4,153,264** | 4,004,777 | 3,634,109 |
| **Quoted Investments** | | | | | | |
| Serendib Hotels PLC | | | | **248,101** | 248,101 | 120,755 |
| Hemas Power PLC | | | | **1,941,137** | 1,941,137 | 1,941,137 |
| Dolphin Hotels PLC | | | | **1,631** | 281 | - |
| **Total** | | | | **6,344,133** | 6,194,296 | 5,696,001 |

## 15 INVESTMENT IN JOINT VENTURES

| | Company | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 April 2011 | 2013 | 2012 | 1 April 2011 |
| | | Holding % | | Rs.'000 | Rs.'000 | Rs.'000 |
| Hellmann Worldwide Logistics (Pvt) Ltd. | **49%** | 49% | 49% | **8,475** | 8,475 | 8,475 |
| Hemas International Freight (Pvt) Ltd. | **49%** | 49% | 49% | **30,044** | 30,044 | 30,044 |
| ACX International (Pvt) Ltd. | | | | **-** | 10,676 | - |
| | | | | **38,519** | 49,195 | 38,519 |
| Less- Impairment in Investment | | | | **-** | (10,676) | - |
| | | | | **38,519** | 38,519 | 38,519 |

### 15.1 Proportionate Interest in Joint Ventures

Aggregate amounts of Group's proportionate share of Heladhanavi Ltd (47%), HIF Logistics (Pvt) Ltd (49%) , Skynet Worldwide Express (Pvt) Ltd. (49%) and Hellmann Worldwide Logistics (Pvt) Ltd, (49%), ACX International (Pvt) Ltd (49%),H & M Shipping (Pvt) Ltd (50%) included in the Group financial statements are as follows:

| | 2013<br>Rs.'000 | 2012<br>Rs.'000 |
|---|---|---|
| **Statement of Financial Position** | | |
| a) Current Assets | **2,382,797** | 2,096,507 |
| b) Non Current Assets | **1,256,577** | 1,399,577 |
| c) Current Liabilities | **2,087,228** | 2,142,078 |
| d) Non Current Liabilities | **388,451** | 179,778 |
| **Income Statement** | | |
| e) Revenue | **5,490,743** | 4,477,903 |
| f) Net Profit | **195,421** | 185,610 |

## 16 INVESTMENT IN ASSOCIATES

The Group has a 19.9% interest in Jada Resort (Pvt) Ltd which is involved in hotel operations. Jada resorts is a Private Limited company that is not listed on any public exchange.

| | | Group | |
|---|---|---|---|
| | 2013<br>Rs.'000 | 2012<br>Rs.'000 | 1st April 2011<br>Rs.'000 |
| **Group's Share of Associate's Statement of Financial Position** | | | |
| Current Assets | **81,807** | 38,687 | 21,200 |
| Non Current Assets | **315,108** | 157,461 | 165,238 |
| Current Liabilities | **70,990** | 15,195 | 17,658 |
| Non-Current Liabilities | **104,600** | 1,554 | 778 |
| **Equity** | **221,325** | 179,399 | 168,002 |
| Share of the Associate Revenue | **48,009** | 75,037 | - |
| Share of the Associate Profit Before Tax | **1,554** | 11,925 | - |
| Share of the Associate Profit After Tax | **589** | 11,397 | - |
| **Carrying Amount of the Investment** | **221,325** | 179,399 | 168,002 |

# NOTES TO THE FINANCIAL STATEMENTS

## 17 OTHER FINANCIAL ASSETS

| OTHER FINANCIAL ASSETS | Group 2013 Rs.'000 | Group 2012 Rs.'000 | Group 1 April 2011 Rs.'000 | Company 2013 Rs.'000 | Company 2012 Rs.'000 | Company 1 April 2011 Rs.'000 |
|---|---|---|---|---|---|---|
| **Available For Sale Investments** | | | | | | |
| Quoted Equity Shares (Note 17.1.1) | **197,438** | 74,354 | 83,065 | **71,846** | 74,296 | 82,976 |
| Unquoted Equity Shares (Note 17.1.1) | **12,388** | 10,371 | 10,215 | **-** | - | - |
| | **209,826** | 84,725 | 93,280 | **71,846** | 74,296 | 82,976 |
| **Loans and Receivables** | | | | | | |
| ESOS Receivables (Note 17.1.2) | **274,462** | 274,811 | 130,881 | **96,389** | 93,045 | 42,255 |
| Loans to Company Officers | **82,684** | 65,252 | 62,694 | **9,893** | 8,843 | 7,350 |
| Loans Due from Related Parties (Note 17.2.1) | **-** | - | - | **694,709** | 404,474 | 594,272 |
| Refundable Deposit | **5,094** | 4,833 | 3,545 | **-** | - | - |
| Short Term Investments | **-** | 255,963 | 670,496 | **-** | - | - |
| | **362,240** | 600,859 | 867,616 | **800,991** | 506,362 | 643,877 |
| **Held to Maturity Investment** | | | | | | |
| Investments in Treasury Bonds | **-** | - | 49,549 | **-** | - | - |
| | **-** | - | 49,549 | **-** | - | - |
| **Total Other Financial Assets** | **572,066** | 685,584 | 1,010,445 | **872,837** | 580,658 | 726,853 |
| Total Non-Current (Note 17.1) | **399,147** | 324,069 | 277,255 | **224,924** | 229,941 | 200,231 |
| Total Current (Note 17.2) | **172,919** | 361,515 | 733,190 | **647,913** | 350,717 | 526,622 |

*Available For Sale Investment - Quoted Equity Shares*

The Company and Group have investments in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

*Available For Sale Investment - Unquoted Equity Shares*

The Group has investments in unquoted equity securities. The fair value of the unquoted equity shares is estimated using appropriate valuation techniques.

*Impairment on Available For Sale Financial Investments*

For Available For Sale financial investments, the Group and Company assess at each reporting date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as Available For Sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or prolonged requires judgment. In making this judgment, the Group and Company evaluate, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

### 17.1 Other Financial Assets - Non Current

| | Group 2013 Rs.'000 | Group 2012 Rs.'000 | Group 1 April 2011 Rs.'000 | Company 2013 Rs.'000 | Company 2012 Rs.'000 | Company 1 April 2011 Rs.'000 |
|---|---|---|---|---|---|---|
| Investment in Equity Securities - (Note 17.1.1) | **209,826** | 84,725 | 93,280 | **71,846** | 74,296 | 82,976 |
| ESOS Receivables (Note 17.1.2) | **184,227** | 234,511 | 130,881 | **78,078** | 80,645 | 42,255 |
| Loans Due from Related Parties (Note 17.1.3) | - | - | - | 75,000 | 75,000 | 75,000 |
| Refundable Deposits | **5,094** | 4,833 | 3,545 | **-** | - | - |
| Investments in Treasury Bonds | **-** | - | 49,549 | **-** | - | - |
| | **399,147** | 324,069 | 277,255 | **224,924** | 229,941 | 200,231 |

*17 Other Financial Assets (Contd...)*

### 17.1.1 Investment in Equity Securities - Non Current

| Group | No. of Shares | | Carrying value | | | Fair value | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| (a) Quoted | | | | | | | | |
| Overseas Realty (Ceylon) PLC | **1,000** | 1,000 | **14** | 13 | 15 | **14** | 13 | 15 |
| Eden Hotels Lanka PLC | **127** | 127 | **4** | 4 | 7 | **4** | 4 | 7 |
| Galadari Hotels PLC | **2000** | 2000 | **24** | 39 | 65 | **24** | 39 | 65 |
| Blue Diamond Jewellers PLC | **1300** | 1300 | **4** | 4 | 4 | **4** | 4 | 4 |
| Royal Palm Beach Hotels PLC | **85** | 85 | **3** | 5 | 6 | **3** | 5 | 6 |
| Mecantile Shipping PLC | **484,334** | 424,323 | **69,889** | 72,559 | 80,621 | **69,889** | 72,559 | 80,621 |
| Kotmale Holdings PLC | **40,000** | 40,000 | **1,436** | 1,580 | 2,140 | **1,436** | 1,580 | 2,140 |
| John Keells Holdings PLC | **2081** | 726 | **514** | 150 | 207 | **514** | 150 | 207 |
| Pan Asia Power PLC | **139,200** | - | **125,550** | - | - | **125,550** | - | - |
| | | | **197,438** | 74,354 | 83,065 | **197,438** | 74,354 | 83,065 |

| | No. of Shares | | Carrying value | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| (b) Unquoted | | | | | |
| Rainforest Ecology (Pvt) Ltd. | **1,000,000** | 1,000,000 | **12,000** | 10,000 | 10,000 |
| SLFFA Cargo Services Ltd. | **18,900** | 18,900 | **383** | 366 | 210 |
| Coca Cola Beaverages Ltd. | **100** | 100 | **5** | 5 | 5 |
| | | | **12,388** | 10,371 | 10,215 |

### Investment in Equity Securities - Non Current

| Company | No. of Shares | | | Carrying Value | | | Fair Value | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 April 2011 | 2013 | 2012 | 1 April 2011 | 2013 | 2012 | 1 April 2011 |
| Quoted | | | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Overseas Realty (Ceylon) PLC | **500** | 500 | 500 | **7** | 7 | 8 | **7** | 7 | 8 |
| Kotmale Holdings PLC | **40,000** | 40,000 | 40,000 | **1,436** | 1,580 | 2,140 | **1,436** | 1,580 | 2,140 |
| Mercantile Shipping PLC | **484,334** | 426,223 | 426,223 | **69,889** | 72,559 | 80,621 | **69,889** | 72,559 | 80,621 |
| John Keells Holdings PLC | **2,081** | 726 | 726 | **514** | 150 | 207 | **514** | 150 | 207 |
| | | | | **71,846** | 74,296 | 82,976 | **71,846** | 74,296 | 82,976 |

### 17.1.2 ESOS Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| ESOS receivable at the Begining of the Year | **274,811** | 130,881 | **93,045** | 42,255 |
| Payment Made during the Year | **(37,725)** | 154,747 | **(9,299)** | 61,004 |
| Fair Valuation | **-** | (39,390) | **-** | (20,369) |
| Unwinding of Interest | **37,376** | 28,573 | **12,643** | 10,155 |
| | **274,462** | 274,811 | **96,389** | 93,045 |
| Non Current | **184,227** | 234,511 | **78,078** | 80,645 |
| Current | **90,235** | 40,300 | **18,311** | 12,400 |

# NOTES TO THE FINANCIAL STATEMENTS

*17 Other Financial Assets (Contd...)*

### 17.1.3 Loans Due from Related Parties

| | | Company | | |
|---|---|---|---|---|
| | Relationship | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **15,000** | 15,000 | 15,000 |
| Giddawa Hydro Power (Pvt) Ltd. | Subsidiary | **60,000** | 60,000 | 60,000 |
| | | **75,000** | 75,000 | 75,000 |

### 17.2 Other Financial Assets - Current

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| ESOS Receivables | **90,235** | 40,300 | - | **18,311** | 12,400 | - |
| Loans to Company Officers | **82,684** | 65,252 | 62,694 | **9,893** | 8,843 | 7,350 |
| Loans due from Related parties (17.2.1) | **-** | - | - | **619,709** | 329,474 | 519,272 |
| Short Term Investments | **-** | 255,963 | 670,496 | **-** | - | - |
| **Total Current Financial Assets** | **172,919** | 361,515 | 733,190 | **647,913** | 350,717 | 526,622 |

### 17.2.1 Loans Due from Related Parties

| | | Company | | |
|---|---|---|---|---|
| | Relationship | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **50,000** | 27,716 | 98,716 |
| Hemas Corporate Services (Pvt) Ltd . | Subsidiary | **21,540** | 5,340 | - |
| HIF Logistics (Pvt) Ltd. | Joint Venture | **124** | 124 | 6,000 |
| Hemas Surgicals and Diagnostics (Pvt) Ltd. | Subsidiary | **-** | - | 1,000 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **366,895** | 175,895 | 237,896 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **-** | - | 10,000 |
| Hemtours (Pvt) Ltd. | Subsidiary | **65,000** | 65,000 | 65,000 |
| N-able (Pvt) Ltd. | Subsidiary | **75,000** | 55,000 | 47,000 |
| Peace Haven Resorts (Pvt) Ltd. | Subsidiary | **40,000** | - | - |
| Serendib Hotels PLC | Subsidiary | **1,150** | 19 | 53,510 |
| Leisure Asia Investments Ltd. | Subsidiary | **-** | 380 | 150 |
| | | **619,709** | 329,474 | 519,272 |

## 18 INVENTORIES

| | Group | | |
|---|---|---|---|
| | 2013 | 2012 | 1 April 2011 |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| Raw Materials | **306,323** | 254,310 | 312,798 |
| Work in Progress | **31,938** | 40,170 | 37,801 |
| Finished Goods & Other Stocks | **2,005,174** | 1,701,875 | 1,406,401 |
| Goods in Transit | **136,010** | 65,590 | - |
| Less:Provision for Obsolete Stocks | **(54,308)** | (56,956) | (76,228) |
| | **2,425,137** | 2,004,989 | 1,680,772 |

## 19 TRADE AND OTHER RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 April 2011 | 2013 | 2012 | 1 April 2011 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Trade Debtors | | | | | | |
| Related Parties (19.1) | **-** | - | - | **258,872** | 133,841 | 92,771 |
| Others | **3,851,559** | 3,327,985 | 2,898,620 | **3,913** | 1,684 | 2,171 |
| Ceylon Electricity Board | **1,875,008** | 1,532,730 | 603,958 | **-** | - | - |
| Less: Allowance for Impairment -Related Party | **-** | - | - | **(52,146)** | (34,465) | (16,431) |
| -Other | **(141,480)** | (158,993) | (145,952) | **(678)** | (438) | - |
| | **5,585,087** | 4,701,722 | 3,356,626 | **209,961** | 100,622 | 78,511 |
| Other Debtors | | | | | | |
| Related Parties (19.2) | **-** | - | - | **692,539** | 169,921 | 127,894 |
| Others | **711,597** | 572,770 | 574,860 | **26,476** | 5,888 | 6,874 |
| Advances and Prepayments | **770,654** | 585,975 | 299,869 | **97,375** | 89,727 | 11,476 |
| Less: Allowance for Impairment | **(19,643)** | (6,047) | (3,736) | **-** | - | - |
| | **7,047,695** | 5,854,420 | 4,227,619 | **1,026,351** | 366,158 | 224,755 |

**Group**

As at 31 March, the Age Analysis of Trade Receivables is as follows:

| | | | Past due but not Impaired | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Current | < 30 | 31-60 days | 61-90 days | 91-120 days | > 120 days |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 2013 | 5,585,087 | 3,879,223 | 645,626 | 563,462 | 487,622 | 8,502 | 650 |
| 2012 | 4,701,722 | 3,310,011 | 560,476 | 418,878 | 405,892 | 5,814 | 650 |
| 2011 | 3,356,626 | 2,578,161 | 364,311 | 202,409 | 191,923 | 19,822 | - |

**Company**

As at 31 March, the Age Analysis of Trade Receivables is as follows;

| | | | Past due but not Impaired | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Current | < 30 | 31-60 days | 61-90 days | 91-120 days | > 120 days |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 2013 | 209,961 | 175,023 | 12,405 | 19,262 | 2,443 | 758 | 70 |
| 2012 | 100,622 | 90,851 | 2,467 | 1,682 | 1,309 | - | 4,313 |
| 2011 | 78,511 | 41,667 | 17,788 | 3,846 | 6,704 | 6,245 | 2,261 |

# NOTES TO THE FINANCIAL STATEMENTS

*19 Trade and Other Receivables (Contd...)*

**19.1 Trade Dues from Related Parties**

| | | Company | | |
|---|---|---|---|---|
| | Relationship | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **69,364** | 23,296 | 20,362 |
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **1,101** | 469 | 466 |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | **-** | 34 | - |
| HIF Logistics (Pvt) Ltd. | Joint Venture | **-** | - | 41 |
| Hemas Travels (Pvt) Ltd. | Subsidiary | **5,346** | 1,681 | 1,578 |
| Hemas Power PLC | Subsidiary | **174** | 127 | 805 |
| Hemas Air Services (Pvt) Ltd. | Subsidiary | **19,350** | 4,814 | 467 |
| Hemtours (Pvt) Ltd. | Subsidiary | **-** | 5,117 | 511 |
| Exchange & Finance Investment (Pvt) Ltd. | Subsidiary | **6** | 6 | - |
| Hemas Southern Hospitals (Pvt) Ltd. | Subsidiary | **5,561** | 4,958 | 3,576 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **35,739** | 6,830 | 9,081 |
| Hemas Capital Hospital (Pvt) Ltd. | Subsidiary | **382** | - | - |
| Hemas Surgicals & Diagnostics (Pvt) Ltd. | Subsidiary | **7,438** | 178 | 20 |
| Hemas Aviation (Pvt) Ltd. | Subsidiary | **35** | 46 | 44 |
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | **11,046** | 29,161 | 7,283 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | **60,207** | 41,038 | 34,761 |
| ACX International (Pvt) Ltd. | Joint Venture | **219** | 219 | 68 |
| Hemas Developments (Pvt) Ltd. | Subsidiary | **8** | 43 | 90 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **508** | 458 | 461 |
| Heladhanavi Ltd. | Joint Venture | **90** | 90 | 90 |
| Giddawa Hydro Power (Pvt) Ltd. | Subsidiary | **7** | 3 | 3 |
| Serendib Leisure Management (Pvt) Ltd. | Subsidiary | **574** | 821 | 3,718 |
| Serendib Hotels PLC | Subsidiary | **5,749** | 2,609 | 876 |
| Hellmann Worldwide Logistics (Pvt) Ltd. | Joint Venture | **138** | 117 | 117 |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | **21,575** | 763 | 1,411 |
| N-able (Pvt) Ltd. | Subsidiary | **10,654** | 10,880 | 6,889 |
| Skynet Worldwide Express (Pvt) Ltd. | Joint Venture | **30** | 72 | 53 |
| Peace Haven Resorts Ltd. | Subsidiary | **384** | 11 | - |
| Okanda Power Grid (Pvt) Ltd. | Subsidiary | **33** | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | **3,154** | - | - |
| | | **258,872** | 133,841 | 92,771 |

*19 Trade and Other Receivables (Contd...)*

### 19.2 Other Dues from Related Parties

**Company**

| | Relationship | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
|---|---|---|---|---|
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | **34,897** | 6,913 | 972 |
| Hemtours (Pvt) Ltd. | Subsidiary | **-** | 11,904 | 16,369 |
| Hemas Development (Pvt) Ltd. | Subsidiary | **75** | - | - |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | **25** | 11 | 1,925 |
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **14,917** | 12,492 | 812 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | **90** | 48,096 | 48,521 |
| Hemas Aviation (Pvt) Ltd. | Subsidiary | **-** | 17 | - |
| Hemas Travels (Pvt) Ltd. | Subsidiary | **1,047** | 6,676 | 1,035 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **2,434** | 2,192 | - |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | **3,531** | 1,722 | 251 |
| Hemas Surgicals and Diagnostics (Pvt) Ltd. | Subsidiary | **8** | 8 | 8 |
| Hemas Clinical Research Services (Pvt) Ltd. | Subsidiary | **3,496** | 3,496 | 3,496 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **570,606** | 38,788 | 38,370 |
| Hemas Capital Hospital (Pvt) Ltd. | Subsidiary | **28** | 236 | - |
| Hemas Southern Hospitals (Pvt) Ltd. | Subsidiary | **162** | - | - |
| Hemas Power PLC | Subsidiary | **3,241** | 781 | 745 |
| N-able (Pvt) Ltd. | Subsidiary | **15,728** | 10,925 | 2,761 |
| Peace Haven Resorts Ltd. | Subsidiary | **5,907** | 4,921 | - |
| Skynet Worldwide Express (Pvt) Ltd. | Joint Venture | **176** | - | - |
| Hemas Air Services (Pvt) Ltd. | Subsidiary | **154** | 12,616 | 12,539 |
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **22,064** | 5,829 | - |
| Leisure Asia Investments Ltd. | Subsidiary | **4,242** | - | - |
| Hemas Transportation (Pvt) Ltd. | Subsidiary | **12** | - | - |
| Mowbray Hotels Ltd. | Subsidiary | **5,482** | 4,571 | 3,586 |
| Serendib Leisure Management (Pvt) Ltd. | Subsidiary | **7,658** | 1,223 | - |
| Serendib Hotels PLC | Subsidiary | **10** | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | **45** | - | - |
| Less: Allowance for impairment | | **(3,496)** | (3,496) | (3,496) |
| | | **692,539** | 169,921 | 127,894 |

### 20 STATED CAPITAL

| | 2013 Number | 2013 Rs.'000 | 2012 Number | 2012 Rs.' 000 |
|---|---|---|---|---|
| **20.1 Fully Paid Ordinary Shares** | | | | |
| Balance at the Beginning of the Year | **515,290,620** | **1,600,603** | 512,040,620 | 1,468,426 |
| Sub Division of Shares | | | | - |
| Issue of Shares under Employee Shares Ownership Scheme | **-** | - | 3,250,000 | 132,177 |
| Balance at the End of the Year | **515,290,620** | **1,600,603** | 515,290,620 | 1,600,603 |

### 20.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 21 OTHER CAPITAL AND REVENUE RESERVE

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Balance at the Beginning of the Year | **440,601** | 345,206 | **257,032** | 257,032 |
| Net Gain/(Loss) Recognised Directly in Equity | **(30,850)** | 95,395 | **-** | - |
| **Balance at the End of the Year** | **409,751** | 440,601 | **257,032** | 257,032 |

**21.1** Group's other capital and revenue reserves represents Overhaul reserve and Heat Rate and Lube Oil reserve of joint venture, Heladhanavi Ltd and genreral reserves of other subsdiaries.

**21.2** Other Capital reserves of the company represents the share of subsidiaries capital reserves accounted for using equity method until 31 March 2006. With effect from 1 April 2006 in accordance with the revised SLAS 26 the investments in subsidiaries are accounted at carrying value as at that date and any investment made affter 1 April 2006 are carried at cost, net of any provision for impairment.

## 22 INTEREST BEARING LOANS AND BORROWINGS

### 22.1 Group

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| Balance as at Beginning of the Year | **2,321,285** | 2,691,306 |
| Obtained during the Year | **942,949** | 974,491 |
| Acquired during the Year | **132,993** | |
| Repayments | **(478,421)** | (1,493,372) |
| Exchange Differences through Income Statement | **16,768** | 90,649 |
| Exchange Differences through Other Comprehensive Income | **(37,457)** | 58,211 |
| **Balance as at the End of the Year** | **2,898,117** | 2,321,285 |
| | | |
| Non Current | **2,182,887** | 1,384,827 |
| Current | **715,230** | 936,458 |
| | **2,898,117** | 2,321,285 |

### 22.1.1 Interest Bearing Loans and Borrowings (Contd...)

| Security and Repayment Terms | Lending Institution | Nature of Facility | Interest Rate and Security | Repayment Terms | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|---|---|---|---|
| Hemas Holdings PLC | HNB | Term Loan | Interest - Monthly AWPLR+1 | Repayable over 6 Years Starting from 1st November 2013 | 503,001 | - |
| Hemas Pharmaceuticals (Pvt)Ltd. | SCB | Term Loan | 11.75% | Repayable within | | 291,000 |
| | Central Finance | Finance Lease | | 120 days | 1,079 | 1,583 |
| Heladhanavi Ltd. | HSBC | Term Loan | 1 Month LIBOR + 3.25 p.a<br><br>Registered undertaking to mortgage over Project assets (Land , Building , Plant & Machinary ) for USD 6,400,000 | 36 Equal Monthly Installments of USD 177,777.78 | 63,271 | 192,532 |
| Heladhanavi Ltd. | SCB | Term Loan | 1 Month LIBOR + 3.25 p.a re Priced Quarterly<br><br>Registered undertaking to mortgage over Project assets (Land , Building , Plant & Machinary ) for USD 6,000,000 | 42 Equal Monthly Installments of USD 142,857 | 108,454 | 214,879 |
| Heladhanavi Ltd. | HSBC | Term Loan | 1 Month LIBOR + 3.25 p.a<br><br>Registered undertaking to mortgage over Project assets (Land , Building , Plant & Machinary ) for USD 6,000,000 | 6 equal quartely instalments of USD 750,000 | 358,287 | - |
| Heladhanavi Ltd. | Sampath Bank | Term Loan | Floting interest rate. | - | | 94,120 |
| Hemas Hospitals (Pvt) Ltd. | HNB | Term Loan | The Term Loan interest is calculated on 1.25% interest per annum above the Average Weighted Prime Lending Rate. That will be repaid over 05 years. The Revolving Short Term Interest is calculated based on the short term money market rate.<br><br>The loan is secured by a primary mortgage over Leasehold Land, Plant, Machinery, Equipment, and Building. | The Capital repayment of the loan commences after a grace period of 12 months from January 2010 which is paid in 48 monthly installments. | 79,820 | 64,000 |

# NOTES TO THE FINANCIAL STATEMENTS

### *22.1.1 Interest Bearing Loans and Borrowings (Contd...)*

| Security and Repayment Terms | Lending Institution | Nature of Facility | Interest Rate and Security | Repayment Terms | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|---|---|---|---|
| Hemas Hospitals (Pvt) Ltd. | DFCC | Project Loan | 4% interest per annum above the Average Weighted Deposit Rate. The rate of interest will be revised in every 3 months until the settlement of loan in full. Provided that the Company pays the loan installments and interest regularly without any default. | The Capital repayment of the loan commences after a grace period of 24 months from October 2007 which is paid in 84 monthly installments. | 427,850 | 547,250 |
| Hemas Hospitals (Pvt) Ltd | NTB | Finance Lease | | | 1,103 | 1,968 |
| Hemas Southern Hospitals (Private) Ltd. | Sampath Bank | Term Loan | 4% interest per annum above the Average Weighted Prime Lending Rate. The rate of interest will be revised in every 3 months until the settlement of loan in full. Provided that the Company pays the loan installments and interest | The Capital repayment of the loan commences after an extended grace period of 12 months from December 2010 which is need to be paid in 59monthly installments. | 103,887 | 148,606 |
| Hemas Logistics (Pvt) Ltd. | Mercantile Investments | Finance Lease | | | 43,187 | |
| | Sampath Bank | Finance Lease | | | 19,619 | |
| | Union Bank | Finance Lease | | | 7,994 | |
| | Central Finance Company | Finance Lease | | | 160 | |
| Hemas Logistics (Pvt) Ltd. | NDB | Term Loan | 16.25% p.a | 48 months | 5,230 | |
| Hemas Logistics (Pvt) Ltd. | UNION BANK | Term Loan | 19.00% p.a | 48 months | 8,432 | |
| N'ble (Pvt) Ltd. | NTB | Import Loan | 13.90% p.a | 3 months | - | 6,507 |
| | | Import Loan | 16.00% p.a | 2 months | - | 11,920 |
| Diethelm Travel Lanka (Pvt) Ltd. | NTB | Finance Lease | | | 2,899 | 3,890 |
| Skynet Worldwide Express (Pvt) Ltd. | Commercial Leasing | Finance Lease | | | 317 | 543 |
| | Melsta Regal Finance | Finance Lease | | | 802 | - |
| H & M Shipping Services (Pvt) Ltd. | SCB | Term Loan | Variable at the discretion of the Bank | 36 Months | 8,750 | - |
| Serendib Hotels PLC | HNB EURO | Term Loan | 3 Months EURIBOR+ 3.5% p.a | 59 instalments from Nov'12 | 99,858 | 116,837 |
| | HNB GBP | Term Loan | 3 Months LIBOR+ 3.5% p.a | 59 instalments from Nov'12 | 54,928 | 64,974 |
| | HNB EURO | Term Loan | 3 Months EURIBOR+ 3.5% p.a | 60 instalments from Nov'12 | 92,609 | 57,977 |
| | HNB GBP | Term Loan | 3 Months LIBOR+ 3.5% p.a | 59 instalments from Nov'12 | 50,830 | 102,650 |
| | HNB EURO | Term Loan | 3 Months EURIBOR+ 5.25% p.a | 60 instalments from Sep'13 | 104,617 | - |
| Dolphin Hotels PLC | Commercial Bank EURO | Term Loan | At 3.75 0ver 1 month Euro LIBOR p.a | 72 instalments from May '11 | 119,810 | 135,581 |
| Miami Beach Hotel Ltd. | Commercial Bank GBP | Term Loan | At 3.75 0ver 1 month GBP LIBOR p.a | 72 instalments from May '11 | 231,205 | 264,494 |
| Hotel Sigiriya PLC | Commercial Bank | Term Loan | 6.5% p.a. | 60 monthly instalments | 116 | 466 |
| Serendib Leisure Management (Pvt) Ltd. | Jada Resort (Pvt) Ltd | | Prevailing market Rate | On demand | 400,000 | - |

*22.2 Interest Bearing Loans and Borrowings (Contd...)*

**Company**

| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
|---|---|---|---|
| **Interest Bearing Loans and Borrowings-Non Current** | | | |
| Loans from Related Parties (Note 22.2.1) | **820,496** | 940,785 | 633,523 |
| Bank Loans | **468,070** | - | - |
| | **1,288,566** | 940,785 | 633,523 |
| **Interest Bearing Loans and Borrowings-Current** | | | |
| Loans from Related Parties (Note 22.2.1) | **1,020,393** | 290,590 | 321,640 |
| Bank Loans | **34,931** | - | - |
| | **1,055,324** | 290,590 | 321,640 |

### 22.2.1 Loans from Related Parties

| | Relationship | As at 01 April 2012 Rs.'000 | Obtained During the Year Rs.'000 | Repayment/ Transfer Rs.'000 | As at 31 March 2013 Rs.'000 | As at 01 April 2011 Rs.'000 | Obtained During the Year Rs.'000 | Repayment/ Transfer Rs.'000 | As at 31 March 2012 Rs.'000 |
|---|---|---|---|---|---|---|---|---|---|
| Hemas Air Services (Pvt) Ltd. | Subsidiary | 75,703 | 83,765 | (32,405) | **127,063** | 74,023 | - | 1,680 | 75,703 |
| Hemas Developments (Pvt) Ltd. | Subsidiary | 95,972 | 89,965 | (30,340) | **155,597** | 132,167 | 21,400 | (57,595) | 95,972 |
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | 327,345 | 200,000 | (60,000) | **467,345** | 145,274 | 1,096,253 | (914,182) | 327,345 |
| Hemas Pharmaceuticals (Pvt)Ltd. | Subsidiary | 150,000 | 170,000 | (320,000) | **-** | - | 150,000 | - | 150,000 |
| Hemas Power PLC | Subsidiary | 80,000 | 154,000 | (165,000) | **69,000** | - | 80,000 | - | 80,000 |
| Peace Haven Resorts Ltd. | Subsidiary | 197,289 | - | (197,289) | **-** | 214,195 | 7,850 | (24,756) | 197,289 |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | 8,000 | 76,500 | (49,500) | **35,000** | 8,000 | - | - | 8,000 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | 182,994 | 15,000 | (92,503) | **105,491** | 286,396 | 135,000 | (238,402) | 182,994 |
| Dolphin Hotels PLC | Subsidiary | - | 210,200 | (7,000) | **203,200** | - | - | - | - |
| Hotel Sigiriya PLC | Subsidiary | - | 53,000 | - | **53,000** | - | - | - | - |
| Serendib Leisure Management Ltd. | Subsidiary | - | 561,000 | (93,000) | **468,000** | - | - | - | - |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | - | 80,000 | (30,000) | **50,000** | - | - | - | - |
| Serendib Hotels PLC | Subsidiary | - | 23,463 | - | **23,463** | - | - | - | - |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | - | 40,000 | - | **40,000** | - | - | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | - | 43,730 | - | **43,730** | - | - | - | - |
| Hemtours (Pvt) Ltd. | Subsidiary | 114,072 | - | (114,072) | **-** | 95,108 | - | 18,964 | 114,072 |
| | | 1,231,375 | 1,800,623 | (1,191,109) | **1,840,889** | 955,163 | 1,490,503 | (1,214,291) | 1,231,375 |

Terms and Conditions

(1) Treasury Loans (Current)
Security - Unsecured
Repayment - Within 3 Months
Interest - Based on Market Rates

(2) Other Loans : Hatton National Bank
Security - Unsecured
Repayments - Repayable over 6 Years ( Starting from 1 November 2013)
Interest - Monthly AWPLR+1%

# NOTES TO THE FINANCIAL STATEMENTS

## 23 OTHER NON CURRENT FINANCIAL LIABILITIES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Other Financial Liabilities at Amortised Cost** | | | | | | |
| Preference Shares | **127,615** | 134,430 | 141,485 | **-** | - | - |
| Rent Deposits/Advances | **12,728** | 10,088 | 8,038 | **4,383** | 10,599 | - |
| **Total Other Non Current Financial Liabilities** | **140,343** | 144,518 | 149,523 | **4,383** | 10,599 | - |

**23.1** Preference sheres represents Rs. 135Mn redeemable preference shares issued by Hemas Power PLC to National Development Bank.

## 24 DEFERRED TAX

**Group**

| | Deferred Tax Assets | | Deferred Tax Liabilities | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Balance as at Beginning of the Year | **35,621** | 35,014 | **161,309** | 123,609 |
| Income/(Expense) arising during the Year | **4,141** | 607 | **26,061** | (3,382) |
| Recognised through Equity | **-** | - | **121** | 41,414 |
| Acquired/disposed during the Year | **-** | - | **5,822** | (332) |
| **Balance at the End of the Year** | **39,762** | 35,621 | **193,313** | 161,309 |

**Company**

| | Deferred Tax Liabilities | |
|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 |
| Balance as at Beginning of the Year | **40,056** | 42,022 |
| Income/(Expense) arising during the Year | **11,140** | (1,966) |
| **Balance at the End of the Year** | **51,196** | 40,056 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| The Closing Deferred Tax Liability/(Asset) Balances Relate to the Following | | | | |
| Revaluation of Land and Buildings to Fair Value | **27,225** | 27,191 | **-** | - |
| Revaluation of Investment Properties to Fair Value | **51,114** | 47,719 | **51,114** | 47,718 |
| Accelerated Depreciation for Tax Purposes | **169,812** | 141,079 | **7,483** | 892 |
| Employee Benefit Liability | **(55,540)** | (52,121) | **(7,401)** | (8,554) |
| Losses Available for Offset against Future Taxable Income | **(39,060)** | (38,180) | **-** | - |
| Others | **-** | - | **-** | - |
| | **153,551** | 125,688 | **51,196** | 40,056 |

## 25 EMPLOYEE BENEFIT LIABILITY

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| Balance as at Beginning of the Year | **248,342** | 230,298 | 184,963 | **30,551** | 18,676 | 17,026 |
| Acquisition of Subsidiary | **346** | - | - | **-** | - | |
| Interest Cost | **32,179** | 22,922 | 18,683 | **3,360** | 1,867 | 1,873 |
| Current Service Cost | **29,373** | 31,602 | 31,211 | **1,909** | 1,983 | 1,586 |
| Benefits Paid | **(26,200)** | (14,793) | (20,219) | **(9,924)** | (131) | (1,873) |
| Transfer | **-** | - | - | **-** | 6,281 | - |
| Acturial (Gain) or Loss | **3,387** | (21,687) | 15,660 | **535** | 1,875 | 64 |
| **Balance as at the End of the Year** | **287,427** | 248,342 | 230,298 | **26,431** | 30,551 | 18,676 |

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31/03/2013. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Discount Rate Assumed (%) | **11%** | 11% | 10% |
| Further Salary Increase (%) | **9%** | 9% | 9% |
| Retirement Age | **55 Years** | 55 Years | 50 - 60 Years |

## 26 TRADE AND OTHER PAYABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 | 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 |
| Trade Payables | | | | | | |
| Related Parties | **-** | - | - | **-** | - | - |
| Others | **4,421,220** | 3,656,458 | 2,815,163 | **-** | - | 585 |
| Other Payables | | | | | | |
| Related Parties (26.1) | **-** | - | - | **96,433** | 176,852 | 173,276 |
| Others | **552,688** | 435,844 | 558,241 | **34,990** | 19,638 | 10,507 |
| Sundry Creditors including Accrued Expenses | **925,347** | 1,091,593 | 728,854 | **25,209** | 23,183 | 23,583 |
| Dividend Payables-Unclaimed | **6,789** | 6,071 | 12,798 | **3,170** | 2,553 | 1,932 |
| | **5,906,044** | 5,189,966 | 4,115,056 | **159,802** | 222,226 | 209,883 |

# NOTES TO THE FINANCIAL STATEMENTS

*26 Trade and other Payables (Contd...)*

### 26.1 Non Trade Dues to Related Parties

| | | Company | | |
|---|---|---|---|---|
| | Relationship | 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 |
| Hemas Corporate Services (Pvt) Ltd. | Subsidiary | **5,888** | 1,415 | 458 |
| Forbes Air Services (Pvt) Ltd. | Subsidiary | **1,421** | 1,458 | 70 |
| Hemas Pharmaceuticals (Pvt) Ltd. | Subsidiary | **2,812** | 3,730 | 27,917 |
| ACX International (Pvt) Ltd. | Joint Venture | **74** | 74 | 5,160 |
| Hemas Manufacturing (Pvt) Ltd. | Subsidiary | **8,207** | 2,638 | - |
| Hemtours (Pvt) Ltd. | Subsidiary | **-** | 14,567 | 14,329 |
| Vishwa BPO (Pvt) Ltd. | Subsidiary | **531** | 17,893 | 14,725 |
| Diethelm Travel Lanka (Pvt) Ltd. | Subsidiary | **1,075** | 509 | 167 |
| N-able (Pvt) Ltd. | Subsidiary | **14,603** | 11,053 | 1,355 |
| HIF Logistics (Pvt) Ltd. | Joint Venture | **39** | 11 | 39 |
| Hemas Travels (Pvt) Ltd. | Subsidiary | **1,863** | 8,308 | 8,260 |
| Hemas Power PLC | Subsidiary | **9,853** | 9,772 | 9,602 |
| 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 | **1,754** | 50,935 | 50,453 |
| Hemas Developments (Pvt) Ltd. | Subsidiary | **24,056** | 35,460 | 22,671 |
| Hemas Hospitals (Pvt) Ltd. | Subsidiary | **3,650** | 450 | - |
| Peace Haven Resorts (Pvt) Ltd. | Subsidiary | **10,842** | 509 | - |
| Far Shipping Lanka (Pvt) Ltd. | Subsidiary | **214** | 5,600 | 5,600 |
| Serendib Leisure Managements (Pvt) Ltd. | Subsidiary | **5,355** | - | - |
| Dolphin Hotels PLC | Subsidiary | **2,715** | - | - |
| Hotel Sigiriya PLC | Subsidiary | **664** | - | - |
| Hemas Logistics (Pvt) Ltd. | Subsidiary | **503** | - | - |
| Serendib Hotels PLC | Subsidiary | **314** | - | - |
| | | **96,433** | 176,852 | 173,276 |

## 27 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 | 2013 Rs.' 000 | 2012 Rs.' 000 | 1 April 2011 Rs.' 000 |
| **Components of Cash and Cash Equivalents** | | | | | | |
| **27.1 Favourable Cash and Cash Equivalent Balances** | | | | | | |
| Cash & Bank Balances | **1,620,213** | 1,088,980 | 1,133,280 | **79,157** | 34,119 | 23,679 |
| Fixed Deposits, Treasury Bills and Repo Investments | **1,603,167** | 1,358,132 | 1,356,725 | **6,144** | 8,800 | 210 |
| | **3,223,380** | 2,447,112 | 2,490,005 | **85,301** | 42,919 | 23,889 |
| **27.2 Unfavourable Cash and Cash Equivalent Balances** | | | | | | |
| Bank Overdraft | **(2,028,444)** | (1,885,579) | (1,388,997) | **(41,283)** | - | (33,505) |
| Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement | **1,194,936** | 561,533 | 1,101,008 | **44,018** | 42,919 | (9,616) |

### 27.3 Acquisition of Subsidiary

The fair value of net assets acquired of Hemas Logistics (Pvt) Ltd (Formally known as Forward Air Logistics (Pvt)Ltd.) during the year ended 31 March 2013 were as follows,

| | |
|---|---|
| Property, Plant and Equipment- Cost | 160,045 |
| Property, Plant and Equipment- Depreciation | (23,530) |
| Inventories | 2,968 |
| Trade and Other Receivables | 27,443 |
| Income Tax Recoverable | 172 |
| Cash and Cash Equivalents | 2,775 |
| Interest Bearing Loans and Borrowings | 132,993 |
| Retirement Benefit Liability | 346 |
| Deferred Tax Liability | 5,822 |
| Trade and Other Payables | 6,638 |
| | |
| Net Assets | 24,072 |
| | 50% |
| Share of Net Assets Acquired | 12,036 |
| Goodwill | |
| | |
| Purchase Consideration paid | |
| Paid in Cash | 23,308 |
| Cash and Cash Equivalents of Subsidiary Acquired | 2,775 |

### 27.4 Disposal of Subsidiaries

The fair value of net assets disposed of Solas Lanka (Pvt) Ltd and 51% disposal of ACX International (Pvt) Ltd during the year ended 31 March 2012 were as follows,

| | Solas | ACX | Total |
|---|---|---|---|
| Property, Plant and Equipment | - | 2,008 | 2,008 |
| Intangible Assets | - | - | - |
| Other Investments | - | 13 | 13 |
| Inventories | - | - | - |
| 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 |

# NOTES TO THE FINANCIAL STATEMENTS

## 28 FAIR VALUE

### Group

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

| | Carrying Amount | | | Fair Value | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Financial Asets** | | | | | | |
| Trade and Other Receivables | **7,047,695** | 5,854,420 | 4,227,619 | **7,047,695** | 5,854,420 | 4,227,619 |
| Other Financial Assets | | | | | | |
| Loans and Other Receivables | | | | | | |
| Loans to Company Officers | **82,684** | 65,252 | 62,694 | **72,320** | 46,625 | 42,211 |
| ESOS Receivable | **274,462** | 274,811 | 130,881 | **260,468** | 245,948 | 189,379 |
| Refundable Deposits | **5,094** | 4,832 | 3,545 | **5,094** | 4,832 | 3,545 |
| Held to Maturity Investment | **-** | - | 49,549 | **-** | - | 49,549 |
| Available for Sale Investments | **209,826** | 84,725 | 93,280 | **209,826** | 84,725 | 93,280 |
| Short term Investments | **-** | 255,963 | 670,496 | **-** | 255,963 | 670,496 |
| Cash and Short Term Deposits | **3,223,380** | 2,447,112 | 2,490,005 | **3,223,380** | 2,447,112 | 2,490,005 |
| **Total** | **10,843,141** | 987,115 | 7,728,069 | **10,818,783** | 8,939,625 | 7,766,084 |
| **Financial Liabilities** | | | | | | |
| Other Non Current Financial Liabilities | | | | | | |
| Redeemable Preference Shares | **127,615** | 134,430 | 141,485 | **127,615** | 134,430 | 141,485 |
| Rent Depsoits/Advances | **12,728** | 10,088 | 8,038 | **12,728** | 10,088 | 8,038 |
| Interest Bearing Loans and Borrowings | **2,820,956** | 2,313,797 | 2,686,613 | **2,820,956** | 2,313,797 | 2,686,613 |
| Obligations under Finance Leases | **77,161** | 7,488 | 4,693 | **83,420** | 7,391 | 4,794 |
| Trade and Other Payables | **5,906,044** | 5,189,966 | 4,115,056 | **5,906,044** | 5,189,966 | 4,115,056 |
| Bank Overdraft | **2,028,444** | 1,885,579 | 1,388,997 | **2,028,444** | 1,885,579 | 1,388,997 |
| **Total** | **10,972,948** | 9,491,348 | 8,344,882 | **10,979,207** | 9,541,251 | 8,344,983 |

### Company

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

| | Carrying Amount | | | Fair Value | | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 1 April 2011 Rs.'000 |
| **Financial Assets** | | | | | | |
| Trade and Other Receivables | **1,026,351** | 366,158 | 224,755 | **1,026,351** | 366,158 | 224,755 |
| Other Financial Assets | | | | | | |
| Loans and Other Receivables | | | | | | |
| Loans to Company Officers | **9,893** | 8,843 | 7,350 | **8,397** | 7,896 | 6,209 |
| Loans Due from Related Parties | **694,709** | 404,474 | 594,272 | **694,709** | 404,474 | 594,272 |
| ESOS Receivable | **96,389** | 93,045 | 42,255 | **87,537** | 82,945 | 44,541 |
| Available for Sale Investments | **71,846** | 74,296 | 82,976 | **71,846** | 74,296 | 82,976 |
| Cash and Short Term Deposits | **85,301** | 42,919 | 23,889 | **85,301** | 42,919 | 23,889 |
| **Total** | **1,984,489** | 989,735 | 975,497 | **1,974,141** | 978,688 | 976,642 |
| **Financial Liabilities** | | | | | | |
| Interest Bearing Loans and Borrowings | | | | | | |
| Loans Due to Related Parties | **1,840,889** | 1,231,375 | 955,163 | **1,840,889** | 1,231,375 | 955,163 |
| Bank Loans | **503,001** | - | - | **503,001** | - | - |
| Other Non Current Financial Liabilities | | | | | | |
| Rent Deposits | **4,383** | 10,599 | - | **4,383** | 10,599 | - |
| Trade and Other Payables | **159,802** | 222,226 | 209,883 | **159,802** | 222,226 | 209,883 |
| Bank Overdraft | **41,283** | - | 33,505 | **41,283** | - | 33,505 |
| **Total** | **2,549,358** | 1,464,200 | 1,198,551 | **2,549,358** | 1,464,200 | 1,198,551 |

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**The following methods and assumptions were used to estimate the fair values:**
- Cash and short-term deposits and trade receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

- variable-rate and long-term fixed-rate receivables/borrownigs are evaluated by the Group/Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2013, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

-Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

**Fair Value Hierarchy**
The Group/Company held the following financial instruments carried at fair value on the statement of financial position :

The Group/Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1: quoted (unadjusted ) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

**Group**

| **Assets Measured at Fair Value** | **31 March 2013 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 209,826 | 197,438 | 12,388 | - |

| **Assets Measured at Fair Value** | **31 March 2012 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 84,725 | 74,354 | 10,371 | - |

As at 1 April 2011, the Group held the following financial instruments carried at fair value on the statement of financial position :

| **Assets Measured at Fair Value** | **1 April 2011 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 93,280 | 83,065 | 10,215 | - |

**Company**

| **Assets Measured at Fair Value** | **31 March 2013 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 71,846 | 71,846 | - | - |

| **Assets Measured at Fair Value** | **31 March 2012 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Asset | | | | |
| Equity Shares | 74,296 | 74,296 | - | - |

As at 1 April 2011, the Company held the following financial instruments carried at fair value on the statement of financial position :

| **Assets Measured at Fair Value** | **1 April 2011 Rs.'000** | **Level 1 Rs.'000** | **Level 2 Rs.'000** | **Level 3 Rs.'000** |
|---|---|---|---|---|
| Available for Sale Financial Assets | | | | |
| Equity Shares | 82,976 | 82,976 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 29 EVENTS AFTER THE REPORTING PERIOD

**(a)** The Board of Directors of the Company has declared a final dividend of Rs. 0.45 per share for the financial year ended 31 March 2013 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 9 July 2013.

In accordance with the Sri Lanka Accounting Standard (LKAS 10) - Events after the reporting date, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2013.

**(b)** The Hemas Power PLC invested a Rs. 300Mn in Panasian Power PLC on 24th April 2013. Thereby Hemas Power PLC together with its Subsidiaries acquired the controling stake (29.3%) of Panasian Power PLC.

## 30 COMMITMENTS & CONTINGENCIES

### 30.1 Capital Commitments

**(a) Hemas Capital Hospital (Pvt) Ltd.**

1 Hemas Capital Hospital has, committed Letter of Credits for capital expenditure amounting to Rs 24,442,587/- with Hatton National Bank PLC.

2 The company has entered in to a Forex Forward Facility of USD 800,000 (SLR 101,760,000/-) for a period of 3 months to purchase Radiology Equipments subject to board Resolution.

### 30.2 Contingencies

**(a) Hemas Holdings PLC**

The contingent liability as at 31 March 2013 on guarantees given by Hemas Holdings PLC, to banks on behalf of subsidiaries and joint ventures relating to facilities obtained, are as follows;

| | 2013 Rs.'000 | 2012 Rs.'000 |
|---|---|---|
| Hemas Southern Hospitals (Pvt) Ltd. | **110,000** | 110,000 |
| Heladhanavi Ltd. | **-** | 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 | **418,800** | 628,504 |
| N-able (Pvt) Ltd. | **320,000** | 320,000 |
| | **1,208,800** | 1,718,504 |

**(b) Hemas Manufacturing (Pvt) Ltd.**

Department of Inland Revenue has issued an income tax assessment for the assessment years 2008/09 and 2009/2010 to the company. The company has communicated the intention to appeal to Tax appeals commission on which the proceedings are pending as at the date the financial statements. No provision has been made in the financial statements in this regard.

**(c) Hemas Travels (Pvt) Ltd.**

The Company has obtained guarantees from Standard Chartered Bank favouring BSP and non BSP Airlines amounting to Rs.142,400,000/-

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

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

*30 Commitments & Contingencies (Contd...)*

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

The Company has obtained guarantees from Standard Chartered Bank favouring Asiatravel.com Holdings Ltd amounting to USD 10,000/-

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

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

**(d) Hemas Air Services (Pvt) Ltd.**
The Company has obtained a guarantee from Standared Chartered Bank favouring Malaysian Air lines for the purpose of GSA agreement for Cargo , Passenger and MAS Holidays amounting to US $ 20,000 ,US $ 64,000 and $ 25,000 respectively.

The Company has obtained guarantee from Standared Chartered Bank on behalf of Hemas Aviation (Pvt) Ltd, favouring Sri Lankan Air Lines Ltd, Drukair Corporation Ltd, amounting US $ 10,000 and US $ 20,000 respectively.

The Company has obtained a guarantee from Standard Chertered Bank favouring Airport & Aviation Services (Pvt) Ltd amounting to Rs.5,201,450.

**(e) Forbes Air Services (Pvt) Ltd.**
The Company has obtained a guarantee from Standard Chartered Bank favouring Emirates - Dubai amounting to Rs.1,182,700,000/-.

The Company has obtained a guarantee from Standard Chartered Bank favouring Airport and Aviation amounting to Rs.215,040/-

The Company has obtained a guarantee from Standard Chartered Bank favouring Director General of Civil Aviation amounting to Rs.80,444,000/-.

**(f) Far Shipping Lanka ( Pvt) Ltd.**
The Company has obtained guarantees from Standard Chartered Bank favouring Sri Lanka Ports Authority amounting to Rs. 500,000/-.

The Company has obtained guarantees from Standard Chartered Bank favouring Director General of Merchant Shipping amounting to Rs. 500,000/-.

The Company has obtained guarantees from Standard Chartered Bank on behalf of Hemas Maritime (Pvt) Ltd favouring Director General of Merchant Shipping amounting to Rs. 500,000/-.

The Company has obtained guarantees from Standard Chartered Bank on behalf of Hemas Maritime (Pvt) Ltd favouring Sri lanka Ports Authority amounting to Rs. 250,000/-.

**(g) Hemas Aviation (Pvt) Ltd.**
The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd in favouring Druk Air Corporation Ltd amounting to USD 20,000.

The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd in favouring Sri Lankan Airlines Ltd amounting to USD 10,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring The Island Aviation Services Ltd amounting Rs.1,000,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring The Alitalia Compagnia Area Italiana S.P.A amounting Rs.1,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

*30 Commitments & Contingencies (Contd...)*

**(h) Discover the World Marketing ( Pvt) Ltd.**
The Company has given a guarantee amounting to USD 25,000 to its principal "Discover Momentum" in relation to the credit facilities obtained by the principal.

The Company has given a guarantee amounting to USD 70,000 to China Southern Airlines Company Ltd for the purpose of GSA agreement for passenger.

**(i) Diethelm Travel Lanka (Pvt) Ltd.**
The Company has filed a case against a former employee in the Magistrate Court under the case no. 89669/11 Fraud Bureau regarding the fraud which occurred during the year, the loss on fraud incurred by the company is Rs. 1,600,000. The status of the case to be mentioned on 21st May 2013. The Company is in the opinion, except the legal case bearing No. 89669/11 in the Magistrate Court, there are no other legal proceedings.

**(j) Hemas Southern Hospitals (Pvt) Ltd.**
There has been a Court Case as at the Balance Sheet date, filed against the company claiming damages of Rs.2,500,000 for medical negligence. No provision has been made in these financial statements.

**(k) Hemas Power PLC**
The Inland Revenue Department raised an assesments for interest income by disallowing expenses for the year 2008/2009 & 2009/2010. Commissioner's hearing determined unfavourable to Company. However Company is going to apply tax appeal commission & no provision has been made in these financial statments.

**30.3 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:

| | 2013<br>Rs.'000 | 2012<br>Rs.'000 |
|---|---|---|
| Within 01 Year | **18,000** | 15,750 |
| After 01 Year but not more than 05 Years | **90,000** | 90,000 |
| More than 05 Years | **431,994** | 488,244 |
| | **539,994** | 593,994 |

**(b) Hemas Capital Hospital (Pvt) Ltd.**
*Operating Lease Commitments - Company as Lessee*
The Company has entered into an operating lease agreement to lease a land from Dhammika Eliyapura. 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.

| | 2013<br>Rs.'000 | 2012<br>Rs.'000 |
|---|---|---|
| Within 01 Year | **10,270** | - |
| After 01 Year but not more than 05 Years | **68,800** | 41,080 |
| More than 05 Years | **455,332** | 493,322 |
| | **534,402** | 534,402 |

**30.4 Commitments and Contingencies of the Jointly Controlled Entities**

**Heladhanavi Ltd.**

*30.4.1 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

*30.4.2 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.

*30.4.3 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 a Letter of Credit in favour of Ceylon Petroleum Corporation, at Hatton National Bank - to the value of Rs. 280Mn.

*30.4.4* CEB has flouted the PPA by refusing to settle Rs. 57 Mn delayed interest income to Heladanavi Limited. Further, they attempted to reclaim the dividend tax of Rs. 215Mn which reimbursed in prior years to Heladanavi Ltd again effecting a breach of the PPA. The two matters are now under Arbitration Proceedings.The directors are of the view that , CEB does not have any right whatsoever under the PPA for such claims and disputes.

*30.4.5 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 |

*30.4.6 Eligibility to apply for a Generation Licence*
As per the section 9 (1) ( c ) of Sri Lanka Electricity Act No.20 of 2009, a company incorporated under the Companies Act No 7 of 2007 which generates electricity over and above generating capacity of 25MW is eligible to apply for the issue of a Generation Licence, provided that in the said company either the Government or a Public Corporation or a company in which Government holds more than fifty per centum of the shares or a subsidiary of such 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.

Heladhanavi Ltd ('Heladanavi') too, which is currently operating under the Generation License validly obtained on 26th September 2003, applied for a Generation License under the Sri lanka Eelctricity Act No. 20 of 2009. However, Heladanavi was informed by Public Utilities Commision of Sri Lanka (PUCSL) that the Company does not fulfill the eligibility criteria to apply for a Generation License, in terms of the above section of the Sri Lanka Electricity Act No 20 of 2009. At the same time, it was learnt that the Government of Sri Lanka intends to amend the new Electricity Act to exempt the existing independent Power Producers (including Heladanavi) from this requirement.

However, Heladanavi sought legal opinion in this regard and was informed that, Heladanavi is entitled to seek legal remedies and indemnification under the 'Changes in Law' section of the Power Purchase Agreement and the Implementation Agreement.

**Hellman Worldwide Logistics (Pvt) Ltd.**

*30.4.7* The Company has obtained corporate guarantees from Hellmann Worldwide Logistics Ltd ( Hong Kong ) for Hong Kong Dollars equivalent to Rs.24,990,000/-

# NOTES TO THE FINANCIAL STATEMENTS

## 31 ASSETS PLEDGED

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

| Name of The Company | Nature of Assets | Nature of Liability | Carrying Amount of the Assets Pledged 2013 Rs.'000 | 2012 Rs.'000 | Included Under |
|---|---|---|---|---|---|
| Heladhanavi Ltd. (The Group has its proportionate share of the assets pledged) | Land,Building, Plant and Machinery | US $ 6,400,000 ( Term Loan with HSBC ) | 2,556,932 | 2,949,165 | Property , Plant and Equipment and Trade Debtors |
| | Land,Building, Plant and Machinery & Trade Debtors | US $ 11,600,000 | 6,541,225 | 6,206,135 | |
| | Land,Building, Plant and Machinery | US $ 6,000,000 ( Term Loan with Standard Chartered Bank ) | 2,556,932 | 2,949,165 | Property , Plant and Equipment |
| | Fixed Deposit (US$) | Overdraft | 685,206 | 690,390 | Short term Investments |
| 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)<br><br>Primary Mortgage upto the value of Rs. 20 Mn to Commercial Bank of Ceylon PLC (Overdraft facility of Rs.20Mn)<br><br>A supplimentary mortgage bond in EURO executed in connection with primary mortgage bond no 3120 dated 13/07/2010 linking the rupee exposure in foreign currency. | 630,985 | 639,951 | Property, Plant and Equipment |
| 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)<br><br>Primary Mortgage upto the value of Rs. 10 Mn to Commercial Bank of Ceylon PLC<br><br>A supplimentary mortgage bond in GBP executed in connection with primary mortgage bond no 1425 dated 13/07/2010 linking the rupee exposure in foreign currency. | 493,398 | 500,011 | Property, Plant and Equipment |
| Hotel Sigiriya PLC | Plant, Machinery and Equipment | Primary Mortgage up to the value of Rs.1.75 Mn to Commercial Bank of Ceylon PLC | 2,458 | 2,691 | Property, Plant and Equipment |
| Hemas Hospitals (Pvt) Ltd. | Leasehold right to the Leasehold Land | Primary Mortgage up to the value of Rs 750,000,000 to DFCC Bank | 1,271,254 | 1,330,100 | 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 | 395,000 | Property, Plant and Equipment |

### 32 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, comprise loans and borrowings, and trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

**The Group is Exposed to Market Risk, Credit Risk and Liquidity Risk**

"The Group's senior management oversees the management of these risks. The senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Group. BOD provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Hemas Holdings PLC."

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

**Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations with floating interest rates.

The company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The company's policy is to maintain an appropriate balance between fixed and variable rate borrowings.

**Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and net investment in foreign subdsidiaries.

The major part of the foreign transactions is dealt with US Dollars and Euros. The Group has a natural hedging by way of its operational transactions as the inflow of foreign currency through export sale off sets the import cost.

In addition, the Group manages its foreign currency exposure by using foreign currency forward contracts.

**Equity Price Risk**

The Group's quoted and unquoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted and unquoted equity securities at fair value was Rs. 197Mn and Rs. 12Mn respectively.

**Credit Risk**

Credit risk is the risk that counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks,foreign exchange transactions and other financial instruments.

**Trade Receivables**

Customer credit risk is managed by each company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

A large number of minor receivables are grouped into homogenous groups and assessed for Impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Group does not hold collateral as security.

**Financial Instruments and Cash Deposits**

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's Treasury Policy. Investments of surplus funds are made only with approved counter parties as per this Policy and within credit limits assigned to each counter party. Counter party credit limits are reviewed by the Board of Directors on an annual basis, and updated throughout the year. The limits are set to minimise the concentration of risks and

## NOTES TO THE FINANCIAL STATEMENTS

therefore mitigate financial loss through potential counter party's failure. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 17 except for financial guarantees.

**Liquidity Risk**
The Group monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

**Capital Management**
Capital includes ordinary shares and preference shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2013 and 31 March 2012.The company monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Group's policy is to keep the gearing ratio below 40%.

The table below summarizes the maturity profile of the Group's/Company's financial liabilities based on contractual undiscounted payments.

| Group | On Demand Rs.'000 | Less than 3 months Rs.'000 | 3 to 12 months Rs.'000 | 1 to 5 years Rs.'000 | > 5 years Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **As at 31st March 2013** | | | | | | |
| Interest Bearing Loans and Borrowings | 400,000 | - | 315,230 | 2,182,887 | - | 2,898,117 |
| Other non Current Financial Liabilities | - | - | - | 12,728 | 127,615 | 140,343 |
| Trade and Other Payables | - | 5,906,044 | - | - | - | 5,906,044 |
| Bank Overdraft | 2,028,444 | - | - | - | - | 2,028,444 |
| | 2,428,444 | 5,906,044 | 315,230 | 2,195,615 | 127,615 | 10,972,948 |
| **As at 31st March 2012** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 936,458 | 1,384,827 | - | 2,321,285 |
| Other non Current Financial Liabilities | - | - | - | 10,088 | 134,430 | 144,518 |
| Trade and Other Payables | | 5,189,966 | - | - | - | 5,189,966 |
| Bank Overdraft | 1,885,579 | - | - | - | - | 1,885,579 |
| | 1,885,579 | 5,189,966 | 936,458 | 1,394,915 | 134,430 | 9,541,348 |
| **As at 1st April 2011** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 991,266 | 1,700,040 | - | 2,691,306 |
| Other non Current Financial Liabilities | - | 8,038 | - | - | 141,485 | 149,523 |
| Trade and Other Payables | | 4,115,056 | - | - | - | 4,115,056 |
| Bank Overdraft | 1,388,997 | - | - | - | - | 1,388,997 |
| | 1,388,997 | 4,123,094 | 991,266 | 1,700,040 | 141,485 | 8,344,882 |

| Company | On Demand Rs.'000 | Less than 3 months Rs.'000 | 3 to 12 months Rs.'000 | 1 to 5 years Rs.'000 | > 5 years Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **As at 31st March 2013** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 1,055,324 | 1,288,566 | - | 2,343,890 |
| Other Non Current Financial Liabilities | - | - | - | 4,383 | - | 4,383 |
| Trade and Other Payable | - | 159,802 | - | - | - | 159,802 |
| Bank Overdraft | 41,283 | - | - | - | - | 41,283 |
| | 41,283 | 159,802 | 1,055,324 | 1,292,949 | - | 2,549,358 |
| **As at 31 March 2012** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 290,590 | 940,785 | - | 1,231,375 |
| Other Non Current Financial Liabilities | - | - | - | 10,599 | - | 10,599 |
| Trade and Other Payable | - | 222,226 | - | - | - | 222,226 |
| Bank Overdraft | - | - | - | - | - | - |
| | - | 222,226 | 290,590 | 951,384 | - | 1,464,200 |
| **As at 1 April 2011** | | | | | | |
| Interest Bearing Loans and Borrowings | - | - | 321,640 | 633,523 | - | 955,163 |
| Trade and Other Payable | - | 209,883 | - | - | - | 209,883 |
| Bank Overdraft | 33,505 | - | - | - | - | 33,505 |
| | 33,505 | 209,883 | 321,640 | 633,523 | - | 1,198,551 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 33.1 Transactions with related entities

*Guarantees*
Guarantees given by the Company to banks on behalf of related parties are disclosed in note 30.2 in the financial statements.

*Terms and Conditions:*
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured and interest free.

Terms and conditions on loans obtained from related parties are disclosed in Note 22.2.1 to these financial statements.

| Nature of Transaction | Subsidiaries | | Others | | Total | |
|---|---|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Services Rendered | **461,873** | 280,862 | - | - | **461,873** | 280,862 |
| Bank Guarantee Fees Receivable | **7,138** | 5,315 | - | - | **7,138** | 5,315 |
| IT Charges Receivable | **66,754** | 64,395 | - | 26 | **66,754** | 64,421 |
| Rent Receivable | **6,973** | 7,171 | - | - | **6,973** | 7,171 |
| Loan Interest Income Receivable | **84,475** | 47,005 | - | - | **84,475** | 47,005 |
| Dividend Income | **477,675** | 424,025 | 1,136 | - | **478,811** | 424,025 |
| Treasury Loans Granted | **(572,276)** | (966,787) | - | - | **(572,276)** | (966,787) |
| Loan Interest Expense Payable | **(201,750)** | (78,965) | - | - | **(201,750)** | (78,965) |
| Receipt of Services | **(32,208)** | (34,834) | - | - | **(32,208)** | (34,834) |
| Shared Service Fee Payable | **(6,928)** | (7,626) | - | - | **(6,928)** | (7,626) |
| Purchase of Air Tickets/ Foreign Currency | **(8,330)** | (7,648) | - | - | **(8,330)** | (7,648) |
| Treasury Loans Obtained | **1,800,623** | 1,490,503 | - | - | **1,800,623** | 1,490,503 |
| Repayment of Loans/Transfer | **(1,191,109)** | (1,214,291) | - | - | **(1,191,109)** | (1,214,291) |
| Other | **11,726** | 3,742 | - | - | **11,726** | 3,742 |

### 33.2 Transactions with Key Management Personnel
The key management personnel are the members of its Board of Directors of Hemas Holdings PLC and its subsidiaries.

**a) Key Management Personnel Compensation**

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 Rs.'000 | 2012 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
| Short Term Benefits | **234,308** | 142,349 | **49,001** | 41,974 |

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

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

## 34 SEGMENTAL INFORMATION

### Information based on the primary segments (Business Segment)

| For the year ended 31 March | FMCG | | Healthcare | | Leisure | | Transportation | | Power | | Others | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | 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 | **7,691,263** | 6,716,124 | **9,046,584** | 7,548,710 | **1,643,375** | 1,185,462 | **1,100,731** | 721,987 | **5,509,449** | 4,471,370 | **1,925,582** | 1,489,177 | **26,916,984** | 22,132,830 |
| Intra Segmental Revenue | **-** | - | **(71,040)** | (68,317) | - | - | **-** | - | **-** | - | **(71,382)** | (40,084) | **(142,422)** | (108,401) |
| Segment Revenue | **7,691,263** | 6,716,124 | **8,975,544** | 7,480,393 | **1,643,375** | 1,185,462 | **1,100,731** | 721,987 | **5,509,449** | 4,471,370 | **1,854,200** | 1,449,093 | **26,774,562** | 22,024,429 |
| Inter Segmental revenue | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(676,200)** | (491,926) | **(676,200)** | (491,926) |
| **Total Revenue** | **7,691,263** | 6,716,124 | **8,975,544** | 7,480,393 | **1,643,375** | 1,185,462 | **1,100,731** | 721,987 | **5,509,449** | 4,471,370 | **1,178,000** | 957,167 | **26,098,362** | 21,532,503 |
| **Results** | | | | | | | | | | | | | | |
| Segmental Results | **684,198** | 551,053 | **805,045** | 575,460 | **514,159** | 230,191 | **378,890** | 250,460 | **313,783** | 327,403 | **(329,345)** | (194,669) | **2,366,730** | 1,739,898 |
| Finance Cost | **(8)** | (12,896) | **(143,652)** | (139,807) | **(161)** | (117,791) | **(15,116)** | (5,595) | **(153,803)** | (140,350) | **(57,363)** | (48,830) | **(370,103)** | (465,269) |
| Finance Income | **108,903** | 64,246 | **13,469** | 8,884 | **13,009** | 17,769 | **64,614** | 28,399 | **124,776** | 67,217 | **17,879** | 15,884 | **342,650** | 202,399 |
| Change in Fair Value of | | | | | | | | | | | | | | |
| Investment Properties | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **65,324** | 32,127 | **65,324** | 32,127 |
| Share of Results of Associate | **-** | - | **-** | - | **1,554** | 11,925 | **-** | - | **-** | - | **-** | - | **1,554** | 11,925 |
| Profit/(Loss) before Tax | **793,093** | 602,403 | **674,862** | 444,537 | **528,561** | 142,094 | **428,388** | 273,264 | **284,756** | 254,270 | **(303,505)** | (195,488) | **2,406,155** | 1,521,080 |
| Income Tax | **(47,826)** | (23,735) | **(181,784)** | (123,878) | **(64,069)** | (18,352) | **(100,690)** | (27,899) | **1,101** | (856) | **(79,154)** | (65,052) | **(472,422)** | (259,772) |
| **Profit/(Loss) for the Year** | **745,267** | 578,668 | **493,078** | 320,659 | **464,492** | 123,742 | **327,698** | 245,365 | **285,857** | 253,414 | **(382,659)** | (260,540) | **1,933,733** | 1,261,308 |
| **Attributable to:** | | | | | | | | | | | | | | |
| Equity Holders of the Parent | **745,267** | 578,668 | **520,151** | 346,041 | **232,889** | 59,249 | **321,714** | 245,365 | **220,070** | 195,738 | **(382,436)** | (260,536) | **1,657,655** | 1,164,525 |
| Non-Conroling Interests | **-** | - | **(27,073)** | (25,382) | **231,603** | 64,493 | **5,984** | - | **65,787** | 57,676 | **(223)** | (4) | **276,078** | 96,783 |
| | **745,267** | 578,668 | **493,078** | 320,659 | **464,492** | 123,742 | **327,698** | 245,365 | **285,857** | 253,414 | **(382,659)** | (260,540) | **1,933,733** | 1,261,308 |

# NOTES TO THE FINANCIAL STATEMENTS

## 34 *Segmental Information (Contd...)*

Information based on the primary segments (Business Segment)

| As At 31st March | FMCG 2013 Rs.'000 | FMCG 2012 Rs.'000 | Healthcare 2013 Rs.'000 | Healthcare 2012 Rs.'000 | Leisure 2013 Rs.'000 | Leisure 2012 Rs.'000 | Transportation 2013 Rs.'000 | Transportation 2012 Rs.'000 | Power 2013 Rs.'000 | Power 2012 Rs.'000 | Others 2013 Rs.'000 | Others 2012 Rs.'000 | Group 2013 Rs.'000 | Group 2012 Rs.'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non Current Assets** | | | | | | | | | | | | | | |
| Prperty, plant & equipment | 1,198,345 | 1,181,770 | 2,613,684 | 2,089,797 | 2,475,222 | 2,499,378 | 248,844 | 70,172 | 2,392,534 | 2,546,691 | 1,214,543 | 922,214 | 10,143,172 | 9,310,022 |
| Invetment Property | - | - | - | - | - | - | - | - | - | - | 1,770,989 | 1,470,500 | 1,770,989 | 1,470,500 |
| Other Non Current Financial Assets | 506,758 | 408,622 | 121,462 | 68,945 | 12,054 | 124,659 | 199,795 | 71,449 | 428,880 | 300,751 | 380,521 | 523,203 | 1,649,470 | 1,497,629 |
| Other Non Current Assets | 135,794 | 191,575 | 1,860,140 | 983,982 | 880,563 | 828,036 | 87,024 | 1,890 | 1,432,180 | 1,432,180 | 6,414,671 | 6,266,104 | 10,810,372 | 9,703,767 |
| **Segmental Non Current Assets** | 1,840,897 | 1,781,966 | 4,595,286 | 3,142,724 | 3,367,839 | 3,452,073 | 535,663 | 143,511 | 4,253,594 | 4,279,622 | 9,780,724 | 9,182,021 | 24,374,003 | 21,981,918 |
| Deferred Tax Assets | | | | | | | | | | | | | 39,762 | 35,621 |
| Elimination/Adjustments | | | | | | | | | | | | | (11,353,828) | (10,164,195) |
| **Total Non Current Assets** | | | | | | | | | | | | | 13,059,937 | 11,853,344 |
| **Current Assets** | | | | | | | | | | | | | | |
| Other Current Financial Assets | 92,130 | 40,383 | 20,651 | 443,767 | 801,360 | 7,290 | 138,017 | 208,118 | 73,168 | 342,679 | 689,824 | 363,439 | 1,815,150 | 1,405,676 |
| Segmental Current Assets | 3,085,028 | 2,456,038 | 4,292,847 | 2,946,641 | 948,875 | 981,222 | 2,089,055 | 1,885,949 | 3,003,983 | 2,379,834 | 1,735,047 | 1,011,256 | 15,154,835 | 11,660,940 |
| Tax Refunds | | | | | | | | | | | | | 78,590 | 134,306 |
| Elimination/Adjustments | | | | | | | | | | | | | (4,100,854) | (2,398,581) |
| **Total Current Assets** | | | | | | | | | | | | | 12,947,721 | 10,802,342 |
| **Total Assets** | | | | | | | | | | | | | 26,007,658 | 22,655,686 |
| **Non Current liabilites** | | | | | | | | | | | | | | |
| Segmental Non Current liabilites | 69,764 | 76,821 | 584,010 | 1,109,464 | 1,120,309 | 774,951 | 99,543 | 32,205 | 675,708 | 668,790 | 1,389,165 | 1,013,026 | 3,938,499 | 3,675,257 |
| Deferred Tax Liability | | | | | | | | | | | | | 193,313 | 161,309 |
| Elimination/ Adjustment | | | | | | | | | | | | | (1,327,842) | (1,897,570) |
| **Total Non Current liabilites** | | | | | | | | | | | | | 2,803,970 | 1,938,996 |
| **Current Laibilities** | | | | | | | | | | | | | | |
| Segmental Current Laibilities | 1,645,036 | 1,409,539 | 4,176,419 | 2,559,918 | 1,010,679 | 1,028,779 | 1,675,844 | 1,520,740 | 2,501,032 | 2,389,587 | 1,752,029 | 904,503 | 12,761,039 | 9,813,066 |
| Income Tax Liability | | | | | | | | | | | | | 141,591 | 63,741 |
| Elimination/ Adjustment | | | | | | | | | | | | | (4,111,321) | (1,801,061) |
| **Total Current liabilites** | | | | | | | | | | | | | 8,791,309 | 8,075,746 |
| **Total Liabilities** | | | | | | | | | | | | | 11,595,279 | 10,014,742 |
| Total Segmental Assets | 5,018,055 | 4,278,388 | 8,908,784 | 6,533,132 | 5,118,074 | 4,440,585 | 2,762,735 | 2,237,578 | 7,330,745 | 7,002,135 | 12,205,595 | 10,556,716 | 41,343,988 | 35,048,534 |
| Total Segmental Liabilities | 1,714,800 | 1,486,360 | 4,760,429 | 3,669,382 | 2,130,988 | 1,803,730 | 1,775,387 | 1,552,945 | 3,176,740 | 3,058,377 | 3,141,194 | 1,917,529 | 16,699,538 | 13,488,323 |
| **Other Segmental Information** | | | | | | | | | | | | | | |
| Acquisition of property plant and equipment | 131,328 | 115,056 | 635,239 | 273,639 | 116,988 | 765,823 | 79,016 | 48,475 | 55,093 | 288,689 | 345,958 | 97,042 | 1,363,622 | 1,588,724 |
| Depreciation of property plant and equipment | 103,485 | 118,674 | 154,293 | 145,627 | 125,167 | 92,241 | 35,157 | 14,064 | 218,401 | 207,672 | 71,091 | 51,143 | 707,593 | 629,422 |
| Employee Benefit Liability | 16,016 | 4,776 | 18,882 | 12,542 | 9,835 | 4,203 | 8,634 | 2,980 | 2,027 | 842 | 9,544 | 7,494 | 64,938 | 32,837 |
| Impairment/Amortization of Intangibles | 36,542 | 8,178 | 2,858 | 3,907 | 1,153 | 2,556 | 115 | 232 | - | - | 1,337 | 23,098 | 42,005 | 37,971 |

## 35 GROUP COMPANIES

| | Effective Holding | | Voting Power | | Principal Activities |
|---|---|---|---|---|---|
| | 31.03.2013 | 31.03.2012 | 31.03.2013 | 31.03.2012 | |
| **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 Hospital (Pvt) Ltd. | 81% | 81% | 81% | 81% | Hospital Services |
| Hemas South Colombo Hosipitals (Pvt) Ltd. | 81% | 81% | 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 Hotel Ltd. | 33% | 33% | 51% | 51% | Operating a Tourist Hotel |
| Serendib Leisure management Ltd. | 51% | 51% | 51% | 51% | Operating a Tourist Hotel |
| Jada Resort (Pvt) Ltd** | 20% | 20% | 20% | 20% | Operating a Tourist Hotel |
| Diethelm Travel Lanka (Pvt) Ltd. | 80% | 80% | 80% | 80% | Destination Management Services |
| Diethelm Travel The Maldives (Pvt) Ltd. | 66% | 66% | 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% | Hotel 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 Representation |
| Go Asia Air Lines (Pvt) Ltd. | 100% | 100% | 100% | 100% | Airline Representation |
| Exchange & Finance Investment (Pvt) Ltd. | 100% | 100% | 100% | 100% | Airline Representation |
| Discover the World Marketing (Pvt) Ltd | 100% | 100% | 100% | 100% | Airline Representation |
| Far Shipping Lanka (Pvt) Ltd. | 100% | 100% | 100% | 100% | Shipping Agents |
| Hemas Transportation (Pvt) Ltd. | 100% | 100% | 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% | 49% | 49% | 49% | Courier Services |
| H & M Shipping (Pvt) Ltd* | 50% | - | 50% | - | Crew Boat Servicing |
| Hemas Maritime (Pvt) Ltd | 100% | - | 100% | - | Break Bulk Casual Callers & Cargo Handling |
| Hemas Logistics (Pvt) Ltd | 50% | - | 50% | - | General Carries & Warehousing |
| **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 (under constructions) |
| Ella Dendro Electirc (Pvt) Ltd. | 75% | 75% | 75% | 75% | Mini Hydro Power Plant |
| Butama Hydro Electricity Company. | 75% | 75% | 75% | 75% | Mini Hydro Power Plant |
| Upper Agra Oya Hydro Power (Pvt) Ltd. | 75% | 75% | 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 |
| Vishwa BPO (Pvt) Ltd. | 100% | 100% | 100% | 100% | Financial & Accounting BPO |
| Peace Haven Resorts Ltd. | 95% | 95% | 95% | 95% | Hotel Property |
| N-able (Pvt) Ltd. | 100% | 100% | 100% | 100% | Enabling Information & Technology Solutions |

*** Jointly controlled entities**
**** Associates**

# SHARE INFORMATION

## ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 MARCH 2013

| Shareholding | RESIDENT | | | NON-RESIDENT | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of Shareholders | No. of Shares | Percentage (%) | No. of Shareholders | No. of Shares | Percentage (%) | No. of Shareholders | No. of Shares | Percentage (%) |
| 1 to 1,000 Shares | 3,919 | 1,847,118 | 0.36 | 19 | 12,280 | 0.00 | 3,938 | 1,859,398 | 0.36 |
| 1,001 to 10,000 Shares | 1,777 | 6,328,268 | 1.23 | 36 | 162,012 | 0.03 | 1,813 | 6,490,280 | 1.26 |
| 10,001 to 100,000 Shares | 380 | 10,967,462 | 2.13 | 18 | 564,750 | 0.11 | 398 | 11,532,212 | 2.24 |
| 100,001 to 1,000,000 Shares | 73 | 21,753,888 | 4.22 | 14 | 4,176,422 | 0.81 | 87 | 25,930,310 | 5.03 |
| Over 1,000,000 Shares | 24 | 439,292,881 | 85.25 | 8 | 30,185,539 | 5.86 | 32 | 469,478,420 | 91.11 |
| | 6,173 | 480,189,617 | 93.19 | 95 | 35,101,003 | 6.81 | 6,268 | 515,290,620 | 100.00 |

| | No. of Shareholders | No. of Shares |
|---|---|---|
| **Catagories of Shareholders** | | |
| Individual | 5,927 | 52,196,699 |
| Institutional | 341 | 463,093,921 |
| | 6,268 | 515,290,620 |

## COMPUTATION OF PUBLIC SHAREHOLDING

| As at 31 March | 2013 No. of shares | 2012 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. A N Esufally | **2,283,585** | 1,992,085 |
| Mr. H N Esufally | **5,836,705** | 5,795,205 |
| Mr. I A H Esufally | **6,424,000** | 6,132,500 |
| Mr. M A H Esufally | **5,946,500** | 5,655,000 |
| Mr. J C L De Mel | **87,500** | 87,500 |
| Mr. M E Wickremesinghe | **11,250** | 11,250 |
| Mr. P K Mohapatra | **-** | - |
| Mr. R Gopalakrishnan | **-** | - |
| **Directors' shareholding and shareholders over 10%** | **369,310,365** | 368,394,365 |

| | | |
|---|---|---|
| Issued share capital | **515,290,620** | 515,290,620 |
| Less: Directors' shareholding and shareholders over 10% | **369,310,365** | 368,394,365 |
| Public holding | **145,980,255** | 146,896,255 |
| Public holding as a % of issued share capital | **28.33%** | 28.51% |

## SHARE TRADING

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Market Price** | | | | |
| Highest (Rs.) | **33.70** | 09/10/12 | 51.00 | 24/05/11 |
| Lowest (Rs.) | **19.10** | 06/06/12 | 23.00 | 14/02/12 |
| As at year ended (Rs.) | **27.00** | 28/03/13 | 26.30 | 30/03/12 |
| No. of Trades | **4,531** | | 6,919 | |
| No. of Shares Traded | **13,115,731** | | 18,049,445 | |
| Value of Shares Traded (Rs. Mn) | **351** | | 746 | |
| Market Capitalisation (Rs. Mn) | **13,913** | | 13,552 | |

## MAJOR SHAREHOLDERS

### LIST OF 20 MAJOR SHAREHOLDERS AS AT 31 MARCH

| | | 2013 No. of Shares | % | 2012 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) Limited | **85,781,250** | 16.65 | 85,781,250 |
| 4 | Amagroup (Private) Limited | **85,780,665** | 16.65 | 85,780,665 |
| 5 | Employees Provident Fund | **27,259,122** | 5.29 | 26,650,875 |
| 6 | HSBC Intl Nom Ltd-SSBT-National Westminster Bank PLC as Depositary of First State Indian Subcontinent | **9,732,370** | 1.89 | 9,732,370 |
| 7 | Sri Lanka Insurance Corporation Ltd-Life Fund | **6,635,700** | 1.29 | 6,635,700 |
| 8 | Mr. I A H Esufally | **6,424,000** | 1.25 | 6,132,500 |
| 9 | HSBC Intl Nom Ltd-SSBT-National Westminster Bank PLC As Depositary of First State Asia Pacific Susta | **6,272,899** | 1.22 | 6,272,899 |
| 10 | Mr. M A H Esufally | **5,946,500** | 1.15 | 5,655,000 |
| 11 | Mr. H N Esufally | **5,836,705** | 1.13 | 5,795,205 |
| 12 | Jacey Trust Services (Private) Limited-Account No-02 | **5,750,000** | 1.12 | 8,750,000 |
| 13 | HSBC Intl Nominees Ltd-Hsbc Bank Plc-CMG First State Global Umbrella Fund PLC-CMG First State Indian | **5,149,500** | 1.00 | 5,149,500 |
| 14 | Lexinton Holdings (Private) Limited | **4,947,500** | 0.96 | 4,740,600 |
| 15 | Jacey Trust Services (Private)Limited | **4,613,750** | 0.90 | 4,613,750 |
| 16 | Employees Trust Fund Board | **4,413,425** | 0.86 | 2,795,100 |
| 17 | Anverally and Sons (Private) Ltd A/C No 01 | **3,828,661** | 0.74 | 3,534,400 |
| 18 | HSBC Intl Nom Ltd-JPMCB-Pacific Assets Trust Plc | **3,051,800** | 0.59 | 3,051,800 |
| 19 | Cocoshell Activated Carbon Company Limited | **2,665,175** | 0.52 | 2,793,575 |
| 20 | Mr. A N Esufally | **2,283,585** | 0.44 | - |
| | Total | **453,531,517** | 88.01 | |

## DIRECTORS' SHAREHOLDING

| | | No. of shares | |
|---|---|---|---|
| | **31 March 2013** | **1 April 2012** | **31 March 2012** |
| Mr. J C L De Mel | **87,500** | 87,500 | 87,500 |
| Mr. H N Esufally | **5,836,705** | 5,795,205 | 5,795,205 |
| Mr. A N Esufally | **2,283,585** | 1,992,085 | 1,992,085 |
| Mr. I A H Esufally | **6,424,000** | 6,132,500 | 6,132,500 |
| Mr. M E Wickremesinghe | **11,250** | 11,250 | 11,250 |
| Mr. M A H Esufally | **5,946,500** | 5,655,000 | 5,655,000 |
| Mr. P K Mohapatra | **-** | - | - |
| Mr. R Gopalakrishnan | **-** | - | - |
| | **396,310,365** | 368,394,365 | 368,394,365 |

# FIVE YEAR SUMMARY

| Year Ended 31 March<br>Rs.'000 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Operating Results** | | | | | |
| Group Revenue | **26,098,362** | 21,532,503 | 18,067,489 | 14,997,405 | 15,169,509 |
| Profit Before Taxation | **2,406,155** | 1,521,080 | 1,569,345 | 1,094,719 | 856,932 |
| Taxation | **472,422** | 259,772 | 214,154 | 160,075 | 137,854 |
| Profit After Taxation | **1,933,733** | 1,261,308 | 1,355,191 | 934,644 | 719,078 |
| Profit Attributable to the Parent | **1,657,655** | 1,164,525 | 1,210,159 | 901,730 | 775,128 |
| **Equity & Liabilities** | | | | | |
| Stated Capital and Preference Shares | **1,600,603** | 1,600,603 | 1,468,426 | 1,369,223 | 1,369,223 |
| Reserves | **1,724,228** | 1,601,854 | 646,083 | 805,983 | 837,675 |
| Retained Earnings | **8,828,511** | 7,447,822 | 6,613,376 | 5,516,910 | 4,821,392 |
| Non Controlling Interests | **2,259,037** | 1,990,665 | 1,589,630 | 1,488,104 | 837,062 |
| Non Current Liabilities | **2,803,970** | 1,938,996 | 2,203,470 | 1,570,430 | 2,000,989 |
| Current Liabilities | **8,791,309** | 8,075,746 | 6,585,210 | 5,316,281 | 4,969,471 |
| | **26,007,658** | 22,655,686 | 19,106,195 | 16,066,931 | 14,835,812 |
| **Assets** | | | | | |
| Property, Plant & Equipment | **11,293,957** | 10,283,616 | 7,446,650 | 7,033,615 | 7,180,680 |
| Investment Property | **578,453** | 474,685 | 1,309,965 | 1,261,410 | 1,178,710 |
| Leasehold Property | **90,592** | 94,455 | 98,386 | 61,845 | 64,911 |
| Intangible Assets | **436,701** | 461,499 | 491,318 | 333,073 | 191,214 |
| Investments (Associate & Others) | **620,472** | 503,468 | 445,257 | 241,564 | 257,924 |
| Deferred Tax Assets | **39,762** | 35,621 | 35,014 | 22,805 | 21,832 |
| Current Assets | **12,947,721** | 10,802,342 | 9,279,605 | 7,112,618 | 5,940,541 |
| | **26,007,658** | 22,655,686 | 19,106,195 | 16,066,931 | 14,835,812 |
| **Key Indicators** | | | | | |
| Earnings Per Share (Rs.)* | **3.22** | 2.27 | 2.36 | 1.76 | 1.51 |
| Dividends Per Share (Rs.)* | **0.55** | 0.50 | 0.70 | 0.36 | 0.25 |
| Dividend Cover (No. of Times) | **5.8** | 4.5 | 3.4 | 4.9 | 6.0 |
| Interest Cover (No. of Times) | **7.5** | 4.3 | 6.2 | 3.3 | 2.8 |
| Net Asset Per Share (Rs.)* | **23.6** | 20.7 | 17.3 | 15.1 | 13.8 |
| Cash from Operating Activities (Rs.' 000) | **2,143,437** | 1,507,983 | 1,994,663 | 1,407,985 | 1,458,434 |
| Current Ratio (No. of Times) | **1.5** | 1.3 | 1.4 | 1.3 | 1.2 |
| Gearing (%) | **25.5** | 25.0 | 27.8 | 25.8 | 32.9 |
| ROE (%) | **14.5** | 12.0 | 14.6 | 12.3 | 11.5 |

* 2009 figures are adjusted for sub division of ordinary shares in the proportion of 5:1, that took place in 2010.

Highlighted information is based on SLFRSs.

# GLOSSARY

**CAPITAL EMPLOYED**
Total shareholders' funds plus debt and non controlling interests.

**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 reporting 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 non controlling interests.

**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 expense 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, non controlling interests 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.

**NON CONTROLLING INTERESTS**
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.

**OPERATING PROFIT**
Profit before interest and tax.

**PRICE EARNINGS RATIO**
Market price per share divided by the earnings per share.

**RETURN ON CAPITAL EMPLOYED**
Earnings before interest expense and tax divided by average capital employed at the beginning and end of the year.

**RETURN ON EQUITY**
Profit after tax, non controlling interests 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.

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

# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the **Tenth** 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 28th day of June 2013 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 2013, together with the Reports of the Directors and Auditors thereon.

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

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

4. To pass the ordinary resolution set out below to re-appoint as Director Mr. Lalith De Mel who is over 70 years of age and vacates office as a Director of the Company in terms of Section 210 (2) (b) of the Companies' Act No. 7 of 2007:-

   "**RESOLVED** that Mr. Lalith De Mel who reached the age of 76 years on 6th May 2013 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. Lalith De Mel."

5. To declare a final dividend of Rs.0.45 per Ordinary share as recommended by the Board.

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

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

By Order of the Board of
HEMAS HOLDINGS PLC

Hemas Corporate Services (Pvt) Limited
***Secretaries***

6 June 2013

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

# FORM OF PROXY

I/We ..........................................................................................................................................................................................

of ..............................................................................................................................................................................................

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

| | |
|---|---|
| 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 Tenth Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Friday the 28th day of June 2013 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 31.03.2013 together with the Reports of the Directors and Auditors thereon. | | |
| 2. To re-elect as Director, Mr. Husein Esufally retiring by rotation in terms of the Articles of Association of the Company. | | |
| 3. To re-elect as Director, Mr. Murtaza Esufally retiring by rotation in terms of the Articles of Association of the Company. | | |
| 4. To re-appoint Mr. Lalith De Mel as a Director of the Company in terms of Section 211 (1) of the Companies' Act No.7 of 2007. | | |
| 5. To declare a final dividend of Rs. 0.45 per share as recommended by the Board. | | |
| 6. To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration. | | |
| 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.

# FORM OF PROXY

**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
Ramabadran Gopalakrishnan

**Secretaries & Registrars**
Hemas Corporate Services (Pvt) Ltd
No. 75, Braybrooke Place,
Colombo 2
Telephone: 4 731731 (hunting)
Facsimile: 4 731777

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

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

Produced by Copyline (Pvt) Ltd   Printed by Printel (Pvt) Ltd

DRIVING
PERFORMANCE
ENRICHING LIVES

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