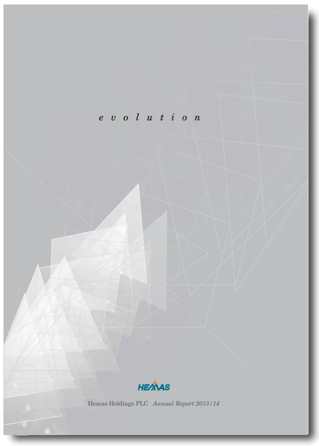
e v o l u t i o n

HEMAS

Hemas Holdings PLC *Annual Report 2013/14*



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Hemas Annual Report 2013/14 online
www.hemas.com

This report is available as a PDF download on our website.

Contents

For over sixty five years Hemas Holdings PLC has been one of the nation's fastest growing blue-chip conglomerates, delivering an award-winning range of diversified products and services to all Sri Lankan consumers. Through healthcare, leisure, transportation, power generation and a broad portfolio of reputed FMCG products, we are proud to serve over a million loyal customers every day.

Today Hemas is evolving in many exciting ways. This report describes how the Group moves to the next phase of our development, through the acquisition of J.L. Morison Son & Jones (Ceylon) PLC and welcoming our new Chief Executive Officer Mr Steven Enderby to the Board as part of a managed succession plan.

These changes will see your Company increase in strength and stature, bringing greater focus to corporate sustainability, value building and good governance as our evolution continues into the years ahead.

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

Hemas reveres its moral compass: its values. It is our values that hold us together in meeting success, in providing our customers with quality products and services that they deserve.

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

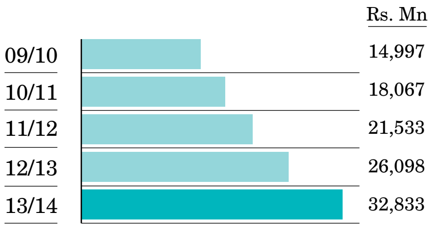
We are a business that has grown, and developed companies and products which compete with leading global players and are very much focused on profitability, while maintaining a high level of social consciousness

We are building capability and leadership among our people and attracting some of the best talent in the market place

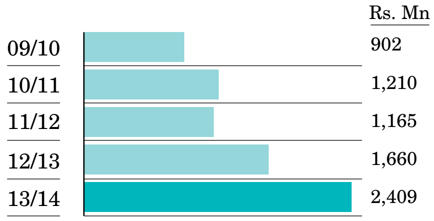
Financial Highlights

Year Ended 31 March		2014	2013	Change %
Operating Results				
Group Revenue	Rs '000s	32,833,249	26,098,362	25.8
Operating Profit	Rs '000s	3,378,598	2,436,994	38.6
Profit Before Taxation	Rs '000s	3,047,239	2,409,541	26.5
Profit After Taxation	Rs '000s	2,560,905	1,935,843	32.3
Profit Attributable to the Parent	Rs '000s	2,409,276	1,659,660	45.2
Gross Dividend Paid	Rs '000s	429,409	314,900	36.4
Cash from Operations	Rs '000s	2,895,800	1,863,616	55.4
Financial Position				
Total Assets	Rs '000s	34,378,889	26,007,658	32.2
Equity Attributable to Equity Holders of the Parent	Rs '000s	14,300,524	12,153,342	17.7
No. of Shares	No. '000s	515,291	515,291	-
Gearing	%	30.7	25.5	20.5
Shareholder Information				
Return on Equity	%	18.2	14.6	25.1
Earnings per Share	Rs.	4.68	3.22	45.2
Dividend per Share	Rs.	0.75	0.55	36.4
Dividend Payout	%	16.0	17.1	(6.1)
Net Assets per Share	Rs.	27.8	23.6	17.7
Market Capitalisation	Rs '000s	19,426,456	13,912,847	39.6
Price Earnings Ratio	Times	8.1	8.4	(3.8)
Market Price as at 31 March	Rs.	37.70	27.00	39.6

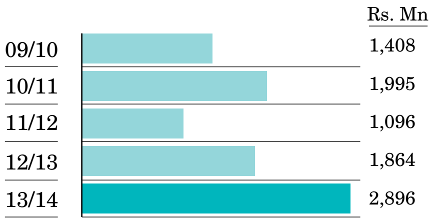
Group Revenue



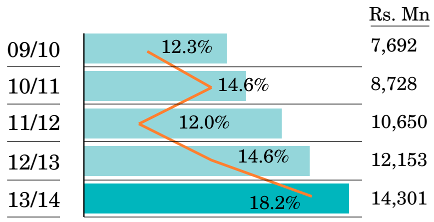
Profit Attributable to the Parent



Cash from Operations



Equity Attributable to Equity Holders of the Parent & ROE



Chairman's Statement

Dear Shareholder,
It gives me great pleasure to address you for the first time as Chairman of your Company, Hemas Holdings PLC, which completed another successful and eventful financial year.

The year under review marks the end of a defining era for Hemas, with the retiring of our former Chairman Deshamanya Lalith De Mel, whose stewardship and leadership over a decade was instrumental in transforming a family-run private enterprise into a professionally-managed public-listed organization. The latter part of the year signified the beginning of what we would call the "next stage" of our evolution, with the appointment of Steven Enderby to the post of Chief Executive Officer, effective 1 April 2014.

As the outgoing Chief Executive Officer, my message will cover the highlights of the year under review, whilst Steven would elaborate on our plans and prospects going forward.

Your Company has posted Consolidated Net Earnings of Rs 2,409Mn, a 45.2% year-on-year growth and Operating Profits of Rs 3,379Mn, a growth of 38.6%. This year, Net Earnings have been impacted by several favorable and unfavorable one-off items such as a capital gain due to the transfer of our Peace Haven hotel land to a joint-venture, fair value appreciation of investment property and the impairment of thermal assets. After adjusting for such one-off items, the Operating Profit of the Group shows a growth of 19.0%.

The Sri Lankan economy grew by 7.3% in 2013 with interest rates and inflation declining sharply and the currency holding steady. Unlike in previous years, where GDP growth had been traditionally driven by domestic consumption demand, in 2013 construction-led investments and exports of goods & services played a bigger role by contributing 4.5% to the 7.3% GDP growth. On the other hand, the growth in domestic consumption was just 3.2%, the lowest since 2001. In this respect, 2013 was an unusual year in that a reasonably high level of economic growth was coincided with a rather lackluster performance of the consumer markets. Both public and private-sector investments recorded healthy growth levels with public-sector investments growing faster. However, the current high levels of liquidity in the banking system due to poor credit demand, despite the historically low costs of borrowing, may be an indication that private-sector investments may have slowed down.

Healthcare and FMCG sectors represent a key part of the Company's business. The year under review saw the Company strengthening its position in this space through the acquisition of a 90% stake in J.L.Morison Son & Jones (Ceylon) PLC (JLM) and also the opening of our third Hospital at Thalawathugoda.

The acquisition of JLM in May 2013 for a consideration of Rs 2.3Bn, gives us a strategic entry into Pharmaceutical and Over the Counter (OTC) manufacturing. Apart from manufacturing facilities and a substantial land bank, JLM is a well-recognized supplier of generic pharmaceuticals, to both the private and state sectors. Further, Morisons Gripe Water, Valmelix cough syrup and Lacto Calamine lotion are well known brands in the OTC category, with significant potential for growth. Following a smooth transfer of control (barring the loss of two Consumer agencies), the company is in the process of modernizing its operations, and planning for growth.

Revenue *Rs.*	Profit After Tax *Rs.*	Market Capitalisation *Rs.*
32,833Mn	2,561Mn	19,426Mn

Our Pharmaceutical distribution business reinforced its market leading position, increasing its share of the private market to 21% (IMS). Revenues grew by 18.0%, despite sluggish industry growth which stood at 1.32% for 2013 (IMS). During the year, the industry faced several regulatory hurdles including the ambiguity surrounding the setting up of a new National Drugs Authority, and the imposition of Price regulation by the Consumer Affairs Authority. Whilst we whole heartedly support legislation aimed at improving public accessibility to quality pharmaceuticals at affordable prices, we hope that such policies would not have a negative impact on consumer choice and availability of new drug discoveries to the Sri Lankan public.

Revenue Growth

25.8%

The year under review also saw the commencement of our third hospital at Thalawathugoda, a Rs 1.4Bn 55-bed multi-speciality facility. After ten months of operation, the buildup of patient volumes looks encouraging. Meanwhile, operations at our flagship Wattala hospital continues to grow, with more high-end surgeries being performed. The business also expanded its chain of laboratories which now form a significant part of overall revenues.

Growth rates in the FMCG industry too were dampened, with A.C. Nielsen reporting a value growth of 4% in 2013. In this backdrop the FMCG business did well to record revenue growth of 24.1% along with an improvement in operating margins. During the year, the business re-launched many of its key brands significantly enhancing product quality, which would augur well for the business going forward.

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Chairman's Statement

After a relatively poor summer season, the Leisure industry enjoyed a strong winter season and as a result, our Hotels and Inbound Tours ended the financial year on a high note. Club Hotel Dolphin was refurbished at a cost of Rs 488Mn and this has significantly enhanced the appeal of the property which has traditionally been the main contributor in our hotel portfolio. We remain optimistic about the long term prospects for tourism and in line with this view, we entered into a new joint-venture partnership with Minor International to co-develop the Peace Haven property in Tangalle into a USD 40Mn luxury resort under the 'Anantara' brand.

The Aviation business of our Transportation sector (Airline GSA's and Travel Agency) posted a strong performance during the year under review and gained more competitive ground, whilst the Maritime and Logistics businesses continued to establish its relatively new presence in the industry by way of rapid ramping up. Helped by the strong growth in Maritime and Logistics, the Transportation sector posted a revenue growth of 39.9%, which was the highest amongst all sectors in the Group.

Our Power sector posted mixed results with an exceptional performance in the mini hydro segment during the early part of the financial year, whereas overall results were significantly impacted by a Rs 576Mn impairment as we have estimated the recoverable value of the thermal assets to fall short of the carrying value. During the early part of the year, we acquired 29.3% of Panasia Power PLC, increasing our mini hydro portfolio to five operating plants with a total capacity of 11.4 MW.

On the sustainability front, Hemas had yet another busy year with our continued support via our external charitable projects from previous years, whilst adding on several new initiatives. The Green Club was launched in July 2013 to encourage the participation of Hemas' employees in environmentally-conscious endeavors, while the launch of the Hemas Outreach Foundation website at the beginning of this year details the work we do and will be publicized to encourage others to follow suit.

'Piyawara', our flagship project, initiated and facilitated by the Hemas Outreach Foundation, which focuses on early childhood care and development in rural areas, saw the construction of pre-schools in Mullaitivu and Kilinochchi

As we forge ahead with our business plans, we are mindful about upholding and building upon the Governance standards that have been instituted over the years. The appointment of a professional manager to serve as Chief Executive Officer is a further step towards separating Ownership from Management.

Operating Profit Growth

38.6%

during the year. It is notable that the model pre-school in Killinochchi is to be used as a model training centre by the Ministry of Education of the Northern Province. We shall continue to give back to the community and environment by strengthening our efforts in the areas of social, environmental and economic sustainability.

As we forge ahead with our business plans, we are mindful about upholding and building upon the governance standards that have been instituted over the years. The appointment of a professional manager to serve as Chief Executive Officer is a further step towards separating Ownership from Management. As Chairman, my main endeavor will be to work closely with the Board to guide and support the Chief Executive Officer and his leadership team towards accelerating the pace of growth and taking Hemas to the 'next stage'. In doing so, we will rely on time tested governance standards that have served us well over the years and also the combined wisdom of my fellow Board members. Let me take this opportunity to once again thank our former Chairman, Deshamanya Lalith de Mel and also to appreciate the advice and guidance of my fellow Directors who have played an important role in the stewardship of this leadership transition and the affairs of the Company

As the outgoing Chief Executive Officer, I know firsthand how much of our success is due to the capability of our leadership and the commitment of our staff. My sincere thanks go out to each and every one of the Hemas family, and I hope that they would continue to give their all, in supporting the organization to forge ahead. Let me also extend my best wishes to Steven as he takes on the mantle of leadership.

Finally, my sincere thanks to our customers, business partners, and of course to you, dear shareholders, for the trust and support extended over the years

Husein N. Esufally
Chairman

28 May 2014

Chief Executive Officer's Review

The good news is that we are a great company in high growth sectors with a high quality team. It looks like an excellent starting point to me.

Fellow Stakeholders,

I am delighted to be writing to you as the new Chief Executive Officer of Hemas Holdings PLC. Only two months into the new job, and I am enjoying the challenges and opportunities it presents. The quality and longevity of relationships is a remarkable hallmark of Hemas and I would like to thank you all for your good wishes on my appointment. I look forward to working with you as we use our energies and abilities to build Hemas.

We have divided up the work in this annual report, Husein Esufally, who was Chief Executive Officer to 31st March 2014, will deal with the financial and operating performance of the Group and I will share some of my initial thinking about future direction.

Many people ask me where does Hemas go from here? The good news is that we are a great company in high growth sectors with a high quality team. It looks like an excellent starting point to me. These factors, combined with the strong principles and values that are an integral part of Hemas, positions us as a business ideally placed to take advantage of the growing economy and increasingly complex demands of Sri Lankan consumers in the many sectors in which we are active.

I think 2013/14 has been a critical year for Hemas from multiple perspectives, all of which point to the future and growth potential of the Group.

First, the acquisition of J.L. Morison Son & Jones (Ceylon) PLC (JLM) has added another dimension to our already strong position in the healthcare space. Building capability in pharmaceutical manufacturing is not only consistent with the Government's desire to encourage domestic manufacturing, but JLM is also well positioned to bring a broader range of quality pharmaceutical products to market. Equally, we look forward to exploring how we can bring our considerable consumer brand building capabilities to JLM's over the counter pharmaceutical product range and our island wide market leading pharmaceutical distribution knowledge to getting JLM products to market more efficiently. This is an acquisition that plays well to our core strengths.

Secondly our FMCG business has been through a transformational period over the last year, with a strengthening of the leadership team, re-launches of all our major brands and building a success story in Bangladesh. I believe all of these position us well for strong future growth. The strong performance of the business in 2013/14 is an indicator of our aspirations for our FMCG business.

The opening of our third hospital in Thalawathugoda not only strengthens our hospital presence, but continues our strategy to provide high quality affordable healthcare to suburban Colombo. The model we have developed at Wattala over the last five years, has delivered strong operational results in 2013/14. However we still have work to do to improve our returns from our hospitals, a key requirement for all Group investments.

The story is similar in hotels and leisure. This is an industry that continues to grow strongly, a sector where we have deep experience, are active in inbound and outbound tourism, hotel ownership and management and where we are busy building new assets. The construction of our new Anantara Tangalle property, Peace Haven, started in late 2013. This property is being jointly developed with our partners in the hotel industry, Minor International. Construction is going well and the hotel should be completed by mid 2015.

In power we have taken a significant step forward in the acquisition of a 29.3% stake in Pan Asian Power. This has increased our footprint in Sri Lankan mini hydro's to 11.4MW and offering the potential to take our hydro power generating capacity to 20MW with various development opportunities. Heladhanavi is coming to the end of its PPA in 2014/15 and this will impact our revenue and profits from this sector.

While it is great to have acquisitions, new assets being built and businesses being transformed, having businesses that are solid, strong performers that continue to outperform the market is equally critical. I think that describes our pharmaceutical distribution business well. I congratulate our team for having done an excellent job in a challenging trading environment

Similarly in the transportation space we have had another strong year, combining, not only good growth in our long standing core businesses, but also taking a step forward in a number of new initiatives in logistics. Again Government policy, regulatory improvements and rapid implementation of infrastructure development offer excellent growth potential for the industry. We need to work hard to take best advantage of this potential.

I think these examples demonstrate that we are in good businesses and are well positioned for future growth. In 2014/15 and beyond we will continue to build on the Group's core strengths in healthcare, personal care and leisure & travel in particular.

Clearly the credit for these achievements should go to Husein for his leadership of the business over the last 13 years. I am sure you will all join me in thanking him for his outstanding contribution to your Company. You don't wake up one morning and find you are a great company, in high growth sectors with a high quality team. You get there through hard work, insightful thinking, a strong desire to succeed and team building. These are all qualities I have seen first hand in Husein and I congratulate him on what he has built and look forward to his ongoing wise counsel as Chairman.

A great company delivers great results over a long period. Hemas is a great Company, we have great results, 25.8% sales growth, 38.6% operating profit growth and 45.2% earnings growth and we embrace the challenges of continuing to achieve these levels of performance while recognising we are a business that is an integral part of our society and environment.

Steven Enderby
Group Chief Executive Officer

28 May 2014

Financial Review

For the financial year ended 31 March 2014, Hemas Holdings PLC and its Subsidiaries delivered consolidated revenues of Rs 32.8Bn, a growth of 25.8%, operating profits of Rs 3.4Bn, a growth of 38.6% and profits attributable to the parent of Rs 2.4Bn, a growth of 45.2%. Internal cash generation within the Group has also been very healthy with operating cash flows of Rs 2.9Bn, a growth of 55.4% over the previous year. The fact that the year under review has been an eventful year is reflected in a few one-off items that have both positively and negatively impacted the Group results:

- Capital gain of Rs 367Mn on the transfer of land to our joint-venture with Minor International for USD 40Mn luxury resort project in Tangalle
- Fair value gain of Rs 687Mn in the Tangalle land which has been recognized as investment property, next to the Tangalle luxury resort development project
- Impairment of Rs 576Mn in our proportional ownership of thermal power assets, due to the decline in their net realizable value below the carrying value – in the books of Heladhanavi the thermal power plant assets have been impaired by Rs 1.2Bn on the assumption that the power purchase agreement which expires in December 2014, will not be extended.

Consolidated Revenues

Whilst consolidated revenues of Rs 32.8Bn is the first time the Group has crossed the Rs 30Bn mark, the year-on-year growth of 25.8% is the highest turnover growth posted since 2004/5. Excluding new business revenues for the year, Group turnover still amounts to a healthy Rs 30.1Bn, a healthy underlying growth of 15.4% for the year.

As shown in the Group Revenue chart, FMCG, Healthcare and Power sectors have been the key contributors to Group revenues in the past. It is also noteworthy that growth in revenues has been maintained at very healthy levels over the past 4 years, as clearly illustrated in the Group Revenue chart. As per Table 1, out of the 25.8% turnover growth in 2013/14, FMCG, Healthcare and Power sectors have contributed towards a growth of 22.6% in absolute terms, or in other words 87.5% of the year-on-year growth, in relative terms.

Group Revenue

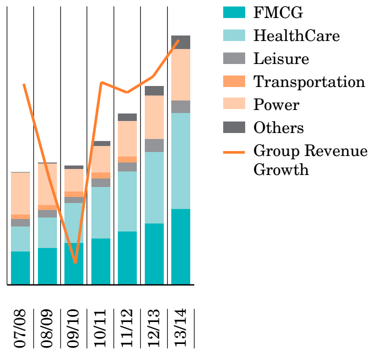
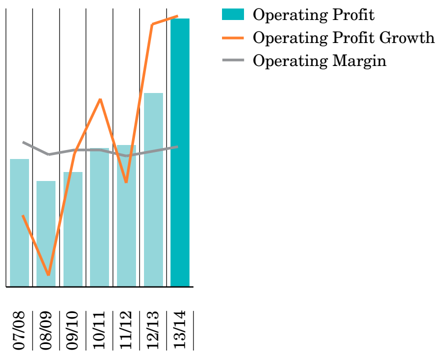


Table 1 below analyses how the revenue mix has changed from 2012/13 to 2013/14 and the contribution by each Sector towards the growth in consolidated revenues. As far as revenue mix is concerned, the Healthcare sector, which is our largest sector, has become more significant as it has increased its contribution to Group revenues from 34.4% to 36.7%. This has been driven by a 34.4% growth in Healthcare sector revenues, on the back of a strong underlying performance of Hemas Pharmaceuticals, the new Pharmaceuticals distribution and manufacturing revenue lines acquired with the purchase of J. L. Morison Son and Jones (Ceylon) PLC (JLM) and the new revenues from our Thalawathugoda Hospital. Excluding new business revenues, Healthcare sector revenues have grown by 17.5%, an encouraging underlying growth in an environment where the growth in domestic consumer demand has been exceptionally low. Our Transportation sector has posted an impressive growth of 39.9% driven by the strong performance of the aviation business and the ramp up of maritime and logistics businesses. The revenue growth of 24.1% by FMCG sector was boosted by new revenues of JLM, excluding which the revenue growth still stands at 15%, a commendable performance in a challenging market environment. Leisure sector revenues have declined by 4.9% due to the closure of Club Hotel Dolphin and Hotel Sigiriya during the summer season for refurbishment, which cost Rs 563Mn.

Table 1: Revenue Analysis

	Revenue Mix 12/13	Growth 13/14	Contribution to Growth Absolute 13/14	Contribution to Growth Relative 13/14	Revenue Mix 13/14
FMCG	29.5%	24.1%	7.1%	27.5%	29.1%
Healthcare	34.4%	34.4%	11.8%	45.9%	36.7%
Leisure	6.3%	-4.9%	-0.3%	-1.2%	4.8%
Transportation	4.2%	39.9%	1.7%	6.5%	4.7%
Power	21.1%	17.2%	3.6%	14.1%	19.7%
Other	4.5%	41.3%	1.9%	7.2%	5.1%
Group	100.0%	25.8%	25.8%	100.0%	100.0%

Operating Profit



Group operating profit stands at Rs 3.4Bn, a year-on-year growth of 38.6%. The chart above illustrates that operating profit growth over past two years have been high, closer to 40% per annum, while maintaining operating profit margin at healthy levels. During the past few years, operating margins have been increasing steadily, from 8.3% in 11/12 up to 10.3% in 13/14. Operating performance for the year 2013/14 was positively impacted by the capital gain on the land transfer as shown in the 367.4% increase in other operating income whilst administrative expenses and selling & distribution expenses have increased by 44.2% and 32.4%. The relatively high increase in the operating cost base is due to the additional overheads that came along with the new hospital at Thalawathugoda and the JLM acquisition.

Excluding one-off items, the growth in operating profits for 13/14 is 19.0%p.a. and the operating margin is 8.8%. The underlying growth in operations profits would have been stronger than 19.0% if not for the closure of Club Hotel Dolphin and Hotel Sigiriya during summer for refurbishment. The operating profit of Club Hotel Dolphin for 2013/14 is Rs 102Mn less than the previous year as a result of the closure, a 4.2% negative impact on the growth in Group operating profits.

Table 2 below shows the sector-wise operating profit analysis. The absolute increase in Group operating profit for the year under review was Rs 942Mn. FMCG, Healthcare, Transportation and Other sectors together positively contributed Rs 1,489Mn towards the increase in operating profits, whilst Leisure and Power sectors together contributed negatively Rs 547Mn. Of the positive contributions, the one-off items, i.e. the capital gain on the transfer of land, the fair value gain on the Tangalle land and the additional profits from the JLM acquisition are noteworthy and these account for Rs 1,292Mn or 87% of the total positive sector contributions to absolute growth in operating profits. On the other hand, the Rs 576Mn impairment in thermal power assets is the single dominant factor of the negative contributions towards Group operating profit. The closure of Club Hotel Dolphin and Hotel Sigiriya for refurbishment is the key factor behind the drop in operating profits in the Leisure sector.

When the performances of the individual sectors are considered, Healthcare, Transportation and FMCG sectors posted the highest growth in operating profits, growing by 36.2%, 27.1% and 26.0% respectively. When the results of the new businesses, JLM healthcare segment and Thalawathugoda Hospital are eliminated, Healthcare sector performance is still impressive, posting an operating profit growth of 34.4%, largely on account of the accelerated ramp up of Wattala Hospitals performance and the strong growth posted by Hemas Pharmaceuticals. On the other hand, FMCG sector too posted very encouraging results with a 15% growth in operating profits excluding the results of JLM from the FMCG segment.

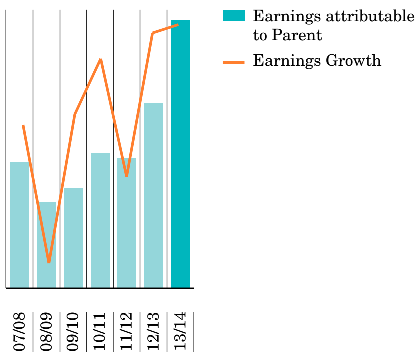
Financial Review

Table 2: Operating Profit Analysis

	Operating Profit			Contribution to Growth		Operating Margins	
	12/13 Rs Mn	13/14 Rs Mn	13/14 Growth	13/14 Rs Mn	13/14 %	12/13 %	13/14 %
FMCG	684	862	26.0%	178	7.3%	8.9%	9.0%
Healthcare	805	1,097	36.2%	292	12.0%	9.0%	9.1%
Leisure	516	358	-30.5%	(158)	-6.5%	31.4%	22.9%
Transportation	380	483	27.1%	103	4.2%	34.5%	31.3%
Power	315	(75)	-123.9%	(390)	-16.0%	5.7%	-1.2%
Other	(263)	654	-348.5%	917	37.6%	-22.3%	39.3%
Group	2,437	3,379	38.6%	942	38.6%	9.3%	10.29%

Group Earnings

On the back of a strong operating profit growth, Group earnings have grown by 45.2% for the year under review. As shown in the chart below, year-on-year earnings growth for 2013/14 was the highest over the past 5 years.



Group Earnings Growth

45.2%

Finance Cost

Net finance cost, income tax expense and the non-controlling interest are the three items that translate operating profit into Group earnings. As shown in Table 3 below, the increase in net finance cost from Rs 27Mn to Rs 331Mn, has negatively contributed Rs 304Mn to Group earnings or pulled back 18.3% from earnings growth. The significant increase in net finance cost is due to the investments into our new hospital in Thalawathugoda and the acquisitions of JLM and Panasian Power. As a result the net interest cover reduced from 88.8 in 2012/13 to 10.2 in 2013/14.

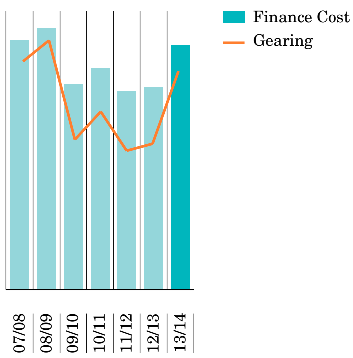


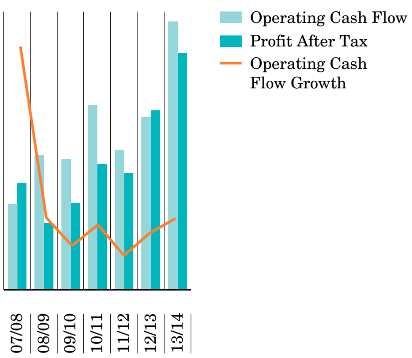
Table 3: Reconciliation of Operating Profit and Earnings

	Operating Profit			Contribution to Growth	
	12/13	13/14	13/14	13/14	13/14
	Rs Mn	Rs Mn	Growth	Rs Mn	%
Operating Profit	2,437	3,379	38.6%	942	56.7%
Net Finance Cost	(27)	(331)	1107.0%	(304)	-18.3%
Profit Before Tax	2,410	3,047	26.5%	638	38.4%
Income Tax Expense	(474)	(486)	2.7%	(13)	-0.8%
Profit After Tax	1,936	2,561	32.3%	625	37.7%
Non-Controlling Interest	(276)	(152)	-45.1%	125	7.5%
Group Earnings	1,660	2,409	45.2%	750	45.2%
Net Interest Cover	88.8	10.2			
Effective Tax Rate	19.7%	16.0%			

The income tax expense remained largely unchanged from the previous year. Given the higher pre-tax profit during 2013/14, the effective tax rate reduced from 19.7% to 16.0%. The net positive impact of the one-off items such as the capital gain, fair value gain and impairment, which do not attract any income taxes is the main reason for this significant drop in the effective tax rate.

On the other hand, the movement in non-controlling interest from 2012/13 to 2013/14 has had a favorable impact on Group earnings. This was largely due to the capture of 25% of the Rs 576Mn impairment of thermal assets under non-controlling interests as Hemas Holdings PLC owns 75% of Hemas Power PLC, thereby effectively boosting the bottom-line by the same amount.

Cash Flow



For the year under review, the Group posted Consolidated Operating Cash Flows of Rs 2.9Bn, up 55.4% from previous year's Rs 1.9Bn. This growth was largely driven by the slower increase in trade and other receivables compared to the previous year, and the larger buildup of trade and other payables, compared to the previous year. Whilst there has been a larger buildup of inventories as against the previous year, the cumulative cash flow effect of receivables, payables and inventory management was a favorable Rs 880Mn vis-à-vis the previous year.

There was a net cash outflow of Rs 4.7Bn from investing activities for 2013/14 compared to an outflow of Rs 1.4Bn in the previous year. The noteworthy investments are the acquisition of JLM, Hemas Hospitals at Thalawathugoda, refurbishment of Club Hotel Dolphin, the ongoing development of the luxury resort at Tangalle with Minor International and the purchase of a sanitary napkin machine.

Interest-bearing loans have increased to Rs 2.0Bn to support the above investments. With the dividends paid out during the year, the purchase of non-controlling interests and transaction costs, which total to Rs 884Mn, the net cash inflow from financing activities amounts to Rs 1.1Bn.

From operating activities, investing activities and financing activities there was a net outflow of Rs 626Mn, as against a net inflow of Rs 633Mn in the previous year. The internal cash balances at the beginning of the year helped sustain this net outflow from the Group.

Financial Review

Liquidity and Solvency

At Group level, Net Current Assets have remained relatively stable, growing by 4.1% year-on-year to close at Rs 4.3Bn as at 31 March 2014. However, there were significant increases in current assets and current liabilities over the year, as illustrated in Table 4 below. These increases were mainly due to the working capital buildup at Hemas Pharmaceuticals and the Power sector, as well as the buildup of surplus funds in certain sectors and short-term borrowings in others. In addition, the new businesses, JLM in particular, added to the Group current assets and current liabilities as at 31 March 2014. Current Ratio and Quick Ratio, whilst reducing from 1.47 to 1.35 and from 1.20 to 1.03 respectively, remain quite healthy, whilst the working capital cycle reduced from 122 days to 104, showing an improvement in cash conversion.

Return on Equity

18.2%

Table 4: Group Liquidity

	12/13	13/14	Increase
Current Assets (Rs Mn)	12,948	16,748	29.4%
Current Liabilities (Rs Mn)	8,791	12,422	41.3%
Net Current Assets (Rs Mn)	4,157	4,326	4.1%
Current Ratio	1.47	1.35	
Quick Ratio	1.20	1.03	
Debtor Days	99	95	
Inventory Days	142	138	
Creditor Days	119	128	
Working Capital Cycle	122	104	

As per Table 5 below, the capital structure of the Group remains relatively conservative, with abundant capacity to finance its future investments through borrowings whenever the need arises. The main reasons for the coexistence of a significant short-term debt balance along with a significant cash balance are the non-transferability of funds between certain entities, in the case of joint-ventures in particular, and the fact that borrowings and cash balances are held in different currencies by different businesses for tactical purposes.

Based on Tables 4 and 5, it is evident that the Group is well-placed in meeting its short-term and long-term obligations comfortably.

Driven by strong underlying business performance and the net positive impact of several one-off events, both the Return on Capital Employed (ROCE) and Return on Equity (ROE) have experienced a considerable improvement for the year ended 31 March 2014.

Table 5: Group Capital Structure and Solvency

	12/13 Rs Mn	13/14 Rs Mn
Long-term Debt	2,183	3,468
Short-term Debt	2,744	4,342
Total Debt	4,927	7,810
Surplus Cash	3,396	4,165
Net Debt (Total Debt less Surplus Cash)	1,531	3,645
Non-Controlling Interest	2,259	3,329
Parent's Equity	12,153	14,301
Equity attributable to equity holders of the parent	14,412	17,630
Total Assets	26,008	34,379
Capital Employed (Total Debt + Total Equity)	19,339	25,440
Capital Employed less Surplus Cash	15,943	21,275
Net Gearing Ratio (Net Debt / Capital Employed less Surplus Cash)	9.6%	17.1%
Total Gearing Ratio (Total Debt / Capital Employed)	25.5%	30.7%
Long-term Gearing Ratio (Long-term Debt / Capital Employed)	11.3%	13.6%

Return on Capital

Driven by strong underlying business performance and the net positive impact of several one-off events, both the Return on Capital Employed (ROCE) and Return on Equity (ROE) experienced a considerable improvement for the year ended 31 March 2014. Excluding the impact of one-off items, the adjusted ROCE and ROE for the year under review are 11.5% and 14.9% respectively.

In Table 6 below, the significant increase in EBIT margin is largely due to the significant net positive impact of the one-off items. The asset turnover, which increased from 1.07 to 1.09, on the other hand is more reflective of the ongoing topline performance of the businesses. Whilst the higher level of gearing certainly pushed the ROE levels up, a significant decline in the effective tax rate due to tax-free gains from one-off items converted an already high ROCE to an even more impressive ROE for 2013/14.

Table 6: Return on Capital

	SLAS			SLFRS	
	09/10	10/11	11/12	12/13	13/14
Operating Margin	10.0%	10.1%	9.8%	10.7%	9.2%
Asset Turnover	0.97	1.02	1.03	1.07	1.09
Asset/Capital Employed	1.29	1.31	1.33	1.34	1.35
ROCE	12.5%	13.5%	13.4%	15.4%	13.4%
Interest Cover	3.3	6.2	4.3	7.5	5.6
Effective Tax Rate	14.6%	13.6%	17.1%	19.7%	16.0%
Gearing	25.8%	27.8%	25.0%	25.5%	30.7%
ROE	12.3%	14.6%	12.0%	14.6%	18.2%


New
1kg
Diva
Detergent Powder
Nimex
Feels Good to use
Paper
Serviettes
fems
active
DRYTEX WINGS
Dandex
PLUS
50 ml
200 ml
200ml
+50ml
Extra
Velvet
soft hands
fems
active
COTTON FEEL WINGS
PRO
CHILL
FACTOR
PRO
FRESH
Gold
PRO
Clogard
Diva
Detergent Soap
Velvet

FMCG

Revenue *Rs.*

9,545Mn

Profit After Tax *Rs.*

828Mn

FMCG

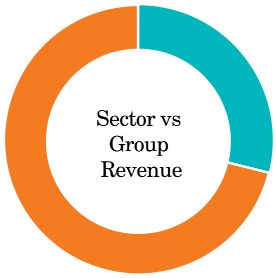
The fast moving consumer goods (FMCG) sector benefits from a deep understanding of our Sri Lankan consumer. Over the last 50 years the business has developed a portfolio of trusted brands that today have become a household name for all Sri Lankans. Its strong distribution network across the island reaches over 140,000 outlets. Our brand offerings in baby care, skin care, fragrances, personal wash, oral care, hair care, feminine hygiene and home care, have consistently maintained the highest quality standards and continued to record impressive growths in a market which has slowed down significantly versus previous years across both urban & rural.

The year gone by was a hectic one where an energized team was successful in re-launching all major brands with significant improvements in product quality and packaging. This was in turn supported by new marketing communications programs and a host of below the line activities. On the other hand, the acquisition of J. L. Morison Son and Jones (Ceylon) PLC, during the early part of 2013/14, re-inforced a stronghold in the FMCG market.

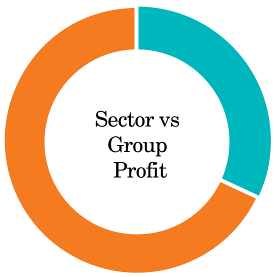
Hemas FMCG sector posted an impressive revenue growth of 24.1% and profit growth of 11.1%. This performance was under-pinned on delivering better value to consumers by improving the overall quality of our offerings across the marketing mix. We strongly believe that our understanding of the consumer, shoppers and channel partners will help us stay ahead in this highly competitive and dynamic industry.

Our business in Bangladesh also had an excellent year, a year that saw the business move into making profit. Plans are in place to exploit opportunities and aggressively grow our business in this lucrative market.

Baby Cheramy, our flagship brand with over 50 years of trusted excellence continues to be market leader and has been the preferred choice of Sri Lankan mothers. The brand's portfolio was significantly re-vamped and enhanced with the introduction of a range of new superior product offerings strengthening our position as the Baby Care expert. The products also underwent extensive clinical research and have been certified as being "Dermatologically tested for proven mildness". This we believe will further enhance the confidence and trust that mothers place in our products. The brand was awarded the prestigious Effie Award for its "Baby Cheramy Big Heart Project", which was the CSR campaign launched for the Baby Cheramy 50th Anniversary.



- Sector 29%
- Rest of the Group 71%



- Sector 32%
- Rest of the Group 68%

Clogard was re-launched successfully and has recorded significant double digit turnover growth, despite heavy competition and low overall market growth. The brand's credentials were strengthened by dialing up its scientific benefits through enhanced packaging and communication. With a presence in all key oral care subcategories – Toothpaste, Toothbrush & Mouthwash, the brand is positioned as a 'Total Oral Care solution provider' and will continue to strive to deliver its vision and promise of a "Cavity free Sri Lanka". Clogard continues to be endorsed by the Sri Lanka Dental Association (SLDA) reinforcing the brands credibility as a high quality oral care solution provider to our valued consumers.

Our passion to provide our consumers with high quality products necessitated a state of the art manufacturing facility with a fully automated production process to produce the highest quality sanitary napkins in the market. **Fems**, our sanitary napkin brand uses high quality materials sourced from reputed global suppliers and adheres to world class manufacturing standards in its production processes. This has enabled the napkin to be rated as one of the best in the Sri Lankan market. The final product has been tested both locally and internationally and is endorsed by Industrial Technology Institute (ITI) and SLS. In fact as a testament to the highest quality standards adopted by Fems, it is the only sanitary napkin brand to carry the coveted SLS certification in Sri Lanka.

Kumarika hair oil has recorded an impressive growth continuing its position as the market leader in the branded hair oil segment in Sri Lanka. The brand also continues to aggressively grow and is the cornerstone of the Bangladesh business. Bangladesh offers great opportunity in our endeavour to take our footprint outside Sri Lanka. The success of the Kumarika brand has given us confidence in further exploiting these opportunities.

Velvet, was a major contributor to the Company's growth. The brand was re-launched as an improved product with dual ingredients to make its proposition more appealing to the consumers, supported by new attractive packaging and contemporary communication. The range was also enriched with the introduction of a herbal proposition. Velvet continues to extend its lead over competition and today stands as a clear market leader in the Beauty Soap segment.

Diva, our washing powder continues to provide strong value to our consumers. Diva was re-launched with improved perfume, enhanced washing functionalities and attractive packaging. This improved its appeal to consumers which resulted in increased market share over the period. The brand once again ran its popular consumer promotion "Nidan ekka idan" and this accounted for both increased sales and also stronger bonding with our consumers.

As part of an initiative to modernize the brand our male fragrance and hair setting brand 'Pro Sport' was rebranded with the new expression 'PRO'. Under this new brand name it launched two variants of 'Eau De Toilette Spray' tapping into the premium fragrances category while also introducing a range of deodorants and a new improved range of Hair Gels. Our other iconic male fragrance & hair setting brand, Gold, was re-launched with the intention of contemporizing the brand to cater to evolving consumer needs.

We strongly believe that our understanding of the consumer, shoppers and channel partners will help us stay ahead in this highly competitive and dynamic industry.

The Cheramy Touch range of milk based skin care products with unique formulations was introduced to the market in the segments of Body Wash, Body Lotion and Face Wash. This brand has been launched to exploit opportunities in the growing adult Skin Care category.

We will build on recent successes and with most of our brands re-launched, we would continue to engage with our consumers innovating and offering them trusted value propositions that will enhance and enrich their lives.

As we strive to understand and satisfy the "Main Parameters of Value" to our consumers, our investors can be assured of our steady progress and the sector's consistent contribution to Group value and profit, as we look forward to yet another successful year ahead.

Healthcare

Revenue *Rs.*
12,064Mn

Profit After Tax *Rs.*
684Mn

Healthcare

Through Hemas Hospitals, Hemas Pharmaceuticals and the newly acquired J. L. Morison Son and Jones (Ceylon) PLC, we contribute to several segments of the healthcare sector and endeavour to set benchmarks in the private sector of health and wellness. We are currently the largest private sector organization in the health industry, being the dominant distributor of pharmaceuticals, surgical and diagnostic products in Sri Lanka.

In the past financial year, our Healthcare sector has faced many challenges largely due to the sluggish growth in market demand. However, the sector has performed extremely well, posting a revenue growth of 34.4% resulting in total revenue of Rs. 12.1Bn and a profit after tax of Rs. 684Mn, a growth of 38.6%.

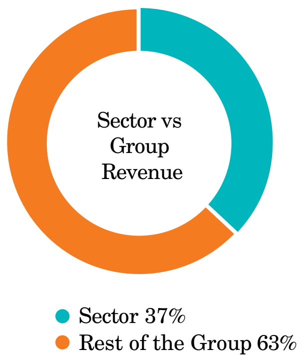
Hemas owns and manages three hospitals with a total capacity of 205 beds. The past financial year has yielded total revenues of Rs. 1.8Bn.

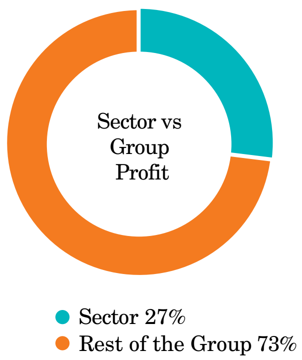
During the year under review, competition has risen and it has been a tough year for the industry which has seen a drastic volume drop in the third quarter. However, Hemas Hospital Thalawathugoda has been able to steadily build up its startup volumes since its opening in June 2013. The hospital has seen an increase in popularity, bolstered by its modern operating theatres, high-tech 24-hour laboratory and sophisticated MRI and CT scanners. We also have over 200 leading consultants providing in-patient & channelling services and a 24-hour emergency care unit whilst the record-keeping is of the highest standard with the implementation of an information system which is the first of its kind in Sri Lanka having the capability to store scanned images in digital format for future requirements.

As this new addition to our network progresses, we continue to develop our existing hospitals and plan for future expansion. Hemas Hospital Wattala continues to improve its technology and expand its patient base, with a large increase in surgical patients proving a marked growth in confidence levels of the hospital. Hemas Hospitals also lays proud claim to our accredited laboratory chain, the only fully-automated laboratory with a system of bar-coding, interfacing and integration in the country, providing its services not only to our own hospitals, but also maintaining collection centres and links with local General Physicians (GPs) for external use.

Our continued partnership with the Kerala Institute of Medical Sciences for their nurse-training programme has enabled us to better serve our customers. Hemas Hospitals continues to invite external specialists to demonstrate and instruct our own doctors in novel and progressive techniques. Hemas Hospitals places great emphasis on training our staff, with a current trained work force of nearly 1200 nurses, medical staff and lab technicians.

To complement our hospitals and medical services, we have launched multiple educational programmes throughout the country to create awareness amongst the general public, as well as medical workshops for local GPs and medical professionals. Additionally, our dialysis unit at Hemas Hospital Wattala is the only one of its kind in Gampaha District, providing an essential service to the community.





Going forward Hemas Hospital will focus on value-addition, expansion of existing services and specialization. The gastro-intestinal field will be one of these, with a new endoscopy unit aiming to be a centre of excellence in this area. We also aim to provide a kidney transplant service and dialysis facilities in Wattala, health screening for ageing population and specialization in oncology, surgery and renal care. Our laboratory service will also be expanded, with the aim of providing better diagnostics capabilities throughout the country. In summary, Hemas Hospitals has taken a big leap in to the hospital services market with the launch of our new hospital and looks forward to a promising few years in which rapid expansion will see the fruition of our investment.

Hemas Pharmaceuticals and Hemas Surgicals & Diagnostics are fully owned subsidiaries of Hemas Holdings, and the largest distributor of pharmaceutical, surgical and diagnostic products in Sri Lanka, claiming 21% of the market share in the country's pharmaceutical distribution sector as per IMS. 2013/14 was an excellent year for Hemas Pharmaceuticals with sales and operating profit experiencing a commendable growth. Our pharmaceuticals revenue for the year was Rs. 9.1Bn, showing a growth of 18.0%.

Despite the overall pharmaceutical industry enduring a downward trend, our positive results were largely due to the distribution network covering over 3000 pharmacies, diversity of our representation and the performance of our acquisitions. Sun Pharma Limited had a successful first year as a new principal, coming out as the leading pharmaceutical company in India. Hemas represents all growing therapeutic segments, including diabetic, cardio and onco pharmaceuticals, as well as the recently launched respiratory products of Glenmark Pharmaceuticals and Ranbaxy.

Hemas has invested in improving its distribution service and network by providing innovative methods within which the sales force can stay in contact with each other, suppliers and outlets. The whole process has been modernized with the canvassing of sales orders being automated and staff given electronic tablets to stay on top of the market. We also purchased a modern 35,000 square foot warehouse with cold storage and temperature-controlled environments and strategically located in Wattala in close proximity to the sea and air transport hubs. This undertaking is in line with our future expansion plans.

Ultimately, our goal is to enrich the lives of our people by improving access to medicine at affordable prices. Our future plans involve strengthening the supply chain, streamlining operations, providing better quality medicine to the entire country and exploring the possibility of expansion in to the overseas market.

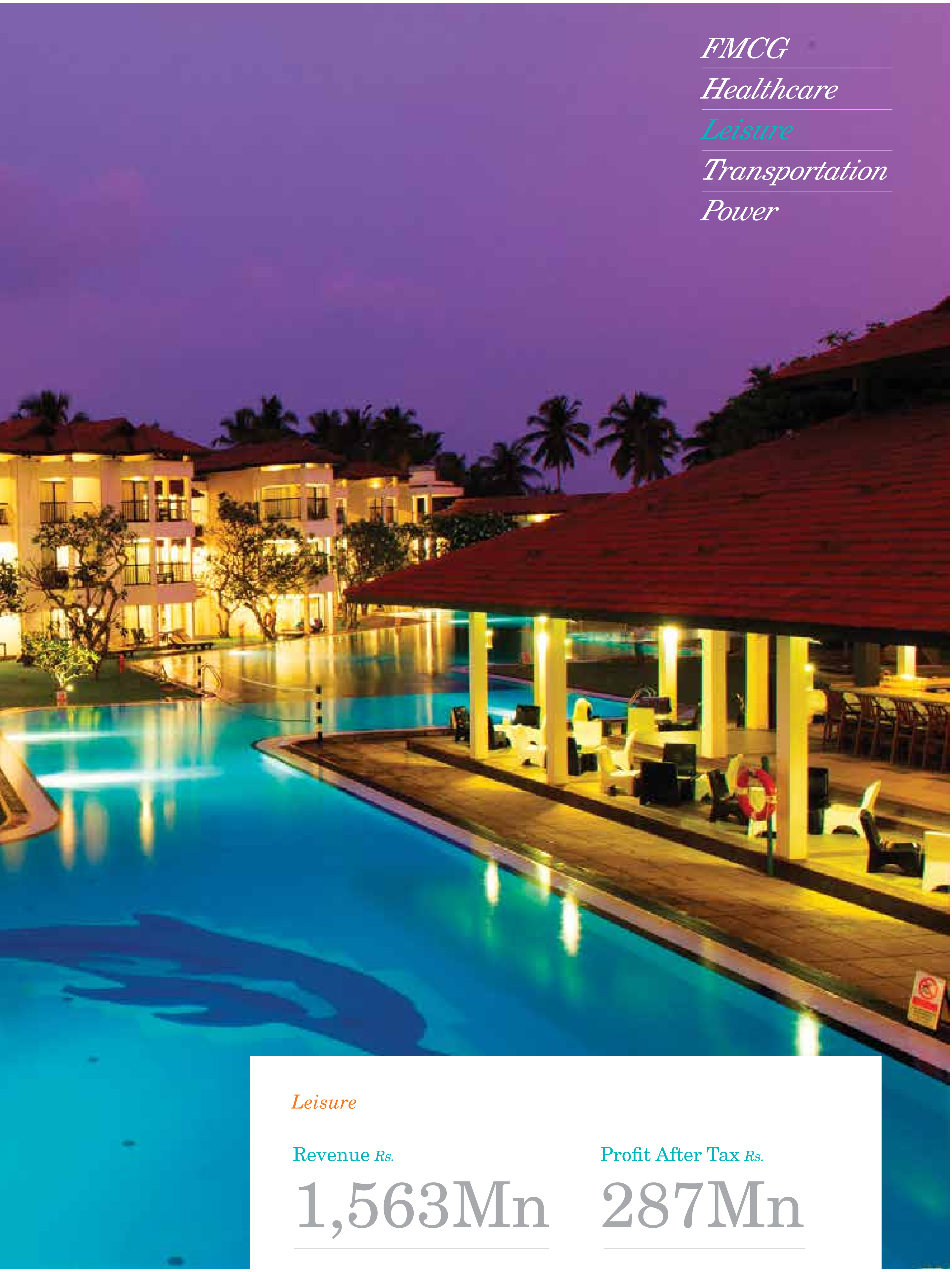
Ultimately, our goal is to enrich the lives of our people by improving access to medicine at affordable prices. Our future plans involve strengthening the supply chain, streamlining operations, providing better quality medicine to the entire country and exploring the possibility of expansion in to the overseas market.

Our newest addition to the Healthcare sector, J. L. Morison Son and Jones (Ceylon) PLC (JLM) manufactures and distributes generic pharmaceutical products and several prominent over-the-counter (OTC) brands such as Morison's Lacto Calamine, Morison's Gripe Mixture and Valmelix Cough Syrup. The Company also imports and distributes a portfolio of pharmaceutical and consumer products. The loss of two agencies led to the decline in revenue while improvements made to the distribution structure and the efficiency of the manufacturing plant led to the increase in profits.

An upgrade of the Company's manufacturing plant in Mutwal is underway to further improve manufacturing standards and increase capacity at the plant. The enhancement and development of the manufacturing plant is scheduled for completion in 2015.

As JLM operates more closely with Hemas Healthcare sector, improvements are expected in the distribution network in tandem with a rejuvenation of our trusted brands. As the demand for affordable, high-quality pharmaceutical and OTC products continues to grow, we expect this arm of our Healthcare sector to expand together with Hemas Pharmaceuticals and Hemas Hospitals.

2013/14 has been a positive year for the Hemas Healthcare sector, with many new ventures being launched resulting in positive outcomes. As our network in the industry expands we hope to make a lasting impact on the country's wellbeing and become a leading player in what is one of the most important areas of our social involvement.



FMCG
Healthcare
Leisure
Transportation
Power

Leisure

Revenue *Rs.*
1,563Mn

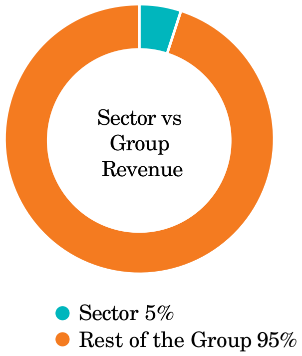
Profit After Tax *Rs.*
287Mn

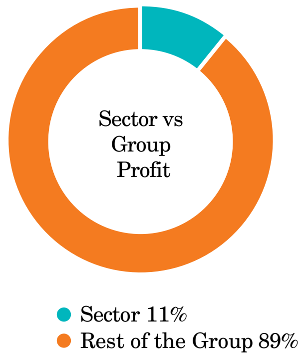
Leisure

Having been named the "Best Travel Destination for 2013" by Lonely Planet, the world's largest and most respected travel guidebook, the industry began the year with grand expectations and it did not fail to impress with a record number of over 1.2 million tourist arrivals recorded for the past year, a growth of 27% from 2012. With the Government actively promoting Sri Lanka as a holiday location in hitherto untargeted regions of the world and the country's rapid development and improvement of infrastructure, it is becoming more visible as a tourist destination, with impressive growth in arrivals from China, the Middle East and Far Eastern countries. The traditional market from Germany and the UK has also grown, with the Eastern European market showing a marked growth during the winter. Local governments, often in partnership with resorts and hotels in the area, are working towards providing and improving leisure activities, thus creating opportunities for expansion in the industry whilst supporting the local community. With the advent of internationally-renowned hotel chains in the country, the quality of the industry will be enriched and offer new and exciting prospects.

The Serendib Leisure Group of Hotels and Diethelm Travels make up the Hemas Leisure Sector; the former comprises of four award-winning properties on the south and west coast and within the heart of the cultural triangle, whilst the latter is the local branch of the international Diethelm Travel Group with over five decades of experience as an inbound tour operator. In 2013/14, the Leisure sector recorded revenue of Rs. 1.6Bn, showing a marginal drop of 4.9% resulted from the closure of Club Hotel Dolphin and Hotel Sigiriya for refurbishment.

The Hotels sector registered a revenue of Rs. 1.3Bn and an operating profit of Rs: 234Mn, resulting in a marginal drop in growth, due to the lengthy closure of two of our hotels for refurbishment. However, after reopening, the hotels have performed better than expected. With room rates reaching a plateau, these refurbishments are intended as value additions which would justify the increase in rates and avoid the "over-priced" tag which is, unfortunately, too often associated with top-end establishments. Additionally, a government-sanctioned wage increase of 40% and a 20% increase in electricity rates contributed towards lowering the profitability. Nevertheless, political instability in Thailand and the influx of European tourists, led to higher than expected occupation during the winter which made up for a slow summer season.





We pride ourselves on the diversity of our properties, from the activity-oriented Club Hotel Dolphin in Waikkal to our luxurious flagship hotel Avani Bentota Resort and Spa. Hotel Sigiriya lies nestled in the heart of Sri Lanka, historically speaking at the centre of the Cultural Triangle and constructed to blend in to the surrounding wilderness. Completing the list is Avani Kalutara Resort providing the perfect setting wedged between the warmth of the Indian Ocean and the serene "Kalu Ganga" river. These make up the Serendib Leisure Group of Hotels with a total inventory of 410 rooms. All four of our hotels have received the 'Travelife GOLD' rating, an international certification awarded by the travel industry to recognise the highest level of commitment towards sustainable travel practices. Club Hotel Dolphin was closed for 6 months for refurbishment and reopened in November 2013, re-launching itself on the "Pause and Play" concept. This dual personality allows for activities from kayaking to horse-riding and various sports as well as the calm relaxation to be enjoyed through spa treatments and gourmet cuisine, as well as the inclusion of separate accommodation in the form of individual villas. The hotel boasts the largest pool in Sri Lanka and an additional 'quiet' pool for tranquil moments. The refurbishing included upgrading of rooms, addition of modern amenities and redecoration of the banquet hall. A kid's club was added to cater to the varying needs of our customers. Despite the long closure period, the hotel performed better than projections and exceeded expectations in showing an occupancy of more than 80% once reopened, presenting a promising year ahead.

Hotel Sigiriya was shut for a period of 3 months for improvements and reopened in August 2013. Nevertheless, it recorded a profit Rs. 28Mn with an average occupancy of 70%. In addition to arranging visits to the Sigiriya Rock Fortress, we have looked at improving customer experience and increasing the length of stay by offering additional experiences such as the Minneriya safari, hot-air ballooning, elephant rides and ayurvedic spa treatments.

As the only Sri Lankan hotel chain which manages an international brand, we take pride in our partnership with the Minor Hotel Group (MHG), a hotel owner, operator and investor, with a portfolio of 103 hotels 12,800 Hotel keys in operation in 26 countries across Asia-Pacific, the Middle East and Africa. It is the fastest growing hotel chain in Asia and its newest upscale brand of Avani hotels was launched in Sri Lanka with Avani Bentota, which offers innovative guest experiences with a focus on the details of grounded luxury. Last year, our hard work and innovation was rewarded when Avani Bentota was honoured with the World Luxury Hotel Award of 2013 for "Best Luxury Resort in Sri Lanka".

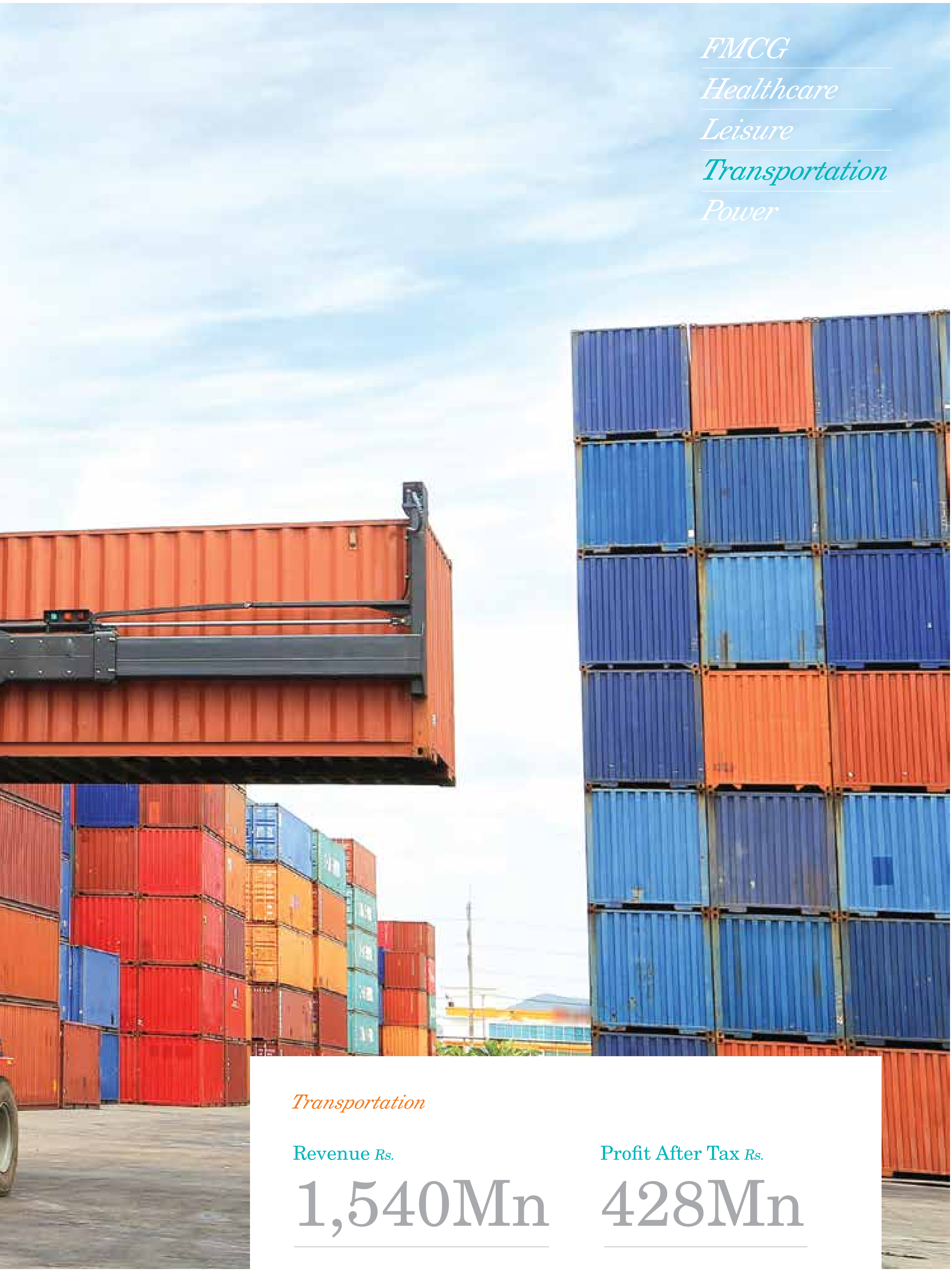
The medium-term outlook for the Serendib Leisure Group of Hotels involves continued partnership with MHG, to launch two premium-tier Anantara luxury resorts, which will be the first of this luxury brand of resort to be opened in Sri Lanka. The foundation stone for Anantara Tangalle was laid in December 2013 and it is scheduled to open in April 2015. Construction for Anantara Kalutara commenced in May 2014.

As Sri Lanka's premier travel destination management company, Diethelm Travels continues our work as an inbound tour operator, providing easy access to high-quality, customized travel experiences with package tours to suit all needs. With the growth in tourism and the new markets, we had one of the highest profit years. The strategy to target the high-end market, focusing on high-yield revenue lines by offering unique products has worked well, with revenue of Rs. 285Mn and a profit of Rs. 71Mn being posted.

The medium-term outlook for the Serendib Leisure Group of Hotels involves continued partnership with MHG, to launch two premium-tier Anantara luxury resorts, which will be the first of this luxury brand of resort to be opened in Sri Lanka.

Improved marketing and value-addition to tours has been key to increased performance. The popularity of flexible independent travel (FIT), especially with the European market, added to the success of our performance. The Maldivian tours have also worked in our favour, bringing in revenue through Diethelm Travels The Maldives (DTTM). Strategies will be implemented to cover shortages in specialized markets, such as guides for the emerging markets of China and Japan. As hotel prices stabilize, and new hotels and international brands bring more high-end tourists, as well as those who look for tailor-made tours, we expect a promising future for the industry.

As the need for sustainable tourism becomes more evident, Hemas will continue to implement measures we have been taking to ensure minimum impact to our environment in order to ensure the continued success in this area. We invest in training our staff to a high quality and aim to contribute to the development of the local community and the preservation of the neighbouring environment. As the leisure industry promises success in the coming years, we aspire to reach new and impressive heights by expanding our portfolio and raising the bar for quality, whilst remaining committed to sustainable tourism and the Nation's advancement.



Transportation

Revenue *Rs.*

1,540Mn

Profit After Tax *Rs.*

428Mn

Transportation

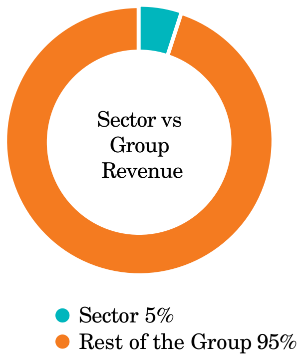
Our Transportation Sector continued to generate strong growth within the Group portfolio during the year under review. Turnover grew by 39.9% to Rs. 1.5Bn while segment profit grew by 30.5% to Rs. 428Mn, contributing 17% towards Group profit.

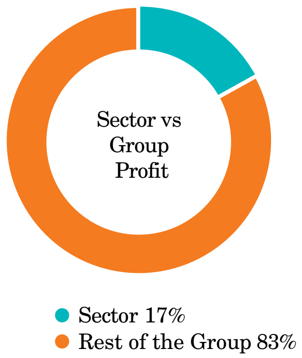
The Sector's business portfolio comprising aviation services, maritime and logistics is well positioned within the Government's strategy of making Sri Lanka a logistics hub in the South Asian region. The focus placed in developing the country's infrastructure positively impacted the Sector's outlook with more airlines and shipping lines entering the market during the year.

The global aviation industry growth remained below 6% last year, with both passenger and cargo segments witnessing higher demand for services. Performance in the local market mirrored the global trend, with four new airlines entering the fray, growing capacity. Our airline principals grew their market share in this environment and were well supported by our GSA sales and marketing teams who have built excellent relationships within the industry. We are very excited about our recent appointment by China Southern Airlines as its representative in Sri Lanka. Business and leisure travel between the two countries has seen significant growth in the recent past and we are confident of building a strong partnership going forward.

Our sector lays strong focus on fulfilling the expectations of our business partners and takes pride in having the best talent in the industry to deliver value through our expertise in operations and marketing. Forbes Air Services, the GSA for Emirates Airline was ranked the No 1 passenger contact center in the Emirates network worldwide during the year. This is a great achievement for the team who have demonstrated their ability to deliver superior customer service on a global scale.

Our outbound travel business grew market share to be among the top-three travel agents in the country. This was a result of the renewed focus on building strong relationships with corporate clients, incentive travel and the growth in our leisure portfolio, where we are proud to partner Cosmos, Globus and Royal Caribbean Cruise Lines. We also re-launched our dedicated travel portal, www.myprimetrip.com with exciting offers from our partner airlines and seasonal leisure packages which have been well received by the market.





Globally, the maritime industry is yet being impacted by sluggish growth in trade volume and over-capacity. SLPA statistics indicate that Sri Lanka's container handling throughput at the Colombo Port grew by 2.8% during 2013, where transhipment volume grew by 3.4% during the same period. Our feeder principal Far Shipping, expanded its services out of Sri Lanka during the second-half of the year and the additional volumes handled resulted in a much better second-half performance to the sector. With Sri Lanka positioning itself as a maritime hub, our partnership with Far Shipping was further strengthened during the last quarter during which we entered into a Joint Venture partnership with Far Shipping Singapore to grow the feeder agency business together and pursue other maritime opportunities.

Our endeavour to provide off-shore maritime services through H & M Shipping, a joint venture with Mercantile Shipping Company PLC proved challenging during the year under review due to unfavourable market conditions and operational issues.

Our sector lays strong focus on fulfilling the expectations of our business partners and take pride in having the best talent in the industry to deliver value through our expertise in operations and marketing.

During the year, Hemas Logistics commenced operations in their modern container terminal with an annual throughput capacity of over 200,000 TEU. The terminal will provide repair and rigging facilities for containers and plug-in points for reefer containers. During the first six months of its operations, the yard has received very positive feedback from all its customers and has been operating at full capacity during the last quarter.

Subsequent to a review of our logistics business portfolio, the sector decided to exit from the joint venture partnerships in the freight-forwarding and courier businesses. Accordingly, Hemas exited the investment in Skynet Worldwide Express and is in talks with Hellmann Worldwide Logistics for a mutual parting.

The Transportation Sector has grown in size and scope over the last three years and is a focus area for future growth within the group. The Sector is committed to provide superior service solutions to its principals and customers with a strongly motivated team, working under the motto “What we do… we do best”. We are confident of the growth opportunities arising out of Sri Lanka’s development and will continue to invest and grow its potential as a logistics hub in the region.


HEMAS POWER

Power

Revenue *Rs.*
6,457Mn

Loss After Tax *Rs.*
162Mn

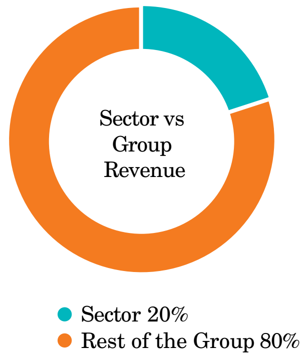
Power

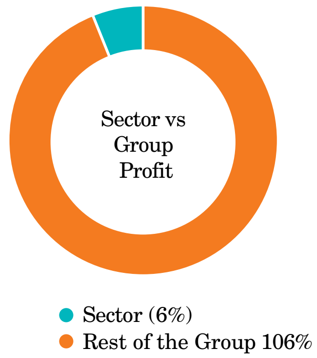
Traditionally Sri Lanka's primary energy source has been hydropower. However, as demand soars and drastically changing weather patterns have resulted in long periods of drought, the industry has become more dependent on thermal power. The Government's aims to 'improve the energy supply to match the demand within the country' and provide 'electricity to every village' have resulted in a rapid expansion in the power industry in the last few years and will continue to do so as demand is expected to grow at a similar rate in the near future. In order to accomplish these goals through national resources, rather than creating a dependence on external sources, the industry was opened up to private entities a few years back, with encouragement provided through tax and other financial incentives. Hemas took advantage of these opportunities to become an active player in the industry through Hemas Power PLC.

With the encouragement towards renewable energy sources supporting mini-hydro plants as a popular way to maximize the harnessing of our natural resources and foreign investment backing coal and oil powered thermal plants, the country is currently moving towards a hybrid of these two sources.

Together with the power plants of Panasian Power PLC, we currently own five mini hydro power plants and one thermal power plant. During the 2013/14 financial year, the sector posted revenue of Rs. 6.5Bn, a growth of 17.2% compared to the previous year, despite a curtailment of energy generation imposed by the Ceylon Electricity Board on thermal power at the beginning of the financial year. This growth was aided by two mini hydro plants being beneficiaries of the avoided-cost-tariff revision implemented by the Government, higher rainfall and the added income from the newly acquired interest in Panasian Power PLC. The total revenue contribution from hydro plants increased to 8% from 4% recorded the previous year.

Entering its 10th year of operations, our 100MW thermal plant Heladhanavi operated at an average plant capacity of 61% during the year under review. Its performance suffered compared to previous years due to a fuel quality related issue which resulted in high consumption, affecting profit margins. The key assumption that Heladhanavi's power purchase agreement (PPA) with the CEB will not be renewed at the conclusion of its term in December 2014 has been the reason for the impairment of Rs. 576Mn on this asset.





The modest performance by the thermal power plant was, however, negated by the output from the mini hydro plants due to the high rainfall experienced in the past year, thus supporting the recent direction taken by Hemas Power to pursue investment in renewable energy sources. This strategy is also backed by the Sri Lankan Government's plans to develop renewable energy and the opportunities which are arising as a result, with added incentives. Whilst many of the policies and procedures put in place require efficient implementation and better management, the industry has a promising future as evidenced by the performance of our mini hydro plants along the Mahaweli and Kelani Rivers.

The Giddawa hydro power plant located in Digana, is a 2.0MW plant and it produced 9.0GWh last year at a plant-utilization-level of 51%. Due to the plant experiencing flooding during the year, we have invested in improving flood

Together with the power plants of Panasian Power PLC, we currently own five mini hydro power plants and one thermal power plant.

defences at Giddawa and we are implementing the same at the Magal Ganga plant to combat future inundation.

The 2.6MW Agra Oya hydro power plant located in Lindula, and the 2.4MW 'run-of-the-river' Magal Ganga plant in Kegalle, produced 8.9GWh and 7.7GWh at a plant utilization level of 12% and 37% respectively, last year.

With our 29.3% ownership in Panasian Power, Hemas Power integrated business activities during the year and provided engineering support to its mini hydro power plants in Manelwala and Rath Ganga. In 2013, work was begun to enhance the capacity of the 1MW Rath Ganga plant and a third mini hydro plant in Padiyapelella with a capacity of 3MW is to be acquired by Panasian Power with the rights to expand and generate a further 3.6MW.

Sustainability Report

Hemas' efforts do not cease at ensuring sustainability in our operations, but extend to adding value to our community and working towards creating a better, cleaner environment. Social responsibility is embedded in the traditions and values of the Group, and we aim to instil this in all our stakeholders.

"Sustainable: able to be upheld or defended." The definition in the Oxford Dictionary and one that we, at Hemas, believe describe our activities and operations. We take pride in ensuring that any impact our enterprise may have on the community, environment and economy is positive and accounted for, with measures taken to prevent any lasting negative effect. Sustainable development is key in this age of fluctuating fortunes and with universal awareness of limited resources, it is essential that we "meet the needs of the present without compromising the ability of future generations to meet their own needs", as defined by the UN-established Brundtland Commission in 1987, whose purpose was to unite countries in pursuing this goal.

Hemas' efforts do not cease at ensuring sustainability in our operations, but extend to adding value to our community and working towards creating a better, cleaner environment. Social responsibility is embedded in the traditions and values of the Group, and we aim to instil this in all our stakeholders. As such, Hemas has in place detailed policies and guidelines on all relevant issues such as human rights, the environment, product responsibility, fair trade with suppliers, media communications and a suitable workplace, in addition to a Code of Ethics and a set of Hemas Values. The Group strictly adheres to the laws and regulations stipulated by the authorities and ensures that it engages with national policy makers and implementers at all levels in conducting its business operations and community interventions. Furthermore, the Hemas Outreach Foundation actively directs part of our profit back in to society through various initiatives.

In the past year, we implemented sustainability teams in each sector to further ensure the success of our goals in each area. The Green Club was launched in July 2013 to encourage the participation of Hemas employees in environmentally-conscious endeavours. The CSR department initiated the "Thought for the Week" campaign which sends out a thought-provoking message each week via email to all staff members, with the aim of promoting awareness and a conscious attitude throughout the Company. Further to these steps taken within the Group, we have continued with our external charitable projects from previous years, whilst adding on new and exciting aspects. With the launch of the Hemas Outreach Foundation website at the beginning of this year, details of the work we do will be publicised to encourage others to follow suit and to reward and recognize those involved, as we strive to cement our efforts in the areas of social, environmental and economic sustainability.

Social Sustainability

In our attempt to make a lasting impact on our society, Hemas has looked to its heart: our children. We have chosen to concentrate on what we consider a basic need for a complete culture and a successful future, both for a child and for society as a whole: education. The philanthropic arm of Hemas Holdings PLC, the Hemas Outreach Foundation is a Government approved charity, whose mission is "To enrich the lives of underprivileged children of Sri Lanka through education". The Foundation focuses on infrastructure development, providing recreational facilities, emergency intervention, child protection and empowering special needs children, as well as awareness, training and mobilization of teachers, parents and entire communities.

'Piyawara', signifying the first steps of a child, is one of two CSR projects initiated and facilitated by the Hemas Outreach Foundation, focusing on early childhood care and development in rural areas. Launched in 2002 in partnership with the Ministry of Child Development and Women's Affairs, 12 years on it has gone from strength to strength, now with the ability to attract and channel donations from external bodies towards building pre-schools throughout the country, amongst other activities. We have currently built 39 pre-schools, 4 in the past financial year, with well-equipped play areas and provide regular training for teachers, before handing over the management of the schools to the local government authorities for continued maintenance. With the intention of ensuring community involvement, Parent-Teacher Associations have been set up

and are continually monitored. The annual teacher-training programme in Hambantota was held in August as a 3-day residential course.

With the ongoing reconstruction of the North and the urgent need for basic amenities in certain areas, 2013 saw the construction of pre-schools in Mullaitivu and Kilinochchi. The model pre-school in Killinochchi, its first ever, will also be used as a model training centre by the Ministry of Education of the Northern Province. The Rs. 12Mn cost of construction was donated to the Foundation by the Maitri Trust of Edinburgh. The pre-schools in Theethakarei and Keppapilaru in Mullaitivu, which were canvas tents before Hemas stepped in to build fully-fledged 'Piyawara' schools, were opened in February by Hon. Tissa Karaliyadda and Namal Rajapaksa and in June by H.E. President Mahinda Rajapaksa, respectively. These schools were built with the aid of the Sri Lankan Army, who are involved in building model villages with basic facilities for the local families.

In November, The Honorary Brand Ambassador of the Hemas Outreach Foundation, former Sri Lankan national cricketer and current ICC match referee, Roshan Mahanama donated his personal funds towards the construction of a 'Piyawara' pre-school in Veheratanna, a small rural village South of Mullaitivu, where the villagers have resettled after the war despite the lack of basic infrastructure. The foundation was laid in November 2013 and, with the aid of the Sri Lankan Army, the construction was completed and the school opened in March 2014.

Hemas employees have shown their support for the 'Piyawara' initiative in various ways, including donating and distributing Christmas gifts to schools in Malhawa, Bibile and Veheratanna. Additionally, Diethelm Travel organized an awareness ride by Harley bikers from the Dubai chapter, where they rode across the country to the 'Piyawara' school in Hambantota to interact with the students and present them with school bags and stationery.

In the list of 'Piyawara' schools, the special-ed school in Hambantota takes pride of place because of the added effort that has gone in to creating social acceptance and empowering these differently-able children who may have otherwise been marginalized. Built in 2005 and accommodating 46 students, it is managed by the Southern Youth Development Foundation. In December 2013, they brought honour to our Nation by winning 3 gold medals at the Sydney Special Games. This year, to further encourage the children and raise funds to sustain this "Apé Patawunta Piyawarak' school, an art exhibition entitled "Apé Sihiniya" showcased the artworks of 22 of the students, under the patronage of Roshan Mahanama. This was followed by a tea party at Hemas House for the students and a day spent at Club Hotel Dolphin with organized activities. The sale of the art raised more than Rs. 100,000. Inspired by this, 2 stalls were rented at this year's 'Kala Pola' for the paintings of the students.

"Piyawara" not only constructs much-needed schools, but also creates awareness on early childhood care and development through training workshops for teachers and parents, as well as producing a 20-minute docu-drama which was aired on national media. A supplementary handbook was printed in both Sinhala and Tamil to be distributed free at all maternal clinics across the country. We also work against child abuse by running awareness workshops in conjunction with the local police and including information on child protection through our schools.

The other project managed by the Foundation is the "Big Heart" scheme, which looks to protect children in grades 1 – 5 by preventing them from dropping out due to economic

Sustainability Report

hardship. The project, which was launched in 2012 to mark 50 years of Hemas' flagship brand Baby Cheramy, provides Rs. 2000 per month to 253 children at present. Rs. 500 of this is compulsorily saved, with the rest used for basic necessities, and a termly progress report of each child is supplied to the Foundation by our partner in this venture, the Ministry of Child Development and Women's Affairs, for monitoring purposes. In this way, we can be assured of the success of this venture and step to help further, if and when required.

Apart from the projects completed by Hemas Group, our sectors also work separately to ensure sustainability within their area of expertise. Hemas Healthcare sector is naturally a key player in social sustainability, as their main aim is to create a better healthcare service for the nation. In addition to providing the best, most up-to-date equipment and services, we aim to provide value-for-money diagnostics and treatment without passing on the cost of rapidly advancing technology to the patient. Our nursing staff are sent on training courses to the Kerala Institute of Medical Sciences, one of Asia's leading tertiary care hospitals, and renowned foreign doctors regularly perform workshops on the latest medical techniques and treatments for our permanent staff. In addition, Hemas Hospitals frequently conduct workshops and awareness programmes for rural communities and local General Physicians.

Hemas Pharmaceuticals were keen to support an important health issue and identified the prevention of non-communicable diseases as a suitable area, targeting employees in the corporate sector who are at high risk due to their lifestyle. Emphasis was placed on creating awareness on risk factors and prevention, with 16 awareness programmes conducted in the past year with the participation of 1500 people from various organizations. Screening programmes to discern body mass index (BMI), blood pressure, blood glucose levels and lipid profiles were simultaneously made available, with over 1300 checks being conducted.

In addition to this, Hemas Pharmaceuticals bestowed a Rs. 4Mn emergency treatment unit (ETU) to the Aralaganwila hospital in a rural Polonnaruwa farming community home to about 100,000 people. They have aided this hospital to rise from a central dispensary handled by an apothecary in 1968 to a 32-bed divisional hospital. In an area where snake bites, poisoning, trauma, severe asthma and even elephant attacks are not uncommon, the ETU is a most welcome addition to the facility. The unit was declared open by the Minister of Health, Hon. Maithripala Sirisena.

In the leisure sector, Avani Bentota Hotel maintains the Bentota Railway Station and this year, spent Rs. 150,000 on re-painting and repairs of the station and the pedestrian bridge. Hotel Sigiriya conducts a monthly clean-up of the local Kimbissa Hospital, while the staff participate in the annual blood donation campaign. In similar efforts to support the local community of Kammala, Club Hotel Dolphin provides classes in English, computers and cookery at the Kammala South Community Centre. Additionally, a vaccination and sterilization programme was carried out on the dogs and cats of the area, which was backed by an educational programme on the care of these animals for the children of the area. Club Hotel Dolphin also sponsors the annual village volleyball tournament.

Club Hotel Dolphin also hosted a group of 40 differently-abled children from Vavuniya for a day outing program which included avurudhu games, musical games, a sin-song and dramas. The hotel also launched an art gallery of paintings created by these children. The paintings are available for sale at the hotel and all proceeds go towards the welfare of the children.

Employer welfare is a key factor in the sustainability of any community, especially a corporate community and Hemas takes pride in providing its employees with a wealth of training and personal development options. This includes capacity building at senior levels via overseas and local training programmes, succession planning sessions, job evaluations and a 10-month management development programme. The course content has been developed to launch a 3-day coaching competency programme for managers at Hemas. A Business English course was completed for 20 staff members and a special outbound training course was held on business enhancement and project development.

Some sectors maintain regular training for staff, especially in the Hotels and Hospitals subsidiaries, where staff have the opportunity to travel abroad and learn from our partners and collaborators. In this respect, hotel staff have the invaluable opportunity to train at Minor Group Hotels in

In order to encourage our staff to create a pleasurable working environment and perform to their highest ability, we organize and hand out various awards from the colleague-nominated "Living Hemas Values" Awards to the "Enriching Lives" Team Award and the CEO's Awards for Management.

Thailand, while internship programmes are offered at hotel schools, NAITA and the German Technical Institute. Hemas Hospitals has invested in setting up Hemas Nursing School, whilst maintaining their partnership with Kerala Institute of Medical Sciences (KIMS) in India.

In order to encourage our staff to create a pleasurable working environment and perform to their highest ability, we organize and hand out various awards from the colleague-nominated "Living Hemas Values" Awards to the "Enriching Lives" Team Award and the CEO's Awards for Management. Efforts have been taken to create a pleasant and supportive work environment by conducting sector based outbound training programmes and implementing group activities for special occasions as well as events on a regular basis, such as fellowship breakfasts, birthday celebrations, fun Fridays and bowling outings.

The Transportation sector introduced two inspired activities involving staff in a regular and creative manner: 'Ammiratore Segreto' and 'Le Tresors'. The former involved staff creatively highlighting an outstanding strength of a selected colleague and the latter promoted team-work involving groups to present all they had learnt about a particular company within the sector using a novel method. Both activities proved extremely successful and culminated in the launch of the sector's tagline: "What we do, we do best."

The leisure sector provides hotel staff with superior accommodation and amenities. Further more, scholarship programmes were introduced this year to school-going children of staff members.

The health of our employees is essential to the smooth operation of the Company and, as such, many of the sectors implement their own drives towards healthy living, in addition to the continuation of Hemas gym and aerobics sessions for employees. Diethelm Travels has launched a wellness program which includes group exercise classes, health assessments in collaboration with Hemas Healthcare and employee memberships to fitness programmes to promote a healthier lifestyle amongst its employees, whilst J. L. Morisons conducts an awareness programme on preventing diabetes. In order to keep our staff safe during any emergency, a refresher course on training in fire-fighting and first aid was provided to the emergency response teams at Hemas House.

Environmental Sustainability

In recent years, the environmental aspect of sustainability has come to the forefront as the dwindling state of our planet's resources and the drastic repercussions of a small change to the environment have become clear. At Hemas, we choose to rise above mere compliance to regulatory standards and instil in our very community, the need for change. The "Thought for the Week" regularly focuses on an environmentally relevant topic, whilst the launch of the Hemas Green Club in July 2013 has carried us beyond expectations and shown a deep-rooted love of Nature and concern in its well-being in many of our employees.

The Green Club, which currently has 55 members throughout the group and 16 honorary members, runs on a constitution that appoints a president, secretary, treasurer and advisory board and is funded by the Group Sustainability Division. Once sufficient projects are established it is expected to self-sustain. The Club aims to gather momentum as it unites the Hemas community with the common cause of "Protecting Mother Nature". Up to date, the Club has taken measures to reduce the carbon footprint of the organization and create awareness amongst the employees through email campaigns and quarterly lectures of interest.

Inspired by a 'Thought for the week' claiming "Everyone wants to park in the shade, but no one wants to grow trees", plant nurseries were set up at the Dankotuwa manufacturing plant and at Hemas power plants. Almost four thousand indigenous trees were planted and saplings have been distributed to the Wayamba Province communities by government mobile tree-planting units and to the Hemas staff by the Green Club itself. Care-taker staff of these nurseries were acknowledged and rewarded with special awards recently.

Furthermore, the Green Club organized its inaugural lecture by Professor Sarath Kotagama, a veteran scientist and influential environmentalist. He is the co-founder of

Sustainability Report

the Field Ornithology Group of Sri Lanka and Professor of Environmental Science in the Department of Zoology at the Colombo University. This was followed by a talk by wildlife activist, Mr. Srilal Miththapala on his mission to find the 'missing' tusker, "Walawe Raja", last sighted more than 4 years ago in the Udawalawe Nature Reserve.

This type of interesting and inclusive activity has raised awareness within the Hemas community and increased internal action towards sustainability. Staff have begun separating and collecting food waste from the cafeteria for composting on the 10th floor of Hemas House. Collaborations have also been made with external enterprises to pursue environmental sustainability, including recycling CFL bulbs and E-waste in partnership with Hayley's and 'Think Green', respectively. In the past year, 159.2 kg of e-waste and 792 CFL bulbs have been collected and processed. Further steps are being taken to reduce water usage and minimize wastage in our offices and sites, including recycling 260 kg of paper.

The separate sectors also have in place their own measures towards environmental sustainability. Hemas Hospital in Thalawathugoda, which was declared open by H.E. President Mahinda Rajapaksa last year, was designed with least impact to the environment and includes several environmentally-friendly aspects in order to blend in to the surrounding area, carefully developed by the Government.

All of Hemas Power Plant sites have been assessed for environmental impact and compliance with all regulations has been maintained. In addition, the sector takes steps to proactively go beyond compliance in terms of protecting the environment. All plants maintain a composting program with kitchen waste and environmental awareness programmes are regularly conducted for all plant workers. Finally, all steps leading to the implementation of a Greenhouse project have been put in place, and will be commenced shortly.

The Hemas Manufacturing plant in Dankotuwa has taken pains to pursue a high standard in environmental sustainability, with almost 100% of waste water from manufacturing operations and human usage being treated and recycled at two treatment plants before being used to irrigate flora. Sludge and 80% of the solid waste, including polythene, paper, glass, plastics, oil and metal, is geo-cycled to meet ISO 14000 standards.

Hemas Hotels have long since had a policy for sustainable tourism and Hotel Sigiriya leads the way, being one of the first hotels in Sri Lanka to adopt a greening policy. Situated in an area rich in biodiversity, this is essential for conserving and enriching the surrounding area. The staff at Hotel Sigiriya carry out a monthly environmental cleaning programme from the hotel to the Sigiriya rock. Two programs were carried out for students from Sigiriya Maha Vidyalaya. The first included a tree planting initiative within the hotel grounds and the second took place to mark World Tourism day to educate them about the tourism industry. The second program was about Sri Lankan snakes which included a complete educational programme with practical using live snakes. World Earth Day was celebrated by conducting an awareness programme for primary school children at Diyakapilla School. Hotel Sigiriya also maintains a herbal garden at the school.

Our other hotels have taken similar steps and all activities are planned and documented in consultation with an environmental expert. Avani Bentota launched a beach-cleaning campaign to coincide with Earth Hour and Club Hotel Dolphin conducts an annual clean-up of its own local beach. It is a source of great pride to us that all four hotels under our banner have been presented with Merit Certificates for Energy and Water conservation and waste management by the EU Switch Asia Greening Sri Lankan Hotels Awards for 2013. We are also proud to note that all four of the hotels within the group received Travelife Gold certificates for Sustainability in Tourism in 2014.

Economic Sustainability

Ultimately, the sustenance of any business relies on its stakeholders, namely the government, company employees, customers, suppliers, investors, creditors and the local community. Hemas takes great care to protect the interests of our stakeholders and their investment in the Company, whilst monitoring the economic impact of our operations throughout society. We have implemented policies and guidelines to cover all sectors and introduced key performance indicators to examine operations and maintain our integrity.

Additionally, Hemas FMCG sector retained Sting Consultants to conduct in-depth research in to stakeholder engagement through one-on-one interviews, questionnaires and stakeholder forums which included distributors,

employees, community members and regulatory staff. Sustainability KPIs have been developed through this process and the next step will be to apply these to the other sectors.

In addition to providing the best to stakeholders at present, it is essential to create a sustainable framework for the future. As such, Hemas extends its efforts to brand building events and creating opportunities for prospective employees, with active participation in career events and creating links with universities and other educational bodies in order to promote the positive prospects of working at Hemas.

Last year, we were rewarded for our concerted efforts when a public poll conducted by AC Nielsen for "The Most Admired Organizations in Sri Lanka" ranked Hemas 9th overall. The poll took in to account multiple factors including financial performance, quality consciousness, honesty, innovation, dynamism, corporate culture, vision and nation-mindedness. Additionally, the Corporate Accountability Rankings of LMD, published in February 2014, awarded Hemas 14th place and acknowledged our business practices as conforming to a Gold Standard. The top 50 companies of the LMD 100 were rated, accounting for stakeholder engagement, management and governance, policy coverage, measurement and disclosure, corporate values and identifying impacts, risks and opportunities.

However, the Hemas way is not to rest on our laurels and we aim to better this in the coming year with continued exertions in creating sustainable value to all our stakeholders.

Corporate Governance

Introduction

This section of our report sets out how we manage Hemas to ensure that strategies and plans are in place to optimize shareholder value and to ensure that we will have the human resources to pursue our plans. This is facilitated by a proper system of checks and balances but which will not inhibit the efficient running of the Company.

Our approach to governance remains unchanged from last year. It begins with the recognition that it is not a set of rules but a framework supporting the core values and which guides actions and decisions whether or not there is a specific rule for the situation, and which supports the culture and behaviors that we wish to foster.

The governance framework, and perhaps more importantly the corporate culture and human relationships that underpin all governance frameworks, are operating as we hoped and we do not judge that any further material changes are needed.

Directors

The Board

Principle A1: "Every company should be headed by an effective Board, which should direct, lead and control the Company"

The Board is the custodian of the Company's values and of its long-term vision, and provides strategic direction and guidance to the Company. There are certain matters which are deemed significant enough to be reserved for only the Board's decision. These are set out in a schedule of Matters Reserved to the Board.

The Board's agenda is determined against a pre-planned template to ensure that, in addition to day-to-day matters requiring its attention, all relevant issues come to the Board for review at appropriate intervals. The Board also receives regular updates, including between meetings if necessary, on a range of matters including business, financial, legal and corporate affairs.

During the year ended 31 March 2014, the Board considered a wide range of matters, including:

- the Group's strategy and key priorities;
- the strategy and performance of key businesses and functions within the Group;
- the financial position of the Group and various businesses within the Group;
- the budget and long-term plans for the Group;
- the interim and full-year results;;
- opportunities for business development;
- risk management and controls within the Group,
- reports from the Audit, Remuneration and Nominations & Governance Committees; and
- a review of the effectiveness of the Board, matters reserved for the Board and the Terms of Reference of Board Committees.

These matters are in addition to the work of the Committees' reports to the Board, which cover in detail a range of important matters such as risks and control, remuneration and incentive schemes, succession planning and human resources.

The Board delegates to the Group Chief Executive (CEO) the management of the day-to-day operation of the business, in accordance with appropriate risk parameters. The Board monitors compliance with policies and achievements against objectives by holding management accountable for its activities through regular updates. In addition, each business unit within the Group is required to update the Board on a regular basis, giving the Board the opportunity to understand and explore issues in-depth as appropriate. In a constantly evolving and challenging business environment, the Board recognizes that our corporate governance framework needs to continue to adapt so that it remains fit for purpose. The Board will therefore continue to review structures and processes across the Group to ensure they remain effective and to make timely changes when needed to enhance the way the Group operates.

The Board is supported in its work by the following key committees:

- Audit Committee
- Remuneration Committee
- Nominations & Governance Committee

The work of the Committees is essential to the effective operation of the Board. The Committees consider in greater depth and detail, on behalf of the Board, issues relevant to their Terms of Reference, and report to the Board after every meeting.

Details of the remit and activities of the Audit Committee can be found on page 57, the Remuneration Committee on page 55 and the Nominations & Governance Committee on page 59. Copies of the Terms of Reference of the above committees are available on request with the Secretaries.

In addition to its regular program of activities, the Board made a number of key strategic decisions in the year, including the acquisition of J L Morison Son & Jones (Ceylon) PLC and its subsidiaries, a stake in Pan Asia Power PLC and a partnership with the Minor Group, Thailand to develop a luxury resort hotel in Southern Colombo.

Principle A2: "There should be a clear division of responsibility at the head of the Company to ensure a balance of power…"
As at the date of this report, there is a clear delineation between the roles of the Chairman and CEO. During the period November 2013 to March 2014 the Office of Chairman /CEO was held by Mr. Husein Esufally, as a consequence of the retirement of the serving chairman.

The Board delegates responsibility for formulating and after approval, implementing the Group's strategic plan and for management of the day-to-day operation of the Group to the CEO. The CEO leads the development of strategy and manages all aspects of the performance and management of the Group.

The Board of Management, which the CEO chairs, supports the CEO in carrying out his role and manages the day-to-day operations of the Group's businesses. Members of the Board of Management attend Board meetings to present items as and when required and they also meet with the Chairman to discuss matters which are specific to their area on a less formal basis.

The Board of Management comprises the Executive Directors and a few senior executives. Biographies of the members of the Board of Management can be found on page 66

To support the governance structure there are a number of Group policies and processes in place.

Principle A3: "The Chairman should preserve order and facilitate the effective discharge of Board functions"
The Chairman leads the Board, ensuring its effectiveness, while taking account of the interests of the Group's various stakeholders, and promoting high standards of corporate governance. The Chairman has regular one-to-one meetings with the CEO and other members of the Board of Management. He also has one-to-one meetings with the Non-executive Directors.

The main responsibilities of the Chairman and CEO include;

Chairman:-

- Ensuring the Directors receive accurate, timely and clear information
- Facilitating the effective contribution of Non-executive Directors and the engagement between Executive and Non-executive Directors
- Ensuring an annual evaluation of the Board is conducted and leading the performance evaluation of the CEO and ensuring that Committee Chairmen conduct evaluations of their Committees
- Building an effective Board
- The induction of new Directors and further training for all Directors as appropriate
- Communicating effectively with shareholders and other stakeholders and ensuring that the Board develops an understanding of the view of stakeholders

CEO:-

- Leading the development of the Company's strategic direction and implementing the agreed strategy
- Identifying and executing new business opportunities
- Managing the Group's risk profile and implementing and maintaining an effective framework of internal controls
- Building and maintaining an effective top management team

Principle A4: "The Board should ensure the availability of members with financial acumen"
The Board comprises members with a broad range of expertise and experience, including the following:-:

- international business experience
- financial experience
- marketing experience
- legal and regulatory experience
- corporate governance and risk management experience.

Our non-executive directors have the skills and capability necessary to enable them to provide constructive challenge, scrutinize performance and help to develop our strategy.

Biographies are available on page 62

Corporate Governance

Principle A5: "The Board should have an appropriate balance of executive and non-executive directors"
Your Board currently comprises Eleven directors, eight of whom, including the Chairman are Non-executive. Five of the non- executive directors have either met the criteria for independence or have been deemed independent by the Board. Each of these directors has made a declaration to this effect.

The change in both size and balance supports the Board in bringing a substantial focus on strategic and longer-term issues. We do not anticipate further substantial changes in size in the foreseeable future although the exact number of directors may rise or fall slightly in line with the normal process of Board development and succession planning.

Principle A6: "The Board should be provided with timely and appropriate information"
The Board is supplied with timely information in a form and quality appropriate to enable it to discharge its duties effectively. The Directors seek clarification or amplification where necessary.

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

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

During the year we reviewed the information provided to the Board, with a view to creating a suite of information which covers the right ground in a focused way to support the Board's pattern of meetings, as well as ensuring that Directors receive appropriate information in the periods between meetings in a form consistent with the information provided for Board meetings. Board papers are circulated at least a week before each meeting to give the Directors and Committee members sufficient time to fully consider the information.

All Directors receive an induction and the Company provides the necessary resources for developing and updating their knowledge and capabilities.

Principle A7: "There should be a formal and transparent procedure for the appointment of new directors to the Board"
During the year, the Company announced the succession of its chairman, effective 6 November 2013. The Board, on the recommendations of the Nominations and Governance Committee, also increased its membership and within that, proportionally greater non-executive representation relative to executive. These changes were designed to support the Board in focusing more of its attention on the strategic and longer-term opportunities and challenges facing the business, and to underpin the trust and respect necessary to create a collegiate, unitary Board within which debate can be robust, open and transparent.

In light of the changed balance of the Board, a series of steps have been taken to ensure that Non-executive Directors maintain line of sight into business operations; share thinking and views on business issues among each other and with management; and have the opportunity to form first-hand relationships with senior management, especially the Board of Management.

Principle A8: "All Directors should be required to submit themselves for re-election at regular intervals"
Our non-executive Directors are generally appointed for an initial period of three years, subject to (a) remaining independent; and (b) provision A.8 of the Code, which requires all Directors to be re-elected by shareholders at regular intervals at the Company's Annual General Meeting ('AGM'); and may be reappointed for further periods of three years. The Board makes a careful assessment of the time commitment required from the Chairman and Non-executive Directors to discharge their roles properly. This is discussed with potential candidates as part of the recruitment process and a commitment to the appropriate time requirement is included in their engagement letters. The independence of each Non-executive Director is reviewed annually by the Chairman as part of the performance review process.

Principle A9: "Boards should periodically appraise their own performance"
The Board conducts an internal Board evaluation each year. The evaluation considers a range of factors relevant to the effectiveness of the Board, including the balance of skills, experience, independence and knowledge of the Board, its diversity and how the Board works together as a unit. The review is led by the Chairman, supported by the Company Secretary and a questionnaire completed by members of the Board. The results of the review are then considered in detail by the Board.

Reviews of the effectiveness of the re- constituted Board, Audit, Remuneration and Nominations and Governance Committees will be held in the year 2014/15.

Principle A10: "Shareholders should be kept advised of relevant details in respect of Directors "
Brief profiles of your Board of Directors can be found on page 62

Directors' interest in contracts with the Company is set out on page 78

The Board has held six scheduled meetings as at the date of this Report. It is expected that all Directors attend scheduled Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments. Where Directors are unable to attend meetings, they receive the papers scheduled for discussion at the relevant meetings, giving them the opportunity to raise any issues and give any comments to the Chairman in advance of the meeting.

Following each meeting the Chairman briefs any member not present at the discussions and any decisions taken at the meeting. Directors refrain from participating in matters relating to them, or which may constitute a conflict of interest for them, when being discussed.

The table below records attendance at meetings of the Board and committees up to November 2013 :

	Board	Audit Committee	Remuneration Committee	Nominations and Governance Committee
No. of meetings held	**3**	**3**	**2**	**2**
Lalith de Mel *	2		2	2
Husein Esufally	3	3	2	2
Abbas Esufally	3			
Imtiaz Esufally	3	3		
Murtaza Esufally	3			
Maithri Wickremesinghe	3	3	2	
Pradipta Mohapatra	3	3		2
Ramabadran Gopalakrishnan	3			
Dinesh Weerakkody**	1			
Dr. Anura Ekanayake**	1			
Steven Enderby***	1			
Malinga Arsakularatne***	1			

*Retired w.e.f. 6 November 2013 **
*Appointed w.e.f. 1 October 2013 ***
*Appointed w.e.f. 6 November 2013 ****

Corporate Governance

Attendance at meetings of the Board and re-constituted committees from November 2013 to the date of the Annual Report

	Board	Audit Committee	Remuneration Committee	Nominations and Governance Committee
No. of meetings held	3	2	2	2
Husein Esufally	3	1	1	2
Abbas Esufally	3			2
Imtiaz Esufally	3	2		
Murtaza Esufally	3		2	
Maithri Wickremesinghe	3	2		2
Pradipta Mohapatra	3		2	
Ramabadran Gopalakrishnan	3			2
Dinesh Weerakkody	3			
Dr. Anura Ekanayake	3			
Steven Enderby	3	2	2	
Malinga Arsakularatne	3	2		

Principle A11: "The Board should assess the performance of the CEO at least annually"
The performance of the CEO is reviewed bi- annually against the Goals which are set and sanctioned by the Board at the beginning of the financial year.

Directors' Remuneration

Principle B1: "Companies should establish a transparent and formal procedure for developing policy on executive remuneration"
During the year 2013-14, your Company paid remuneration to its Executive Directors within the limits of the Compensation and Benefits policy adopted by the Group. The remuneration paid to the Executive Directors was approved by the Board on the recommendation of the Remuneration Committee. The Remuneration Committee determines your Company's policy on specific remuneration packages for Executive Directors.

The non-executive Directors are paid a monthly retainer for serving on the Board and Board committees.

Remuneration packages for senior management are based on a salary survey conducted by our external auditors. The market rates are evaluated against the existing salary scales and adjusted to be in line with the appropriate percentile recommended by the Remuneration Committee and approved by the Board.

Principle B2: "Levels of remuneration of both executive and non- executive Directors should be sufficient to attract and retain directors"
Your Company is primarily interested in providing a reasonable, competitive total compensation package to its Directors in a manner that will facilitate the achievement of corporate objectives. Therefore, Hemas will strive to offer market based compensation packages to individuals possessing the experience and the competencies needed to improve the overall performance of the Group.

Principle B3: "The Annual Report should contain a statement of Remuneration Policy and details of remuneration of the Board as a whole"
The Hemas compensation policy is designed to;

1) encourage the attraction and retention of high calibre individuals.

2) provide a competitive total compensation package including benefits.

3) ensure that pay is perceived to be fair and equitable.

4) balance the need to be competitive within the limits of available financial resources.

5) ensure compensation schemes are compliant with the laws and regulations applicable in the country.

The aggregate remuneration of the Board for the year under review is disclosed in the Financial Statements.

Relations with shareholders

Principle C1: "Boards should use the AGM to communicate with shareholders"
The Annual General Meeting and the published reports of the Company are a means of communicating and encouraging shareholder and investor participation. The Board believes that maintaining good relationships with shareholders is of prime importance. The Chairmen of Board sub committees are present at the AGM and are willing to answer questions raised by the shareholders.

The Notice and related papers are sent out to the shareholders 15 working days prior to the date of the AGM.

This year, the AGM will be held on 15 July 2014 at the 'Forum Area' The Institute of Chartered Accountants of Sri Lanka, 30 A, Malalasekera Mawatha, Colombo 7.

Principle C2: "The Board should implement effective communication with shareholders"
The Company values its dialogue with both institutional and private investors. The Board's primary contact with institutional shareholders is through the Chief Executive and Chief Financial Officer.

The Chief Executive and Chief Financial Officer are supported by the Investor Relations and Corporate Communications Teams, who are in regular contact with institutional shareholders and investment analysts. Coverage of the Company by investment analysts is circulated to the Board.

Investor seminars and analyst presentations, including those following the announcement of interim results and preliminary year end results are webcast and other presentations made to institutional investors are available on the Company's website.

For the year ended 31 March 2014, Hemas has produced an Annual Report, which is available to all shareholders on its website www.hemas.com , or in paper form on request. The website also provides private shareholders with the facility to send any questions they may have to the Company.

Private shareholders are invited to write to the Chairman or any other Director and express their views on any issues of concern at any time and the AGM provides an opportunity for private shareholders to put their questions they may have to the Company.

Principle C3: "Directors should disclose to shareholders all proposed material transactions"
There are no materially significant related-party transactions, pecuniary transactions or relationships between your Company and the Directors, the Management, subsidiary companies or related parties proposed in the near future, except for those disclosed in the financial statements for the year ended 31 March 2014.

Accountability and Audit

Principle D1: "The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects"
The Board, through the management, is responsible for the preparation and fair presentation of the consolidated financial statements of the Company and its subsidiaries in accordance with the Sri Lanka Accounting Standards, comprising SLFRSs and LKASs.. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of these financial statements whilst selecting and applying appropriate accounting policies that are both accurate and consistent and making estimates that are reasonable.

The Financial Review from pages 82 to 158 provides a fair assessment of the Group's performance and results for the year and plans for the future.

All subsidiary companies of your Company are Board-managed, with their respective boards of directors having the rights and obligations to manage the companies concerned in the best interest of their stakeholders. The Company monitors the performance of its subsidiary companies using, inter alia, the following means:

Corporate Governance

(a) Financial Statements, in particular the investments made by the unlisted subsidiary companies are reviewed quarterly by the Audit Committee of the Company

(b) A statement containing all the significant transactions and arrangements entered into by the unlisted subsidiary companies is placed regularly before the Board of Directors at the Board Meetings of the Company.

Principle D2: "The Board should have a process of risk management and a sound system of internal control"
The Board is responsible for instituting an effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management.

Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on page 51

Apart from the strategic plans covering a three year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by all subsidiaries are approved by the Board, at the commencement of a financial year and its achievement monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set for the evaluation of capital projects and new investments.

The Internal Audit Division reporting to the Chairman, regularly evaluates the internal control system across the organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board.

Principle D3: "The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles"
Management, under the supervision of the Chief Executive and Chief Financial Officer, is responsible for establishing and maintaining adequate control over the Group's financial reporting. Hemas' internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with Sri Lanka Financial Reporting Standards (SLFRS) ; provide reasonable assurance that receipts and expenditure are made only in accordance with authorisation of management and the directors of the Company and provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Management has assessed the effectiveness of Hemas' internal control over financial reporting. Based on this assessment, management concluded that, as at 31 March 2014, internal control over financial reporting was effective.

Any internal control framework, no matter how well designed, has inherent limitations, including the possibility of human error and the circumvention or overriding of controls and procedures and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

During the period covered by this report, there were no changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of internal control over financial reporting.

Principle D4: "Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel"
The Code of Business Conduct explains to Directors their most important individual responsibilities and obligations while working for Hemas, and all directors must comply with it. The code provides guidance on key issues which may arise for directors and indicates who they should contact if they think that they, or another director, may have breached those rules.

The Group operates a Whistleblowing policy and a confidential telephone and email service which enables concerned colleagues to report, anonymously if they choose, any instances of inappropriate behaviour or malpractice within the business. Such issues include unethical or illegal behaviour such as bribery and corruption, fraud, dishonesty and any practices which may prejudice or endanger our colleagues, customers or the environment.

All complaints made are treated as confidential and are investigated by the relevant department and where the individual provides their identity, they are kept updated. Where there is a serious issue, it will be escalated to the Group CEO.

All members of the Board and the senior management of your Company have confirmed their compliance with the Code of Conduct for the year ended 31 March 2014.

Principle D5: "Directors must disclose the extent to which the Company adheres to established principles and practices of good governance."

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	✓	Report of the Directors
	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	✓	Board of Directors' Section
Rules relating to Remuneration Committees				
7.10.5(a)	Composition of Remuneration Committee	The Committee shall Comprise of Non–Executive Directors, a majority of whom shall be independent. The Chairman of the Committee shall be a non-executive Director.	✓	Remuneration Committee Report
Disclosure 7.10.5(B) Eon & Remuneratiee	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.	✓	Remuneration Committee Report
7.10.5 (c)	Disclosure in the Annual Report	The Report should include the names of the Remuneration committee members, a statement of Remuneration Policy and the aggregate remuneration paid to executive and non-executive Directors.	✓	Corporate governance Report, the Annual Report of the directors and the Remuneration Committee report.
Rules relating to Audit Committees				
7.10.6.(a)	Composition of Audit Committee	Shall Comprise of NEDs, a majority of who shall be independent. The Chairman of the Committee shall be a non-executive director. The Chairman or a member should be a member of a recognized professional accounting body.	✓	Corporate governance Report, the Annual Report of the Directors and the Audit Committee report.

Corporate Governance

CSE Rule No.	Applicable Rule	Requirement	Status of compliance	Reference to Annual Report
7.10.6. (b)	Functions of the Audit Committee	*Overseeing the preparation , presentation and adequacy of the disclosures in the financial statements in accordance with the SLAS. *Overseeing compliance with financial reporting related regulations and requirements. *Overseeing the processes to ensure that internal controls and risk management are adequate. *Assessing the independence and performance of the external auditors. *Recommending to the Board the appointment, re- appointment and removal of the external auditors and approving their remuneration and terms of engagement.	✓	Corporate governance Report, and the Audit Committee report.
7.10.6.(c)	Disclosure in the Annual Report	The names of the members of the Audit Committee. The basis of determination of their independence. A report of the Audit Committee as setting out the manner of compliance with their functions.	✓	Annual Report of the Directors and Audit Committee report.

Institutional Investors

Principle: "…. Institutional investors should be encouraged to ensure their voting intentions are translated into practice……."

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

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

Other Investors

Principle: "Individual shareholders should be encouraged to participate in General Meetings and exercise their voting rights"

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

The Company promotes effective communication with shareholders and encourages effective participation at general meetings to ensure a high level of accountability and discussion of the Company's strategy, goals and performance.

The Company's website is regularly updated with all recent annual reports and media releases.

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

Risk Management

How we Manage Risk

As a diversified conglomerate Hemas is committed to effective Risk Management as we believe that management of business risk is crucial to our continued growth & success. Group's risk management strategy is to enhance organization value and to achieve objectives through risk adjusted business decisions.

Our approach to Risk Management

Our broadened definition for risk is the potential occurrence of an external or internal event that may negatively impact our ability to achieve the Groups' business objectives. A rapidly changing external environment and increasing rivalry demands greater focus on strategic and external risks to enhance our ability to anticipate risk and respond with agility and confidence.

To facilitate effective risk management, we implemented an integrated risk management system which focuses on the identification, evaluation, handling, monitoring and reporting of risks.

During the past year, we reviewed our approach to risk management to ensure that our focus is aligned to the changing needs of the business and that our processes and standards follows good international practice.

Governance of Risk Management

Group Risk Management Committee (GRMC) oversees the enterprise risk management process on a quarterly basis. HHL Board, GRMC and audit committee work closely to ensure that risk management complies with the relevant standards and that it is working effectively.

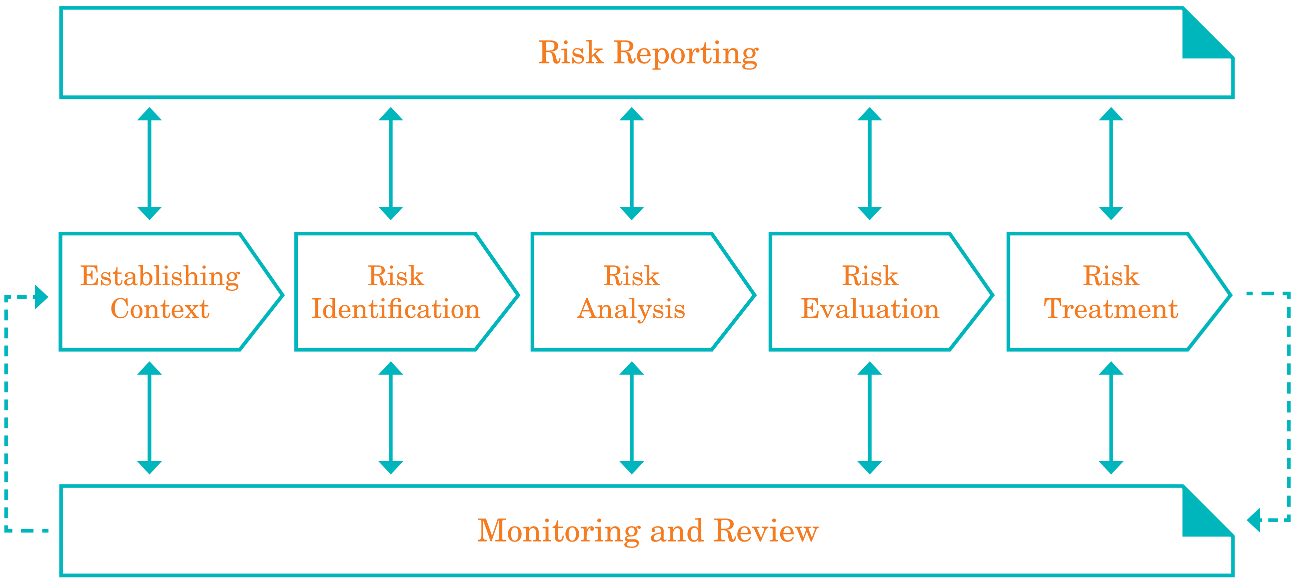
As an integral part of risk management, Board Audit Committee overlooks the adequacy and the efficiency of internal controls across the Group through internal audit reports and compliance statements.

Oversight of risk management at business level takes place through audit committees and various boards of the businesses.

High risks and related mitigation plans are reported within the organization in accordance with a defined reporting protocol.

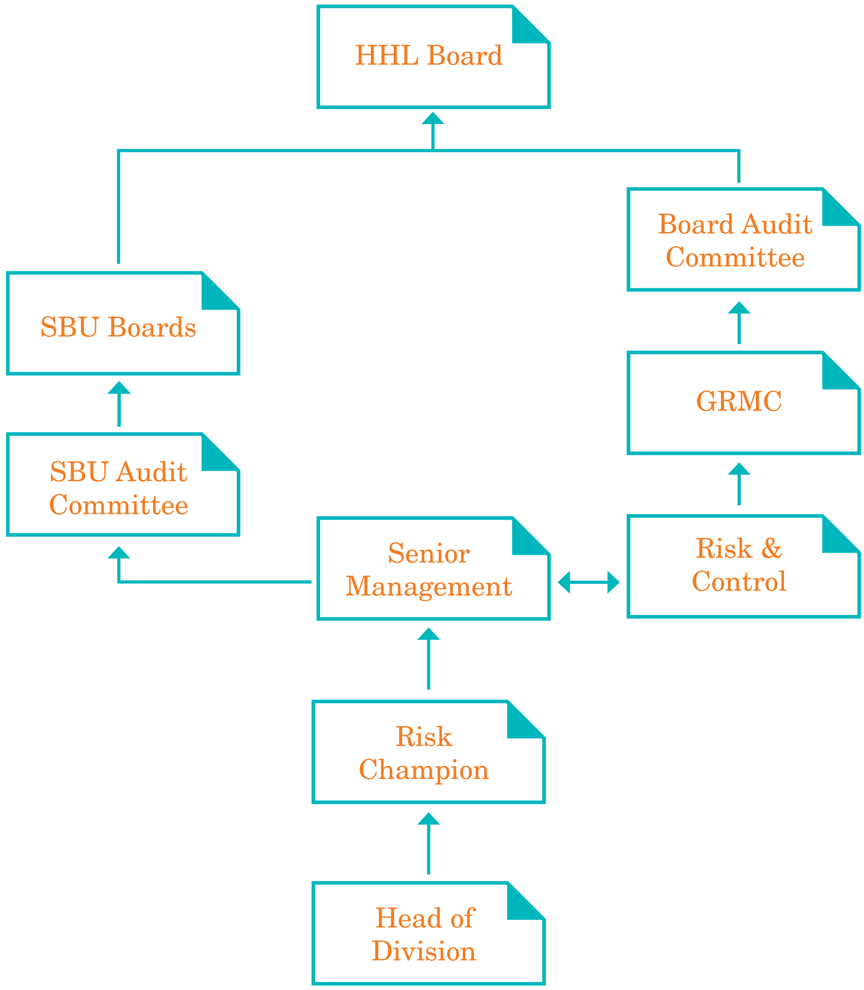
Our Risk Management Process

Group's structured risk management process, which is aligned to ISO 31000 risk management – principles and guidelines, is detailed below. This process is rolled out across the Group and risk profiles are developed at each business units.



Risk Management

Risk Reporting and Escalation



Our Risks

How we are mitigating our key risks

Our risks are determined through a bottom up process that analyses each business unit's risks and considers the emerging external risks as well. These risks could negatively impact the integrated value chain, cause a deviation from expected strategic outcomes or negatively influence Group's reputation.

We have evaluated our risks based on 20 categories and identified key risks to the Group

Key risk

Risk	Description	Mitigation Actions
Business Probity Risk	Unethical behavior, frauds and errors by one or more participants in a particular process which creates lack of trust in business dealings	• Stringent internal controls • Strong internal audit function • Establishment of independent audit committees • Circulation of ethical codes to employees
Country Risk	Adverse impact arising due to the changes in environment or politics where business operates	• Analyzing PEST factors and developing appropriate strategies
Credit Risk	Potential losses arising due to customer bankruptcy	• Efficient follow up and collection practices • Adherence to business specific credit policies
Environmental Risk	Probability of business operations creating negative consequences in the environment and creating noncompliance or reputational risk	• Adoption of GRI standards on sustainability reporting throughout the Group • Development of Group policies in order to facilitate adoption of GRI standards on sustainability
Exchange Rate Risk	Potential losses as a result of adverse movement of exchange rate	• Centralized treasury management • Managing exchange rate through appropriate financial risk management techniques
HR Risk	Risk arising as a result of failure to attract, develop and retain a skilled workforce	• A well-structured talent management process is in place to identify critical employees and retain them in the long run • Periodic salary surveys to ensure that remuneration is in line with the market • Investments in strengthening employee brand image
Interest Rate Risk	Potential losses as a result of adverse movement of interest rate	• Centralized treasury management • Managing interest rate through appropriate financial risk management techniques
Investment Risk	Potential losses arising due to the chance that an investment's actual return will be different than expected	• Detail pay back analysis before investments • Diversify the investment portfolio by focusing on new markets and growth prospects
Liquidity Risk	Adverse impact on the liquidity position as a result of payment delays by debtors, long stock residence period and early payments for creditors	• Centralized treasury management • Continuous reviewing of business models and working capital management
Market Risk	Loss of market share or market leadership in relevant segment due to intense competition, new entrants, changes to customer attitudes and economic conditions	• Continuous focus on innovation • Regular monitoring of customer/ consumer trends • Enhancing productivity/efficiency to improve price competitiveness • Monitor market data and strengthen market position of our brands
Operational Risk	Potential losses due to inadequate internal controls, failures of internal process, people and systems, natural and manmade disasters	• Business continuity plans are in place to ensure the smooth operation of the business even at a time of disaster • Internal audits are carried out following on internal controls and compliance, whilst ensuring independence and objectivity

Risk Management

Risk	Description	Mitigation Actions
Principle Risk	Loss of principles or business partners due to global mergers and acquisitions, intense competition, service level groups	• Relationships with principals/business partners maintained in a manner that mutually benefits all parties involved • Regular assessment of service levels in order to ensure business partner expectations are met • Consciously limit dependence on a single party to limit the impact arising from the potential loss of a business partner
Product & Service Risk	Probability of new product failures and declining demand for existing products or services	• Focus on product / service innovation • Developing strategies to get closer to customers and be responsive to their needs
Project Risk	Risk arising as a result of not achieving project objectives	• Developing project plans, resources analysis and allocation before starting a project
Regulatory & Compliance Risk	Potential losses arising due to violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards	• The centralized legal division assists and advises the companies across the Group on legal matters • Proactive dissemination of regulatory information with regard to changes and new regulations
Reputation Risk	Risk that the Group may incur losses due to damage to our credibility or the value of the "Hemas" brand which is likely to impair stakeholder value	• Maintenance of the highest ethical standards at all times in all business activities • Continuous assessment of customer satisfaction and prompt follow up actions on complaints and suggestions • Proper adherence to the statutory and environmental regulations
Social Risk	Challenge by stakeholders on 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 subsidiary level
Supply Chain Risk	Risk arising due to physical disruptions, environmental and industrial accidents or bankruptcy of key suppliers	• Testing product quality control for effectiveness • Reviewing key suppliers periodically to ensure they meet the rigorous quality standards • Expanding the supplier portfolio and developing closer relationships
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	• Centralized IT division • A contingency plan is in place to mitigate the risk of system failures • Comprehensive IT policy across the Group to ensure adequate systems and controls are in place
Technological Risk	Probability of occurring technological changes	• Analyzing technological trends and updating business operations and systems in a feasible manner

Hemas' Board Remuneration Committee

Membership, Role and Activities

This section explains how the Committee discharges its responsibilities, and gives details of the Committee's membership, its terms of reference and its activity during the financial year ended 31 03 2014:.

The Committee membership was refreshed in November 2013 and the following elected:-

Chairman	Mr. Pradipta Mohapatra	Independent director
Members	Dr. Anura Ekanayake	Independent director
	Mr. Murtaza Esufally	Executive director
Invitees	Mr. Steven Enderby	CEO
	Mr. Dimuth De Alwis	Group HR director

The Terms of Reference of the Remuneration Committee are summarized below;-

Role and Purpose

- Assists the Board in the establishment of remuneration policies and practices in relation to compensation packages of the Company's CEO and other senior executives and directors

Composition

- A minimum of two Independent members of the Board. The remuneration committee may invite such other persons (e.g. The Chairman, if not a member of the Committee, the Chief Executive and external advisors) to its meetings, as it deems necessary.

Secretary

- The Company Secretary shall act as the Secretary to the committee.

Accountability

- The Committee, being a sub-committee of the main board is accountable to the Board.

Functions

- Review and approve overall remuneration philosophy, strategy and policies and practices
- Set and review all components of the remuneration of the CEO, executive directors and such other senior executives as the Board may determine.
- Review and approve the performance evaluation/ appraisal system.
- Review and approve as appropriate the terms of employment contracts for the personnel referred to above.
- Review and approve the terms of the Company's short-term/long term incentive schemes including share based plans.
- Consider such other matters relating to remuneration as may be referred to it by the Board.

Operating practices

- Any two Directors shall constitute a quorum.
- The Committee shall meet on an 'as required' basis, but at least twice yearly.
- The Committee shall keep Minutes of its proceedings and those minutes will be tabled at the next meeting of the Board following a meeting of the Committee, for their attention.

Hemas' Board Remuneration Committee

Remuneration Committee activities in 2013/14

The following provides a summary of the Committee's activities during the financial year 2013/14 :-

May 2013	Agreed on revised competencies for selected roles within the senior management
	Recommended the aggregate remuneration paid to the executive directors for the year ended 31 March 2014.
	Approved modifications to the existing performance bonus scheme.
	Agreed to establish an Employee Share Purchase scheme.
August 2013	Reviewed development and succession plans for five senior positions.
	Reviewed the role of the REMCO in relation to the subsidiaries
February 2014	Ratified the Terms of Reference of the REMCO which had been approved by the previous committee.
	Agreed on the distribution of excess funds arising from the ESOP.
	Approved the Activity Calendar for the year.
	Approved the short listed candidates for five top positions.
	Recommended the Remuneration payable to Advisors.

The Committee wishes to convey their sincere gratitude to Mr. Lalith de Mel for the leadership provided by him as Committee Chairman since 2006.

The Committee also takes this opportunity to place on record its appreciation of the valuable contribution made by Mr. Maithri Wickremesinghe during his tenure as Committee member from 2006 to 2013.

Pradipta Mohapatra
Chairman

28 May 2014

Audit Committee Report

The Audit Committee is a Standing Committee of the Board of Directors appointed by the Board and consists of three Directors. Two of its members qualify as independent non-executive Directors under the standards prescribed by the Colombo Stock Exchange and one member is 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.

The Audit Committee met four times during the financial year ended 31 March 2014. The Audit Committee invited Mr. Husein Esufally CEO, Mr. Steven Enderby, Deputy CEO, Mr. Malinga Arsakularatne CFO, and Mr. Prasenna Balachandran Head of Risk & Control to attend its meetings. 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 Risk Report of the group, monitoring of the risks and action taken for the mitigation of risks.
- 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.

Audit Committee 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.

The Audit Committee wishes to place on record its deep appreciation of the services performed by Pradipta Mohapatra who served on the Audit Committee from 2007.

Maithri Wickremesinghe
Chairman - *Independent director*

Imtiaz Esufally
Member - *Non-Executive director*

Dinesh Weerakkody
Member - *Independent director*

28 May 2014

Report of the Nominations and Governance Committee (NAGC)

Committee composition, skills and experience

The Committee was restructured in November 2013, consequent to the retirement of the Board Chairman Mr. L de Mel who also held the Office of Chairman Nominations Committee as it was then referred to.

In addition to the Chairman, two non-executive Directors serve on the Committee. The names of the members of the Committee are set out below:-

Mr. Ramabadran Gopalakrishnan - Chairman, and independent director

Mr. Maithri Wickremesinghe	-	Independent Director
Mr. Abbas Esufally	-	Non- executive Director

The main board Chairman attends meetings as a standing invitee. The expertise of the membership can be found in detail in the Board of Directors section from pages 62 to 65 of the Annual Report.

Committee Responsibilities

Board composition -	Review the structure, size and composition of the Board and propose suitable guidelines for the appointment and re- appointment of Directors to the Hemas' Board;
Board effectiveness -	Annually evaluate and report to the Board on the performance and effectiveness of the Board. Provide feedback to the Chairman of the Hemas Board on the Board's effectiveness and the conduct of meetings
Corporate Governance -	Monitor compliance with the best practices on Corporate Governance
Succession planning -	Establish and review the process for the Remuneration Committee to consider succession of the CEO and CFO. Ratify appointments to the Group's subsidiary boards
Committee Effectiveness -	Carry out an annual evaluation of the effectiveness of the Committee's performance and make applicable recommendations

R. Gopalakrishnan

Ramabadran Gopalakrishnan
Chairman

28 May 2014

The Board of Directors

Left to Right

I.A.H. Esufally, Malinga Arsakularatne, R. Gopalakrishnan, Dinesh Weerakkody,
A.N. Esufally, Husein Esufally, Steven Enderby, P.K. Mohapatra,
M.E. Wickremesinghe, M.A.H. Esufally, Dr Anura Ekanayake

The Board of Directors

Husein Esufally

Non-Executive Chairman

Husein Esufally is the Chairman of Hemas Holdings PLC. Mr. Esufally assumed responsibility as CEO in January 2001 and was appointed Chairman in November 2013. He was instrumental in leading the Company to achieve one of the most successful listings on the Colombo Stock Exchange in September 2003. He relinquished the Office of CEO on 31 March 2014 and assumed non- executive status.

Previously, Mr. Esufally served as the Managing Director of the Fast Moving Consumer Goods (FMCG) business where Hemas emerged as a dynamic local competitor in the face of strong multinational competition. Several brands that were created during his tenure are amongst the leaders in the category today.

Mr. Esufally is involved in several industry associations including the Ceylon Chamber of Commerce where he serves on the Committee. He is also a Member of the Board of Management of the Postgraduate Institute of Management (PIM).

Mr. Esufally is active in several social projects and is the Founder Director of the Association for Rehabilitation of Spinal Cord Injuries (ARSCI).

Mr. Esufally holds a Bachelor of Science (Honours) Degree in Electronics from the University of Sussex, UK; having received his primary education at St Thomas' College, Mount Lavinia.

Mr. Esufally serves as Chairman of J L Morison Son & Jones (Ceylon) PLC. and as non executive Director of some unlisted subsidiary companies within the Hemas Group.

A.N. Esufally

FCA, (Eng & Wales), FCA (SL), JP, MHCIMA

Non-Executive Director

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 Peace. He serves as Chairman of Serendib Hotels PLC, Dolphin Hotels PLC and Hotel Sigiriya 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. Esufally also holds directorships in some .unlisted subsidiary companies within the Hemas Group in the capacity of non-executive Director.

I.A.H. Esufally

Non-Executive Director

Imtiaz Esufally holds a Bachelor of Arts (Honours) degree in Accounting and Economics from the University of Kent, UK. He has over 25 years management experience and has been in the forefront of the aviation Industry. Mr. Esufally is Chairman of the Transportation Sector companies and on the Board of Mercantile Shipping PLC as a non- executive Director. He was elected Chairman of Hemas Power PLC in April 2012 and also serves as a member of the Hemas Audit Committee.

Mr. Esufally also serves as a non-executive Director of Panasian Power PLC.

M.E. Wickremesinghe

Independent Director

Maithri Wickremesinghe President's Counsel, holds an honours degree in law from the Faculty of Law of the University of Colombo . He was admitted to the Bar having passed his final examination at the Sri Lanka Law College with first class honours. He is also a Fellow of the Chartered Institute of Management Accountants of the United Kingdom and the only Fellow of CIMA to have "taken Silk" in the United Kingdom or in Sri Lanka. He is a litigator in the original and appellate courts of Sri Lanka, specialising in Corporate, Banking and Intellectual Property Law and engages in an advisory practice in investment and commercial transactions. He has advised on several mergers, acquisitions and leveraged management buyouts including the leveraged management buyout of the Sri Lankan subsidiary of Pfizer Corp., New York, arguably the first leveraged management buyout in Sri Lanka and the leveraged buyout of Millennium Information Technologies Ltd., which was later acquired by the London Stock Exchange. 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 Defence Academy and functioned as an examiner for the Institute of Chartered Accountants of Sri Lanka.

Mr. Wickremesinghe serves on the Board of Nations Trust Bank PLC as a non-executive Director.

M.A.H. Esufally

Executive Director

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 the Chairman of Hemas Hospitals (Pvt) Ltd and Hemas Pharmaceuticals (Pvt) Ltd, subsidiaries of Hemas.

P.K. Mohapatra

Independent Director

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 a Director on the main Board of the 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.

Mr. Mohapatra 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.

R. Gopalakrishnan

Independent Director

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

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

He serves as the Vice Chairman of Tata Chemicals, a Director of Tata Power and Tata Technologies and as an Independent Director on the Boards of the Indian subsidiaries of Akzo Nobel and Castrol India.

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

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

Dinesh Weerakkody

Independent Director

Dinesh Weerakkody is currently Chairman of Commercial Bank of Ceylon. He is a former Chairman/CEO of the Employees' Trust Fund Board of Sri Lanka. He serves and had served on a number of government and private sector Boards. He is also a Vice-President of the International Chamber of Commerce, Sri Lanka Chapter and a Vice-President of Sri Lanka Tennis.

Mr. Weerakkody was also Advisor to the Prime Minister of Sri Lanka from 2002-2004 and has served in many Cabinet Sub-Committees and national level committees on Economic Affairs, International Affairs and Labour Management. During his public sector career, Mr. Weerakkody engaged pro-actively and innovatively in economic, trade, labour and cultural matters in both bilateral and multilateral contexts.

From 2005-2009 Mr. Weerakkody was a Council Member and 2008-2009 Chairman Employer Relations, CIMA Sri Lanka Division. He is a Graduate in Business Administration, an Associate of the Chartered Institute of Management Accountants United Kingdom, Fellow Member of the Certified Management Accountants of Sri Lanka, Professional Member of the Singapore Human Resource Institute and has obtained an MBA from the University of Leicester, England. Mr Weerakkody has received extensive Leadership, HR, and Management training in the UK, USA, France, Japan, Singapore and India. He has been on the Sri Lankan Board of GlaxoSmithKline Sri Lanka since 2000 and is Chairman of Cornucopia Lanka Ltd. and Director/Advisor of Cornucopia Bangalore, India.

Mr. Weerakkody has published widely on HR, Leadership, Management, International Relations and development issues and also has been involved in large-scale research projects in the USA and has presented many papers at national and international level. He is a recipient of many

The Board of Directors

awards, including a Jaycees Ten Outstanding Young Persons Award in 1999 and an International Associations of Lions Clubs National Achievers Award in 2008.

Mr. Weerakkody holds directorships in Lanka Aluminum Industries PLC and ACME Aluminum and Packaging PLC in the capacity of a non-executive Director and also serves as non-executive Director of some unlisted companies.

Dr Anura Ekanayake

Independent Director

Dr. Ekanayake who is the immediate past Chairman of Ceylon Chamber of Commerce (CCC) and former Chairman of the Industrial Association of Sri Lanka for four consecutive years and Chairman of International Natural Rubber Council based in Kuala Lumpur, has had an illustrious career in the public service as a Senior Economist of the Mahaweli Authority, Director on the Boards of the State Plantations Corporation and JEDB, Director of Planning to the Ministry of Plantation Industries and Director General of the Ministry of Public Administration prior to joining the private sector in 1998.

He left his two decade long public service and joined Unilever Sri Lanka and served as Director – Human Resources and Corporate Relations for eight years.

Dr. Ekanayake held directorships in all 23 regional plantations companies subsequent to their initial formation including the Maskeliya Plantations PLC of the Richard Pieris Group and several other listed and non-listed companies in various disciplines ranging from finance to agriculture, manufacturing to exports.

In addition, he continues to serve as a member of the Governing Board of Governors of the Institute of Policy Studies, Board of Studies on Public Administration of the Postgraduate, Institute of Management and is a member of the Sovereign Rating Advisory Committee of the Central Bank of Sri Lanka. He is also a fellow member of the Institute of Certified Professional Managers.

Dr. Ekanayake, who has a rare nexus of academic excellence and practical professionalism holds B.A. (Hons) and M. Sc (Agriculture) from the University of Peradeniya and Ph.D. in Economics from the Australian National University. With an enormous volume of research work and publications covering agriculture, irrigation, environment, industries, economic policy, change management, communications and knowledge economy, Dr. Ekanayake is a firm advocate of the ideology, of developing human capital and people transformation

Dr. Ekanayake holds directorships in Richard Pieris & Co. PLC, Elpitiya Plantations PLC, Hayleys Fibre PLC and Asia Siyaka Commodities PLC in the capacity of a non-executive Director. He also serves as non-executive Director of some unlisted companies.

Steven Enderby

Executive Director / CEO

Mr. Enderby joined Hemas to head up the Group efforts in mergers and acquisitions an d strategy. He was appointed to the directorate of Hemas Manufacturing (Pvt) Ltd and as a member of the Board of Management of Hemas Holdings PLC in May 2013. He took up the Office of Deputy CEO and Director of Hemas Holdings PLC in November 2013 and was elevated to the status of Group CEO on 1 April 2014.

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 the Chartered Institute of Management Accountants

Mr. Enderby also serves on the Boards of Hemas Power PLC, Serendib Hotels PLC, J L Morison Son & Jones (Ceylon) PLC , CIC Holdings PLC, Paints and General Exports Ltd and some subsidiaries of the Hemas Group as non – executive Director.

Malinga Arsakularatne

Executive Director / Chief Financial Officer

Malinga Arsakularatne is the Chief Financial Officer of Hemas Holdings PLC, and a member of the Board of Management of the Group. He has been part of the Hemas Group since 2004 and had gained over 8 years of experience in the fund management industry prior to joining Hemas. He was appointed to the board of Hemas Holdings PLC in November 2013 and also serves on the Boards of Hemas Power PLC, Serendib Hotels PLC and NDB Capital Holdings PLC. He is a CFA Charter Holder and a Past President of CFA Sri Lanka. He is also a Fellow Member of the Chartered Institute of Management Accountants and a Past Board Member of the CIMA Sri Lanka Division. He holds a B.Sc in Computer Science and Engineering from University of Moratuwa, an M.Sc in Investment Management from Cass Business School, and an Executive MBA from INSEAD.

Senior Management

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:

Kishan Nanayakkara

Managing Director - Power Sector

Kishan Nanayakkara is the Managing Director of Hemas Power PLC and has been holding this position since the inception of the Company in 2003. Mr. Nanayakkara is a Fellow of the Chartered Institute of Management Accountants, UK and an Associate of the Institute of Chartered Accountants in England and Wales. He also holds an MSc in Finance from the Birmingham Business School, , UK and AMP from Said Business School, Oxford. 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 had served on the Board of the Sri Lanka Sustainable Energy Authority, as an advisor to the National Council for Economic Development and as a Consultant to PERC in the past and at present serves on the Board of Entrust Securities PLC as an Independent Non-Executive Director.

Sanjeewa Samaranayake

Managing Director - Pharmaceuticals

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

Kasturi Wilson

Managing Director - Transportation Sector

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 counts for over 24 years of managerial experience in multiple industries and functions spanning from auditing, consulting, leisure, logistics maritime and aviation. 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

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

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

As the Chief Process Officer at Hemas Holdings PLC., Chandima Cooray leads 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. Chandima started his career at Unilever as a management trainee and later was involved in a global project for the 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.

The Board of Management also includes Steven Enderby, Malinga Arsakularatne and Murtaza Esufally.

Group Operating Committee

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

The members of the Group Operating Committee include:

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 the Hon. Treasurer 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 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 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 holds a degree in Commerce and Management (specialized in International Trade) from the University of Sri Jayewardenepura and a National Diploma in Human Resources Management from institute of Personnel Management. He is also a member of The 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 8 years. Mr. Ameen has been a civil law practitioner for the past 16 years. He is also a non-executive Director of Hemas Power PLC and Panasian Power PLC.

Trihan Perera

Managing Director of J.L. Morison Son & Jones (Ceylon) PLC

Mr. Trihan Perera functions as Managing Director of J.L. Morison Son & Jones (Ceylon) PLC. 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 is the Projects and Business Development Director of the Hospitals sector.

Mr. 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 Hospitals Chain.

Peter D'Almeida

*Chief Executive Officer 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 Malinga Arsakularatne, Kishan Nanayakkara, Sanjeewa Samaranayake, Kasturi Wilson, Chandima Cooray, Ranil De Silva and Roy Joseph

Annual Report of the Directors

on the affairs of the Company and the Group and Statement of Compliance of its contents

General

The Directors have pleasure in presenting their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014 and the auditor's report on the Consolidated Financial Statements.

Hemas Holdings PLC is a public limited liability company incorporated in Sri Lanka on 10 December 1948 under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007.

The ordinary shares of the Company are quoted on the main Board of the Colombo Stock Exchange since October 2003.

The Registered Office of the Company is situated at 'Hemas House' No. 75, Braybrooke Place, Colombo 2.

This Report provides the information as required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and recommended best practices on Corporate Governance. This Report was approved by the Board of Directors on 28 May 2014.

1 *Principal activities and business review*

Hemas Holdings PLC is the holding company that owns, directly and indirectly, investments in a number of companies constituting the Hemas Group.

The Chairman and CEO's Review, Sector Reviews and the Financial Review sections are incorporated into this directors' report by reference. They contain details of the development and performance of the Group's businesses during the year, an indication of the key performance indicators and information regarding principal risks and uncertainties, together with information equivalent to that required for a business review.

The measures taken by the Company to manage its risks are detailed in the report titled Risk Management on pages 51 of this report.

2. *Future Developments*

The Group intends to continue to pursue a strategy of focusing on its core business activities. In order to achieve this, the Group will concentrate on enhancing the performance of its Leisure and Wellness products.

Further information on future developments is provided in the Chief Executive Officer's Review and Sector Reviews of this report.

3. *Financial Statements of the Company and the Group*

The Financial Statements of both the Company and the Group, duly certified by the Chief Financial Officer and approved by two directors in compliance with sections 152, 153 and 168 of the Companies Act No. 7 of 2007 are given from pages 82 to 158 of the Annual Report.

4. *Auditor's Report*

The Group's external auditor, Messrs. Ernst & Young, performed the audit on the financial statements for the year ended 31 March 2014. The Auditor's report on the Financial Statements is given on page 85 of the Annual Report as required by Section 168 (1) (c) of the Statutes.

5. *Accounting Policies*

A summary of the significant accounting policies adopted in the preparation of the Financial Statements is given on page 94 of this Annual Report as required by Section 168 (1) (d) of the Companies Act No. 7 of 2007. The policies adopted are consistent with those adopted in the previous financial year.

6. *Results and dividends*

6.1 *Gross Revenue*

The total revenue of the Group for the year ended 31 March 2014 was Rs. 33 Bn (31 March 2013 - Rs.26 Bn). An analysis of the income is given in Note 3 to the Financial Statements on page 108 of this Annual Report.

6.2. *Profit and Appropriations*

The profit before income tax of the Group for the year ended 31 March 2014 was Rs. 3 Bn (2013 Rs. 2.4 Bn) and the profit after tax for the year ended 31 March 2014 was Rs. 2.6 Bn (Rs. 1.9 Bn in 2013).

The details of profit relating to the Group are given on page 109 of this Report.

6.3 Dividend on Ordinary Shares

6.3.1 Interim dividends

An interim dividend of Rs 0.30 per Ordinary share was declared and paid on 27 November 2013 for the financial year ended 31 March 2014 (Rs. 0.30 per share in 2012/2013)

6.3.2 Final Dividend

The Directors recommend a final dividend for the year of Rs. 0.70 per ordinary share which will be payable on 24 July 2014 to shareholders registered as at 16 July 2014. The total dividend for the year under review will then amount to Rs. 1.00 per ordinary share (2012/13: Rs. 0. 75).

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.

6.4 Provision for Taxation

Income tax for 2014 has been provided on taxable income arising from the operations of the Group and has been disclosed in accordance with Sri Lanka Accounting Standards. The Group has also provided deferred tax on all known temporary differences using the liability method, as permitted by the Sri Lanka Accounting Standard No. LKAS 12.

Information on Income Tax Expenses and Deferred Taxes is given in the Notes to the Financial Statements on pages 110 and 111 of this Annual Report.

6.5 Reserves

The Group's total reserves as at 31 March 2014 amounted to Rs. 400Mn (2013 - Rs.410Mn). The movement of the reserves are given on page 89 under "Statement of changes in Equity" and in the Notes to the Financial Statements of this Annual Report.

7. Property, Plant & Equipment , Investment Properties, Leasehold Properties and Intangible Assets

Capital expenditure incurred on property, plant & equipment is as follows:

Year	2014 Rs. Mn	2013 Rs. Mn
Property, Plant & Equipment	3,189	1,364
Investment Property	5	168
Leasehold Rights	63	-
Intangible Assets	90	2

Details are given in the Notes to the Financial Statements from pages 114 to 119.

8. Market Value of Properties

Land and buildings of the Group are revalued by professionally qualified independent valuers and carried at revalued amounts as at 31 March 2014. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties, details of which are given in Notes 10 and 11 to the Financial Statements from pages 114 to 117

9. Acquisitions and Disposals

Information on acquisitions and disposals made during the year are contained in the business review and in note 28 to the Group financial statements. In April 2013, Hemas Power PLC, a subsidiary, increased its stake in Pan Asia Power PLC and has thus become the single largest stakeholder of that company.

In May of 2013, Hemas Manufacturing (Pvt) Ltd, a wholly owned subsidiary of the Company, acquired 90.04 % of the voting rights and 84.84% of the non voting rights of J L Morison Son & Jones (Ceylon) PLC.

In March this year, Skynet Worldwide Express (Pvt) Ltd, a Joint Venture Investment of Hemas Transportation (Pvt) Ltd was disposed of.

10. Investments

The Company , together with Minor International, Thailand ,has jointly invested in a $30Mn resort hotel project in the Southern Province of Sri Lanka.

Annual Report of the Directors

11. Creditor payment

For all trade creditors, it is the Group policy to:

- agree and confirm the terms of payment at the commencement of business with that supplier;
- pay in accordance with any contract agreed with the supplier or as required by law; and
- continually review payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining good working relationships.

12. Directors

12.1. List of Directors

The Board of Directors of the Company as at the date of this report comprises 11 directors with extensive financial and commercial knowledge and experience. The qualifications and experience of the directors are given in the 'Board of Directors' section from pages 62 to 65 of this Annual Report.

Names of the persons who held office as Directors of the Company as at 31 March 2014 and the names of persons, who ceased to hold office as Directors of the Company at any time during the year 2013/2014, as required by Section 168 (1) (h) of the Companies Act No. 07 of 2007 are given below:

Mr. Husein Esufally	Chairman/CEO
Mr. Abbas Esufally	Non- executive Director
Mr. Imtiaz Esufally	Non- executive Director
Mr. Maithri Wickremesinghe	Independent Director
Mr. Murtaza Esufally	Executive Director
Mr. Pradipta Mohapatra	Independent Director
Mr. Ramabadran Gopalakrishnan	Independent Director
Mr. Dinesh Weerakkody	Independent Director
Dr. Anura Ekanayake	Independent Director
Mr. Steven Enderby	Deputy CEO
Mr. Malinga Arsakularatne	Group CFO

12.1.1. Resignation/Cessations

Mr. L. de Mel (retired w.e.f. 6 November 2013)

12.1.2 New Appointments

1. Mr. Dinesh Weerakkody	(w.e.f. 01.10.2013)
2. Dr. Anura Ekanayake	(w.e.f. 01.10.2013)
3. Mr. Steven Enderby	(w.e.f. 06.11.2013)
4. Mr. Malinga Arsakularatne	(w.e.f. 06.11.2013)

12.1.3 Office of CEO

Mr. Husein Esufally was elected to the Office of Chairman on 6 November 2013. He relinquished the Office of CEO on 31 March 2014, and assumed non-executive status.

Mr. Steven Enderby was elected to the Office of Chief Executive Officer of the Company on 1 April 2014 and currently serves in that capacity.

12.2 Independence of Directors

The Board has made a determination as to the independence of each non-executive director and confirms that four of the non-executive directors meet the criteria of independence in terms of Rule 7.10.4 of the Listing Rules.

The Board, taking account of all the circumstances, is of the opinion that Mr. Maithri Wickremesinghe shall be deemed independent, notwithstanding the fact that he has served on the Board since 2003.

Each of the independent directors has submitted a signed and dated declaration of his independence against the specified criteria.

12.3 Re-election of Directors

In accordance with the Articles of Association of the Company and the Corporate Governance Code, one third of the Directors will retire at the Annual General Meeting in July 2014 and being eligible, will offer themselves for re-election.

Directors appointed during the year will offer themselves for re- appointment at the AGM.

12.3.1 Recommendation for re-election / re- appointment

In terms of Article 84 of the Articles of Association, Messrs. Abbas Esufally and Maithri Wickremesinghe retire by rotation and being eligible, offer themselves for re-election, with the unanimous consent of the Directors.

In terms of Article 72 of the Articles of Association, Messrs. Dinesh Weerakkody, Steven Enderby, Malinga Arsakularatne and Dr. Anura Ekanayake retire and offer themselves for re-appointment.

12.4 Board Sub Committees

Information on Board sub committees is given under "Corporate Governance" on page 42 of this Annual Report.

In addition to the mandatory Board sub committees in operation, the Board of Management and the Group Operating Committee have been devolved with the responsibility of reviewing group performance and providing oversight of Group affairs.

The membership of the Board of Management and the Group Operating Committee are set out on pages 66 and 68 of this Annual Report.

12.5 Disclosures of Directors Dealing in Shares

Directors' Interest in Ordinary Shares of the Company- Direct

	31.03.14	31.03.13
Mr. A.N. Esufally	2,283 585	2,283 585
Mr. H.N. Esufally (CEO)	5,836,705	5,836,705
Mr. I.A.H. Esufally	4,424,000	6,424,000
Mr. M.A.H. Esufally	5,946,500	5,946,500
Mr. J.C.L. de Mel***	-	87,500
Mr. M.E. Wickremesinghe	11,250	11,250
Mr P.K Mohapatra	-	-
Mr. R. Gopalakrishnan	-	-
Mr. D. S Weerakkody	-	-
Dr. S.A.B. Ekanayake	-	-
Mr. S.M. Enderby	-	-
Mr. W. M. De F. Arsakularatne	-	-

**** Retired on 6 November 2013*

Directors' Interest in Ordinary Shares of the Company- Indirect

	31.03.2014	%	31.03.2013
AZ Holdings (Pvt) Ltd	90,762,875	17.61	90,762,875
Saraz Investments (Pvt) Ltd	86,396,035	16.77	86,396,035
Blueberry Investments (Pvt) Ltd	85,781,250	16.65	85,781,250
Amagroup (Pvt) Ltd	85,780,665	16.65	85,780,665
Ms. Sabrina Esufally	250,000		Nil
Mr. Adam Esufally	250,000		Nil
Ms. Sakina Esufally	2,000,000		Nil

12.6 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31 March 2014 is given in Note 34 to the Financial Statements on page 149 of this Annual Report as required by Section 168 (1) (f) of the Companies Act No. 07 of 2007.

12.7. Directors' Interests in Contracts or Proposed Contracts

Directors have no direct or indirect interest in any contract or proposed contract with the Company for the year ended 31 March 2014, other than those disclosed on page 78 of this Annual Report.

The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested. They have also disclosed their interest in other companies so as to ensure that they refrain from voting on a matter in which they have an interest.

12.8 Interests Register

The Interests Register is maintained by the Company, as per the Companies Act No. 7 of 2007. All Directors have made declarations as provided for in Section 192 (1) & (2) of the Companies Act aforesaid. The related entries were made in the Interests Register during the year under review. The share ownership of Directors is indicated on page 155 of this Report. Entries were made in the Interests Register on share transactions, Directors' Interest in Contracts and remuneration paid to the Directors etc. The Interests Register is available for inspection as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

13. *Related Party Transactions*

In terms of the Code of Best Practice on related party disclosures, there were no non- recurrent related party transactions entered into during the course of the financial year, the lower of the aggregate value exceeding 10% of the Equity or 5% of the assets.

Annual Report of the Directors

No Recurrent Related Party Transactions, the aggregate value of which exceeds 10% of the Consolidated Revenue/Income, have been carried out during the financial year ended 31 March 2014.

Details of all related party transactions carried out during the year are disclosed on page 78 of this Report.

The Directors declare that they have complied with the provisions of the Code relating to full disclosure of related party transactions entered into during the financial year ended 31 March 2014.

14. Registrars

Hemas Corporate Services (Pvt) Ltd relinquished their duties as Registrars of the Company on 31 March 2014. SSP Corporate Services (Pvt) Ltd of No. 101, Inner Flower Road, Colombo 3 were appointed Registrars in their place.

15. Insurance and third party indemnification

During the year and up to the date of approval of this annual report, the Company maintained liability insurance and third party indemnification provisions for its directors.

16. Articles of Association

The Articles of Association of the Company may be amended by the passing of a special resolution.

17. Stated Capital

The stated capital of the Company as at 31 March 2014 was Rs. 1.6 Bn comprising 515,290,620 ordinary shares. (2013/ Rs. 1.6 Bn comprising 515,290,620 shares). Details of the stated capital are given in Note 20 to the Financial Statements on page 126 of this Annual Report.

The rights and obligations attaching to the ordinary shares are set out in the Articles of Association of the Company, a copy of which can be obtained from the Secretaries upon request.

18. Share Information

Details of share-related information are given on page 154 of this Annual Report and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on page 3 of this Annual Report.

18.1 Issue of Shares

The Company did not make any share issues during the year under review.

19. Public holding of shares in the Company

The number of ordinary shares held by the public as at 31 March 2014 was 145,567,755. (2013 – 145,980,255) which amounted to 28.25% (2013 – 28.33 %) of the stated capital of the Company.

20 Restrictions on transfers of shares and/or voting rights

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights and apart from those matters described below, there are no restrictions on the transfer of ordinary shares in the capital of the Company and/or voting rights:

- Certain restrictions on transfers of shares may from time to time be imposed by, for example, insider dealing regulations. In accordance with the Listing Rules of the Colombo Stock Exchange, directors and Officers are required to seek the advise of the Company Secretaries before dealing in the Company's shares.
- Some of Hemas' share-based employee incentive plans include restrictions on transfer of shares while the shares are subject to the plan.
- Where, under a share-based employee incentive plan operated by Hemas, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participants.
- No member shall, unless the directors otherwise determine, be entitled in respect of any share held by him/her to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid.

21. Employee Share Schemes

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

21.1 Share-based plans

The Remuneration Committee is responsible for reviewing recommendations with respect to issues or grants under the Company's share-based plans.

Directors approve issues or grants under the plans only after being satisfied that this is in accordance with the terms of shareholder approval.

21.2 Employee Share Plan

Details pertaining to the shares schemes established between the years 2003 and 2013, options exercised, shares cancelled and outstanding as at the date of this report are tabulated below:-

	Date of Grant	Share Options granted	Share price Rs.	Expiry date	Shares Adjusted	Shares exercised	Shares lapsed	Shares outstanding
Scheme 1			Share Option scheme 2003					
Tranche 1	01.04.04	1,558,850	50/-	31/3/06	68737*	1,521,974	105,613	
Tranche 2	01.07.04	732,500		31.03.07	126,175	831,175	27,500	
Tranche 3	01.07.05	781,150		31.03.08	195,287	71050	905,387	
		3,072,500			390,199	2,424,199	1.038,500	
Scheme 11			Share Option Scheme-2006					
Tranche 1	01.10.06	1,006,000	105/-	31.03.09		86,500	919,500	
Scheme 111			Share Ownership Scheme-2008					
Tranche 1	06.02.2009	650,000	62/-	05.08.2012	2,600,000**	3,000,000	250,000	
Tranche11	27.12.2010	2,250,000	44/09	26.12.2013				2,250,000
Tranche 111	26.09.2011	3,250,000	40/67	25.09.2014				3,250,000
			Share Purchase Scheme-2013					
To be implemented								5,000,000

* *Increase in shares as a consequence of a Bonus issue declared*

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

The two employee share option schemes set up in the years 2003 and 2006 failed to achieve the desired results due to the depressed stock market conditions prevailing at that time.

A share ownership scheme was thereafter established in 2008, with a view to facilitating the retention of key personnel and increasing shareholder value. The scheme shares were issued in the years, 2009, 2010 and 2011 in three tranches, the first of which was completed in August 2012. The second tranche will be finalized by June 2014.

During the year under review, shareholder approval was obtained to establish an Employee Share Purchase Scheme in conformance with the revised rules on Employee share based plans and to issue up to 5,000,000 shares on or before 30 September 2016.

The Directors are yet to decide on the date of implementation and the manner in which the scheme shares will be issued.

22. *Employment Policies*

Group employment policies are based on recruiting the best people, providing them training to enhance their skills, recognition of innate skills and competencies of each individual while offering equal career opportunities regardless of gender, race or religion and to retain them with the Group as long as possible. Health and safety of the employees has always received priority in the HR agenda.

The number of persons employed by the Company and its subsidiaries at the year end was 4,450.

23. *Employee involvement*

Hemas is committed to employee involvement throughout the business and is intent on motivating and keeping staff informed on matters that concern them in the context of their employment and involving them through local consultative procedures.

Annual Report of the Directors

Employees are kept well informed on matters of interest and the financial and economic factors affecting the Group's performance through management channels, meetings, publications and intranet sites. More details on employee engagement, together with information on diversity, succession planning and talent development, can be found in the Sustainability Report section of the Annual Report.

Hemas continues to support employee share ownership through the provision of employee share plan arrangements which are intended to align the interests of employees with those of shareholders.

24. Substantial Shareholding
Substantial shareholders are required to notify their interests in accordance with Section 200 of the Companies Act and obliges shareholders to comply with the notification obligations to the Company contained in the Rules of the Colombo Stock Exchange.

The Twenty Largest Shareholders of the Company as at 31 March 2014 are indicated on page 156 of this Annual Report.

25. Equitable Treatment to all Stakeholders
While valuing the patronage of all our stakeholders, the Company has made all endeavours to ensure equitable treatment to all our shareholders.

26. Financial risk management, objectives and policies
Descriptions of the use of financial instruments and Hemas' treasury and risk management objectives and policies are set out in note 33 to the Group financial statements.

27. Corporate Donations
During the year, the Company made donations to charity amounting to Rs. 8Mn (2013 - Rs. 6Mn)

The information given above on donations forms an integral part of the Report of the Board of Directors as required by the Section 168 (1) (g) of the Companies Act No. 07 of 2007.

28. Statutory Payments
The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to employees have been made up to date.

29. Environmental Protection
29.1 The Environment
The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activities, which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

29.2 Sustainability Reporting
Sustainability practices have been built into every aspect of our businesses and we consider sustainability goals along with our operational and financial goals.

Detailed information on our sustainability initiatives can be found on page 36 of the Annual Report.

30. Events after the Reporting Period
There have been no material events occurring after the Balance Sheet date that would require adjustments to or disclosure in the Financial Statements other than as disclosed in Note 30 to the Financial Statements on page 141 of this Annual Report.

Following an invitation to the Public to subscribe to a 5 year Listed Rated Unsecured Redeemable Debenture (RURD) issue which opened on 23 April 2014, 10 Million RURD at a face value of LKR 100 each were subscribed to and duly allotted to the subscribers on 30 April 2014.

31. Going Concern
The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.

Details of the adoption by the Group and the Company of the going concern basis in preparing the financial statements are set out in the financial review within the business review section and are incorporated into this report by reference.

32. Risk Management and System of Internal Controls
32.1 Risk Management
Specific steps that have been taken by the Company are detailed on page 51 of this Annual Report.

32.2 System of Internal Controls

The Board of Directors has established an effective and comprehensive system of Internal Controls to ensure that proper controls are in place to safeguard the assets of the Company, to detect and prevent fraud and irregularities, to ensure that proper records are maintained and Financial Statements presented are reliable. Monthly Management Accounts are prepared, giving management relevant, reliable and up -to-date Financial Statements and key performance indicators.

The Audit Committee reviews on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place. More details in this regard can be seen on page 57 of this Annual Report.

The Board has conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith for the period up to the date of signing the Financial Statements.

32.3 Audit Committee

The composition of the Audit Committee and their Report is given on page 57 of this Annual Report.

33 Corporate Governance

The Company is committed to high standards of Corporate Governance. The main Corporate Governance practices of the Company are set out from pages 42 to 50 of this Annual Report.

The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control.

34. Compliance with Applicable Laws and Regulations

To the best of their knowledge, the Board believes that the Company has not engaged in any activity which contravenes laws and regulations. There have been no irregularities involving management or employees that could have a material financial effect or otherwise.

35. Outstanding Litigation

In the opinion of the Directors, in consultation with the Company Lawyers, there is no litigation currently pending against the Company which will have a material impact on the reported financial results or future operations of the Company.

36. Appointment of External Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young, Chartered Accountants, who offer themselves for re-appointment. A resolution to re-appoint them as Auditors and authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

37. Auditor's Remuneration and Interest in Contracts with the Company

The Group audit fees paid for the year 2013/14 amounted to Rs. 12Mn (2013 - Rs. 11Mn). Apart from that the Company has engaged Messrs. Ernst & Young, the External Auditors to advise on taxation and accounting matters for the year under consideration. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

38 . Relevant audit information

As at 28 May 2014, so far as each Director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each Director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

39. Annual General Meeting

The 2014 Annual General Meeting of the Company will be held at the 'Forum Area' The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7 at 3.30 p.m. on Tuesday 15 July 2014. Shareholders who are unable to attend in person may submit questions beforehand via email to info@Hemas.com

40. Notice of Meeting

Details of the Annual General Meeting are given in the Notice of Meeting.

41. Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007 the Board of Directors hereby acknowledge the contents of this Report.

For and behalf of the Board,

Chairman

Chief Executive Officer

Secretaries

28 May 2014

Directors' Interest in Contracts with the Company

Related Party disclosures as required by the Sri Lanka Accounting Standards LKAS 24 on Related Party Disclosures is detailed in Note 35 to the financial statement. In addition, the Company carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities.

Company	Directors	Nature of Transaction	Value 2014 Rs.000	Value 2013 Rs.000
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Dividend Income	218,000	154,800
	Mr. Steven Enderby	Services Rendered	105,652	95,086
		IT Charges	31,633	16,364
		Interest Expense	(44,942)	(66,192)
		Centralised Services	1,165	1,828
		Rental Income	-	(610)
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	251,861	189,858
	Mr. M. Esufally	IT Charges	20,340	28,319
	Mr. Malinga Arsakularatne	Interest Income	1,573	4,460
		Interest Expense	(274)	(7,097)
		Dividend Income	151,401	21,600
		Centralised Services	1,775	494
		Rental Income		1,531
Hemas Hospitals (Pvt) Ltd.	Mr. H. Esufally	Corporate Guarantee Charges	2,381	1,020
	Mr. Steven Enderby	Services Rendered	269	245
	Mr. M. Esufally	IT Charges	7,144	5,704
		Interest Income	9,854	54,991
		Centralised Services	40	169
		Rental expenses	(540)	(540)
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	Corporate Guarantee Charges	415	561
		IT Charges	1,679	973
		Centralised Services	81	189
Hemas Capital Hospital (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	3,189	1,024
		Centralised Services	-	7
		IT Charges	4,996	0
Hemtours (Pvt) Ltd.	Mr. H. Esufally	Interest Income	7,351	6,337
	Mr. A. Esufally	Dividend Income	19,370	2,000
	Mr. Malinga Arsakularatne	Interest Expense	(420)	(28,222)
Diethelm Travels Lanka (Pvt) Ltd.	Mr. H. Esufally	IT Charges	10,105	5,085
	Mr. A. Esufally	Services Rendered	269	245
	Mr. Malinga Arsakularatne	Interest Expense	(4,918)	(4,798)
		Transport and Accommodation Charges	(2,301)	(1,154)
		Centralised Services	305	327

Company	Directors	Nature of Transaction	Value 2014 Rs.000	Value 2013 Rs.000
Serendib Hotels PLC	Mr. H. Esufally	Interest Expense	(1,683)	(14,147)
	Mr. A. Esufally	Corporate Guarantee Charges	2,137	3,108
	Mr. Malinga Arsakularatne	Centralised Services	18	-
Serendib Leisure Management Ltd	Mr. A. Esufally	IT Charges	1,676	666
		Interest Expense	(21,999)	(10,318)
		Centralised Services	66	367
Dolphin Hotels PLC	Mr. A. Esufally	Dividend Income	-	76
	Mr. Malinga Arsakularatne	Interest Expense	(17,792)	(7,650)
		IT Charges	464	-
Hotel Sigiriya PLC	Mr. A. Esufally	Interest Expense	(2,568)	(1,487)
	Mr. Malinga Arsakularatne	IT Charges	186	-
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	92,493	94,953
	Mr. A. Esufally	IT Charges	1,327	667
	Mr. I. Esufally	Dividend Income	7,768	31,500
	Mr. M. Esufally	Interest Expense	(4,856)	(26,638)
	Mr. Malinga Arsakularatne	Corporate Guarantee Charges	383	765
		Centralised Services	4,657	34
		Rental Income	-	4,592
Hemas Air Services (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	44,390	38,067
	Mr. I. Esufally	Interest Expense	(12,723)	(13,357)
	Mr. Malinga Arsakularatne	IT Charges	1,858	1,647
		Dividend Income	1,800	18,536
		Centralised Services	83	93
Hemas Travels (Pvt) Ltd.	Mr. H. Esufally	Air Line Ticket Sales	(23,542)	(8,330)
	Mr. I. Esufally	Services Rendered	1,831	-
	Mr. Malinga Arsakularatne	Interest Expense	(872)	-
		IT Charges	4,840	3,482
		Dividend Income	37,530	2,968
		Centralised Services	38	171
Far shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	Services Rendered	-	20,726
		IT Charges	1,213	944
		Dividend Income	54,000	30,420
		Interest Expense	(4,846)	(214)
		Centralised Services	44	29
Exchange & Finance Investments Ltd.	Mr. I. Esufally	Dividend Income	-	202.00
	Mr. Malinga Arsakularatne	Interest Expense	(350)	-
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	651	473
	Mr. Malinga Arsakularatne			
Skynet worldwide express (Pvt) Ltd	Mr. I. Esufally	IT Charges	471	242
		Centralised Services	5	15
Hemas Logistics (Pvt) Ltd	Mr. I. Esufally	Rental Income	12,049	7,584
		Centralised Services	-	8
		IT Charges	1,727	-
		Interest Expense	(1,626)	(539)

Directors' interest in contracts with the Company

Company	Directors	Nature of Transaction	Value 2014 Rs.000	Value 2013 Rs.000
Hemas Power PLC	Mr. H. Esufally	Corporate Guarantee Charges	51	51
	Mr. I. Esufally	Services Rendered	337	306
	Mr. Malinga Arsakularatne	IT Charges	1,279	1,112
		Interest Income	1,798	207
		Interest Expense	(846)	(2,308)
		Dividend Income	70,425	131,460
		Centralised Services	-	16
Heladhanavi Ltd.	Mr. H. Esufally	Corporate Guarantee Charges	638	-
	Mr. A. Esufally			
Giddawa Hydro Power (Pvt) Ltd.	Mr. H. Esufally	IT Charges	19	35
	Mr. Malinga Arsakularatne	Dividend Income	4,950	4,950
Peace Haven Resorts Ltd.	Mr. H. Esufally	Interest Expense	-	(6,017)
	Mr. A. Esufally	Dividend Income	-	32
		Interest Income	30,905	372
		Centralised Services	135	122
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	269	245
	Mr. Malinga Arsakularatne	Interest Expense	(12,524)	(8,993)
		IT Charges	62	89
		Dividend Income	3,653	19,636
		Rental Income	-	612
		Centralised Services	288	127
		Rental Expense and Service Charges	(37,188)	(24,657)
		Service Charges		-
		Car parking expenses	(1,776)	(1,133)
Vishwa BPO (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	404	-
	Mr. Malinga Arsakularatne	Shared Services Expenses	(9,814)	(6,928)
		Consultancy Fees	-	735
		IT Charges	3,175	890
		Interest Expense	(4,437)	(3,724)
		Dividend Income	2,875	60,000
		Centralised Services	20	75
Hemas Corporate Services (Pvt) Ltd.	Mr. H. Esufally	Centralised Corporate Services	(13,569)	(9,026)
	Mr. Malinga Arsakularatne	Interest Income	3,622	2,057
		Centralised Services	-	2

Company	Directors	Nature of Transaction	Value 2014 Rs.000	Value 2013 Rs.000
N-able (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	135	122
	Mr. I. Esufally	IT Charges	631	29
	Mr. Malinga Arsakularatne	Rental Income	-	918
		Interest Income	12,229	10,921
		Corporate Guarantee Charges	1,998	1,633
		Centralised Services	918	-
		IT equipment and services	(16,279)	(21,488)
J.L Morison Son & Jones (Ceylon) Ltd	Mr. H. Esufally	Corporate Guarantee Charges	213	0
	Mr. Steven Enderby	Centralised Services	244	0
Hemas Surgical	Mr. Malinga Arsakularatne	Services Rendered	31,756	-
		Dividend Income	3,600	-
Hemas Marketing	Mr. Malinga Arsakularatne	Interest Expense	(2,575)	-
		Dividend Income	4,185	-
Hemas Trading	Mr. Malinga Arsakularatne	Interest Expense	(1,837)	-
		Dividend Income	486	-
Mowbray Hotels	Mr. A. Esufally	Interest Income	215	-
Leisure Asia Investments Ltd.	Mr. H. Esufally	Interest Income	19	-
	Mr. A. Esufally			
	Mr. I. Esufally			
P H Resorts (Pvt) Ltd	Mr. H. Esufally	Interest Income	1,082	-
	Mr. A. Esufally	Interest Expense	(4,218)	-
Hemas Maritime	Mr. I. Esufally	IT Charges	323	-

Financial Information

"For the financial year ended 31 March 2014, Hemas Holdings PLC and its Subsidiaries delivered consolidated revenues of Rs. 32.8Bn, a growth of 25.8%, operating profits of Rs. 3.4Bn, a growth of 38.6% and profits attributable to the parent of Rs. 2.4Bn, a growth of 45.2%."

Statement of Directors' Responsibility

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors are of the view that the Company and its Group have adequate resources to continue operations in the foreseeable future and have continued to use the going - concern basis in the preparation of these financial statements.

The Directors have provided the Auditors M/s. Ernst & Young Chartered Accountants with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the financial statements together with all financial records and related data and expressed their opinion which appears as reported by them on page 85 of this report.

The directors are responsible for:

- preparing the annual report and the Group and parent company financial statements in accordance with applicable laws and regulations;
- preparing financial statements which give a true and fair view of the state of affairs as at the balance sheet date and the profit or loss for the period then ended of the Company and the Group in accordance with SLFRSs and LKASs;
- keeping proper accounting records which disclose with reasonable accuracy, at any time the financial position of the Group and the Company and enable them to ensure that the Group financial statements comply with applicable laws and regulations;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities; and
- the maintenance and integrity of the statutory and audited information on the Company's website.

  In addition, the directors consider that, in preparing the financial statements:

- suitable accounting policies have been selected and applied consistently;
- judgments and estimates made have been reasonable and prudent;
- the financial statements comply with IFRS as adopted for use in Sri Lanka (SLFRSs/LKASs);
- all Accounting Standards which they consider applicable have been followed in preparing the parent company financial statements; and
- it is appropriate that the Group and parent company financial statements have been prepared on a "Going Concern" basis.

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

Chief Financial Officer

Chief Executive Officer

Chairman

28 May 2014

Independent Auditor's Report

EY
Building a better working world

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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 2014, 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 set out on page 86 to 153 of the Annual Report.

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 controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material 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 2014 and the Financial Statements give a true and fair view of the Company's financial position as at 31 March 2014 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 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and the subsidiaries dealt with thereby, so far as concern the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

28 May 2014
Colombo

Income Statement

Year ended 31 March	Notes	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Revenue	3	32,833,249	26,098,362	664,710	561,558
Cost of Sales		(22,613,810)	(18,075,091)	-	-
Gross Profit		10,219,439	8,023,271	664,710	561,558
Other Operating Income	4	1,386,741	296,674	770,834	633,763
Selling and Distribution Expenses		(2,763,865)	(2,087,198)	-	-
Administrative Expenses		(5,475,368)	(3,797,307)	(488,589)	(390,955)
Share of Profit of an Associate	16	11,651	1,554	-	-
Operating Profit		3,378,598	2,436,994	946,955	804,366
Finance Cost	5	(657,076)	(370,103)	(270,267)	(252,417)
Finance Income	5	325,717	342,650	97,573	100,136
Profit Before Tax	6	3,047,239	2,409,541	774,261	652,085
Income Tax Expenses	7	(486,334)	(473,698)	2,089	(26,232)
Profit for the Year		2,560,905	1,935,843	776,350	625,853
Attributable to:					
Equity Holders of the Parent		2,409,276	1,659,660		
Non-Controlling Interests		151,629	276,183		
		2,560,905	1,935,843		
Earnings Per Share	8	4.68	3.22		
Dividend Per Share	9	0.75	0.55		

The Accounting Policies and Notes on Pages 92 through 153 form an integral part of these financial statements.

Statement of Other Comprehensive Income

	Group		Company	
Year ended 31 March	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Profit for the year	2,560,905	1,935,843	776,350	625,853
Other Comprehensive Income				
Actuarial Loss on Defined Benefit Plans	(39,648)	(3,386)	(2,905)	(535)
Income Tax Effect	7,563	1,276	664	149
Exchange Differences on Translation of Foreign Operations	(1,615)	(279)	-	-
Net Movement on Cash Flow Hedges	(53,782)	37,458	-	-
Income Tax Effect	-	-	-	-
Net (Loss)/Gain on Available-For-Sale Financial Assets	(5,877)	12,314	(11,164)	(2,450)
Income Tax Effect	-	-	-	-
Revaluation of Land and Buildings	197,443	129,042	-	-
Income Tax Effect	1,443	-	-	-
Other Comprehensive Income for the year, Net of Tax	105,527	176,425	(13,405)	(2,836)
Total Comprehensive Income for the year, Net of Tax	2,666,432	2,112,268	762,945	623,017
Attributable to:				
Equity Holders of the Parent	2,531,615	1,810,879		
Non-Controlling Interests	134,817	301,389		
	2,666,432	2,112,268		

The Accounting Policies and Notes on Pages 92 through 153 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Notes	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
ASSETS					
Non Current Assets					
Property, Plant and Equipment	10	13,571,854	11,293,957	169,472	153,730
Investment Properties	11	1,683,130	578,453	617,615	566,289
Leasehold Right	12	145,847	90,592	-	-
Intangible Assets	13	1,333,247	436,701	23,192	398
Investment in Subsidiaries	14	-	-	6,334,445	6,344,133
Investment in Joint Ventures	15	-	-	30,044	38,519
Investment in Associates	16	380,303	221,325	-	-
Other Non Current Financial Assets	17	457,435	399,147	425,455	224,924
Deferred Tax Assets	24	58,581	39,762	-	-
		17,630,397	13,059,937	7,600,223	7,327,993
Current Assets					
Inventories	18	3,932,906	2,425,137	-	-
Trade and Other Receivables	19	8,523,389	7,047,695	317,644	1,026,351
Tax Recoverable		126,716	78,590	17,940	5,323
Other Current Financial Assets	17	1,032,714	172,919	480,030	647,913
Cash and Short Term Deposits	27	3,132,767	3,223,380	364,468	85,301
		16,748,492	12,947,721	1,180,082	1,764,888
TOTAL ASSETS		34,378,889	26,007,658	8,780,305	9,092,881
EQUITY AND LIABILITIES					
Equity					
Stated Capital	20	1,600,603	1,600,603	1,600,603	1,600,603
Other Capital Reserves	21	400,289	409,751	257,032	257,032
Other Components of Equity		922,551	1,314,477	6,625	17,789
Retained Earnings		11,377,081	8,828,511	4,978,113	4,590,472
Equity Attributable to Equity Holders of the Parent		14,300,524	12,153,342	6,842,373	6,465,896
Non-Controlling Interests		3,329,111	2,259,037	-	-
Total Equity		17,629,635	14,412,379	6,842,373	6,465,896
Non Current Liabilities					
Interest Bearing Loans and Borrowings	22	3,468,422	2,182,887	890,161	1,288,566
Other Non Current Financial Liabilities	23	158,010	140,343	8,840	4,383
Deferred Tax Liabilities	24	273,418	193,313	53,917	51,196
Employee Benefit Liability	25	427,239	287,427	33,809	26,431
		4,327,089	2,803,970	986,727	1,370,576
Current Liabilities					
Trade and Other Payables	26	7,956,628	5,906,044	133,451	159,802
Income Tax Payable		123,869	141,591	-	-
Interest Bearing Loans and Borrowings	22	1,779,488	715,230	719,580	1,055,324
Bank Overdrafts	27	2,562,180	2,028,444	98,174	41,283
		12,422,165	8,791,309	951,205	1,256,409
TOTAL EQUITY AND LIABILITIES		34,378,889	26,007,658	8,780,305	9,092,881

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
Chairman

Steven Enderby
Chief Executive Officer

The Accounting Policies and Notes on Pages 92 through 153 form an integral part of these financial statements.

Colombo
May 28, 2014

Statement of Changes in Equity (Group)

	Attributable to Equity Holders of the Parent									
	Stated Capital	Other Capital 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 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	-	-	-	-	-	-	1,659,660	1,659,660	276,183	1,935,843
Other Comprehensive Income	-	-	116,771	(279)	8,639	28,093	(2,005)	151,219	25,206	176,425
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
Profit for the year	-	-	-	-	-	-	2,409,276	2,409,276	151,629	2,560,905
Other Comprehensive Income	-	-	178,167	(1,785)	(7,109)	(16,886)	(30,048)	122,339	(16,812)	105,527
Total Comprehensive Income	-	-	178,167	(1,785)	(7,109)	(16,886)	2,379,228	2,531,615	134,817	2,666,432
Dividends Paid - Ordinary Shares	-	-	-	-	-	-	(386,468)	(386,468)	-	(386,468)
Transfer to/from during the Year										
- Overhaul Reserve	-	(9,462)	-	-	-	-	7,096	(2,366)	2,366	-
- Revaluation Reserve	-	-	(530,791)	-	-	-	530,791	-	-	-
- Available for Sale Reserve	-	-	-	-	(14,563)	-	-	(14,563)	(4,854)	(19,417)
Transaction Cost on Issue of Shares	-	-	-	-	-	-	(16,195)	(16,195)	(727)	(16,922)
Dividends to Non Controlling Interests	-	-	-	-	-	-	-	-	(71,189)	(71,189)
Adjustment in respect of changes in Group Holding	-	-	1,041	-	-	-	34,118	35,159	1,009,661	1,044,820
As at 31 March 2014	1,600,603	400,289	951,147	(3,515)	7,370	(32,451)	11,377,081	14,300,524	3,329,111	17,629,635

The Accounting Policies and Notes on Pages 92 through 153 form an integral part of these financial statements.

Statement of Changes in Equity (Company)

	Stated Capital	Other Capital Reserve	Other Components of Equity Available For Sale Reserve	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April 2012	1,600,603	257,032	20,239	4,248,415	6,126,289
Profit for the year	-	-	-	625,853	625,853
Other Comprehensive Income	-	-	(2,450)	(386)	(2,836)
Total Comprehensive Income	-	-	(2,450)	625,467	623,017
Final Dividend Paid				(128,823)	(128,823)
Interim Dividend Paid	-	-	-	(154,587)	(154,587)
As at 31 March 2013	1,600,603	257,032	17,789	4,590,472	6,465,896
Profit for the year	-	-	-	776,350	776,350
Other Comprehensive Income	-	-	(11,164)	(2,241)	(13,405)
Total Comprehensive Income	-	-	(11,164)	774,109	762,945
Final Dividend Paid	-	-	-	(231,881)	(231,881)
Interim Dividend Paid	-	-	-	(154,587)	(154,587)
As at 31 March 2014	1,600,603	257,032	6,625	4,978,113	6,842,373

The Accounting Policies and Notes on Pages 92 through 153 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March	Notes	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Operating Activities					
Profit Before Taxation		3,047,239	2,409,541	774,261	652,085
Adjustments for					
Depreciation	10	905,972	707,593	39,322	29,980
(Gain)/Loss on Disposal of Property, Plant and Equipment		(389,736)	(40,876)	454	(1,548)
Reversal of Heat & Lube Oil Provision		-	(7,653)	-	-
Gain on Fair Value Adjustment of Investment Properties	11	(729,269)	(65,322)	(40,386)	(66,908)
Amortisation/Impairment of Intangibles Assets	13	47,423	42,004	3,151	975
Gain on Fair Value Adjustment of Leasehold Rights		(35,501)	-	-	-
Amortisation of Leasehold Rights	12	31,663	3,863	-	-
(Gain)/Loss on Sale of Non Current Investments	4	(60,488)	(576)	(148,503)	(78,908)
Impairment of Property, Plant and Equipment	10	575,702	-	-	-
Exchange Gain or Loss on Foreign Currency Borrowings	22	48,151	16,768	-	-
Finance Cost	5	657,076	370,103	270,267	252,417
Finance Income	5	(325,717)	(342,650)	(97,573)	(100,136)
Investment Income	4	-	-	(575,098)	(478,819)
Share of results of Associate	16	(11,651)	(1,554)	-	-
Movement in Employee Benefit Liability	25	76,359	61,552	4,419	5,269
Working Capital Adjustments					
(Increase)/Decrease in Inventories		(922,816)	(417,181)	-	-
(Increase)/Decrease in Trade and Other Receivables		(835,953)	(1,165,832)	709,269	(655,242)
Increase/(Decrease) in Trade and Other Payables		1,765,115	709,437	(26,351)	(62,424)
Increase/(Decrease) in Other Non Current Financial Liabilities		22,387	2,639	4,187	(6,216)
Finance Cost Paid	5	(653,649)	(376,509)	(269,997)	(227,730)
Finance Income Received	5	275,553	301,184	80,589	82,029
Income Tax Paid		(531,335)	(316,715)	(7,144)	(19,682)
Employee Retirement Benefit Paid	25	(60,725)	(26,200)	(507)	(9,924)
Net Cash flows from/(Used in) Operating Activities		2,895,800	1,863,616	720,360	(684,782)
Investing Activities					
Purchase of Property, Plant and Equipment	10	(3,188,724)	(1,363,622)	(66,200)	(80,443)
Purchase of Investment Property	11	(5,563)	(167,881)	(10,940)	(167,881)
Increase in Investment in Associate		-	(41,338)	-	-
Investment in Intangible Assets	13	(90,027)	(1,743)	(25,945)	(98)
Acquisition of Subsidiaries		(1,998,792)	(23,308)	(341,058)	(198,541)
Disposal/Derecognition of Joint Ventures		60,337	-	-	-
Disposal of/(Investment in) Non Current Financial Assets		(538,350)	155,052	(4,662)	8,765
Investment in Lease Hold Right	12	(62,602)	-	-	-
Proceeds from Disposal of Investments		-	-	507,724	127,612
Proceeds from Disposal of Property, Plant and Equipment/Intangible assets		1,160,784	81,357	10,682	3,465
Investment Income Received		-	-	575,098	478,819
Net Cash flows from/(Used in) Investing Activities		(4,662,937)	(1,361,483)	644,699	171,698
Financing Activities					
Interest Bearing Loans and Borrowings (Net)		2,041,970	464,528	(756,315)	797,593
Transaction Cost on Subsidiary Share Issue		(16,922)	(12,722)	-	-
Proceeds from Non-Controlling Interests		(426,588)	40,185	-	-
Dividends Paid to Equity Holders of the Parent		(386,468)	(283,410)	(386,468)	(283,410)
Dividends Paid to Non-Controlling Interests		(71,189)	(77,232)	-	-
Net Cash flows from/(Used in) Financing Activities		1,140,803	131,349	(1,142,783)	514,183
Net Increase/(Decrease) in Cash and Cash Equivalents		(626,334)	633,482	222,276	1,099
Net Foreign Exchange Difference		1,985	(79)		-
Cash and Cash Equivalents at the Beginning of the Year	27	1,194,936	561,533	44,018	42,919
Cash and Cash Equivalents at the End of the Year		570,587	1,194,936	266,294	44,018

The Accounting Policies and Notes on Pages 92 through 153 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

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

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

1.2 Consolidated Financial Statements

The Consolidated financial statements of the Company for the year ended 31 March 2014 comprise Hemas Holdings PLC (the 'Company') and all its Subsidiaries, Joint Ventures and Associates whose accounts have been consolidated there in (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 36 to the financial statements.

1.4 Date of Authorization for Issue

The Consolidated financial statements of Hemas Holdings PLC for the year ended 31 March 2014 were authorised for issue, in accordance with a resolution of the Board of Directors on 28 May 2014.

2. General Policies

2.1 Basis of Preparation

The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention 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.

2.1.1 Statement of Compliance

The financial statements which comprise the income statement, statement of other comprehensive income, statement of financial position and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 7 of 2007.

2.1.2 Going Concern

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

2.1.3 Basis of Consolidation

The financial statements of the Group represent the consolidation of the financial statements of Hemas Holdings PLC and all its Subsidiaries, Joint Ventures and Associates as at 31 March 2014.

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 loses 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 Panasian Power PLC 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/Statement of Comprehensive Income 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 venturers which are jointly controlled entities, whereby the ventures 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. The Group's share of unrealised gains/losses on asset purchases are eliminated to the extent of group interest only.

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 recognised 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. 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

Notes to the Financial Statements

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.

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 those 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, 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 recognized 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 recognized 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

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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 or 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 realized 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 statement. 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.

c) Tax on Dividend Income

Tax on dividend income from subsidiaries are recognized 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 the net book value of 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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income 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.

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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.

Leasehold Right/Prepaid Lease Rental
Prepaid lease rentals paid to acquire land use right are amortised over the lease term. Details of the lease rentals paid in advance are given in note 12 to the financial statements.

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 de-recognition.

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 Group 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 de-recognition 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.

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.

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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.

De-recognition
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 assets 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

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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;

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.

De-recognition
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 de-recognition 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 29.

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 Company 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 Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed

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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 Group 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 Company 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 Other Comprehensive 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 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 have been 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 Company's 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 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 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

Notes to the Financial Statements

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 charges in fair value being recognised in the income statement. In addition, it measures land and buildings at revalued amounts with charges in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 31 March 2014. For the investment property the value used valuation technique 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, futures 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.

2.4 Changes in Accounting Policies and Disclosures

LKAS 19 – Employee Benefits (Revised 2013)
The Group applied LKAS 19 – (Revised 19) on Employee Benefit retrospectively in accordance with the transitional provisions set out in the said standard. As per previous policy actuarial gain/loss was recognized in full in the Income Statement. As per revised LKAS 19, actuarial gain/loss is recognized in full in Other Comprehensive Income (OCI).

Accordingly the Group changed its policy for recognizing actuarial gain/loss in OCI. This resulted in reclassifying actuarial gain/loss previously recognized in Income Statement to the OCI. Since there was no significant impact on Retirement Benefit Liability, the opening Statement of Financial Position of the earliest comparative period has not been presented. The transition did not have an impact on the Statement of Cash Flows. There is no significant impact on the basic EPS.

2.5 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 Company and may have an impact on the future financial statements.

(a) 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.

(b) SLFRS 10 – Consolidated Financial Statements
SLFRS 10 replaces the portion of LKAS 27 Consolidated and separate financial statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) 12 Consolidation Special Purpose Entities.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014

(c) SLFRS 11 – Joint Arrangements
SLFRS 11 replaces LKAS 31 Interests in joint ventures and SIC on Jointly-controlled entities and Non-monetary contributions by ventures. SLFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation proportionate consolidating of joint ventures being changed to equity accounting. This standard becomes effective for annual periods beginning on or after 1 January 2014.

(d) SLFRS 12 – Disclosure of Interest in Other Entities
SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014.

(e) 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.

The Group will adopt these standards when they become effective. Pending the completion of 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	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Sales of Goods	20,079,527	15,344,843	-	-
Rendering of Services	12,753,722	10,753,519	664,710	561,558
	32,833,249	26,098,362	664,710	561,558

Segmental information is given in Note 35 to these financial statements.

4 Other Operating Income

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Gain/(Loss) on disposal of Non Current Investments	60,488	576	148,503	78,908
Gain/(Loss) on Disposal of Property Plant & Equipment	389,736	40,876	(454)	1,548
Change in Fair Value of Investment Properties	729,269	65,322	40,386	66,908
Rental Income	4,027	3,652	7,250	7,500
Commission Income	22,500	17,427		-
Foreign Exchange Gain	111,761	117,972		-
Dividend Income from Investments in Related Parties	-	-	575,093	478,811
Dividend Income on Available For Sale Investments	346	2,050	5	8
Sundry Income	68,614	48,799	51	80
	1,386,741	296,674	770,834	633,763

5 Finance Cost And Income

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
5.1 Finance Cost				
Interest Expense on Overdrafts	172,242	125,287	18,526	8,326
Interest Expense on Loans and Borrowings				
- Related Party	-	-	146,416	201,750
- Others	454,097	229,299	105,055	42,341
Finance Charges on Lease Liabilities	14,274	6,775	-	-
Preference Share Dividend	13,036	15,148	-	-
Total Interest Expense	653,649	376,509	269,997	252,417
Amortised cost adjustment of Preferance Shares	-	(6,814)	-	-
Fair Value Difference on Financial Assets Measured at Amotised Cost	3,427	408	270	-
Total Finance Cost	657,076	370,103	270,267	252,417

5 Finance Cost And Income Contd.

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
5.2 Finance Income				
Interest Income on Loans and Receivables -Related Party	-	-	73,599	84,475
Interest Income on Loans and Receivables -Other	275,553	301,184	6,990	3,018
Total Interest Income	275,553	301,184	80,589	87,493
Unwinding of Fair Value Difference on				
Financial Assets Measured at Amortised Cost	50,164	41,466	16,984	12,643
Total Finance Income	325,717	342,650	97,573	100,136

6 Profit Before Tax

Stated after Charging/(Crediting)

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Included in Cost of Sales				
Depreciation	202,443	255,487	-	-
Provision for Obsolete Stocks	52,176	(2,646)	-	-
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Cost - Gratuity	76,359	64,938	4,419	5,804
Defined Contribution Plan Cost - MSPS/EPF/ETF	191,965	159,168	14,688	13,876
Depreciation	703,529	452,106	39,322	29,980
Exchange (Gain)/Loss	(47,670)	738	-	-
Amortisation/ Impairment of Intangibles	47,423	42,004	3,151	975
Impairment of Property, Plant and Equipment	575,702	-	-	-
Auditors' Fees	12,414	10,911	1,770	1,248
Legal Fees	2,862	2,059	26	48
Donations	8,138	5,877	220	499
Impairment of Trade Receivables	(29,980)	(8,121)	(39,474)	17,921
Included in Selling and Distribution Cost				
Transport Cost	184,900	80,828	-	-
Advertising Cost	609,945	471,302	-	-

Notes to the Financial Statements

7 Income Tax Expense

The major components of income tax expense for years ended 31 March 2013 and 2014 are;

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Income Tax				
Current Income Tax Charge	432,085	345,170	-	15,159
Adjustment in respect of Current Income Tax of Prior Years	(16,564)	58,658	(5,474)	(216)
Share of Associate Company Income Tax	3,957	965	-	-
Tax on Dividends	57,201	45,614	-	-
ESC Written Off	-	95	-	-
Deferred Income Tax Expense/(Income)arising due to				
Origination and Reversal of Temporary Differences (Note 24)	9,655	23,196	3,385	11,289
	486,334	473,698	(2,089)	26,232

7.1 Reconcilation Between Income Tax Expense and Accounting Profit				
Accounting Profit Before Tax	3,047,239	2,409,541	774,261	652,085
Intra Group Adjustment/Share of Profits of Subsidiaries	1,538,453	674,953		-
Income not subject to Income Tax	(1,014,836)	(797,100)	(763,987)	(642,742)
Exempt profit	81,315	(666,501)	-	-
Aggregate Disallowable Expenses	862,389	410,101	38,019	94,867
Aggregate Allowable Expenses	(2,718,610)	(557,631)	(64,190)	(47,568)
Aggregate Disallowable Income	(89,935)	(33,553)	-	(2,504)
Adjustment for Tax Losses	(25,505)	(49,082)	-	-
Taxable Profit	1,680,510	1,390,728	(15,897)	54,138
Income Tax at 28%	294,333	274,432	-	15,159
Income Tax at 20%	6,995	6,491	-	-
Income Tax at 15%	334	5,027	-	-
Income Tax at 12%	43,854	42,828	-	-
Income Tax at 2%	2,781	2,040	-	-
Income Tax at Other Rates	83,788	14,352	-	-
Current Income Tax Charge	432,085	345,170	-	15,159

7 **Income Tax Expense Contd.**

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% (2012/13- 28%) on taxable profit during the year 2013/2014 with the exception of the Companies stated below.

	Company/ Sector	Nature	Exemption or Concession	Period
7.2.1	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	10%	2 years ending 2014/2015
	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	10%	2 years ending 2014/2015
	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 ending 2014/2015
	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 ending 2015/2016
	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	10%	2 years ending 2014/2015
7.2.2	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	5%	Ending 2013/2014
	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
	Unicorn Investments (Pvt) Ltd	Entitled for a tax exemption period of 3 years as per Sec 22	Exempt	3 years from 1st year of profit or 2 years from operations
	Panasian Power PLC	Entitled for a tax exemption period of 15 years as per Sec 218(2)	Exempt	15 years ending 2016/2017
	Leisure Sector	Promotion of tourism	12%	Open-ended

7.2.3 As per "Business Profit Tax Act" in Maldives, taxable profits of Diethelm Travel The Maldives (Pvt) Ltd is charged at 15%.

7.2.4 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. Income tax provision has been made in line with the provision 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	
	2014 Rs.'000	2013 Rs.'000
Amount Used as the Numerator:		
Profit for the Year	2,409,276	1,659,660
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	2,409,276	1,659,660

In'000s	2014 Number	2013 Number
Number of Ordinary Shares Used as Denominator:		
Number of Shares at the Beginning of the Year	515,291	515,291
Number of Shares at the End of the Year	515,291	515,291

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

9 Dividends Per Share

9.1 Dividends Paid

	2014 Rs.'000	2013 Rs.'000
Decleared and Paid During the Year		
Dividends on Ordinary Shares		
Final Dividends	231,881	128,823
Interim Dividends	154,587	154,587
	386,468	283,410

9.2 Dividends Per Share

	2014 Rs.	2013 Rs.
Final Dividend out of 2012/2013 (2013-2011/2012) Profits	0.45	0.25
Interim Dividend out of 2013/2014 (2013-2011/2012) Profits	0.30	0.30

The final dividends for 2012/13 has been paid on 9 July 2013 and interim dividends for 2013/14 has been paid on 27 November 2013.

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.'00 0	Furniture, Fittings & Equipment Rs.'000	Motor Vehicles Rs.'000	Capital Work-in-Progress Rs.'000	Total 2014 Rs.'000	Total 2013 Rs.'000
Cost or Valuation									
Balance at the Beginning of the Year	1,908,349	3,345,370	1,701,867	4,178,254	2,181,231	739,256	939,520	14,993,847	13,349,602
Additions	318,515	271,217	8,532	563,882	320,277	350,282	1,356,019	3,188,724	1,363,622
Acquisition of Subsidiary	642,792	557,294	-	371,801	66,355	93,069	-	1,731,311	160,045
Disposal of Subsidiary	-	-	-	-	(15,496)	(11,474)	-	(26,970)	-
Revaluations	135,883	34,748	-	-	-	-	-	170,631	129,042
Disposals	(370,137)	(36,992)	-	(34,631)	(51,301)	(104,751)	(320,950)	(918,762)	(137,762)
Exchange Translation Difference	-	-	-	64	441	-	-	505	(137)
Transfer	(374,345)	463,067	667,290	314,820	38,169	-	(1,488,845)	(379,844)	129,435
Balance at the End of the Year	2,261,057	4,634,704	2,377,689	5,394,190	2,539,676	1,066,382	485,744	18,759,442	14,993,847
Accumulated Depreciation									
Balance at the Beginning of the Year	-	135,203	15,823	2,145,729	1,129,351	273,784	-	3,699,890	3,065,986
Charge	-	140,053	9,997	347,954	279,464	128,504	-	905,972	707,593
Acquisition of subsidiary	-	11,615	-	97,133	54,121	56,643	-	219,512	23,530
Disposal of Subsidiary	-	-	-	-	(9,189)	(4,253)	-	(13,442)	-
Revaluations	-	(26,812)	-	-	-	-	-	(26,812)	-
Impairment	-	-	-	575,702	-	-	-	575,702	-
Disposals	-	(21,225)	-	(31,772)	(40,080)	(71,063)	-	(164,140)	(97,281)
Exchange Translation Difference	-	-	-	17	118	-	-	135	62
Transfer	-	13,849	(13,871)	20,451	(29,658)	-	-	(9,229)	-
Balance at the End of the Year	-	252,683	11,949	3,155,214	1,384,127	383,615	-	5,187,588	3,699,890
Carrying value									
At the End of the Year	2,261,057	4,382,021	2,365,740	2,238,976	1,155,549	682,767	485,744	13,571,854	
At the Beginning of the Year	1,908,349	3,210,167	1,686,044	2,032,525	1,051,880	465,472	939,520	11,293,957	

Notes to the Financial Statements

10 Property, Plant and Equipment Contd.

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

Property	Extent	Valuation Rs'000	Date of the valuation	Valuer	Valuation Details
Hemas Manufacturing (Pvt) Ltd					
Buildings at Dankotuwa	174,446 sq.ft.	534,702	31-Mar-2012	Perera Sivaskantha & Co	Open Market Value for
Land at Dankotuwa	9A-2R-24.5P	83,403		Incorporated Valuers	Existing use Basis
Buildings on Leasehold land 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	1A-0R-33.12P	74,351	31-Mar-2012	Perera Sivaskantha & Co	Open Market Value for
Buildings of Industrial Property at Welisara	53,802 sq.ft.	137,249		Incorporated Valuers	Existing use Basis
Hemas Hospitals (Pvt) Ltd					
Buildings on Leasedhold Land at Wattala	102,219 sq.ft.	949,200	31-Mar-2012	Perera Sivaskantha & Co Incorporated Valuers	Open Market Value for Existing use Basis
Hemas Southern Hospitals (Pvt) Ltd					
Land at Galle	2R-23.83P	127,000	31-Mar-2012	Perera Sivaskantha & Co	Open Market Value for
Building at Galle	38,778 sq.ft.	268,000		Incorporated Valuers	Existing use Basis
Mowbray Hotels Ltd					
Land at Kandy	32A-1R-29P	155,670	31-Mar-2012	Perera Sivaskantha & Co	Open Market Value for
Buildings at Kandy	11,134 sq.ft.	16,330		Incorporated Valuers	Existing use Basis
Serendib Hotels PLC					
Buildings on Leasehold land at Bentota	95,112 sq.ft.	588,167	31-Mar-2012	A.R Ajith Fernando Incorporated Valuers	Profit Basis
Miami Beach Hotel Ltd					
Land at Waikkal	7A-3R-31P	127,100	31-Mar-2014	A.R Ajith Fernando	DRC Method
Buildings at Waikkal	74,270 sq.ft.	388,296		Incorporated Valuers	
Dolphin Hotels PLC					
Land at Waikkal	5A-5R-24.8P	105,000	31-Mar-2014	A.R Ajith Fernando	DRC Method
Buildings at Waikkal	139,529 sq.ft.	875,000		Incorporated Valuers	
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					
Land	1A-34-30.90 P	8,549	31-Mar-2013	Perera Sivaskantha & Co Incorporated Valuers	Profit Basis
Okanda Power Grid (Pvt) Ltd					
Land	0A-3R-31.83P	2,650	31-Mar-2013	Perera Sivaskantha & Co Incorporated Valuers	Profit Basis
Ella Dendro Electric (Pvt) Ltd					
Land	23A-2R-29.30P	39,500	31-Mar-2013	Perera Sivaskantha & Co Incorporated Valuers	Profit Basis
J. L. Morison Son & Jones (Ceylon) PLC					
Land	27.78P	72,228	31-Mar-2014	Sunil Fernando & Associate	Depreciated
Building	16,070 sq.ft.	48,239		(Private) Ltd	Replacement Cost Basis and Investment Method
M. S. J. Industries (Ceylon) (Private) Ltd					
Land	59,15P	154,243	31-Mar-2014	Sunil Fernando & Associate	Depreciated
Building	28,620 sq.ft.	73,293		(Private) Ltd	Replacement Cost Basis
Freehold Property at Kelaniya					and Investment Method
Land	925P	410,775	31-Mar-2014	Sunil Fernando & Associate	Depreciated
Building		172,000		(Private) Ltd	Replacement Cost Basis and Investment Method
Panasian Power PLC					
Land	3.6A	5,950	31-Mar-2013	Perera Sivaskantha & Co	Profit Basis
	3.7A	4,323		Incorporated Valuers	

10 Property, Plant and Equipment Contd.

10.1.2 Details of the Investment Properties used by the group companies (Owner occupied Investment properties) are as follows:

Property	Extent	Valuation Rs'000	Date of the valuation	Valuer	Valuation Details
Hemas Holdings PLC					
Freehold Property at Welisara			31-Mar-2014	Perera Sivaskantha & Co	Open market value
Land	2R-34P	51,412		Incorporated Valuers	
Building	35,880 sq.ft.	101,556			
Freehold Property at Handala			31-Mar-2014	Perera Sivaskantha & Co	Open market value
Land	2R-4.13P	52,000		Incorporated Valuers	
Building	2,960 sq.ft.	5,000			
Hemas Developments (Pvt) Ltd.					
Freehold Property at Baybrook Place			31-Mar-2014	Perera Sivaskantha & Co	Income basis
Land	1R-10P	316,964		Incorporated Valuers	
Building	86,889 sq.ft.	828,303			

10.1.3 *Transfer from investment property to owner-occupied property*

Land & Buildings of Hemas Holdings PLC situated at Handala, amounting to Rs. 54.5Mn were transferred to Property, Plant and Equipment as the property is occupied by Hemas Integrated Logistics (Pvt) Ltd.

10.1.4 *Impairment Testing of the Power Generation Facility*

The recoverable amount of the Heladhanavi Power Plant as at 31.03.2014 has been determined to be the Fair Value Less Cost to Sell (FVLCS) based on a technical valuation report.

It was concluded that Value in Use (VIU) did not exceed the Fair Value Less Cost to Sell (FVLCS). When determining the value in use it was assumed that the Power Purchase Agreement (PPA) with CEB will not be renewed on expiration (December 2014) and hence management has recognized an impairment charge of Rs. 576Mn.The impairment charge is recorded within the Income Statement.

Key assumptions used in Impairment Assessment

The following are the key assumptions used in determining the impairment

- Residual value of the plant
- Non-Renewal of the Power Purchase Agreement (PPA)

10.1.5 Carrying Value

	2014 Rs.'000	2013 Rs.'000
At Cost	6,234,323	5,074,054
At Valuation	7,240,849	6,119,869
On Finance Lease	88,040	100,034
	13,563,212	11,293,957

10.1.6 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	Cumalative Depreciation	Net Carrying Amount 2014 Rs.'000	Net Carrying Amount 2013 Rs.'000
Freehold Land	443,366	-	443,366	423,071
Building on Freehold Land	2,883,200	383,900	2,499,300	2,507,183
Building on Leasehold Land	662,380	122,900	539,480	550,772
	3,988,946	506,800	3,482,146	3,481,026

10.1.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 838 Mn (2013-Rs. 806 Mn).

Notes to the Financial Statements

10 Property, Plant and Equipment Contd.

10.2 Company

	Furniture and Fittings Rs.'000	Office Equipment Rs.'000	Computer Hardware Rs.'000	Motor Vehicles Rs.'000	Total 2014 Rs.'000	Total 2013 Rs.'000
Cost or Valuation						
Balance at the beginning of the year	44,896	21,307	76,320	136,375	278,898	206,686
Additions	24,122	1,501	22,124	18,453	66,200	80,443
Disposals		(178)		(15,185)	(15,363)	(8,231)
Balance at the end of the year	69,018	22,630	98,444	139,643	329,735	278,898
Accumulated Depreciation						
Balance at the beginning of the year	9,746	7,217	66,804	41,401	125,168	101,500
Charge for the Year	7,091	2,108	7,270	22,853	39,322	29,980
Disposals		(79)		(4,148)	(4,227)	(6,312)
Balance at the end of the year	16,837	9,246	74,074	60,106	160,263	125,168
Carrying value						
At the end of the year	52,181	13,384	24,370	79,537	169,472	
At the beginning of the year	35,150	14,090	9,516	94,974	153,730	

10.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 66.2 Mn (2013-Rs. 80.4 Mn) by means of cash.

10.2.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.93.1 Mn (2013-Rs. 86.9 Mn).

11 Investment Properties

	Group	
	2014 Rs.'000	2013 Rs.'000
At the Beginning of the Year	578,453	474,685
Addition (Subsequent Expenditure)	5,563	167,881
Net Gain/(Loss) on Fair Value Adjustment	729,269	65,322
Transfers	369,845	(129,435)
At the End of the Year	1,683,130	578,453
Rental Income Derived from Investment Properties	125,479	23,617
Direct Operating Expenses Generating Rental Income(Including Repair and Maintenance)	(33,457)	(7,918)
Direcet Operating Expenses that did not generate Rental Income (Including Repair and Maintanance)	(21,546)	(395)
Net Profit Arising from Investment Properties Carried at Fair Value	70,476	15,304

11 Investment Properties Contd.

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		183,732	31-Mar-2014	Perera Sivaskantha & Co	Open Market Value
Land	1A-0R-14P			Incorporated Valuers	
Building	30,460 sq.ft.				
Freehold Property at Tangalle		66,565	31-Mar-2014	Sunil Fernando	Open Market
Land	1A-1R-39.45P			Associates (Private) Ltd	Value
Freehold Property at Moratuwa		157,350	31-Mar-2014	Sunil Fernando	Open Market
Land	0A-2R-38.76P			Associates (Private) Ltd	Value
Hemas Developments (Pvt) Ltd.					
Freehold Property at Braybrooke Place		164,533	31-Mar-2014	Perera Sivaskantha & Co	Income Basis
Land				Incorporated Valuers	
Building	12,483 sq.ft.				
Peace Haven Resorts Limited					
Freehold Property at Tangalle	A19-R02-P34.16	1,110,950	31-Mar-2014	Sunil Fernando Associates (Private) Ltd	Market Value Basis

The significant assumptions used by the valuer are as follows

Growth in future rentals	12%
Anticipated maintenance cost	55%
Discount rate	6%

11.1.1 *Transfer from owner-occupied property to investment property*

Land of Peace Haven Resorts Limited situated at Tangalle were transferred to Investment Properties from Property, Plant and Equipment as the company reserved the property for capital appreciation ending the owner occupation. Rs. 424 Mn, the Open market value for existing use basis as at 01.04.2013 was transferred to investment properties after recognising Rs. 73 Mn as the surplus on revalution.

11.2 Company

	2014 Rs.'000	2013 Rs.'000
At the Beginning of the Year	566,289	331,500
Addition (Subsequent Expenditure)	10,940	167,881
Net Gain/(Loss) on Fair Value Adjustment	40,386	66,908
Transfers	-	-
At the End of the Year	**617,615**	566,289
Rental Income Derived from Investment Properties	23,427	20,909
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(4,042)	(2,351)
Direcet Operating Expenses that did not generate Rental Income (Including Repair and Maintanance)	(326)	(477)
Net Profit Arising from Investment Properties Carried at Fair Value	**19,059**	18,081

Property	Extent	Valuation Rs'000	Date of the valuation	Valuer	Valuation Details
Freehold Property at Welisara		336,700	31-Mar-2014	Perera Sivaskantha & Co	Open Market
Land	1A-3R-8P			Incorporated Valuers	Value
Building	66,340 sq.ft.				
Freehold Property at Tangalle		66,565	31-Mar-2014	Sunil Fernando	Open Market
Land	1A-1R-39.45P			Associates (Private) Ltd	Value
Freehold Property at Moratuwa		157,350	31-Mar-2014	Sunil Fernando	Open Market
Land	0A-2R-38.76P			Associates (Private) Ltd	Value
Freehold Property at Handala		57,000	31-Mar-2014	Perera Sivaskantha & Co	Open Market
Land	2R-4.13P			Incorporated Valuers	Value
Building	2,960 sq.ft.				

Notes to the Financial Statements

12 Leasehold Right/Prepaid Lease Rental

	Group 2014 Rs.'000	Group 2013 Rs.'000
At the Beginning of the Year	90,592	94,455
Additions/Acquisitions	62,602	-
Fair Value Adjustment	24,316	-
Amortisation	(31,663)	(3,863)
At the End of the Year	145,847	90,592

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	14,857
Serendib Hotels PLC	Land at Bentota	2A - 0R - 6P	50 Years	35,736
		1A - 0R - 37P	30 Years	
Hotel Sigiriya PLC	Land at Sigiriya	8A - 0R - 16P	30 Years	2,644
Hemas Hospitals (Pvt) Ltd.	Land at Wattala	227.5P	30 Years	37,011
Hemas Capital Hospital (Pvt) Ltd.	Land at Thalawathugoga	226.6P	30 Years	24,316
Hemas Integrated Logistics (Pvt) Ltd.	Land at Walisara	6A	11 Years	10,655

13 Intangible Assets

13.1 Group

	Software Rs.'000	Brand Rs.'000	Development Expenses Rs.'000	Goodwill on Consolidaion Rs.'000	Total 2014 Rs.'000	Total 2013 Rs.'000
Cost						
Balance at the Beginning of the Year	44,676	132,521	11,979	375,297	564,473	547,267
Addition/ Change in Percentage Holding	38,240	50,000	1,787	721,194	811,221	1,743
Transfer	9,292	-	-	(151,872)	(142,580)	-
Acquisition of Subsidiaries	17,000	1,500	-	288,140	306,640	15,463
Disposal of Joint Ventures	(25)	-	-	-	(25)	-
Disposals	(1,426)	(64,522)	-	-	(65,948)	-
Balance at the End of the Year	107,757	119,499	13,766	1,232,759	1,473,781	564,473
Accumulated Amortisation/Impairment						
Balance at the Beginning of the Year	38,546	57,378	11,184	20,664	127,772	85,768
Amortisation	9,038	-	855	-	9,893	34,004
Transfer	8,522	-	-	-	8,522	-
Acquisition of Subsidiaries	6,346	-	-	-	6,346	-
Disposal of Joint Ventures	(7)	-	-	-	(7)	-
Impairment/ Derecognition	-	37,530	-	-	37,530	8,000
Disposals	-	(49,522)	-	-	(49,522)	-
Balance at the End of the Year	62,445	45,386	12,039	20,664	140,534	127,772
Carrying Value	45,312	74,113	1,727	1,212,095	1,333,247	436,701

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

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

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

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

13 Intangible Assets Contd.

13.2 Company

	Sofware 2014 Rs.'000	2013 Rs.'000
Cost or Valuation		
Balance at the Beginning of the Year	20,848	20,750
Addition	25,945	98
Balance at the End of the Year	46,793	20,848
Accumulated Amortization/Impairment		
Balance at the Beginning of the Year	20,450	19,475
Amortisation	3,151	975
Balance at the End of the Year	23,601	20,450
Carrying Value	23,192	398

14 Investment In Subsidiaries

	Holding 2014 %	2013 %	2014 Rs.'000	2013 Rs.'000
Non-Quoted Investments				
Hemas Corporate Services (Pvt) Ltd.	100%	100%	39,891	39,891
Hemas Developments (Pvt) Ltd.	68%	73%	494,369	632,316
Hemas Manufacturing (Pvt) Ltd.	100%	100%	509,905	509,905
Hemas Marketing (Pvt) Ltd.	-	100%	-	192,600
Hemas Trading (Pvt) Ltd.	-	100%	-	24,846
Hemas Pharmaceuticals (Pvt) Ltd.	100%	100%	213,331	213,331
Hemas Surgicals and Diagnostics (Pvt) Ltd.	100%	100%	23,957	23,957
Hemas Travels (Pvt) Ltd.	100%	100%	91,359	91,359
Hemas Air Services (Pvt) Ltd.	100%	100%	64,687	64,687
Forbes Air Services (Pvt) Ltd.	100%	100%	62,452	62,452
Discover the World Marketing (Pvt) Ltd.	100%	100%	4,666	4,666
Hemas Aviation (Pvt) Ltd.	100%	100%	1,910	1,910
Exchange & Finance Investments (Pvt) Ltd.	100%	100%	9,412	9,412
Hemtours (Pvt) Ltd.	100%	100%	161,207	161,207
Leisure Asia Investments Ltd.	100%	100%	398,795	398,795
Peace Haven Resorts Ltd.	100%	95%	417,666	336,455
Hemas Transportation (Pvt) Ltd.	100%	100%	126,049	85,049
Mowbray Hotels Ltd.	89%	89%	46,201	46,201
Far Shipping Lanka (Pvt) Ltd.	100%	100%	3,000	3,000
Hemas Hospitals (Pvt) Ltd.	50%	81%	1,468,547	1,241,225
Vishwa BPO (Pvt) Ltd.	100%	100%	6,172	10,000
			4,143,576	4,153,264
Quoted Investments				
Serendib Hotels PLC			248,101	248,101
Hemas Power PLC			1,941,137	1,941,137
Dolphin Hotels PLC			1,631	1,631
Total			6,334,445	6,344,133

Notes to the Financial Statements

15 Investment In Joint Ventures

	Company		Company	
	2014 Holding %	2013	2014 Rs.'000	2013 Rs.'000
Hellmann Worldwide Logistics (Pvt) Ltd.	-	49%	-	8,475
Hemas International Freight (Pvt) Ltd.	49%	49%	30,044	30,044
			30,044	38,519

15.1 Proportionate Interest In Joint Ventures

Aggregate amounts of Group's proportionate share of Heladhanavi Ltd's (47%), HIF Logistics (Pvt) Ltd (49%), H & M Shipping (Pvt) Ltd (50%), ACX International (Pvt) Ltd (49%) and PH Resorts (Pvt) Ltd (50.1%) included in the Group financial statements are as follows:

	2014 Rs.'000	2013 Rs.'000
Statement of Financial Position		
a) Current Assets	3,262,590	2,382,797
b) Non Current Assets	1,369,098	1,256,577
c) Current Liabilities	(2,250,809)	(2,087,228)
d) Non Current Liabilities	(4,418)	(388,451)
Income Statement		
e) Revenue	5,937,510	5,490,743
f) Net Profit	(461,226)	195,421

16 Investment In Associates

Unquoted

	Holding			
	2014 %	2013 %	2014 Rs.'000	2013 Rs.'000
Jada Resort & Spa (Pvt) Ltd	19.9%	19.9%	209,928	209,928
Cumulative Profit Accruing to the Group net of Dividend			18,503	11,397
Transfer- Goodwill on Acquisition			151,872	-
Carrying Amount of the Investment			380,303	221,325

Group Share of Associate's Statement of Financial Position	2014 Rs.'000	2013 Rs.'000
Current Assets	206,380	81,807
Non Current Assets	323,495	315,108
Current Liabilities	(76,176)	(70,990)
Non-Current Liabilities	(225,268)	(104,600)
Equity	228,431	221,325
Group Share of Associate's Income Statement		
Share of the Associate Revenue	80,386	48,009
Share of the Associate Profit Before Tax	11,651	1,554
Share of the Associate Profit After Tax	7,694	589

17 Other Financial Assets

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Available for Sale Investments				
Quoted Equity Shares (Note 17.1.1)	60,914	197,438	60,683	71,846
Unquoted Equity Shares (Note 17.1.1)	18,043	12,388	-	-
Total Available for Sale Investments	78,957	209,826	60,683	71,846
Loans and Receivables				
ESOS Receivables (Note 17.1.2)	318,487	274,462	111,519	96,389
Loan to Company Officers	100,526	82,684	7,934	9,893
Loans Due from Related Parties(Note 17.2.1)	-	-	716,875	694,709
Refundable Deposit	18,374	5,094	-	-
Short term Investments	816,283	-	-	-
Total Loans and Receivables	1,253,670	362,240	836,328	800,991
Held to Maturity Investment				
Loans to Associate/Joint Ventures	149,047	-	-	-
Total Held to Maturity Investments	149,047	-	-	-
Unquoted Equity Investments Held for Sale	8,474	-	8,474	-
Total Other Financial Assets	1,490,149	572,066	905,485	872,837
Total Non-Current (Note 17.1)	457,435	399,147	425,455	224,924
Total Current (Note 17.2)	1,032,714	172,919	480,030	647,913

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 assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired. 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 evaluates, 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.

		Group		Company	
		2014	2013	2014	2013
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
17.1	Other Financial Assets - Non Current				
	Investment In Equity Securities - Non Current (Note 17.1.1)	78,957	209,826	60,683	71,846
	ESOS Receivables(Note 17.1.2)	211,057	184,227	90,725	78,078
	Loans Due From Related Parties (Note 17.1.3)	-	-	125,000	75,000
	Refundable Deposits	18,374	5,094	-	-
	Loans to Associate/Joint Ventures	149,047	-	149,047	-
		457,435	399,147	425,455	224,924

Notes to the Financial Statements

17 Other Financial Assets Contd.

17.1.1 Investment In Equity Securities - Non Current

Group	No. of Shares 2014	No. of Shares 2013	Carrying Value 2014 Rs.'000	Carrying Value 2013 Rs.'000	Fair Value 2014 Rs.'000	Fair Value 2013 Rs.'000
(a) Quoted						
Overseas Realty (Ceylon) PLC	1,000	1,000	21	14	21	14
Eden Hotels Lanka PLC	127	127	3	4	3	4
Galadari Hotels PLC	2,000	2,000	20	24	20	24
Blue Diamond Jewellers PLC	1,300	1,300	1	4	1	4
Royal Palm Beach Hotels PLC	85	85	3	3	3	3
Mecantile Shipping Investments PLC	484,334	484,334	58,120	69,889	58,120	69,889
Kotmale Holdings PLC	40,000	40,000	2,080	1,436	2,080	1,436
John Keells Holdings PLC	2,081	2,081	472	514	472	514
Panasian Power PLC	-	139,200	-	125,550	-	125,550
Sierra Cables PLC	9,900	-	17	-	17	-
Nations Lanka Finance PLC	245	-	2	-	2	-
Distilleries Company of Sri Lanka PLC	490	-	99	-	99	-
Kelsey Development PLC	245	-	17	-	17	-
Keells Food Products PLC	49	-	1	-	1	-
Merchant Bank of Sri Lanka PLC	147	-	2	-	2	-
Sampath Bank PLC	294	-	54	-	54	-
Seylan Bank PLC	31	-	2	-	2	-
			60,914	197,438	60,914	197,438

	No. of Shares 2014	No. of Shares 2013	Carrying Value 2014 Rs.'000	Carrying Value 2013 Rs.'000
(b) Unquoted				
Rainforest Ecology (Pvt) Ltd.	1,000,000	1,000,000	12,000	12,000
SLFFA Cargo Services Ltd.	-	18,900	-	383
Coca Cola Beverages Ltd.	100	100	5	5
Ceybank Unit Trust	191,388	-	5,455	-
Eastern Hotels Limited	5,833	-	583	-
			18,043	12,388

Investment in Equity Securities - Non Current

Company	No. of Shares 2014	No. of Shares 2013	Carrying value 2014 Rs.'000	Carrying value 2013 Rs.'000	Fair value 2014 Rs.'000	Fair value 2013 Rs.'000
Overseas Realty (Ceylon) PLC	500	500	10	7	10	7
Kotmale Holdings PLC	40,000	40,000	2,080	1,436	2,080	1,436
Mercantile Shipping PLC	484,334	484,334	58,120	69,889	58,120	69,889
John Keells Holdings PLC	2,081	2,081	473	514	473	514
			60,683	71,846	60,683	71,846

17 Other Financial Assets Contd.

17.1.2 ESOS Receivables

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ESOS Receivable Beginning of the Year	274,462	274,811	96,389	93,045
Payment Made During the Year	(443)	(37,725)	-	(9,299)
Unwinding of Interest	44,468	37,376	15,129	12,643
	318,487	274,462	111,518	96,389
Non Current	211,057	184,227	90,725	78,078
Current	107,430	90,235	20,793	18,311

17.1.3 Loans Due From Related Parties

		Company	
	Relationship	2014	2013
		Rs.'000	Rs.'000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	-	15,000
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	60,000	60,000
Forbes Air Services (Pvt) Ltd.	Subsidiary	65,000	-
Jada Resorts & Spa (Pvt) Ltd.	Associate	149,047	-
		274,047	75,000

17.2 Other Financial Assets - Current

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ESOS Receivables	107,430	90,235	20,793	18,311
Loan to Company Officers	100,526	82,684	7,934	9,893
Loans Due From Related Parties (Note 17.2.1)	-	-	442,828	619,709
Unquoted Equity Investment held for sale	8,475	-	8,475	-
Short Term Investments	816,283	-	-	-
	1,032,714	172,919	480,030	647,913

17.2.1 Loans Due From Related Parties

		Company	
	Relationship	2014	2013
		Rs.'000	Rs.'000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	26,000	50,000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	19,300	21,540
Forbes Air Services (Pvt) Ltd.	Subsidiary	65,000	-
HIF Logistics (Pvt) Ltd.	Joint Venture	-	124
Hemas Hospitals (Pvt) Ltd.	Subsidiary	-	366,895
Hemtours (Pvt) Ltd.	Subsidiary	-	65,000
N-able (Pvt) Ltd.	Subsidiary	75,000	75,000
Peace Haven Resorts (Pvt) Ltd.	Subsidiary	254,211	40,000
Serendib Hotels PLC	Subsidiary	2,977	1,150
Leisure Asia Investments Ltd.	Subsidiary	340	-
		442,828	619,709

Notes to the Financial Statements

18 Inventories

	Group	
	2014	2013
	Rs'000	Rs'000
Raw Materials	747,024	306,323
Work In Progress	71,186	31,938
Finished Goods and Other Stocks	3,119,275	2,005,174
Goods In Transit	108,282	136,010
Less:Provision for Obsolete Stocks	(112,861)	(54,308)
	3,932,906	2,425,137

19 Trade and Other Receivables

	Group		Company	
	2014	2013	2014	2013
	Rs'000	Rs'000	Rs'000	Rs'000
Trade Debtors				
Related Parties (19.1)	-	-	105,094	258,872
Others	4,836,248	3,851,559	12,553	3,913
Ceylon Electricity Board	1,878,071	1,875,008	-	-
Less: Allowance for Impairment - Related Parties	-	-	(9,362)	(52,146)
- Other	(137,830)	(141,480)	(3,988)	(678)
	6,576,489	5,585,087	104,297	209,961
Other Debtors				
Related Parties (19.2)	-	-	123,882	692,539
Others	1,044,200	711,597	17,599	26,476
Advances and Prepayments	903,976	770,654	71,866	97,375
Less: Allowance for Impairment	(1,276)	(19,643)	-	-
	8,523,389	7,047,695	317,644	1,026,351

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
2014	6,576,489	5,878,209	417,431	94,853	47,881	80,695	57,420
2013	5,585,087	3,879,223	645,626	563,462	487,622	8,502	650

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
2014	104,297	58,218	11,336	7,274	6,210	4,866	16,393
2013	209,961	175,023	12,405	19,262	2,443	758	70

19 Trade and Other Receivables Contd.

19.1 Trade Dues From Related Parties

	Relationship	Company 2014 Rs'000	Company 2013 Rs'000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	3,031	69,364
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	500	1,101
Vishwa BPO (Pvt) Ltd.	Subsidiary	375	-
Hemas Travels (Pvt) Ltd.	Subsidiary	1,234	5,346
Hemas Power PLC	Subsidiary	306	174
Hemas Air Services (Pvt) Ltd.	Subsidiary	12,868	19,350
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	6	6
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	6,560	5,561
Hemas Hospitals (Pvt) Ltd.	Subsidiary	11,171	35,739
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	685	382
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	-	7,438
Hemas Aviation (Pvt) Ltd.	Subsidiary	63	35
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	22,118	11,046
Forbes Air Services (Pvt) Ltd.	Subsidiary	9,991	60,207
ACX International (Pvt) Ltd.	Joint Venture	145	219
Hemas Developments (Pvt) Ltd.	Subsidiary	-	8
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	1,036	508
Heladhanavi Ltd.	Joint Venture	805	90
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	2	7
Serendib Leisure Management (Pvt) Ltd.	Subsidiary	2,416	574
Serendib Hotels PLC	Subsidiary	8,344	5,749
Leisure Asia Investments Ltd.	Subsidiary	19	-
Jada Resort & Spa (Pvt) Ltd.	Associate	199	-
Dolphin Hotels PLC	Subsidiary	378	-
Mowbray Hotels (Pvt) Ltd.	Subsidiary	248	-
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	-	138
Hemas Maritime (Pvt) Ltd.	Subsidiary	39	-
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	127	21,575
N-able (Pvt) Ltd.	Subsidiary	15,736	10,654
Skynet Worldwide Express (Pvt) Ltd.	Joint Venture	-	30
Peace Haven Resorts Ltd.	Subsidiary	11	384
PH Resorts (Pvt) Ltd.	Joint Venture	1,082	-
Okanda Power Grid (Pvt) Ltd.	Subsidiary	-	33
Panasian Power PLC	Subsidiary	249	-
Hemas Logistics (Pvt) Ltd.	Subsidiary	5,350	3,154
		105,094	258,872

Notes to the Financial Statements

19 Trade and Other Receivables Contd.

19.2 Other Dues From Related Parties

		Company	
	Relationship	2014 Rs'000	2013 Rs'000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	15,601	34,897
Hemas Developments (Pvt) Ltd.	Subsidiary	17	75
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	22,723	14,917
Forbes Air Services (Pvt) Ltd.	Subsidiary	104	90
Hemas Aviation (Pvt) Ltd	Subsidiary	-	-
Hemas Travels (Pvt) Ltd.	Subsidiary	3,541	1,047
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	2,066	2,434
Vishwa BPO (Pvt) Ltd.	Subsidiary	971	3,531
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	25	8
Hemas Clinical Reserch Services (Pvt) Ltd.	Subsidiary	-	3,496
Hemas Hospitals (Pvt) Ltd.	Subsidiary	4,849	570,606
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	802	28
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	290	162
Hemas Power PLC	Subsidiary	5,883	3,241
Panasian Power PLC	Subsidiary	400	-
N-able (Pvt) Ltd.	Subsidiary	10,725	15,728
Peace Haven Resorts Ltd.	Subsidiary	5,822	5,907
PH Resorts (Pvt) Ltd.	Subsidiary	56	-
Skynet Worldwide Express (Pvt) Ltd.	Joint Venture	-	176
Hemas Air Services (Pvt) Ltd.	Subsidiary	1,215	154
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	376	25
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	3,942	22,064
Leisure Asia Investments Ltd.	Subsidiary	4,241	4,242
Hemas Transportation (Pvt) Ltd.	Subsidiary	26	12
H & M Shipping Services (Pvt) Ltd	Subsidiary	17	-
HIF Logistics (Pvt) Ltd.	Joint Venture	124	-
Mowbray Hotels Ltd.	Subsidiary	5,482	5,482
Serendib Leisure Management (Pvt) Ltd.	Subsidiary	21,725	7,658
Serendib Hotels PLC	Subsidiary	10	10
J.L Morison Son & Jones (Ceylon) Ltd.	Subsidiary	7,071	-
MSJ Industries Ceylon (Pvt) Ltd.	Subsidiary	982	-
Hemas Logistics (Pvt) Ltd.	Subsidiary	4,081	45
Hemas Intergrated Logistics (Pvt) Ltd.	Subsidiary	715	-
Less: Allowance for Impairment		-	(3,496)
		123,882	692,539

20 Stated Capital

	2014		2013	
	Number	Rs.'000	Number	Rs.'000
20.1 Fully Paid Ordinary Shares				
Balance at the Beginning of the Year	515,290,620	1,600,603	515,290,620	1,600,603
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.

21 Other Capital and Revenue Reserve

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the Beginning of the Year	409,751	440,601	257,032	257,032
Net Gain/(Loss) Recognised Directly In Equity	(9,462)	(30,850)	-	-
Balance at the End of the Year	400,289	409,751	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 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 after 1 April 2006 are carried at cost, net of any provision for impairment.

22 Interest Bearing Loans and Borrowings

22.1 Group

	2014	2013
	Rs.'000	Rs.'000
Balance as at Beginning of the Year	2,898,117	2,321,285
Obtained During the year	3,931,213	942,949
Acquired During the year	215,472	132,993
Disposed During the year	(9,582)	-
Repayments	(1,889,243)	(478,421)
Exchange Differences through Income Statement	48,151	16,768
Exchange differences through Other Comprehensive Income	53,782	(37,457)
Balance as at the End of the Year	5,247,910	2,898,117
Non Current	3,468,422	2,182,887
Current	1,779,488	715,230
	5,247,910	2,898,117

Notes to the Financial Statements

22 Interest Bearing Loans and Borrowings Contd.

22.1.1

Security and Repayment Terms	Lending Institution	Nature Of Facility	Interest Rate and Security	Repayment Terms	2014 Rs.'000	2013 Rs.'000
Hemas Holdings PLC	HNB	Term Loan	Interest - Monthly AWPLR + 0.4	Repayable over 6 Years Starting from 10th January 2014	266,664	503,001
	Commercial Bank	Term Loan	AWPLR + 0.5	Repayable over 4 years starting from 25 May 2014	449,774	-
	Commercial Bank	Short Term Loan	8.5% Renew Monthly	Repayable in 30 days	230,000	-
Hemas Pharmaceuticals (Pvt) Ltd.	Commercial Bank	Term Loan	9.87%		450,002	-
	HNB	Term Loan	8.65%	April'14	50,000	-
	HNB	Term Loan	8.85%		38,000	-
	HNB	Term Loan	10.27%	Repayable over 4 years, Starting from May 2014	293,750	-
	SCB	Short Term Loan	9.50%		30,000	-
	SCB	Short Term Loan	9.25%		83,000	-
	SCB	Short Term Loan	9.15%		49,000	-
	SCB	Short Term Loan	9.25%		51,400	-
	SCB	Short Term Loan	9.15%		93,500	-
	CITI Bank	Term Loan	9.85%		375,000	-
	DFCC	Term Loan	12.00%		200,000	-
	Central Finance	Finance Lease	11.75%	Repayable within 120 days	535	1,079
Heladhanavi Limited.	HSBC	Term Loan	1 Month LIBOR + 3.25 p.a Registered Undertaking to mortgage over Project assets(Land , Building , Plant & Machinery) for USD 6,400,000	36 Equal Monthly Installments of USD 177,777.78	-	63,271
	SCB	Term Loan	1 Month LIBOR + 3.25 p.a re Priced Quarterly Registered undertaking to mortgage over Project assets(Land , Building , Plant & Machinery) for USD 6,000,000	42 Equal Monthly Installments of USD 142,857	8,540	108,454

22 Interest Bearing Loans and Borrowings Contd.

22.1.1

Security and Repayment Terms	Lending Institution	Nature Of Facility	Interest Rate and Security	Repayment Terms	2014 Rs.'000	2013 Rs.'000
Heladhanavi Limited.	HSBC	Term Loan	1 Month LIBOR + 3.25 p.a Registered undertaking to mortgage over Project assets (Land , Building , Plant & Machinery) for USD 6,000,000	6 Equal quarterly installments of USD 750,000	-	358,287
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. 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.	68,327	79,820
	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.	308,450	427,850
	NTB	Finance Lease			-	1,103
	Sampath Bank	Term Loan	1.5% interest per annum above the average Weighted prime lending rate	Repayment over 5 years	400,000	-

Notes to the Financial Statements

22 Interest Bearing Loans and Borrowings Contd.

22.1.1

Security and Repayment Terms	Lending Institution	Nature Of Facility	Interest Rate and Security	Repayment Terms	2014 Rs.'000	2013 Rs.'000
Hemas Southern Hospitals (Pvt) 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 59 monthly installments.	67,655	103,887
	HNB	Term Loan		The Capital repayment of the loan commences after an extended grace period of 24 months from December 2013 which is need to be paid in 60 monthly installments.	100,000	-
Hemas Capital Hospital (Pvt) Ltd.	HNB	Term Loan	AWPLR+ 0.9%		150,000	-
Hemas Logistics (Pvt) Ltd.	Mercantile Investments	Finance Lease			27,333	43,187
	Sampath Bank	Finance Lease			13,981	19,619
	Union Bank	Finance Lease			4,343	7,994
	Central Finance	Finance Lease			4,419	160
	NDB	Term Loan	16.25% pa	48 months	4,578	5,230
	Union Bank	Term Loan	19.00% pa	48 months	-	8,432
	Commercial Bank	Term Loan			33,583	-
Hemas Integrated Logistics (Pvt) Ltd.	SCB	Term Loan	LIBOR + 4 p.a	54 months	156,876	-
Diethelm Travel Lanka (Pvt) Ltd.	NTB	Finance Lease			2,286	2,899
Skynet Worldwide Express (Pvt) Ltd.	Commercial Leasing	Finance Lease			-	317
	Melsta Regal Finance	Finance Lease			-	802

22 Interest Bearing Loans and Borrowings Contd.

22.1.1

Security and Repayment Terms	Lending Institution	Nature Of Facility	Interest Rate and Security	Repayment Terms	2014 Rs.'000	2013 Rs.'000
H & M Shipping Services (Pvt) Ltd.	SCB	Term Loan	Variable at the discretion of the Bank	36 Months	7,000	8,750
Serendib Hotels PLC	HNB	Term Loan	3 Months EURIBOR+ 3.5% p.a.	59 installments from Nov'12	86,426	99,858
	HNB	Term Loan	3 Months LIBOR+ 3.5% p.a.	59 installments from Nov'12	48,543	54,928
	HNB	Term Loan	3 Months EURIBOR+ 3.5% p.a.	60 installments from Nov'12	81,365	92,609
	HNB	Term Loan	3 Months LIBOR+ 3.5% p.a.	59 installments from Nov'12	45,384	50,830
	HNB	Term Loan	3 Months EURIBOR+ 5.25% p.a.	60 installments from Sep'13	102,842	104,617
Dolphin Hotels PLC	Commercial Bank EURO	Term Loan	At 3.75 over 1 month Euro LIBOR p.a.	72 installments from May '11	121,383	119,810
	HSBC	Term Loan	3 Month EURIBOR (0.221%) + 3.75% revised every 3 Month (From 01 Oct 2013)	48 Installments from September 2015	396,158	-
Miami Beach Hotel Ltd.	Commercial Bank GBP	Term Loan	At 3.75 over 1 month GBP LIBOR p.a.	72 installments from May '11	239,228	231,205
Hotel Sigiriya PLC	Commercial Bank	Term Loan	6.5% p.a.	60 monthly installments from Aug'09	-	116
Serendib Leisure Management (Pvt) Ltd.	Jada Resort (Pvt) Ltd.		Prevailing market Rate	On Demand	-	400,000
Panasian Power PLC	Commercial Leasing	Term Loan	18.75% p.a.	60 months from October 2011	3,367	-
		Finance Lease			1,894	-
J.L. Morison Sons & Jones (Ceylon) PLC	BOC	Term Loan	14.94% p.a.	24 Installments outstanding	6,219	-
	HNB	Term Loan	12.00% p.a.	23 Installments outstanding	2,400	-
	HNB	Term Loan	AWPLR + 2%	28 Installments outstanding	3,120	-

Notes to the Financial Statements

22 Interest Bearing Loans and Borrowings Contd.

22.2 Interest Bearing Loans and Borrowings

Company

	2014 Rs.'000	2013 Rs.'000
Interest Bearing Loans & Borrowings-Non Current		
Loans From Related Parties (Note 22.2.1)	410,140	820,496
Bank Loans (Note 22.1.1)	480,021	468,070
	890,161	1,288,566
Interest Bearing Loans & Borrowings-Current		
Loans From Related Parties (Note 22.2.1)	252,663	1,020,393
Bank Loans (Note 22.1.1)	466,417	34,931
Others	500	-
	719,580	1,055,324

22.2.1 *Total Loans From Related Parties*

	Relationship	As at 01.04.2013 Rs.'000	Obtained During the Year Rs.'000	Repayment/ Transfer Rs.'000	As at 31.03.2014 Rs.'000	As at 01.04.2012 Rs.'000	Obtained During the Year Rs.'000	Repayment/ Transfer Rs.'000	As at 31.03.2013 Rs.'000
Hemas Air Services (Pvt) Ltd.	Subsidiary	127,063	40,000	(133,274)	33,789	75,703	83,765	(32,405)	127,063
Hemas Developments (Pvt) Ltd.	Subsidiary	155,597	104,921	(160,000)	100,518	95,972	89,965	(30,340)	155,597
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	467,345	-	(412,823)	54,522	327,345	200,000	(60,000)	467,345
Hemas Marketing (Pvt) Ltd.	Subsidiary	-	36,000	-	36,000	-	-	-	-
Hemas Trading (Pvt) Ltd.	Subsidiary	-	25,600	-	25,600	-	-	-	-
Hemas Travles (Pvt) Ltd.	Subsidiary	-	50,001	-	50,001	-	-	-	-
Hemas Pharmaceuticals (Pvt)Ltd.	Subsidiary	-	-	-	-	150,000	170,000	(320,000)	-
Hemas Power PLC	Subsidiary	69,000	235,000	(304,000)	-	80,000	154,000	(165,000)	69,000
Peace Haven Resorts Ltd.	Subsidiary	-	-	-	-	197,289	-	(197,289)	-
Vishwa BPO (Pvt) Ltd.	Subsidiary	35,000	122,500	(141,750)	15,750	8,000	76,500	(49,500)	35,000
Forbes Air Services (Pvt) Ltd.	Subsidiary	105,491	-	(105,491)	-	182,994	15,000	(92,503)	105,491
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	-	5,000	-	5,000	-	-	-	-
Dolphin Hotels PLC	Subsidiary	203,200	471,200	(482,200)	192,200	-	210,200	(7,000)	203,200
Hotel Sigiriya PLC	Subsidiary	53,000	40,000	(93,000)	-	-	53,000	-	53,000
Serendib Leisure Management Ltd.	Subsidiary	468,000	225,000	(663,500)	29,500	-	561,000	(93,000)	468,000
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	50,000	80,000	(110,000)	20,000	-	80,000	(30,000)	50,000
Serendib Hotels PLC	Subsidiary	23,463	7,000	(24,500)	5,963	-	23,463	-	23,463
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	40,000	40,000	(80,000)	-	-	40,000	-	40,000
Hemas Logistics (Pvt) Ltd.	Subsidiary	43,730	93,730	(137,460)	-	-	43,730	-	43,730
Hemtours (Pvt) Ltd.	Subsidiary	-	93,958	-	93,958	114,072	-	(114,072)	-
PH Resorts & Spa (Pvt) Ltd.	Joint Venture	-	162,600	(162,600)	-	-	-	-	-
		1,840,889	1,832,510	(3,010,598)	662,801	1,231,375	1,800,623	(1,191,109)	1,840,889

Terms and Conditions

(1) Treasury Loans (Current)

Security - Unsecured

Repayment - Less than 1 year

Interest - Based on Market Rates

23 Other Non Current Financial Liabilities

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other Financial Liabilities at Amortised Cost				
Preference Shares	125,503	127,615	-	-
Rent Deposits/Advances	32,507	12,728	8,840	4,383
Total Other Financial Liabilities at Amortised Cost	158,010	140,343	8,840	4,383

23.1 Preference sheres represents Rs.135Mn Redeemable Preferance shares issued by Hemas Power PLC to National Development Bank.

24 Deferred Tax

Group

	Deferred Tax Assets		Deferred Tax Liabilities	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at Beginning of the Year	39,762	35,621	193,313	161,309
Income/(Expense) arising During the Year	12,819	2,865	22,474	26,061
Recognised through Equity	6,165	1,276	(2,482)	121
Acquired/Disposed During the Year	(165)	-	60,113	5,822
Balance at the End of the Year	58,581	39,762	273,418	193,313

Company

	Deferred Tax Liabilities	
	2014	2013
	Rs.'000	Rs.'000
Balance as at Beginning of the Year	51,196	40,056
Income/(Expense) arising During the Year	3,385	11,289
Recognised through Equity	(664)	(149)
Balance at the End of the Year	53,917	51,196

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
The Closing Deferred Tax Liability/(Asset) Balances Relate to the Following				
Revaluation of Land and Buildings to Fair Value	52,471	27,225	-	-
Revaluation of Investment Properties to Fair Value	56,973	51,114	56,973	51,114
Accelerated Depreciation for Tax Purposes	280,387	169,812	13,483	7,483
Employee Benefit Liability	(98,085)	(55,540)	(9,467)	(7,401)
Losses Available for Offset against Future Taxable Income	(42,701)	(39,060)	(4,451)	-
Others	(34,208)	-	(2,621)	-
	214,837	153,551	53,917	51,196

Notes to the Financial Statements

25 Employee Benefit Liability

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at Beginning of the Year	287,427	248,342	26,431	30,551
Acquisition of Subsidiary	88,632	346	-	-
Disposal of Subsidiary	(4,102)			
Charge for the Year (25.1)	76,359	61,552	4,419	5,269
Acturial (Gain) or Loss	39,648	3,387	2,905	535
Benefits Paid	(60,725)	(26,200)	(507)	(9,924)
Transfer		-	561	-
Balance as at the End of the Year	427,239	287,427	33,809	26,431

25.1 Post Employee Benefit Expense for

	Group 2014	Group 2013	Company 2014	Company 2013
Current Service Cost	30,579	32,179	1,512	1,909
Interest Cost	45,780	29,373	2,907	3,360
Post Employment Benefit Expense	76,359	61,552	4,419	5,269

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31/03/2014. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principel assumptions used are as follows:

	2014	2013
a. Demographic Assumptions		
Retirement Age	55 Years	55 Years
Assumed rate of employee turnover	1%	1%
b. Financial Assumptions		
Discount Rate Assumed (%)	11%	11%
Future Salary Increase (%)	9%	9%

25.2 Sensitivity of Assumptions Used in the Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

	Group		Company	
Assumed change in Financial Assumptions	Effect on Income Statement 2014 Rs.'000	Performa Post Employment Benefit Liability 2014 Rs.'000	Effect on Income Statement 2014 Rs.'000	Performa Post Employment Benefit Liability 2014 Rs.'000
In Discount Rate Increased By 1%	23,121	(23,121)	2,018	(2,018)
In Discount Rate Decreased By 1%	(26,041)	26,041	(2,311)	2,311
In Salary Increment Rate Increased By 1%	(27,416)	27,416	(2,334)	2,334
In Salary Increment Rate Decreased By 1%	23,584	(23,584)	2,070	(2,070)

26 Trade and Other Payables

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Payables				
Related Parties	-	-	-	-
Others	5,507,815	4,421,220	-	-
Other Payables				
Related Parties(26.1)	-	-	30,335	96,433
Others	1,071,484	552,688	31,915	34,990
Sundry Creditors including Accrued Expenses	1,365,640	925,347	67,098	25,209
Dividend payables-Unclaimed	11,689	6,789	4,103	3,170
	7,956,628	5,906,044	133,451	159,802

26.1 Non Trade Dues to Related Parties

	Relationship	Company 2014 Rs.'000	Company 2013 Rs.'000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	116	5,888
Forbes Air Services (Pvt) Ltd.	Subsidiary	146	1,421
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	2,813	2,812
ACX International (Pvt) Ltd.	Joint Venture	-	74
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	5,942	8,207
Hemas Marketing (Pvt) Ltd.	Subsidiary	221	-
Hemas Trading (Pvt) Ltd.	Subsidiary	157	-
Hemtours (Pvt) Ltd.	Subsidiary	317	-
Vishwa BPO (Pvt) Ltd.	Subsidiary	1,633	531
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	687	1,075
N-able (Pvt) Ltd.	Subsidiary	4,370	14,603
HIF Logistics (Pvt) Ltd.	Joint Venture	-	39
Hemas Travels (Pvt) Ltd.	Subsidiary	1,493	1,863
Hemas Power PLC	Subsidiary	-	9,853
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	27	-
Hemas Air Services (Pvt) Ltd.	Subsidiary	207	1,754
Hemas Developments (Pvt) Ltd.	Subsidiary	4,070	24,056
Hemas Hospitals (Pvt) Ltd.	Subsidiary	4,168	3,650
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	141	-
Peace Haven Resorts (Pvt) Ltd.	Subsidiary	-	10,842
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	44	214
Serendib Leisure Managements (Pvt) Ltd.	Subsidiary	238	5,355
Dolphin Hotels PLC	Subsidiary	1,914	2,715
PH Resorts & Spa (Pvt) Ltd.	Subsidiary	1,242	-
Hotel Sigiriya PLC	Subsidiary	-	664
Hemas Logistics (Pvt) Ltd.	Subsidiary	-	503
J.L Morison Son & Jones (Ceylon) Ltd.	Subsidiary	336	-
Serendib Hotels PLC	Subsidiary	53	314
		30,335	96,433

Notes to the Financial Statements

27 Cash and Cash Equivalents in Cash Flow Statement

		Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
	Components of Cash and Cash Equivalents				
27.1	Favourable Cash and Cash Equivalent Balances				
	Cash and Bank Balances	2,672,351	1,620,213	208,782	79,157
	Fixed Deposits, Treasury Bills and Repo Investments	460,416	1,603,167	155,686	6,144
		3,132,767	3,223,380	364,468	85,301
27.2	Unfavourable Cash and Cash Equivalent Balances				
	Bank Overdraft	(2,562,180)	(2,028,444)	(98,174)	(41,283)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	570,587	1,194,936	266,294	44,018

28 Acquisitions/Disposals of Subsidiaries and Joint Ventures

28.1 Business Combinations and Acquisitions in 2013/2014

28.1.1 Panasian Power PLC

On 24 April 2013, the Group acquired 20% of the voting shares of Panasian Power PLC there by increasing the Group stake to 29.3%.

The Group has elected to measure the Non-Controlling Interests in the acquiree at proportionate share of acquiree's identifiable net assets

Assets acquired and liabilities assumed:	Fair value recognised on acquisition Rs.'000
Assets	
Property, Plant and Equipment	455,903
Purchased Goodwill	288,140
Intangible Assets	10,758
Other Non Current Financial Assets	186,450
Trade and Other Receivables	34,275
Cash and Short Term Deposits	15,620
	991,146
Liabilities	
Interest Bearing Loans and Borrowings	(7,771)
Deferred Tax Liability	(22,237)
Employee Benefit Liability	(2,209)
Trade and Other Payables	(2,714)
Income Tax Payable	(2,992)
	(37,923)
Total Identifiable Net Assets at Fair Value	953,223
Non-Controlling Interests Measured at Proportionate Share of Acquiree's Identifiable Net Assets	(673,929)
Goodwill Arising on Acquisition	150,906
Purchase Consideration Transferred	430,200
Transfer of the Fair Value of the Investment in Quoted Equity Securities (AFS investment) held by Group Companies	(130,200)
Net Cash Acquired with the Subsidiary	(15,620)
Net Cash Flow on Acquisition	284,380

28 Acquisitions/Disposals of Subsidiaries and Joint Ventures Contd.

28.1 Business Combinations and Acquisitions in 2013/2014 Contd.

28.1.2 J.L. Morison Son & Jones (Ceylon) PLC

The Group purchased a 71.5% voting stake and 50% non-voting stake in J.L.Morison Son & Jones (Ceylon) PLC on 30 May 2013.

The Group has elected to measure the Non-Controlling Interests in the acquiree at fair value.

Assets acquired and liabilities assumed:	Fair value recognised on acquisition Rs.'000
Assets	
Property, Plant and Equipment	1,055,895
Intangible Assets	1,500
Other Non Current Financial Assets	5,431
Inventories	584,953
Trade and Other Receivables	688,396
Tax Recoverable	12,471
Other Current Financial Assets	261,704
Cash and Short Term Deposits	8,712
	2,619,062
Liabilities	
Interest Bearing Loans and Borrowings	(207,701)
Deferred Tax Liability	(37,926)
Employee Benefit Liability	(86,428)
Trade and Other Payables	(336,252)
Income Tax Payable	(236)
	(668,543)
Total Identifiable Net Assets at Fair Value	1,950,519
Non-Controlling Interests Measured at Fair Value	(797,683)
Goodwill Arising on Acquisition	570,288
Purchase Consideration Transferred	1,723,124
Net Cash Acquired with the Subsidiary	(8,712)
Net Cash Flow on Acquisition	1,714,412

Acquisition of additional interest in J.L. Morison Son & Jones (Ceylon) PLC

The Group further acquired 18.5% voting stake and 34.7% non voting stake in J.L.Morison Son & Jones (Ceylon) PLC by closing the mandatory offer and voluntary offer on 23 July 2013.

Cash consideration paid to non-controlling shareholders	527,402
Carrying value of the additional interest in J.L. Morison Son & Jones (Ceylon) PLC	527,402
Difference recognised in retained earning within equity	-

Notes to the Financial Statements

28 **Acquisitions/Disposals of Subsidiaries and Joint Ventures Contd.**

28.2 De-recognition of Interest in Joint Ventures in 2013/2014

Hellmann Worldwide Logistics (Pvt) Ltd

"The investment in Hellmann Worldwide has been reclassified as an Unquoted Equity Investment held for sale in the current year. Further to a review conducted on the performance of the company and its strategic fit within our transportation sector, it was decided to exit the business. Accordingly, our nominees resigned from the board and we are in discussion with our business partner based on the terms of the shareholder agreement for an amicable exit from the business."

The Group has elected to recognise the investment at cost as an Unquoted Equity Investment held for sale-Investment.

Share of Assets and liabilities de-recognised:

	Rs.'000
Assets	
Property, Plant and Equipment	6,734
Other Non Current Financial Assets	189
Trade and Other Receivables	49,857
Income Tax Receivable	48
	56,828
Liabilities	
Interest Bearing loans and Borrowing	(6,792)
Deferred Tax Liability	(50)
Employee Benefit Liability	(2,475)
Trade & Other Payables	(33,944)
Bank Overdraft	(41,359)
	(84,620)
Total identifiable net assets at fair value	(27,792)
Gain on De-recognition of Interest in Joint ventures	36,237
Unquoted Equity Investment Held for Sale	**8,445**

28.3 Disposal of Interest in Joint Ventures in 2013/2014

Skynet Worldwide Express (Pvt) Ltd

The Group disposed Skynet Worldwide Express (Pvt) Ltd (Joint Venture entity) on 15 March 2014.

Share of Assets and liabilities disposed:

	Rs.'000
Assets	
Property, Plant and Equipment	6,794
Intangible Assets	17
Deferred Tax Asset	165
Other Non Current Financial Assets	65
Trade and Other Receivables	33,072
	40,113
Liabilities	
Interest Bearing loans and Borrowing	(2,790)
Employee Benefit Liability	(1,627)
Trade & Other Payables	(19,553)
Income Tax Payable	(1,997)
Bank Overdraft	(6,479)
	(32,446)
Total identifiable net assets at fair value	7,667
Gain on Disposal of Interest in Joint ventures	4,833
Consideration Received	**12,500**

29 Fair Value

Group

Set out below is a comparision by class of the carrying values of Group's financial instrument that are carried in the financial statements.

	Carrying Amount		Fair Value	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	7,619,413	6,277,041	7,619,413	6,277,041
Other Financial Assets				
Loans to Company Officers	100,526	82,684	44,406	72,320
ESOS Receivables	318,487	274,462	127,314	260,468
Refundable Deposits	18,374	5,094	18,374	5,094
Available for Sale Investments	78,957	209,826	78,957	209,826
Short Term Investments	816,283	-	816,283	-
Cash and Short Term Deposit	3,132,767	3,223,380	3,132,767	3,223,380
Total	12,084,821	10,072,487	11,837,514	10,048,129
Financial Liabilities				
Other Non Current Financial Liabilities				
Redeemable Preferance Shares	125,503	127,615	125,503	127,615
Rent Deposits/Advances	32,507	12,728	32,507	12,728
Interest Bearing Loans and Borrowings	5,191,699	2,820,956	5,191,699	2,820,956
Obligations Under Finance Leases	56,211	77,161	61,825	83,420
Trade and Other Payables	7,956,628	5,906,044	7,956,627	5,906,044
Bank Overdraft	2,562,180	2,028,444	2,562,180	2,028,444
Total	15,924,728	10,972,948	15,930,341	10,979,207

Company

Set out below is a comparision by class of the carrying values of Company's financial instrument that are carried in the financial statements.

	Carrying Amount		Fair Value	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	245,778	928,976	245,778	928,976
Other Financial Assets				
Loans and Other Receivables				
Loans to Company Officers	7,934	9,893	6,830	8,397
Loans Due from Related Parties	716,875	694,709	716,875	694,709
ESOS Receivables	111,519	96,389	57,400	87,537
Available for Sale Investments	60,683	71,846	60,683	71,846
Cash and Short Term Deposit	364,468	85,301	364,467	85,301
Total	1,507,257	1,887,114	1,452,032	1,876,766
Financial Liabilities				
Interest Bearing Loans and Borrowings				
Loans due to Related Parties	662,803	1,840,889	662,804	1,840,889
Bank Loans	946,438	503,001	946,439	503,001
Other Non Current Financial Liabilities				
Rent Deposits	8,840	4,383	8,840	4,383
Trade and Other Payables	133,451	159,802	133,449	159,802
Bank Overdraft	98,174	41,283	98,174	41,283
Total	1,849,706	2,549,358	1,849,706	2,549,358

Notes to the Financial Statements

29 Fair Value Contd.

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/borrowings 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 2014, 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-Mar-2014 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for Sale Financial Assets Equity Shares	78,957	60,914	18,043	-

Assets Measured at Fair Value	31-Mar-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	-

Company

Assets Measured at Fair Value	31-Mar-2014 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for Sale Financial Assets Equity Shares	60,683	60,683	-	-

Assets Measured at Fair Value	31-Mar-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	-	-

30 **Event After the Reporting Period**

(a) The Board of Directors of the Company has declared a final dividend of Rs. 0.70 per share for the financial year ended 31 March 2014 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 24 July 2014.

In accordance with the Sri Lanka Accounting Standard (LKAS 10) - Events after the reporting period, the final dividend has not been recognized as a liability in the financial statements as at 31 March 2014.

(b) Hemas Holdings PLC issued ten million rated unsecured redeemable debentures carrying a coupon rate of 11% p.a. at the face value of LKR 100/- each on 23 April 2014 to raise Rupees one billion.

31 **Commitments & Contingencies**

31.1 Capital Commitments

(a) Panasian Power PLC

As per the Addendum entered into between Power Hub International Sdn Bhd, Padiyapelella Hydropower Limited and Panasian Power PLC for the acquisition of 90% stake of Padiyapelella Hydropower Limited, an advance payment of Rs 276,450,000 has been paid.

The Panasian Power PLC is liable to pay the balance payment of Rs 633,550,000 on the completion and commencement of operation of Padiyapelella Hydropower Limited, which is currently under construction.

(b) Hemas Capital Hospitals (Pvt) Ltd.

Company entered an agreement with Wipro GE Healthcare Pvt Ltd - India to implement software for Hospital Management System. Final version has not been delivered yet and as per the agreement Rs 16,575,000 (US $ 127,500) to be paid with the completion of the project.

31.2 Contingencies

(a) Hemas Holdings PLC

The contingent liability as at 31 March 2014 on guarantees given by Hemas Holdings PLC, to banks on behalf of subsidiaries & joint venture relating to facilities obtained, are as follows;

	2014 Rs.'000	2013 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
Hemas Hospitals (Pvt) Ltd.	592,749	200,000
Serendib Hotels PLC	418,800	418,800
N-able (Pvt) Ltd.	535,000	320,000
	1,966,549	1,208,800

(b) Hemas Travels (Pvt) Ltd.

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

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 M/S Gulliver's Travels Associates amounting to GBP 15,000/-.

Notes to the Financial Statements

31 Commitments & Contingencies Contd.

31.2 Contingencies Contd.

(c) Hemas Air Services (Pvt) Ltd.

The Company has obtained a guarantee from Standard Chartered Bank favouring Malaysian Airline System Berhad for the purpose of MAS Holidays Universal AirTravel Plan Subscriber Agreement amounting to USD 25,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Malaysian Airline System Berhad for the purpose of GSA Agreement / Passenger amounting to USD 80,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Malaysian Airline System Berhad for the purpose of GSA Agreement Cargo amounting to USD 605,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Air Port & Aviation Services (Pvt) Ltd amounting to Rs. 12,615,000/-.

The Company has obtained a guarantee from Standard Chartered Bank on behalf of Hemas Aviation (Pvt) Ltd, favouring Island Aviation Services Ltd amounting to Rs. 1,000,000/-.

The Company has obtained a guarantee from Standard Chartered Bank on behalf of Hemas Aviation (Pvt) Ltd, favouring Alitalia - Compagnia Area Itaiana S.P. amounting to EUR 75,000/-.

The Company has obtained a guarantee from Standard Chartered Bank on behalf of Discover the World Marketing (Pvt) Ltd , favouring Discover Momentum LLC & China Southern Airlines Company Limited amounting to USD 10,000.00 & USD 70,000.00 respectively.

(d) 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 Services (Pvt) Ltd amounting to Rs.263,424/-.

The Company has obtained a guarantee from Standard Chartered Bank favouring Director General of Civil Aviation amounting to Rs.97,682,000/-

The Company has obtained a guarantee from Standard Chartered Bank favouring IWS Logestics (Pvt) Ltd taken on behalf of Hemas Logistic (Pvt)Ltd amounting to Rs.8,420,000/-.

(e) 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 in 2011/2012 financial year, the loss on fraud incurred by the company is Rs. 1,600,000. The status of the case to be mentioned on 17 June 2014.

(f) Hemas Power PLC

The Department of Inland Revenue raised assessments for income tax by challenging the venture capital company status and the treatment of interest income as business income, for the years of assessment 2008/2009, 2009/2010, 2010/2011 & 2011/2012. For the years of assessment 2008/2009 & 2009/2010, the determination of the Commissioner General of Inland Revenue was unfavorable to the Company. However, the Company has appealed to the Tax Appeals Commission and no provision has been made in these financial statements. For the years of assessment 2010/2011 & 2011/2012 the Company has filed appeals against the assessments.

31 Commitments & Contingencies Contd.

31.2 Contingencies Contd.

(g) Hemas Aviation (Pvt) Ltd

The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd in favouring Island Aviation Services Ltd amounting LKR 1,000,000.

The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd in favouring Alitalia - Compagnia Area Itaiana S.P.A amounting EUR 75,000.

(h) Discover the World Marketing (Pvt) Ltd

The Company has obtained a guarantee from Standard Chartered Bank , favouring Discover Momentum LLC & China Southern Airlines Company Limited amounting to USD 10,000.00 & USD 70,000.00 respectively.

(i) FAR Shipping Lanka (Pvt) Ltd

The Company has obtained a guarantee from Standard Chartered Bank favouring Sri Lanka Ports Authority for the Credits facility obtained amounting to Rs 500,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Director of Merchant Shipping to obtain Shipping license amounting Rs. 500,000/-.

31.3 Lease Commitments

Opearating Lease Commitments

	2014 Rs.'000	2013 Rs.'000
Within one Year	67,193	28,720
One to five Years	393,063	158,800
More than five Years	1,397,529	887,326
Total	1,857,785	1,074,396

Lease Commitments	Leased Property	Lessor
Hemas Hospitals	Land	Nihila Garments Pvt Ltd
Hemas Capital Hospitals	Land	Dhammika Eliyapura
Integrated Logistics	Land	Scanwell Logistic Colombo (Pvt) Ltd.

Notes to the Financial Statements

31.4 Commitments and Contingencies of the Jointly Controlled Entities
Heladhanavi Limited

31.4.1 Operations & 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.

- The company 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.

31.4.2 Fuel Transport Agreement with LTL Projects (Pvt) Ltd

The company has entered into a contract 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.

31.4.3 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 USD 500,000 per annum.

According to the clause 3.5 (C) of fuel supply agreement, company has established two Letters of Credit in favor of Ceylon Petroleum Corporation:

- At Nations Development Bank - to the value of Rs. 300Mn

- At Sampath Bank- to the value of Rs. 300Mn

31.4.4 Power Purchase Agreement with Ceylon Electricity Board

The liability occurs if the company fails to supply Minimum Guaranteed Energy Amount (MGEA), which is 698,417,280 kWh per year.

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

31.4.5 Eligibility to Apply for a Generation License

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 25 MW is eligible to apply for a Generation License, provided that in the said company either the government or a public corporation or a company in which the government holds more than fifty per centum of the shares or a subsidiary of such a company, holds such number of shares as may be determined by the Secretary to the Treasury, with the concurrence of the Minister-in-charge of the subject of Finance.

Heladhanavi Ltd ('Heladhanavi') too, which is currently operating under the Generation License validly obtained on 26th September 2003, applied for a Generation License under the Sri Lanka Electricity Act No. 20 of 2009. However, Heladhanavi was informed by Public Utilities Commission 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 Heladhanavi) from this requirement.

However, Heladhanavi sought legal opinion in this regards and was informed that, Heladhanavi is entitled to seek legal remedies and indemnification under the 'Changes in Law' section of the Power Purchase Agreement and the Implementation Agreement.

32 Assets Pledged

The Following assets have been pledged as security for liabilities as at the reporting date.

Name Of the Company	Nature Of Asset	Nature of Liability	Carring Amount of the Assets Pledge 2014 Rs.'000	2013 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)	941,333	2,556,932	Property , Plant and Equipment and Trade Debtors
	Land, Building, Plant, Machinery & Trade Debtors	US $ 11,600,000	4,864,231	6,541,225	
	Land, Building, Plant and Machinery	US $ 6,000,000(Term Loan with Standard Chartered Bank)	941,333	2,556,932	Property , Plant and Equipment
	Fixed Deposit (US $)	Overdraft	1,102,267	685,206	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) Primary Mortgage upto the value of Rs. 20 Mn to Commercial Bank of Ceylon PLC (Overdraft facility of Rs.20Mn) A supplementary mortgage bond in EURO executed in connection with primary mortgage bond no 3120 dated 13/07/2010 linking the rupee exposure in foreign currency.	980,000	630,985	Property , Plant and Equipment
Miami Beach Hotels Ltd	Freehold Land and Buildings	Primary Mortgage up to the value of Rs. 234.6 Mn to Commercial Bank of Ceylon PLC (EIB Loan) Primary Mortgage upto the value of Rs. 10 Mn to Commercial Bank of Ceylon PLC A supplementary mortgage bond in GBP executed in connection with primary mortgage bond no 1425 dated 13/07/2010 linking the rupee exposure in foreign currency.	515,396	493,398	Property , Plant and Equipment
Hotel Sigiriya PLC	Property , Plant and Equipment	Primary Mortgage up to the value of Rs.1.75 Mn to Commercial Bank of Ceylon PLC	-	2,458	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	1,240,460	1,271,254	Property , Plant and Equipment
Hemas Southern Hospitals (Pvt) Ltd.	Land and Building	Concurrent mortgage to the extent of Bank facility obtained from Sampath Bank	431,641	395,000	Property , Plant and Equipment

Notes to the Financial Statements

33 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Company 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 three 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 program 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and 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 foregin exchange rates.The Group's exposure to the risk of changes in foregin exchange rates relates primarily to the Group operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and net investment in foreign subsudiaries.

The major part of the foriegn transactions is dealt with US Dollars and Euros. The Group has a natural hedging by way of its operational transactions as the inflow of foriegn currency through export sale off sets the import cost.

In addition, the Group manages its foriegn currency exposure by using foriegn currency forward contracts.

Equity Price Risk

The Group's listed 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. 60 Mn and Rs.18 Mn respectively.

Credit Risk

Credit risk is the risk that counterparty 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, foriegn exchange transaction and other financial instruments.

33 Financial Risk Management Objectives and Policies Contd.

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 assesed based on the credit risk evaluation model and individual credit limites are defined in accourdance 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 Company 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 counterparties as per this Policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis, and updated throughout the year . The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company'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, and intercompany borrowings. 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.

Notes to the Financial Statements

33 **Financial Risk Management Objectives and Policies Contd.**

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 of managing capital during the years ended 31 March 2014 and 31 March 2013.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

As at 31 March 2014	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
Interest-Bearing Loans and Borrowings	-	230,000	1,549,488	2,733,608	734,814	5,247,910
Other Non-Current Financial Liabilities	-	-	-	32,507	125,503	158,010
Trade and Other Payable	-	7,956,627	-	-	-	7,956,628
Bank Overdraft	2,562,180	-	-	-	-	2,562,180
	2,562,180	8,186,627	1,549,488	2,766,115	860,317	15,924,728
As at 31 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 Payable	-	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

Company

As at 31 March 2014	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
Interest-Bearing Loans and Borrowings	-	230,000	489,580	623,497	266,664	1,609,741
Other Non-Current Financial Liabilities	-	-	-	8,840	-	8,840
Trade and Other Payable	-	133,451	-	-	-	133,451
Bank Overdraft	98,174	-	-	-	-	98,174
	98,174	363,451	489,580	632,337	266,664	1,850,206
As at 31 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

34 Related Party Disclosures

Details of Significant Related party disclosures are as follows:

34.1 Transactions with Related Entities

Guarantees

Guarantees given by the Company to banks on behalf of related parties are disclosed in the note 31.2 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 the 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	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Services Rendered	532,856	461,873	-	-	532,856	461,873
Bank Guarantee Fees Receivable	8,214	7,138	-	-	8,214	7,138
IT Charges Receivable	96,549	66,754	-	-	96,549	66,754
Rent Receivable	12,049	6,973	-	-	12,049	6,973
Loan Interest Income Receivable	68,649	84,475	-	-	68,649	84,475
Dividend Income	575,092	477,675	-	1,136	575,092	478,811
Treasury Loans Granted	(939,544)	(572,276)	-	-	(939,544)	(572,276)
Loan Interest Expense Payable	(146,416)	(201,750)	-	-	(146,416)	(201,750)
Receipt of Services	(71,652)	(32,208)	-	-	(71,652)	(32,208)
Shared Service Fee Payable	(9,813)	(6,928)	-	-	(9,813)	(6,928)
Purchase of Air Tickets/ Foreign Currency	(23,542)	(8,330)	-	-	(23,542)	(8,330)
Treasury Loans Obtained	1,832,510	1,800,623	-	-	1,832,510	1,800,623
Repayment of Loans /Transfer	(3,010,595)	(1,191,109)	-	-	(3,010,595)	(1,191,109)
Other	9,882	11,726	-	-	9,882	11,726

34.2 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	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Short Term Benefits	316,019	234,308	71,770	49,001

(b) Transactions, Arrangements and Agreements Involving Key Management Personnel

No significant transactions had taken place involving Key Management Personnel & their Close Family Members other than the disposal of Buildings of Hemas Corporate Services (Pvt) Ltd to a KMP (Board Director- Hemas Holdings PLC) for a consideration of Rs. 22Mn .

Notes to the Financial Statements

35 Segmental Information

Information based on the primary segments (Business Segment)

For the year ended 31 March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	9,544,591	7,691,263	12,182,033	9,046,584	1,562,771	1,643,375	1,540,112	1,100,731	6,457,483	5,509,449	2,560,852	1,925,582	33,847,842	26,916,984
Intra Segmental Revenue	-	-	(117,817)	(71,040)	-	-	-	-	-	-	(87,672)	(71,382)	(205,489)	(142,422)
Segment Revenue	9,544,591	7,691,263	12,064,216	8,975,544	1,562,771	1,643,375	1,540,112	1,100,731	6,457,483	5,509,449	2,473,180	1,854,200	33,642,353	26,774,562
Inter Segmental revenue	-	-	(17)	-	-	-	-	-	-	-	(809,087)	(676,200)	(809,104)	(676,200)
Total Revenue	9,544,591	7,691,263	12,064,199	8,975,544	1,562,771	1,643,375	1,540,112	1,100,731	6,457,483	5,509,449	1,664,093	1,178,000	32,833,249	26,098,362
Results														
Segmental Results	862,380	684,198	1,096,818	805,390	346,753	514,159	482,728	379,944	(75,371)	314,805	(75,630)	(328,380)	2,637,678	2,370,116
Finance Cost	(6,078)	(8)	(238,947)	(143,652)	(55,655)	(161)	(34,439)	(15,116)	(177,792)	(153,803)	(144,165)	(57,363)	(657,076)	(370,103)
Finance Income	58,561	108,903	15,794	13,469	50,597	13,009	35,800	64,614	108,058	124,776	56,907	17,879	325,717	342,650
Change in Fair Value of Investment Properties	-	-	-	-	-	-	-	-	-	-	729,269	65,324	729,269	65,324
Share of results of associate	-	-	-	-	11,651	1,554	-	-	-	-	-	-	11,651	1,554
Profit/(Loss) before Tax	914,863	793,093	873,665	675,207	353,346	528,561	484,089	429,442	(145,105)	285,778	566,381	(302,540)	3,047,239	2,409,541
Income Tax	(87,188)	(47,826)	(189,753)	(181,896)	(65,858)	(64,069)	(56,061)	(101,449)	(16,661)	1,088	(70,813)	(79,546)	(486,334)	(473,698)
Profit/(Loss) for the Year	827,675	745,267	683,912	493,311	287,488	464,492	428,028	327,993	(161,766)	286,866	495,568	(382,086)	2,560,905	1,935,843
Attributable to:														
Equity Holders of the Parent	821,606	745,267	718,810	520,440	153,360	232,889	425,055	322,009	(194,540)	220,827	484,985	(381,772)	2,409,276	1,659,660
Non Controling Interests	6,069	-	(34,898)	(27,129)	134,128	231,603	2,973	5,984	32,774	66,039	10,583	(314)	151,629	276,183
	827,675	745,267	683,912	493,311	287,488	464,492	428,028	327,993	(161,766)	286,866	495,568	(382,086)	2,560,905	1,935,843

35 **Segmental Information Contd.**

Information based on the primary segments (Business Segment)

As At 31st March	FMCG 2014 Rs.'000	FMCG 2013 Rs.'000	Healthcare 2014 Rs.'000	Healthcare 2013 Rs.'000	Leisure 2014 Rs.'000	Leisure 2013 Rs.'000	Transportation 2014 Rs.'000	Transportation 2013 Rs.'000	Power 2014 Rs.'000	Power 2013 Rs.'000	Others 2014 Rs.'000	Others 2013 Rs.'000	Group 2014 Rs.'000	Group 2013 Rs.'000
Assets and Liabilities														
Non Current Assets														
Property, Plant and Equipment	1,550,524	1,198,345	4,213,299	2,613,684	3,992,367	2,475,222	503,122	248,844	2,136,447	2,392,534	252,378	1,214,543	12,648,137	10,143,172
Investment Property	-	-	-	-	-	-	-	-	-	-	3,038,365	1,770,989	3,038,365	1,770,989
Other Non Current Financial Assets	158,909	506,758	709,559	121,462	105,975	12,054	627,553	199,795	309,787	428,880	550,198	380,521	2,461,981	1,649,470
Other Non Current Assets	2,639,984	135,794	2,815,174	1,860,140	926,238	880,563	238,321	87,024	2,141,637	1,432,180	7,948,039	6,414,671	16,709,393	10,810,372
Segmental Non Current Assets	4,349,417	1,840,897	7,738,032	4,595,286	5,024,580	3,367,839	1,368,996	535,663	4,587,871	4,253,594	11,788,980	9,780,724	34,857,876	24,374,003
Deferred Tax Assets													58,580	39,762
Eliminations/Adjustments													(17,286,059)	(11,353,828)
Total Non Current Assets													17,630,397	13,059,937
Current Assets														
Other Current Financial Assets	160,941	92,130	298,896	20,651	251,855	801,360	44,995	138,017	521,393	73,168	486,916	689,824	1,764,996	1,815,150
Segmental Current Assets	2,945,164	3,085,028	5,480,613	4,292,847	1,796,975	948,875	2,053,180	2,089,055	3,430,359	3,003,983	1,490,901	1,735,047	17,197,192	15,154,835
Tax Refunds	-	-	-	-	-	-	-	-	-	-	-	-	126,716	78,590
Eliminations/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,340,412)	(4,100,854)
Total Current Assets													16,748,492	12,947,721
Total Assets													34,378,889	26,007,658
Non Current Liabilities														
Segmental Non-Current Liabilities	103,010	69,764	2,031,351	584,010	1,013,671	1,119,094	302,708	96,318	144,717	671,803	961,173	1,384,782	4,556,630	3,925,771
Other Non-Current Financial Liabilities	1,108,490		5,302			1,215	16,149	3,225	353,720	3,905	8,840	4,383	1,492,501	12,728
Deferred Tax Liability													273,417	193,313
Eliminations/Adjustments													(1,995,459)	(1,327,842)
Total Non Current Liabilities													4,327,089	2,803,970
Current Liabilities														
Segmental Current Liabilities	2,004,011	1,645,036	4,786,339	4,176,419	1,138,486	1,010,679	1,814,509	1,675,844	3,204,485	2,501,032	1,734,041	1,752,029	14,681,871	12,761,039
Income Tax Liability													123,869	141,591
Eliminations/Adjustments													(2,383,575)	(4,111,321)
Total Current Liabilities													12,422,165	8,791,309
Total Liabilities													16,749,254	11,595,279
Total Segment Assets	7,455,522	5,018,055	13,517,541	8,908,784	7,073,410	5,118,074	3,467,171	2,762,735	8,539,623	7,330,745	13,766,797	12,205,595	53,820,064	41,343,988
Total Segment Liabilities	2,107,021	1,714,800	6,817,690	4,760,429	2,152,157	2,130,988	2,117,217	1,775,387	3,349,202	3,176,740	2,695,214	3,141,194	19,238,501	16,686,810
Other Segmental Information														
Acquisition Cost of Property Plant and Equipment	356,532	131,328	919,128	635,239	1,265,307	116,988	334,472	79,016	99,425	55,093	213,860	345,958	3,188,724	1,363,622
Depreciation of Segmental Assets	115,448	103,485	243,607	154,293	131,120	125,167	62,795	35,157	233,961	218,401	119,041	71,091	905,972	707,593
Provision for Retiring Gratuity	11,801	69,764	19,884	89,834	9,107	39,793	7,971	36,506	2,295	5,242	25,301	46,286	76,359	287,425
Impairment/Amortization of Intangibles	30,322	36,542	9,282	2,858	2,648	1,153	265	115	1,441	-	3,465	1,337	47,423	42,005

Notes to the Financial Statements

36 Group Companies

	Effective Holding		Voting Power		Principal Activities
	2014	2013	2014	2013	
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
Unicorn Investment (Pvt) Ltd.	100%	-	100%	-	Reserch and Development Services
J L Morison Son & Jones (Ceylon) PLC	89%	-	89%	-	Importing and distribution of consumer 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.	83%	81%	83%	81%	Hospital Services
Hemas Southern Hospitals (Pvt) Ltd.	83%	81%	83%	81%	Hospital Services
Hemas Capital Hospital (Pvt) Ltd.	83%	81%	83%	81%	Hospital Services
Hemas South Colombo Hosipitals (Pvt) Ltd.	83%	81%	83%	81%	Hospital Services
Hemas Clinical Research Services (Pvt) Ltd.	100%	100%	100%	100%	Support Services of Clinical Trials
J L Morison Son & Jones (Ceylon) PLC	89%	-	89%	-	Importing and distribution of Pharmaceuticals and medical aid
M. S. J. Industries (Ceylon) (Pvt) Ltd.	89%	-	89%	-	Manufacturing and Trading Pharmaceuticals
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 Resorts & Spa (Pvt) Ltd**	20%	20%	20%	20%	Operating a Tourist Hotel
Diethelm Travel Lanka (Pvt) Ltd.	60%	80%	60%	80%	Destination Management Services
Diethelm Travel The Maldives (Pvt) Ltd.	49%	66%	49%	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
PH Resort & Spa (Pvt) Ltd.*	50%		50%		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%	Airline Representation

36 Group Companies Contd.

	Effective Holding 2014	Effective Holding 2013	Voting Power 2014	Voting Power 2013	Principal Activities
TRANSPORTATION					
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
Hellmann Worldwide Logistic (Pvt) Ltd.	-	49%	-	49%	Freight Forwarders
HIF Logistics (Pvt) Ltd.*	49%	49%	49%	49%	Freight Forwarders
Skynet Worldwide Express (Pvt) Ltd.*	-	49%	-	49%	Courier Services
ACX International (Pvt) Ltd.*	49%	49%	49%	49%	Courier Services
H & M Shipping (Pvt) Ltd.*	50%	50%	50%	50%	Crew Boat Servicing
Hemas Maritime (Pvt) Ltd.	100%	100%	100%	100%	Break Bulk Casual Callers & Cargo Handling
Hemas Logistics (Pvt) Ltd.	57%	50%	57%	50%	General Carries & Warehousing
Hemas Integrated Logistics (Pvt) Ltd.	57%		57%		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
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
Panasian Power PLC	29%		29%	-	Mini Hydro Power Plant
Manelwala Hydropower	29%	-	29%	-	Mini Hydro Power Plant
Rathganga Hydropower	29%	-	29%	-	Mini Hydro 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.	100%	95%	100%	95%	Hotel Property
N-able (Pvt) Ltd.	100%	100%	100%	100%	Enabling Information & Technology Solutions
J L Morison Son & Jones (Ceylon) PLC	89%	-	89%	-	Importing and distribution of Agro Chemicals
M. S. J. Promotional Services	89%	-	89%	-	Promotional Activities
M. S. J. Cargos (Ceylon) (Pvt) Ltd.	89%	-	89%	-	Wharf Clearing Activities
M. S. J. Hotels (Ceylon) (Pvt) Ltd.	89%	-	89%	-	Hotel Industry
M. S. J. Foods (Ceylon) (Pvt) Ltd.	89%	-	89%	-	Food and Beverage
M. S. J. Tours (Ceylon) (Pvt) Ltd.	89%	-	89%	-	Transport Services

** Jointly controlled entities*

*** Associates*

Share Information

Analysis of Shareholders According to the Number of Shares as at 31 Mar 2014

Shareholdings	Resident Number of Shareholders	Resident No of Shares	Resident (%)	Non Resident Number of Shareholders	Non Resident No of Shares	Non Resident (%)	Total Number of Shareholders	Total No of Shares	Total (%)
1 to 1000 Shares	3,633	1,677,147	0.33	22	14,232	0.00	3,655	1,691,379	0.33
1001 to 10,000 Shares	1,563	5,433,028	1.05	34	162,664	0.03	1,597	5,595,692	1.08
10,001 to 100,000 Shares	355	10,646,759	2.07	16	451,494	0.09	371	11,098,253	2.16
100,001 to 1000,000 Shares	70	24,531,992	4.76	19	6,223,846	1.21	89	30,755,838	5.97
Over 1,000,000 Shares	23	437,327,519	84.87	7	28,821,939	5.59	30	466,149,458	90.46
	5,644	479,616,445	93.08	98	35,674,175	6.92	5,742	515,290,620	100.00

Categories of Shareholders	No of Shareholders	No of Shares
Individual	5,429	47,821,379
Institutional	313	467,469,241
	5,742	515,290,620

Computation of Public Shareholding

Issued Share Capital as at 31 March 2014	515,290,620
Less	
Parent Company	0
Subsidiaries of Parent	0
Directors' shareholding (a)	18,502,040
Spouses of Directors & CEO	0
Key Management Personnel	0
Close Family Members (b)	2,500,000
Controlling Interest (c)	348,720,825
Over 10% holding	0
	145,567,755
Public Holding	
Public Holding as a % of Issued Share Capital	28.25%

(a) Directors' Shareholding

	31.03.2014	31.03.2013
Mr. A.N. Esufally	2,283 585	2,283 585
Mr. H.N. Esufally (CEO)	5,836,705	5,836,705
Mr. I.A.H. Esufally	4,424,000	6,424,000
Mr. M.A.H. Esufally	5,946,500	5,946,500
Mr. M.E. Wickremesinghe	11,250	11,250
Mr P.K Mohapatra	-	-
Mr. R. Gopalakrishnan	-	-
Mr. D. S Weerakkody	-	-
Dr. S.A.B. Ekanayake	-	-
Mr. S.M. Enderby	-	-
Mr. W. M. De F. Arsakularatne	-	-
	18,502,040	

(b) Close Family Members

	31.03.2014	%	31.03.2013
Ms. Sabrina Esufally	250,000		Nil
Mr. Adam Esufally	250,000		Nil
Ms. Sakina Esufally	2,000,000		Nil
	2,500,000		

(c) Controlling Interest

	31.03.2014	%	31.03.2013
AZ Holdings (Pvt) Ltd	90,762,875	17.61	90,762,875
Saraz Investments (Pvt) Ltd	86,396,035	16.77	86,396,035
Blueberry Investments (Pvt) Ltd	85,781,250	16.65	85,781,250
Amagroup (Pvt) Ltd	85,780,665	16.65	85,780,665
	348,720,825		

Share Information

Share Trading

Market Price	2014		2013	
Highest (Rs.)	42.20	31/01/2014	33.70	10/09/2012
Lowest (Rs.)	26.70	04/04/2013 and 05/04/2013	19.10	06/06/2012
As at year ended (Rs.)	37.70	31/03/2014	27.00	28/03/2013
No. of Trades	6,849		4,531	
No. of Shares Traded	28,777,453		13,115,731	
Value of Shares Traded (Rs. Mn)	999		351	
Market Capitalization (Rs.Mn)	19,426		13,913	

List of Top 20 Major Shareholders

	2014 No. of Shares	%	2013 No.of Shares
A Z Holdings (Private) Limited	90,762,875	17.61	90,762,875
Saraz Investments (Private) Limited	86,396,035	16.77	86,396,035
Blueberry Investments (Private) Limited	85,781,250	16.65	85,781,250
Amagroup (Private) Limited	85,780,665	16.65	85,780,665
Employees Provident Fund	27,262,341	5.29	27,259,122
Hsbc Inttl Nom Ltd-Ssbt-National Westminster Bank PLC (As Depository Of First State Indian Subcontinent)	9,732,370	1.89	9,732,370
Hsbc Inttl Nom Ltd-Ssbt-National Westminster Bank PLC (As Depository Of First State Asia Pacific Susta)	6,272,899	1.22	6,272,899
Murtazaali Abidhussen Hassanaly Esufally	5,946,500	1.15	5,946,500
Husein Nuruddin Esufally	5,836,705	1.13	5,836,705
Jacey Trust Services (Private) Limited-Account No-2	5,750,000	1.12	5,750,000
Hsbc Inttl Nominees Ltd-Jpmcb-Scottish ORL SML TR GTI 6018	5,149,500	1.00	-
Lexinton Holdings (Private) Limited	4,947,500	0.96	4,947,500
Sri Lanka Insurance Corporation Ltd-Life Fund	4,720,700	0.92	6,635,700
Jacey Trust Services (Private) Limited	4,602,498	0.89	4,613,750
Employees Trust Fund Board	4,438,386	0.86	4,413,425
Imtiaz Abidhusein Hassanally Esufally	4,424,000	0.86	6,424,000
Anverally And Sons (Private) Ltd - A/C No.1	4,207,881	0.82	3,828,661
Hsbc Inttl Nom Ltd-Jpmcb-Pacific Assets Trust PLC	3,051,800	0.59	3,051,800
Cocoshell Activated Carbon Company Limited	2,995,690	0.58	2,665,175
J B Cocoshell (Pvt) Ltd	2,993,354	0.58	-
Total	451,052,949	87.54	

Five Year Summary

Year Ended 31st March Rs.'000	2014	2013	2012	2011	2010
Operating Results					
Group Revenue	32,833,249	26,098,362	21,532,503	18,067,489	14,997,405
Profit Before Taxation	3,047,239	2,409,541	1,521,080	1,569,345	1,094,719
Taxation	486,334	473,698	259,772	214,154	160,075
Profit After Taxation	2,560,905	1,935,843	1,261,308	1,355,191	934,644
Profit Attributable to the Parent	2,409,276	1,659,660	1,164,525	1,210,159	901,730
Equity & Liabilities					
Stated and Preference Shares	1,600,603	1,600,603	1,600,603	1,468,426	1,369,223
Reserves	1,322,840	1,724,228	1,601,854	646,083	805,983
Retained Earnings	11,377,081	8,828,511	7,447,822	6,613,376	5,516,910
Non Controlling Interests	3,329,111	2,259,037	1,990,665	1,589,630	1,488,104
Non Current Liabilities	4,327,089	2,803,970	1,938,996	2,203,470	1,570,430
Current Liabilities	12,422,165	8,791,309	8,075,746	6,585,210	5,316,281
	34,378,889	26,007,658	22,655,686	19,106,195	16,066,931
Assets					
Property, Plant & Equipment	13,571,854	11,293,957	10,283,616	7,446,650	7,033,615
Investment Property	1,683,130	578,453	474,685	1,309,965	1,261,410
Leasehold Property	145,847	90,592	94,455	98,386	61,845
Intangible Assets	1,333,247	436,701	461,499	491,318	333,073
Investments (Associate & Others)	837,738	620,472	503,468	445,257	241,564
Deferred Tax Assets	58,581	39,762	35,621	35,014	22,805
Current Assets	16,748,492	12,947,721	10,802,342	9,279,605	7,112,618
	34,378,889	26,007,658	22,655,686	19,106,195	16,066,931
Key Indicators					
Earnings Per Share (Rs.)*	4.68	3.22	2.27	2.36	1.76
Dividends Per Share (Rs.)*	0.75	0.55	0.50	0.70	0.36
Dividend Cover (No. of Times)	6.2	5.9	4.5	3.4	4.9
Interest Cover (No. of Times)	5.6	7.5	4.3	6.2	3.3
Net Asset Per Share (Rs.)*	27.8	23.6	20.7	17.3	15.1
Cash from Operating Activities (Rs.' 000)	2,895,800	1,863,616	1,096,261	1,994,663	1,407,985
Current Ratio (No. of Times)	1.3	1.5	1.3	1.4	1.3
Gearing (%)	30.7	25.5	25.0	27.8	25.8
ROE (%)	18.2	14.6	12.0	14.6	12.3

* Comparative figures adjusted for sub division of ordinary shares in the proportion of 5:1 that took place in July 2010.

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
Equity Attributable to Equity Holders of the Parent.

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 of 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 11th Annual General Meeting of Hemas Holdings PLC will be held at the 'Forum Area' The Institute of Chartered Accountants of Sri Lanka, 30A Malalasekara Mawatha, Colombo 7 on Tuesday 15 July 2014 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 31 March 2014, together with the Reports of the Directors and Auditors thereon.

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

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

4. To re- appoint Mr. Dinesh Weerakkody as a Director of the Company in terms of Article 72 of the Articles of Association of the Company.

5. To re- appoint Dr. Anura Ekanayake as a Director of the Company in terms of Article 72 of the Articles of Association of the Company.

6. To re- appoint Mr. Steven Enderby as a Director of the Company in terms of Article 72 of the Articles of Association of the Company

7. To re- appoint Mr. Malinga Arsakularatne as a Director of the Company in terms of Article 72 of the Articles of Association of the Company.

8. To declare a final dividend of Rs. 0.70 per Ordinary share as recommended by the Board.

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

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

By Order of the Board of,
HEMAS HOLDINGS PLC

Hemas Corporate Services (Private) Limited
Secretaries

23 June 2014

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

A Proxy need not be a Member of the Company.

A Form of Proxy accompanies this Notice.

Notes

Notes

Notes

Form of Proxy

I/We ....
of..

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

Mr. 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. Dinesh Weerakkody	or failing him
Dr. Anura Ekanayake	or failing him
Mr. Steven Enderby	or failing him
Mr. Malinga Arsakularatne	or failing him

Mr./Mrs. ....
of..

as my/our Proxy to speak and /to vote for *me/us on *my/our behalf at the 11th Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Tuesday 15 July 2014 at the 'Forum Area', The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara Mawatha, Colombo 7 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 31.03.2014 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect as Director, Mr. Abbas Esufally. retiring by rotation in terms of the Articles of Association of the Company.		
3.	To re-elect as Director, Mr. Maithri Wickremesinghe retiring by rotation in terms of the Articles of Association of the Company.		
4.	To re-appoint Mr. Dinesh Weerakkody as a Director of the Company in terms of the Articles of Association of the Company..		
5.	To re-appoint Dr. Anura Ekanayake as a Director of the Company in terms of the Articles of Association of the Company.		
6.	To re-appoint Mr. Steven Enderby as a Director of the Company in terms of the Articles of Association of the Company.		
7.	To re-appoint Mr. Malinga Arsakularatne as a Director of the Company in terms of the Articles of Association of the Company.		
8.	To declare a final dividend of Rs. 0.70 per Ordinary share as recommended by the Board.		
9.	To re-appoint M/s Ernst & Young, Chartered Accountants, as auditors of the Company and to authorize the Directors to determine their remuneration.		
10.	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 THE 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
Husein Esufally (Chairman)
Abbas Esufally
Imtiaz Esufally
Murtaza Esufally
Maithri Wickremesinghe
Pradipta Mohapatra
Ramabadran Gopalakrishnan
Dinesh Weerakkody
Dr. Anura Ekanayake
Steven Enderby (CEO)
Malinga Arsakularatne

Secretaries
Hemas Corporate Services (Pvt) Ltd
Hemas House,
No. 75, Braybrooke Place,
Colombo 2
Telephone: 4 731731 (hunting)
Facsimile: 4 731777

Registrars
SSP Corporate Services (Pvt) Ltd
101, Inner Flower Road,
Colombo 3 (w.e.f 1st April 2014)

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

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

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www.hemas.com

Hemas Holdings PLC
Hemas House,
75, Braybrooke Place,
Colombo 02, Sri Lanka.